

**SUPPLEMENTAL INFORMATION DISCLOSURE**

**CBD OF DENVER INC.**

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**AUDITED FINANCIAL STATEMENTS**

CBD of Denver, Inc. is furnishing its Audited Financial Statements for the years ended December 31, 2020 and 2019.

CBD OF DENVER INC.

/s/ Marcel Gamma

Marcel Gamma, CEO

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of CBD of Denver, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of CBD of Denver, Inc. and Subsidiaries (“the Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### **Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has an accumulated deficit and is dependent upon the ability to generate sufficient revenue and the ability to raise additional funds. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## **Valuation of Business Combinations**

### *Description of the Critical Audit Matter*

As discussed in Note 8 to the consolidated financial statements, the Company acquired two entities which require the Company to initially value and require judgment on the accounting treatment. Auditing management's evaluation includes tests that are complex and highly judgmental due to the estimation required to determine the potential fair value of each acquisition and determine the potential common control aspects.

### *How the Critical Audit Matter Was Addressed in the Audit*

Our principal audit procedures to evaluate management's valuation and recognition of acquisitions consisted of the following, among others:

1. Obtain and test management's analysis of the valuation on the date of acquisition.
2. Obtain and review management analysis for the accounting treatment and recognition of the cost basis of the transactions between businesses under common control and review applicable accounting guidance.

We have served as the Company's auditor since 2021.

*Fruci & Associates II, PLLC*

Spokane, Washington  
January 7, 2022

**CBD of Denver, Inc.**  
**Consolidated Balance Sheets**

	December 31, 2020	December 31, 2019
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 82,648	\$ 37,374
Accounts receivable, trade	1,182,299	-
Accounts receivable, related party	211,126	
Inventory	388,605	12,268
Total current assets	1,864,678	49,642
Fixed assets, net	23,204	-
Other receivables	51,612	-
Deposits	14,004	-
Total assets	<u>\$ 1,953,498</u>	<u>\$ 49,642</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 774,180	\$ -
Accounts payable - related party	93,671	-
Accrued liabilities	313,422	373,621
Notes payable	253,214	261,203
Total current liabilities	1,434,487	634,824
Commitments and contingencies	-	-
Preferred stock, \$0.00001 par value, 10,000,000 shares authorized, 10,000,000 and 6,900,000 shares issued and outstanding in 2020 and 2019, respectively	100	69
Common stock, \$0.00001 par value, 6,000,000,000 shares authorized, 4,709,538,107 and 3,908,538,107 shares issued and outstanding as of December 31, 2020 and 2019, respectively	47,095	39,085
600,000,000 and 0 shares of common stock to-be-issued as of December 31, 2020 and 2019, respectively	6,000	-
Additional paid in capital	3,437,747	2,889,202
Accumulated deficit	(3,013,761)	(3,513,538)
Accumulated other comprehensive income	41,830	-
<b>Stockholders' equity (deficiency)</b>	<u>519,011</u>	<u>(585,182)</u>
<b>Total liabilities and stockholders' equity (deficiency)</b>	<u>\$ 1,953,498</u>	<u>\$ 49,642</u>

See Accompanying Notes to the Consolidated Financial Statements

**CBD of Denver, Inc.**  
**Consolidated Statements of Operations**

	For the Year Ended December 31,	
	2020	2019
Sales	\$ 14,130,482	\$ 25,078
Returns and allowances	<u>(16,739)</u>	<u>-</u>
Net sales	14,113,743	
Cost of sales	12,924,107	17,322
Gross profit	1,189,636	7,756
Costs and expenses:		
Marketing	18,186	-
Rent	51,441	-
Depreciation	2,578	-
Stock-based compensation	1,000	-
Bad debt expenses	59,696	-
Legal and professional	5,687	-
Selling, general and administrative	128,464	117,563
Total costs and expenses	<u>261,365</u>	<u>117,563</u>
Income from operations	<u>928,271</u>	<u>(109,807)</u>
Other income (expense):		
Interest expense	(178,390)	-
Net gain on extinguishment of liabilities	<u>-</u>	<u>400,957</u>
Total other income (expense)	<u>(178,390)</u>	<u>400,957</u>
Net income before taxes	749,881	291,150
Income tax	<u>250,104</u>	<u>-</u>
Net income	499,777	291,150
Other comprehensive income, net of tax	41,830	-
Comprehensive income	<u>\$ 541,607</u>	<u>\$ 291,150</u>
Basic earnings per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Diluted earnings per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of common shares outstanding:		
Basic	4,649,380,439	3,906,139,203
Diluted	<u>19,849,380,439</u>	<u>19,898,929,411</u>

