KIMO, INC.

A Delaware Corporation
16561 N. Gemini LN
Huntington Beach, CA 92647

Telephone: 714-450-6333
Facsimile: 657-204-2906

Corporate Website: www.kimospirits.com
Company Email: info@kimospirits.com

SIC Code: 2085

Quarterly Report

For the period ending DECEMBER 31, 2023 (the "Reporting Period")

The Total Shares Outstanding for Class A Common stock is 11,651,176 and The Total Shares Outstanding for Class B Common stock is 15,175,531 as of END OF REPORTING PERIOD

Indicate whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):
Yes: ☐ No: ■

Indicate whether the company's shell status has changed since the previous reporting period:
Yes: ☐ No: ■

Indicate whether a Change in Control of the company has occurred over this reporting period:
Yes: ☐ No: ■

OTCQB: KIMO

KIMO, INC. (the "Issuer"), is responsible for the content of this information and disclosure statement for the quarter ended December 31, 2023 (the "Disclosure Statement"), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. marketplace. The information contained in this Disclosure Statement has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the "SEC") or any state securities commission. Any representation to the contrary is a criminal offense.

Table of Contents

Cautionary Note Regarding Forward-Looking Statements

This Disclosure Statement contains “forward-looking statements” with respect to the Issuer’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Disclosure Statement that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Issuer’s operations, the Issuer’s plans and references to the Issuer’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Issuer made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors.” Whether or not actual results and developments will conform to the Issuer’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Disclosure Statement, including the particular risks associated with the alcoholic beverages industry;
- the inability of the Issuer to meet its marketing objectives;
- economic conditions in the alcoholic beverages industry and market;
- general economic, market and business conditions;
- global or regional political, economic or financial conditions, events and situations;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations, and;
- other world economic and political developments.

Risk Factors

- Regulatory risk: The alcohol industry is highly regulated, and any changes in regulations or failure to comply with existing regulations could result in significant legal and financial consequences.
- Market saturation risk: The alcohol market is already highly competitive and saturated, and new entrants may struggle to establish themselves and gain market share.
- Brand recognition risk: Building a recognizable and trusted brand in the alcohol industry can be difficult and expensive, and failure to do so could hinder sales and growth.
- Supply chain risk: Sourcing quality ingredients, managing inventory, and ensuring timely delivery can be challenging, especially for a new manufacturer.
- Production capacity risk: Scaling up production to meet demand can be difficult and expensive, and overproduction or underproduction could lead to significant financial losses.
- Product differentiation risk: Creating a unique and appealing product that stands out from competitors can be difficult, especially in an industry where many products are similar.
- Health risk: Alcohol consumption is associated with a range of health risks, and negative health effects or increased awareness of health risks could negatively impact sales.
- Economic risk: Economic downturns or changes in consumer spending habits could significantly impact sales and profitability.
- Distribution risk: Building relationships with distributors and ensuring consistent and reliable distribution can be challenging for new manufacturers.
- Marketing and advertising risk: Marketing and advertising alcohol products can be difficult and expensive, and failure to effectively promote products could hinder sales.
- Dependence on key personnel risk: A new manufacturer may rely heavily on key personnel, and the loss of key personnel could negatively impact operations and growth.
- Intellectual property risk: Protecting intellectual property, such as unique recipes or brand names, can be difficult and expensive, and infringement by competitors could negatively impact sales and growth.
- Talent recruitment risk: Attracting and retaining top talent in the competitive alcohol industry can be challenging, especially for a new and relatively unknown manufacturer.
- Financial risk: Raising adequate capital to fund operations and growth is crucial for a new alcohol beverage manufacturer, but there is always a risk that investors may be unwilling to invest or that the company may run out of funds before becoming profitable.
- Investor dilution risk: Raising capital through equity financing may require the company to give up a significant percentage of ownership, which could dilute the value of existing shares and reduce the founders' control over the company. This could also make it more difficult to raise future rounds of funding if investors perceive the company as being overvalued.

