

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

FONU2, Inc.

A Florida Corporation

4230 So. MacDill Ave.

Suite 203

Tampa, FL 33611

424-224-5358

www.fonuinc.com

info@fonuinc.com

SIC Code # 5399

Annual Report

For the Period Ending: September 30, 2021
(the "Reporting Period")

As of the current reporting period, September 30, 2021, the number of shares outstanding of our Common Stock was:
2,906,362,851

As of the previous reporting period, June 30, 2021, the number of shares outstanding of our Common Stock was:
1,522,931,508

As of the previous annual reporting period, September 30, 2020, the number of shares outstanding of our Common Stock was:
1,016,920,999

Indicate by check mark 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 by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

¹ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
OTC Markets Group Inc.
OTC Pink Basic Disclosure Guidelines (v3 February 2021)

Yes: ☒ No: ☐

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

- 10/25/2011: Incorporated in Nevada as Zaldiva, Inc.
- 04/11/2012: name change to FONU2, Inc.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

- 10/25/2011: Incorporated in Nevada as Zaldiva, Inc.
- 04/11/2012: name change to FONU2, Inc.
- 04/16/2021: converted to a Florida domicile entity.
- The Company is currently **active** and in good standing in the state of Florida.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

- N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

- The Company has been reorganized.
- The Company has increased its authorized capital stock.
- Going forward, the Company anticipates it will seek to conduct one or more of the following actions; reverse split, forward split, recapitalization, merger, SEC registration statement, acquisition.

The address(es) of the issuer's principal executive office:

- The Company's principal executive office is located at 4230 So. MacDill Ave. Suite 203, Tampa, FL 33611.

The address(es) of the issuer's principal place of business:

- The Company's principal place of business is located at 4230 So. MacDill Ave. Suite 203, Tampa, FL 33611.

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

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☒ No: ☐

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

- 4/28/2020: Order granting appointment of universal Management Association as custodian approved

2) Security Information

| | |
|---|--|
| Trading symbol: | FONU |
| Exact title and class of securities outstanding: | Common Shares |
| CUSIP: | <u>30255C201</u> |
| Par or stated value: | <u>\$0.001</u> |
| Total shares authorized: | <u>20,000,000,000 as of date: 09/30/2021</u> |
| Total shares outstanding: | <u>2,906,362,851 as of date: 09/30/2021</u> |
| Number of shares in the Public Float ² : | <u>1,123,088,488 as of date: 09/30/2021</u> |
| Total number of shareholders of record: | <u>426 as of date: 09/30/2021</u> |

All additional class(es) of publicly traded securities (if any):

| | |
|--|-----|
| Trading symbol: | N/A |
| Exact title and class of securities outstanding: | |
| CUSIP: | |
| Par or stated value: | |
| Total shares authorized: | |
| Total shares outstanding: | |

Transfer Agent

Name: Liberty Stock Transfer, Inc.
Phone: (732) 372-0707
Email: info@libertystocktransfer.com
Address: 788 Shrewsbury Ave., Suite 2163, Tinton Falls, NJ 07724

Is the Transfer Agent registered under the Exchange Act?³ Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

³ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

| Shares Outstanding as of Second Most Recent Fiscal Year End: 9/30/2019 <u>Opening Balance</u> Common: 1,016,920,999 Preferred A: 0 | | | *Right-click the rows below and select "Insert" to add rows as needed. | | | | | | |
|--|--|--|--|---|--|--|---|---|---------------------------------|
| Date of Transaction | Transaction type (e.g. new issuance, cancellation , shares returned to treasury) | Number of Shares Issued (or cancelled) | Class of Securities | Value of shares issued (\$/per share) at Issuance | Were the shares issued at a discount to market price at the time of issuance? (Yes/No) | Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed). | Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided | Restricted or Unrestricted as of this filing. | Exemption or Registration Type. |
| 5/21/2020 | new issue | 38,888,889 | CS | \$0.00041 | Yes | Carebourn Capital LP-Chip Rice | debt conversion | unrestricted | 4(a)1 |
| 6/5/2020 | new issue | 100,000,000 | CS | \$0.00018 | Yes | Mammoth Corp- Brad Hare | debt conversion | unrestricted | 4(a)1 |
| 03/08/2021 | New issue | 4 | Pref A | \$0.001 | N/A | Endicott Holdings Group, LLC- Mahmoud Jrab | Acquisition Agreement | N/A | N/A |
| 04/21/2021 | New issue | 24,372,182 | CS | \$0.00033 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 05/11/2021 | New issue | 32,627,818 | CS | \$0.00033 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 05/14/2021 | New issue | 72,000,000 | CS | 0.00061 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 05/26/2021 | New issue | 96,000,000 | CS | \$0.00083 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 06/09/2021 | New issue | 88,121,620 | CS | \$0.00060 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 06/11/2021 | New issue | 54,000,000 | CS | \$0.00061 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 07/16/2021 | New issue | 112,333,409 | CS | 0.00044 | Yes | Coventry Enterprises, LLC Jack Bodenstein | debt conversion | unrestricted | 4(a)1 |
| 08/11/2021 | New issue | 78,543,083 | CS | 0.00048 | Yes | Vis Vires Group- Curt Kramer | debt conversion | unrestricted | 4(a)1 |
| 08/16/2021 | New issue | 100,000,000 | CS | 0.00048 | Yes | Vis Vires Group- Curt Kramer | debt conversion | unrestricted | 4(a)1 |
| 08/19/2021 | New issue | 127,748,652 | CS | 0.00046 | Yes | Vis Vires Group- Curt Kramer | debt conversion | unrestricted | 4(a)1 |

| | | | | | | | | | |
|--|-----------|-------------|----|----------|-----|-------------------------------------|-----------------|--------------|-------|
| 08/23/2021 | New issue | 81,951,220 | CS | 0.00041 | Yes | Vis Vires Group- Curt Kramer | debt conversion | unrestricted | 4(a)1 |
| 08/24/2021 | New issue | 150,220,007 | CS | 0.000305 | Yes | Union Capital, LLC-Yakov Borenstein | debt conversion | unrestricted | 4(a)1 |
| 08/26/2021 | New issue | 145,763,322 | CS | 0.00031 | Yes | Vis Vires Group- Curt Kramer | debt conversion | unrestricted | 4(a)1 |
| 09/03/2021 | New issue | 186,605,057 | CS | 0.000183 | Yes | Union Capital, LLC-Yakov Borenstein | debt conversion | unrestricted | 4(a)1 |
| 09/27/2021 | New issue | 170,636,964 | CS | 0.00013 | Yes | Union Capital, LLC-Yakov Borenstein | debt conversion | unrestricted | 4(a)1 |
| 09/29/2021 | New issue | 229,629,629 | CS | 0.000183 | Yes | Top Knot, Inc.- John Kellas | debt conversion | unrestricted | 4(a)1 |
| | | | | | | | | | |
| | | | | | | | | | |
| Shares Outstanding on 09/30/2021: Ending Balance: Common: 2,906,362,851 Preferred A: 4 | | | | | | | | | |

Example: A company with a fiscal year end of December 31st, in addressing this item for its quarter ended September 30, 2020, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2018 through September 30, 2020 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

| Date of Note Issuance | Outstanding Balance (\$) | Principal Amount at Issuance (\$) | Interest Accrued (\$) | Maturity Date | Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares) | Name of Noteholder (entities must have individual with voting / investment control disclosed). | Reason for Issuance (e.g. Loan, Services, etc.) |
|-----------------------|--------------------------|-----------------------------------|-----------------------|---------------|--|--|---|
| 5/15/2020 | \$64,492 | \$66,000 ¹ | \$4,492 | 1/15/2021 | Scaled conversion price beginning with 70%, 60%, 50% at 60 days, 120 days, and thereafter. 18% default rate. | Mammoth Corp-Brad Hare | loan |
| 9/01/2021 | \$22,515.08 | \$22,515.08 | 0 | 9/01/2022 | 8% Note. 45% discount 5 day lookback average of lowest bid. | Coventry Enterprises, LLC-Jack Bodenstein | loan |

Use the space below to provide any additional details, including footnotes to the table above:

1. \$550,000 Note; \$60,000 initial tranche paid on 5/15/2020 resulting in balance of \$66,000, OID amortized resulting in \$64,492 outstanding balance as of this reporting period.