See Accompanying Notes to the Consolidated Financial Statements

**CBD of Denver, Inc.**  
**Consolidated Statements of Cash Flows**

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Cash flows from operating activities:</b>		
Net income	\$ 499,777	\$ 291,150
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	2,578	-
Gain on extinguishment of liabilities	-	(400,957)
Stock-based compensation	1,000	2,765
Bad debt expenses	59,696	-
Changes in assets and liabilities:		
Accounts receivable	(1,211,771)	
Accounts receivable – related parties	(211,126)	
Inventory	(376,337)	(12,269)
Deposits	(2,934)	-
Other receivables	(49,433)	-
Accounts payable and accrued liabilities	1,267,769	-
Accounts payable – related parties	39,896	-
Net cash provided by (used in) operating activities	<u>19,115</u>	<u>(119,311)</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	<u>(15,981)</u>	<u>-</u>
Net cash provided by financing activities	(15,981)	-
<b>Cash flows from financing activities:</b>		
Sale of preferred stock	310	43,411
Net cash provided by financing activities	<u>310</u>	<u>43,411</u>
Net increase (decrease) in cash and cash equivalents	3,444	(75,900)
Cash and cash equivalents, beginning of period	<u>37,374</u>	<u>113,274</u>
Effect of exchange rate changes on cash	41,830	
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 82,648</u></u>	<u><u>\$ 37,374</u></u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash paid for taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Non-cash financing activities:		
Settlement of liabilities with common stock	<u><u>\$ 560,000</u></u>	<u><u>\$ -</u></u>
Stock issued for purchase of foreign subsidiaries	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to the Consolidated Financial Statements

**CBD of Denver, Inc.**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**For the Years Ended December 31, 2020 and 2019**

	<b>Preferred Stock</b>		<b>Common Stock</b>		<b>Common</b>	<b>Additional</b>	<b>Accumulated</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Stock To-be- issued</b>	<b>Paid-In Capital</b>	<b>Deficit</b>	<b>Other Comprehensive Income</b>	<b>Stockholders' Equity (Deficit)</b>
Balance at December 31, 2018	5,500,000	\$ 55	3,903,688,107	\$ 39,036		\$ 2,843,089	\$ (3,804,688)	\$	\$ (922,508)
Sale of preferred stock	1,400,000	14	-	-		43,397	-	-	43,411
Stock-based compensation	-	-	4,850,000	49		2,716	-	-	2,765
Net income	-	-	-	-		-	291,150	-	291,150
Balance at December 31, 2019	6,900,000	69	3,908,538,107	39,085		\$ 2,889,202	\$ (3,513,538)	-	(585,182)
Sale of preferred stock	3,100,000	31	-	-		279		-	310
Settlement of liabilities	-	-	800,000,000	8,000		552,000	-	-	560,000
Purchase of foreign subsidiaries					6,000	(4,724)			1,276
Stock-based compensation	-	-	1,000,000	10		990	-		1,000
Other comprehensive income								41,830	41,830
Net income	-	-	-	-		-	499,777		499,777
Balance at December 31, 2020	10,000,000	\$ 100	4,709,538,107	\$ 47,095	\$6,000	\$ 3,437,747	\$ (3,013,761)	\$ 41,830	\$ 519,011

See Accompanying Notes to the Consolidated Financial Statements

CBD OF DENVER, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

**1. Description of Business and Summary of Accounting Principles**

***Description of the Organization***

CBD of Denver Inc. ("CBDD," "we," "our," or the "Company"), was formed as a corporation in the state of Nevada on March 2, 2007. On January 5, 2010 we filed a certificate of conversion from a non-Delaware corporation pursuant to Section 265 of the Delaware General Corporation Law. The Company has developed its own brand of CBD products and related social networking.

The Company's networking website can be accessed at: [www.cbdsocialnetwork.com](http://www.cbdsocialnetwork.com). The site connects CBD enthusiasts from around the world.

In addition, the Company is producing zero percent THC CBD products, produced from qualified organic hemp, and marketing those products via the worldwide web at <https://blackpearlcbd.com> and exclusive retailers.