Quarterly Report For the Period Ending December 31, 2023

Item 1: Exact name of the issuer and the address of its principal executive offices

Kimo, INC.
16561 N. Gemini LN
Huntington Beach, CA 92647

(i) Telephone of the issuer's principal executive offices, 714-450-6333
(ii) Website: www.kimospirits.com
This website contains general information about the Issuer. The reference to our website is an interactive textual reference only, and the information contained on our website shall not be deemed incorporated by reference herein.
(iii) Issuer's investor relations: MZ
- MZ Group
- Greg Falesnik | CEO | MZ North America
- 5055 Av. Encinas, Suite 130. Carlsbad, CA 92008
- D: 949.385.6449 | C: 949.793.14.24
- E-mail: greg.falesnik@mzgroup.us

Check box if principal executive office and principal place of business are the same address: √

Item 2: Shares outstanding

Common A Stock:
(i) Period end date: 12-31-2023
(ii) Number of shares authorized: 25,000,000
(iii) Number of shares outstanding: 11,651,176
(iv) Freely tradable shares (public float): 0
(v) Number of beneficial shareholders owning at least 100 shares: 7
(vi) Total number of shareholders of record: 7

Common B Stock:
(i) Period end date: 12-31-2023
(ii) Number of shares authorized: 75,000,000
(iii) Number of shares outstanding; 15,175,531
(iv) Freely tradable shares (public float): 10,419,050
(v) Number of beneficial shareholders owning at least 100 shares: 316
(vi) Total number of shareholders of record: 316

Item 3: Interim financial statements.

The Company's NON audited financial statements as of and for the quarter ended December 31, 2023 are attached as ***Exhibit 1*** *to this Disclosure Statement. The historical results presented herein are not necessarily indicative of financial results to be achieved in future periods. The Company's audited financial statements attached as exhibits to this Disclosure Statement are incorporated herein by reference and are considered as part of this Disclosure Statement:*

- balance sheet;
- statement of income;
- statement of cash flows; and
- financial notes

Item 4: Management's discussion and analysis or plan of operation.

During Q3, the Company substantially advanced its capital projects, personnel adjustments and strategic plan to begin Phase 2 of its 5-year plan. In late Q2 KIMO launched the first of its scalable portfolio products – TRUSTED FRIENDS COCKTAIL, the first in the industry - all natural mezcal based premium bartender developed classic cocktail line to a receptive California market. This successful launch has led to product launches in Texas and Illinois for Q3 and a wider launch for Q4 of fiscal 2023. The Company its Tasting Room restaurant and distillery venue, ow open full time is finding a steadily growing market for it offerings. The Portfolio timeline for both these brands – Surf City Still Works and Trusted Friends Cocktails are on schedule and doing better than anticipated in their early stages.

Currently, the major source of cash continues to be operations and investor participation. The major use of cash continues to focus on building inventory for the product launches, sales and marketing of new products, and the payment of salaries, general and administrative costs.

This is the second quarter of the Company's Phase 2 - a two to three year period of brand launching, market execution and scaling, allowing each operating unit/brand to reach their inflection points to scale. Each unit has a different timeline to reach the go/no go decision to either sell the brand to a strategic partner, scale it internally to add further value or to further extend the Company's investment in its development.

Item 5: Legal proceedings

None.

Item 6: Defaults upon senior securities

None.

Item 7: Other information

None

Item 8: Exhibits

*The Company's NON audited financial statements as of and for the quarter ended December 31, 2023 are attached as **Exhibit 1** to this Disclosure Statement. The historical results presented herein are not necessarily indicative of financial results to be achieved in future periods. The Company's audited financial statements attached as exhibits to this Disclosure Statement are incorporated herein by reference and are considered as part of this Disclosure Statement:*

- balance sheet;
- statement of income;
- statement of cash flows; and
- financial notes

Item 9: Certifications

CERTIFICATIONS

I, James Patrick Walsh, certify that:

1. I have reviewed this Quarterly disclosure statement of Kimo, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: 2/14/2024

/s/ James Walsh

[Signature]
Chief Executive Officer

CERTIFICATIONS

I, Norm Lewis, certify that:

1. I have reviewed this Quarterly disclosure statement of Kimo, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: 2/14/2024

/s/ Norm Lewis

[Signature]
Chief Financial Officer

Kimo, Inc

Consolidated Financial Statements

As of and for the Period Ended December 31, 2023 (nine months)

(unaudited)

Kimo, Inc.
Index to Consolidated Financial Statements

Kimo, Inc.
Consolidated Balance Sheet
for the comparative quarters ended
(unaudited)

	December 31 2023	September 30, 2023	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,648	$ 12,511	$ (8,863)
Accounts Receivable	598,168	642,932	(44,764)
Inventory	736,426	750,378	(13,952)
Prepaid expenses	23,477	26,477	(3,000)
Note receivable related party	134,000	133,000	1,000
Total current assets	1,495,719	1,565,298	(69,579)
OTHER ASSETS			
Property and equipment, net	1,082,937	1,165,370	(82,433)
Right-Of-Use(ROU) asset-property	163,705	243,375	(79,670)
Line of Credit Facility Fee	417,203	500,650	(83,447)
Other assets	316,081	386,083	(70,002)
Goodwill	7,341,378	7,341,378	-
Other Intangibles- net	1,505,232	1,549,594	(44,362)
Total other assets	10,826,537	11,186,451	(359,914)
Total assets	$ 12,322,255	$ 12,751,748	$ (429,493)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 2,167,919	$ 1,565,954	$ 601,965
Current portion of long-term debt	89,171	48,400	40,771
Current portion of lease liability	149,214	263,361	(114,147)
Total current liabilities	2,406,305	1,877,716	528,589
Non-Current liabilities			
Long-term debt, Portion of Notes due over 1 year	1,535,749	1,462,566	73,183
Total non-current liabilities	1,535,749	1,462,566	73,183
Stockholders' Equity			
Common stock, Par Value $0.0001			
Common stock- Class A shares, 100,000,000 authorized,issued 11,651,176	1,165	1,206	(41)
Common stock- Class B shares, 100,000,000 authorized, issued 15,175,531	1,518	1,418	100
Paid-in capital	30,053,458	30,205,891	(152,433)
Accumulated deficit	(21,598,706)	(20,797,049)	(801,657)
Total stockholders' equity	8,380,201	9,411,466	(954,090)
Total liabilities & stockholders' equity	$ 12,322,255	$ 12,751,748	$ (429,493)

Kimo, Inc.
Consolidated Statement of Operations
for the nine months ended
(unaudited)

	Total of Nine months ended December 31	%	Quarter ended December 31, 2023	%	Total of six months ended September 30	%
Sales, net	$ 2,405,534	100%	$ 605,349	100%	$ 1,800,185	100%
Cost of Goods Sold	1,067,867	44%	164,859	27%	903,008	50%
Gross Profit(Loss)	1,337,667	56%	440,490	73%	897,177	50%
Operating Expenses						
Selling	175,884	7%	86,569	14%	89,315	5%
General and administrative	3,764,102	156%	1,155,578	191%	2,608,524	145%
Total Selling, General and adminitrative	3,939,986		1,242,147		2,697,839	
Net loss before benefit for income taxes	(2,602,319)	-108%	(801,657)	-132%	(1,800,662)	-100%
Benefit for Income taxes	-		-		-	
Net Loss	$ (2,602,319)	-108%	$ (801,657)	-132%	$ (1,800,662)	-100%

Kimo,Inc.
Consolidated Statement of Cash Flows
(unaudited)

	For the period ended December 31,2023	For the period ended September 30,2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (801,657)	$ (470,506)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and Amortization	126,793	126,793
Change in long-term debt,lease liability	40,771	(87,670)
Amortization of line of credit facility fee	83,447	83,447
Non-Cash lease Expense	(29,156)	2,915
Changes in operating assets and liabilities in:		
Trade receivables	44,764	(303,067)
Inventories	13,952	(49,584)
Other assets	(553,911)	(22,400)
Accounts Payable and accrued payables	601,965	247,087
NET CASH USED IN OPERATING ACTIVITIES	(473,032)	(472,985)
CASH FLOWS FROM INVESTING ACTIVITIES		
Providing of loan to shareholder	(1,000)	(15,000)
NET CASH USED IN INVESTING ACTIVITIES	(1,000)	(15,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	335,659	237,427
Proceeds from line of credit	100,000	50,000
Payments on notes payable	34,725	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	470,384	287,427
NET DECREASE IN CASH	(3,648)	(200,558)
CASH AT BEGINNING OF PERIOD	12,511	213,069
CASH AT END OF PERIOD	$ 8,863	$ 12,511
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 25,798	$ 11,810
Cash paid for taxes		$ -