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁴:

Name: Paul Strickland
Title: Secretary
Relationship to Issuer: Secretary

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance sheet;
- D. Statement of income;
- E. Statement of cash flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

See Attached

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")
 - The Company is in the process of restructuring its business.
- B. Please list any subsidiaries, parents, or affiliated companies.
 - N/A
- C. Describe the issuers' principal products or services.
 - The Company is in the process of restructuring its business.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

- The Company maintains offices located at 4230 So. MacDill Ave. Suite 203, Tampa, FL 33611.

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

| Name of Officer/Director or Control Person | Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%) | Residential Address (City / State Only) | Number of shares owned | Share type/class | Ownership Percentage of Class Outstanding | Note |
|--|---|---|------------------------|------------------|---|---|
| Shane Jones | Director/ President/ CEO | Land O'Lakes, FL | N/A | N/A | N/A | Director & President since 4/28/2020-Until 3/3/2021 |
| Edward Spade | Director | Land O'Lakes, FL | N/A | N/A | N/A | Director since 4/28/2020- Until 3/3/2021 |
| Paul Strickland | Director, Secretary | Olympia, WA | N/A | N/A | N/A | Director since 3/3/2021 |
| Endicott Holdings Group, LLC- Mahmoud Jrab | 5%+ holder | Tampa, FL | 4 | Series A pref | 100% | Acquired on 3/3/2021 |

8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

N/A

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

N/A

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

N/A

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

N/A

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

N/A

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: N/A
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Accountant or Auditor

Name: N/A
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Investor Relations

Name: N/A
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Other Service Providers

Provide the name of any other service provider(s) that **assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: N/A
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Paul Strickland certify that:

1. I have reviewed this **Annual disclosure report** of FONU2, 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: November 17, 2021

/s/Paul Strickland (Officer's signature)

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Paul Strickland certify that:

1. I have reviewed this **Annual disclosure report** of FONU2, 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: November 17, 2021

/s/Paul Strickland (Secretary's signature)

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

FONU2, INC.
BALANCE SHEETS
(Unaudited)

| | September 30, 2021 | September 30, 2020 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Total Current Assets | - | - |
| PROPERTY AND EQUIPMENT, NET | - | - |
| OTHER ASSETS | | |
| Total Other Assets | - | - |
| TOTAL ASSETS | \$ - | \$ - |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 156,336 | \$ 156,336 |
| Accrued interest | 1,415,110 | 1,236,421 |
| Notes payable | 568,346 | 568,346 |
| Convertible notes payable | 1,794,042 | 2,456,600 |
| Total Current Liabilities | 3,933,834 | 4,417,703 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' DEFICIT | | |
| Common stock, 20,000,000,000 shares authorized, \$0.001 par value; 3,173,029,518 and 1,155,809,888 issued and outstanding, respectively | 3,173,030 | 1,155,810 |
| Additional paid-in capital | 41,442,610 | 42,774,757 |
| Accumulated deficit | (48,549,474) | (48,348,270) |
| Total Stockholders' Deficit | (3,933,834) | (4,417,703) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ - | \$ - |

See accompanying notes to unaudited financial statements.