1. Nature of Business

Kimo, Inc. (the "Company"), is a portfolio management company specializing in the distilling, refining, and creating premium spirit brands and better for you based beverages both alcoholic and non-alcoholic. The company, through a series of acquisitions has brought together a combination of entities which all contribute in the creation of premium "better-for-you" beverages and cocktail brands.

In November 2021, Hawaiian Vintage Chocolate Company as a debtor in possession was allowed to merge with Azoth, Inc. and the resultant merged Reorganized Debtor was renamed Kimo, Inc. As a result of the merger, the Reorganized debtor was permitted to own DWLL LLC, Surf City Still Works LLC (SCSW), Beverage Ventures, Inc (BVI) and Kimo Sabe S.A.P.I de CV.

Together with the wholly owned foreign entity, Kimo Sabe S.A.P.I. de CV, located in the Mezcal farming regions of Zacatecas, Mexico; the Company is positioned to gain entry into the specialty spirit's market primarily in the United States of America.

Surf City Still Works LLC is a distillery located in Huntington Beach California. Beverage Ventures, Inc. is a specialty retail supplier of a unique blend of Aga Vie French Cognac. DWLL is a worldwide distributor and brand marketer of spirits products.

In order to mitigate the impact of unexpected events like Covid in the future and to diversify market risks across multiple brands, and channels, the Company developed a plan in 2021 to create a portfolio of product opportunities for scaling in the highest growth categories in spirits. The result was to create a strategic brand investment and venture capital company with capacities to develop or acquire, manage and scale brands. Specifically, focused on the better-for-you category, agave-based spirits with a focus on mezcal, premium RTD (ready to drink) cocktails and craft distilled product categories.

Management Plans

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced losses and negative cash flows during the period ended December 31, 2023. The Company expects operating losses and negative cash flows to continue until such time that revenues can scale and support operational costs. These matters raise substantial doubt about the ability of the Company to continue as a going concern within one year after the date the financial statements are available to be issued.

The Company's capital requirements will depend on many factors and the Company may need to use available capital resources and/or raise additional capital earlier than currently anticipated. Should the Company pursue additional debt and/or equity financing, there can be no assurance that such financing will be available on terms commercially acceptable to the Company. However, management believes its current capital, near term budget, and access to a substantial amount of capital under its line of credit (Note 5), will allow the Company to operate normally, for at least twelve months from the time the financial statements were available to be issued. Accordingly, Management believes the substantial doubt has been alleviated.

2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Basis of Accounting

The accounts are maintained and the consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of expenses during the reporting periods. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of . The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. The Company does not have any level 2 or 3 assets or liabilities.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company had no cash equivalents.

Accounts Receivable

Accounts receivables are stated at amounts management expects to collect from outstanding balances. Credit is extended to customers based upon evaluation of the customer's financial condition, and collateral is not required. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2023 there were no allowances made for doubtful accounts.

Inventory

Inventories consist of finished goods, inventory in transit, and raw materials, and are stated at the lower of cost and net realizable value. Cost is determined using weighted-average costs, and includes all costs incurred to deliver inventory to the Company's distribution centers including freight, nonrefundable taxes, duty, and other landing costs.

The Company makes provisions as necessary to appropriately value goods that are obsolete, have quality issues, or are damaged. The amount of the provision is equal to the difference between the cost of the inventory and its estimated net realizable value based upon assumptions about future demand, selling prices and market conditions. In addition, the Company provides for inventory shrinkage based on historical trends from actual physical inventory counts. Inventory shrinkage estimates are made to reduce the inventory value for lost or stolen items.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided on the straight-line method over the assets' estimated service lives. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lives of the respective leases or the service lives of the improvements. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statement of operations of the respective period. The estimated useful lives of property and equipment was generally 5 years.

Goodwill

We are required to assess our goodwill for impairment at least annually. We may elect to first do a qualitative assessment to determine whether it is more likely than not that a reporting unit's fair value is in excess of its carrying value. If the qualitative assessment concludes that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is performed. If the fair value is determined to be less than its carrying value, we record goodwill impairment equal to the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

Long-lived Assets

The Company evaluates its long-lived assets including definite lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made.

Business Combination

ASC 805, Business Combinations ("ASC 805"), applies the acquisition method of accounting for business combinations to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. ASC 805 establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Accounting for acquisitions requires the Company to recognize, separately from goodwill, the assets acquired and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue in accordance with guidance of Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. For the majority of the Company's customer arrangements, control transfers to customers at a point in time when goods/services have been delivered as that is generally when legal title, physical possession and risks and rewards of goods/services transfers to the customer and the performance obligation is complete. The company applies the five-step approach outlined in the new revenue standards as follows:

- Identify the contract with a customer
- Identify the performance obligation
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Company satisfies its performance obligation

The Company's net revenues consist primarily through the sale of alcohol-based products. The Company has historical sold to wholesale channels. The Company's revenue generating activities have a single performance obligation and are recognized when the ordered goods are shipped to the end customer, which is when control transfers. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the sale of its product. The Company's sales terms do not typically allow for a right of return on sales to wholesale and distributor customers except for matters related to any manufacturing defects or damage. Amounts billed to customers for shipping and handling are included in net revenues and the time period between when revenue is recognized and when payment is due is not typically significant. As of December 31, 2023 there was no deferred revenue.

Net revenues reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, or other allowances. This variable consideration is recognized as a reduction of the transaction price based upon expected amounts at the time revenue for the corresponding product sale is recognized. Management estimates this variable consideration by taking into account factors such as the nature of the promotional activity, historical information, and current trends, availability of actual results and expectations of customer and consumer behavior. All such estimates were not material for the year ended December 31, 2023.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, Compensation — Stock Compensation, which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported. Stock-based compensation is recognized as an expense over the employee's requisite vesting period and over the nonemployee's period of providing goods or services.

The Company measures employee stock-based awards at grant-date fair value and recognizes employee compensation expense on a straight-line basis over the vesting period of the award. Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions related to the fair value of the Company's common stock.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and income tax bases of assets and liabilities. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The U.S. federal returns for the Company's acquired companies for the year ended March 31, 2019, and after, are open for Internal Revenue Service examination. The Company has not recorded any liability related to uncertain tax positions.

Foreign Currency Translation

All assets and liabilities in the balance sheet of a foreign subsidy whose functional currency is other than the U. S. dollar are translated at year-end exchange rates. All revenues and expenses in the statement of operations, of these foreign subsidiaries, are translated at average exchange rates for the year. Translation gains and losses are not included in determining net income but are shown in accumulated other comprehensive gain (loss) of the consolidated balance sheet. Foreign currency transaction gains and losses are included in determining net income. No reporting of gains or losses are reflected in these consolidated financial statements as the amounts are considered negligible.

Leases

We determine whether an arrangement is a lease at inception. This determination generally depends on whether the arrangement conveys the right to control the use of an identified fixed asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if we obtain the rights to direct the use of, and to obtain substantially all of the economic benefit from, the use of the underlying asset. Some of our operating lease agreements include variable lease costs, including taxes, and common area maintenance or increases in rental costs related to inflation. Such variable payments, other than those dependent upon a market index or rate, are expensed when the obligation for those payments is incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise are considered short-term leases and are not recorded on the consolidated balance sheet.

Right-of-use assets and lease liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term. When a borrowing rate is not explicitly available for a lease, our incremental borrowing rate is used based on information available at the lease's commencement date to determine the present value of its lease payments. Operating lease payments are recognized on a straight-line basis over the lease term.