FONU2, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

| | Year Ended September 30, | |
|---|--------------------------|---------------|
| | 2021 | 2020 |
| REVENUES | \$ - | \$ - |
| EXPENSES | | |
| General and administrative expenses | 22,515 | 60,000 |
| Total expenses | 22,515 | 60,000 |
| LOSS FROM OPERATIONS | (22,515) | (60,000) |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (178,689) | (219,789) |
| Total other income (expense) | (178,689) | (219,789) |
| NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS | (201,204) | (279,789) |
| NET LOSS PER COMMON SHARE, BASIC AND DILUTED | \$ (0.00) | \$ (0.00) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED | 1,398,596,198 | 1,063,942,672 |

See accompanying notes to unaudited financial statements.

FONU2, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

| | Common Stock | | Additional Paid-in capital | Accumulated Deficit | Total Stockholders' (Deficit) |
|--|---------------|--------------|-------------------------------|------------------------|-------------------------------------|
| | Shares | Amount | | | |
| Balance, September 30, 2019 | 1,016,920,999 | \$ 1,016,921 | \$ 42,879,702 | \$ (48,068,481) | \$ (4,171,858) |
| Common stock issued for payment on convertible promissory notes | 138,888,889 | 138,889 | (104,945) | | 33,944 |
| Net Loss attributable to Common stockholder's, year ended September 30, 2020 | - | - | - | (279,789) | (279,789) |
| Balance, September 30, 2020 | 1,155,809,888 | \$ 1,155,810 | \$ 42,774,757 | \$ (48,348,270) | \$ (4,417,703) |
| Common stock issued for payment on convertible promissory notes | 2,017,219,630 | 2,017,220 | (1,332,147) | | 685,073 |
| Net Loss attributable to Common stockholder's, year ended September 30, 2021 | | | | (201,204) | (201,204) |
| Balance, September 30, 2021 | 3,173,029,518 | \$ 3,173,030 | \$ 41,442,610 | \$ (48,549,474) | \$ (3,933,834) |

See accompanying notes to unaudited financial statements.

FONU2, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

| | Year Ended September 30, | |
|---|-----------------------------|------------------|
| | 2021 | 2020 |
| Cash Flows From Operating Activities: | | |
| Net loss | \$ (201,204) | \$ (279,789) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Increase (decrease) in accrued interest | 178,689 | 219,789 |
| Net cash used in operating activities | <u>(22,515)</u> | <u>(60,000)</u> |
| Cash Flows From Financing Activities: | | |
| Proceeds from convertible notes payable | 22,515 | 60,000 |
| Net cash provided by financing activities | <u>22,515</u> | <u>60,000</u> |
| Increase (decrease) in Cash | - | - |
| Cash and cash equivalents, beginning of period | <u>-</u> | <u>-</u> |
| Cash and cash equivalents, end of period | <u>\$ -</u> | <u>\$ -</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for: | | |
| Interest | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes | <u>\$ -</u> | <u>\$ -</u> |
| NON-CASH TRANSACTIONS | | |
| Conversion of convertible debt into common stock | <u>\$ 685,073</u> | <u>\$ 33,944</u> |

See accompanying notes to unaudited financial statements.

FONU2, INC.
Notes to the Financial Statements
Years Ended September 30, 2021 and 2020
(Unaudited)

Note 1 — Organization and Operations

The Company was incorporated in Nevada on October 25, 2011 as Zaldiva, Inc. On April 11, 2012, the Company changed its name to FONU2, Inc. On April 16, 2021 the Company converted to a Florida domicile entity. The Company is currently active and in good standing in the state of Florida.

Note 2 — Basis of Presentation and Going Concern

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation are included.

Going Concern

The Company's unaudited financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As of September 30, 2021, the Company had an accumulated deficit of approximately \$48.5 million and requires additional funds to support its operations and to achieve its business development goals, the attainment of which are not assured. The Company has been able to satisfy certain liabilities with convertible debentures and common shares and enter into debt settlement arrangements. Convertible instruments have also been converted into equity. However, substantial indebtedness remains and recurring losses from operations and additional liabilities continue to be incurred.