We have operating leases for facilities used for our operations. Our leases have remaining lease terms of less than two year, excluding renewal options. We consider these renewal options in determining the lease term used to establish our right-of-use assets and lease liabilities when it is determined that it is reasonably certain that the renewal option will be exercised.

Net Loss per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share on a combined basis for Class A and B common stock. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive. As all potentially dilutive securities are anti-dilutive as of December 31, 2023 diluted net loss per share is the same as basic net loss per share. Potentially dilutive items outstanding as of December 31, 2023 related to 1,869,884 warrants and 60,000 shares from a convertible debenture (Note 5). Dilutive items exclude convertible debt where the conversion feature is not yet available to the holder.

Concentrations of Risk

The Company maintains cash deposits financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

The company’s revenues were derived primarily from two customers, which represented an aggregate of 77% respectively of total revenues during the year ended December 31, 2023. The loss of revenues of one or more of these vendors would negatively impact on the Company.

Recent Accounting Pronouncements

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

3. Certain on Balance Sheet Assets and Liabilities

See Note 8, for related party receivable.

Inventory

Inventories consist of the following:

		December 31, 2023
Raw materials	$	356,149
Work-in-progress		105,242
Finished Goods		275,035
Total	$	736,426

Property and Equipment

Property and equipment consisted of the following:

		December 31, 2023
Warehouse equipment	$	199,082
Leasehold improvements		852,348
Office furniture and equipment		18,887
Production equipment		1,526,088
Building construction		281,137
		2,877,542
Less: accumulated depreciation		(1,794,604)
Net property and equipment	$	1,082,938

Depreciation expense for the period ended December 31, 2023 was $82,432. Depreciation for the nine months is stated at $247,296.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses is comprised of amounts due suppliers (vendors) for the purchase of goods and services used in the ordinary course of business.

		December 31, 2023
Trade payables	$	1,378,036
Credit cards		60,802
Accrued payroll related liabilities		511,206
Other accrued expenses		217,875
Total	$	2,167,929

4. Goodwill and Long-Lived Intangible Assets

Goodwill

Goodwill represents the excess of purchase price over the underlying net assets of businesses acquired. Goodwill is not amortized but is subject to annual impairment tests. At March 31, 2022 the Company had Goodwill in the amount of $14,794,492 related to its acquisition of Surf City Still Works, LLC (SCSW) and Beverage Ventures, Inc. (BVI). During the fourth quarter of fiscal 2023 the company performed its annual impairment test and determined that goodwill was more than likely impaired as a result of deteriorating economic conditions, negative cash flows and losses and actual results not aligning with original projections. Management has elected to test for impairment of Goodwill on an annual basis.

	BVI	SCSW	Totals
Goodwill balance at March 31, 2023	$ 747,897	$ 6.593,481	$ 7,341,378
Impairment	-0-	-0-	-0-
Goodwill balance at December 31, 2023	$ 747,897	$ 6,593,481	$ 7,341,378

In making fair value assessments for the impairment analysis, there is considerable judgment required. The use of different estimates may result in a materially different outcome. In making its estimates, Management made certain estimates related to market indicators to estimate the reporting unit's fair value. In making those estimates, Management was required to identify comparable companies, assesses applicable metrics to be used, and apply those metrics to current projections from Management.

Long-Lived Intangible Assets

Intangible assets were acquired as a result of acquisitions. The intangible assets are being amortized over a life of 5 to 15 years. Amortization expense during the period ended December 31, 2023 was $44,632.

Intangible assets of SCSW as of December 31, 2023 were $1,505,232.

In valuing the intangibles related to SCSW, Management used a discounted cash flow and a relief from royalty method, which requires Management to estimate future revenues, margins, and present value factors, among other considerations.

5. Debt

Notes Payable

The Company's Subsidiary SCSW has an Equipment Finance loan outstanding to Ascentium Capital LLC. The loan was established in May 2020, with a 5-year term at 11.27% interest per annum and maturing in July of 2025. The Balance at December 31, 2023 is stated at $92,032,

The Company's subsidiary BVI also has a Note Payable to Sharpe Financial stated at $98,782. In February of 2023, the Note was extended to March of 2031 whereby the Company agreed to pay $1,000 per month, inclusive of interest, with a final payment to be paid on March 1, 2031 in the amount of $54,334. The effective interest rate is approximately 8%.

The following summarizes the line items in the consolidated balance sheet which include amounts for Notes Payable as of December 31, 2023:

Future maturities of long-term debt are as follows for the period ending December 31:

	Ascentium	Sharp Financial	Total
2024	$ 48,400	$ 4,501	$ 52,901
2025	40,771	4,874	45,645
2026		5,279	5,279
2027		5,717	5,717
2028		6,192	6,192
Thereafter		66,017	66,017
Total	$ 89,171	$ 92,580	$ 181,751
Current portion			(52,901)
Notes payable – long term			$ 128,850

Line of Credit

In September 2022, the Company entered into a $5,000,000 Convertible Line of Credit with a related party, at a rate of 13.7% per annum, originally due September 30, 2024. The loan was subsequently amended in November 2023, to extend the line of credit maturity to March 2025 and clarify the terms of conversion. The lender has the right to convert the line of credit, once the Company has a stock trading on an exchange, into shares of class B Common stock at $4.40 per share or 20% discount of the 30-day average of the listing price of the stock. As the Company does not have a trading stock price on an exchange as of September 30, 2023, the conversion feature remains contingent. In consideration of this line of credit the company granted the holder 350,000 warrants for the purchase of class B common stock at the price of $4.45 per share, with a term of three (3) years. The warrants were considered a cost to access the line of credit. See Note 8 for valuation of warrants. The line of credit balance is $1,093,169 as of September 30, 2023. As of September 30, 2023 $3,906,831 remained available under the line of credit.

Note Agreement

The Company issued a note in June 2022 for $300,000 of which $250,000 was received with interest at 13.7% per annum and due within three months. The note was issued with a warrant for 25,000 shares of Class B stock exercisable at $5.00 per share for three years. The note was repaid for the amount received in September 2022. The Company valued the warrants using a Black-Scholes model as noted in Note 7, discounted the note for $21,925 based on the relative fair value of the warrants and accreted the discount through the term of the note.

Convertible Debentures

The Company issued a convertible debenture to a related party in the amount of $250,000 dated January 2023 at a rate of 10% per annum, due April 15, 2024. The holder has the right to convert the debenture into 60,000 shares of class B Common stock of the company or 80% of the 30-day rolling average of the stock prior to conversion. The debenture was amended subsequent to September 30, 2023 to include a floor conversion price of $1.00, and the discount to the trading price only applies once the Company has an actively traded stock on a public exchange. As of December 31, 2023, the Company's stock does not trade on an exchange.

6. Operating Lease Right-of- Use Asset

The Company has leases for its office spaces. The Company elects not to apply the lease recognition requirements of ASC 842 to the short-term leases. Accordingly, the Company recognize lease payments related to the short-term leases in the statements of operations on a straight-line basis over the lease term. The Company's main corporate lease ends in July 2024, and contains renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the right of use ("ROU") assets and lease liabilities for these properties include the renewal options that the Company is reasonably certain to exercise.

The discount rate used to determine the commencement date present value of lease payments was 10.82%. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreement does not contain significant residual value guarantee, restrictions, or covenants.

Total operating lease cost were $102,175 for the period ended December 31, 2023.

Lease right-of-use assets outstanding as of December 31, 2023 related to property and totaled $163,705 consisted of the following:

The lease liability balance at December 31, 2023 is stated at $149,214.

7. Stockholders' Equity

Capital Stock

As of December 31, 2023, the Company has 100,000,000 shares of common stock authorized, par value $0.0001. Of the authorized shares, 25,000,000 are designated as Class A stock ("Class A") and 75,00,000 are designated as Class B stock ("Class B"). Holders of Class A can convert shares to Class B on a one-for-one basis. Class A and Class B vote as a single class and; however, Class A shares get ten (10) votes for every one share. Other rights and preferences of Class A and B are identical.