These factors and uncertainties raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might incur in the event the Company cannot continue in existence. Management intends to seek additional capital from new equity securities offerings, from debt financing and debt restructuring to provide funds needed to increase liquidity, fund internal growth and fully implement its business plan. However, management can give no assurance that these funds will be available in adequate amounts, or if available, on terms that would be satisfactory to the Company.

The timing and amount of the Company's capital requirements will depend on a number of factors, including maintaining its status as a public company and supporting shareholder and investor relations.

FONU2, INC.
Notes to the Financial Statements
Years Ended September 30, 2021 and 2020
(Unaudited)

Note 3 — Summary of Significant Accounting Policies

Accounting Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported 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.

Stock-Based Compensation

The Company issues stock options and warrants, shares of Common Stock, and equity interests as share-based compensation to employees and non-employees. The Company accounts for its share-based compensation to employees in accordance with FASB ASC 718, Compensation – Stock Compensation. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period.

The fair value of the Company's common stock option and warrant grants is estimated using the Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Fair Value of Financial Instruments

The Company follows paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments and paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

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Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amounts of the Company's other financial assets and liabilities, such as cash, prepaid expense, accounts payable and accrued payables and notes payable, approximate their fair values because of the short maturity of these instruments.

Property and Equipment

Expenditures for major equipment are capitalized when such costs are determined to extend the useful life of the asset or are part of the cost of acquiring the asset. Maintenance and repairs costs are charged to expense as incurred. Gains and losses on sales of property used in operations are classified within operating expenses.

For financial reporting purposes, we record depreciation and amortization of property and equipment on a straight-line basis over the asset's service life or related lease term, if shorter. For income tax purposes, depreciation is computed using accelerated methods when applicable.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Revenue Recognition

The Company accounts for revenues in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. The underlying principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected. ASC 606 creates a five-step model that requires entities to

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exercise judgment when considering the terms of contract(s), which includes (1) identifying the contract(s) or agreement(s) with a customer, (2) identifying our performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied. Under ASC 606, revenue is recognized when performance obligations under the terms of a contract are satisfied, which occurs for the Company upon shipment or delivery of products or services to our customers based on written sales terms, which is also when control is transferred. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring the products or services to a customer.

Net Income (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted-average number of common shares and the dilutive effect of contingent shares outstanding during the period. Potentially dilutive contingent shares, which primarily consist of convertible notes, stock issuable to the exercise of stock options and warrants have been excluded from the diluted loss per share calculation because their effect is anti-dilutive.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. 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 rates is recognized in the Company's Statements of Operations in the period that includes the enactment date.

Recently Issued Accounting Pronouncements

Recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission are not believed by management to have a material impact on the Company's present or future financial statements.

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Note 4 – Notes Payable

| | September 30, 2021 | September 30, 2020 |
|---------------|-----------------------|-----------------------|
| Notes payable | \$568,346 | \$568,346 |

Note 5 – Convertible Notes Payable

| | September 30, 2021 | September 30, 2020 |
|---|-----------------------|-----------------------|
| Convertible promissory notes issued between August 26, 2014 and May 15, 2020 with interest ranging from 8% to 18%. The conversion prices range from 35% to 50% discount of the lowest trading price of the Company's common stock during a range of 5 and as much as 20 consecutive trading days prior to the date on which Holder elects to convert all or part of the Note. | \$1,771,527 | \$2,456,600 |
| Total Convertible Debt | \$1,794,042 | \$2,456,600 |

Note 6– Stockholders' Equity

The Company is authorized to issue 20,000,000,000 shares of \$0.001 par value common stock. During the year ended September 30, 2021 the Company issued 2,017,219,630 shares for the conversion of notes payable in the amount of \$685,073. The Company has 3,173,029,518 and 1,155,809,888 common shares issued and outstanding as of December 31, 2021 and December 31, 2020.

Note 7 – Subsequent Events

Management has evaluated all activity since September 30, 2021 through the date the financial statements were issued and has concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.