Warrants

The Company's warrants outstanding are as follows:

Description	Shares offered	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding March 31, 2022	1,286,633	$ 12.33	1.0
Warrants issued	916,800		
Warrants expired	(578,084)		
Outstanding December 31, 2023	1,291,800	$ 10.38	1.4

Of the 916,800 warrants granted during fiscal 2023, 350,000 were warrants issued with a line of credit and 25,000 were issued with a note payable; the remaining were issued with subscription agreements for shares as described above. The Company valued the warrants related to the line of credit and note payable using the Black-Scholes pricing model, using the following range of inputs: three-year term, volatility of 32%, risk free rate of 3.6 - 4.2% and dividend yield of 0%. For warrants were issued with a line of credit, the Company recorded an asset for $840,138, which will be amortized over the term of the line of credit. As of December 31, 2023, $422,935 of the asset was amortized and $407,203 remains to be amortized. The warrant issued with the note discounted the note on a relative fair value basis, totaling $21,925 which was expensed over the term of the note with no remaining unamortized discount.

8. Related Party

Notes Receivable

The note receivable to David Koenig, a stockholder, is a demand note that bears interest at a rate of 3% per annum. The note is stated at $50,000 as of September 30, 2023.

The note receivable to Inner State is a demand note that bears interest at a rate of 3% per annum. The note is stated at $84,000 as of December 31, 2023.

Agreements

In March 2016, the Company entered into an Asset Management Agreement with Senex, Inc (the "Asset Manager"), a related party controlled by the Chief Executive Officer, to provide oversight supervision of the management and operation of the Company. The agreement is for ten years with an option for Senex, Inc. to renew for another five years. The contract calls for an annual fee of $214,500.

In January 2017 the Company also entered into a rental agreement with the related entity, Senex, Inc. for use of the commercial property located at the corporate offices in Pasadena, CA. The term of the lease is a periodic tenancy on a year-to-year basis. Either party can terminate the lease. The monthly operating cost is $7,200 per month or $86,400 annually.

Future minimum payments under non-cancellable agreements are as follows:

Year	Management Fees
2024	$ 214,500
2025	214,500
2026	214,500
Total required payments	$ 643,500

9. Income Taxes

For the period ended September 30, 2023, the Company did not record a current or deferred income tax expense or benefit due to current and historical losses incurred by the Company. The Company's losses before income taxes consist primarily of losses from domestic operations.

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred tax assets and liabilities as of December 31, 2023 are comprised of the following:

	2023
Deferred tax asset attributable to:	
Net operating loss carryover	$ 2,645,000
Intangible assets	(393,000)
Valuation allowance	(2,252,000)
Net deferred tax asset	$ -

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which are comprised primarily of net operating loss carryforwards. Management has considered the Company's history of cumulative net losses in the United States, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of its U.S. federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against these net deferred tax assets as of September 30, 2023. The Company reevaluates the positive and negative evidence at each reporting period. The Company's valuation allowance increased during 2023 by approximately $1,841,000 primarily due to the generation of net operating loss carryforwards and reduction of deferred tax laibilities.

As of March 31, 2023, the Company had U.S. federal net operating loss carryforwards of approximately $11,021,000, which may be available to offset future income tax liabilities. The 2017 Tax Cuts and Jobs Act (" TCJA") will generally allow losses incurred after 2017 to be carried over indefinitely. The Company's net operating loss carryforwards can be carried forward indefinitely based on current regulations.

Utilization of the U.S. federal and state net operating loss carryforwards may be subject to a substantial annual limitation under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, due to ownership changes that have occurred previously or that could occur in the future. These ownership changes may limit the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income and tax liabilities, respectively.

10. Commitments and Contingencies

From time to time, the Company is subject to potential liability under laws and government regulations and various claims and legal actions that may be asserted against it that could have a material adverse effect on its business, reputation, results of operations or financial condition. As of the date of these financial statements, Management does not believe there are any matters that would negatively affect the Company.

11. Subsequent Event

See Note 5 for amendments to convertible debentures.