The Company recently acquired two Swiss subsidiaries, Rockflowr, founded in 2009, and CBDWelt24, founded in 2017, now known as Rockflowr Exchange and Rockflowr Production. These companies are involved in growing, producing, distributing, and selling CBD products at retail and wholesale in Switzerland and other countries in Europe. The majority of the revenues and expenses are generated by these Swiss subsidiaries. Both entities had several years of operating history prior to acquisition by the Company, however, the businesses have expanded substantially since acquisition.

The acquisition of Rockflowr and CBDWelt24 was accounted for as a recapitalization between entities under common control since the same controlling shareholders controlled these two entities before and after the transaction. The consolidation of the Company and its subsidiary has been accounted for at historical cost and prepared on the basis as if the transaction had become effective as of the beginning of the earliest period presented in the accompanying consolidated financial statements.

The majority of the Swiss entities' revenue is generated in Switzerland. However, Rockflowr Exchange has developed an international clientele in over 10 countries in Europe and the sales generated with these customers are continuously increasing. Most wholesale sales take place at the company's site, where customers select their products on site, which are subsequently delivered to them. Once the products have left the company's warehouse, a sales report is generated, an invoice is issued, and the sale is integrated into the company's sales reporting. Many customers make a large down payment or even prepayment - especially for customers from abroad this is usually the rule and also the shipping costs for this delivery have to be paid in advance.

The consolidated financial statements are presented in United States dollars and have been prepared in accordance with generally accepted accounting principles in the United States of America. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of significant intercompany balances and



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transactions. The Company's fiscal year end is December 31. The Company's headquarters is in Centennial, Colorado.

***Going Concern***

The Company had an accumulated deficit of \$3,013,761 as of December 31, 2020. This condition raises a substantial doubt about the Company's ability to continue as a going concern. The Company plans to increase its income by strengthening its sales force, providing attractive sales incentive program, and increasing marketing and promotion activities. Management also intends to raise additional funds by way of a private or public offering, or by obtaining loans from banks or others. While the Company believes in the viability of its strategy to generate sufficient revenue and in its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Income Taxes***

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. When appropriate, a

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valuation allowance is established to eliminate the Company's deferred tax assets if it is more likely than not that none of the deferred tax assets will be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in income tax expense. The Company has determined that it had no significant uncertain tax positions requiring recognition or disclosure.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

### ***Revenue Recognition***

Pursuant to ASC Topic 606, Revenue from Contracts with Customers, or ASC 606, the Company recognizes revenue upon transfer of control of goods, in an amount that reflects the consideration that is expected to be received in exchange for those goods. The Company does not allow for the return of products so does not establish an allowance for returns.

Topic 606 established that the Company recognize revenue using the following five-step model:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as, the Company satisfies a performance obligation.

Revenue is recognized at the point in the time once the Company satisfies its performance obligation which occurs when title and possession of products have transitioned to the customer, typically upon delivery of the products.

### ***Stock-Based Compensation***

The Company accounts for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, Compensation – Stock Compensation which requires all share-based payments to employees, including the vesting of restricted stock grants to

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employees, to be recognized in the financial statements based on their fair values. The fair value of the equity instrument is charged directly to compensation expense and credited to common stock and capital in excess of par value during the period during which services are rendered.

***Earnings Per Share***

Earnings per share is computed by dividing net income by the weighted-average number of shares outstanding. To the extent that outstanding securities are anti-dilutive, they are excluded from the calculation of diluted earnings per share. See Note 7 for details of dilutive securities.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2020 and 2019.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are stated at the amount management expects to collect. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the

CBD OF DENVER, INC.  
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outstanding accounts receivable, historical collection information and existing economic conditions. The Company incurred bad debt expense \$59,696 and \$0 for the years ended December 31, 2020 and 2019, respectively.

Accounts receivable consisted of the following at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 1,241,995	\$ -
Less: Allowance for doubtful accounts	(59,696)	-
Total	<u>\$ 1,182,299</u>	<u>\$ -</u>

### *Inventory*

Inventories are stated at the lower of cost or net realizable value with cost determined on a weighted-average basis. Management compares the cost of inventories with the net realizable value and an allowance is made for writing down their inventories to net realizable value, if lower.

Inventory consisted of the following at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Finished goods	\$ 388,605	\$ 12,268
Raw materials	-	-
Less: Inventory impairment allowance	-	-
Total	<u>\$ 388,605</u>	<u>\$ 12,268</u>

### *Fixed Assets*

Fixed asset expenditures are recorded at cost. Costs which extend the useful lives or increase the productivity of the assets are capitalized, while normal repairs and maintenance that do not extend the useful life or increase the productivity of the asset are expensed as incurred. Equipment is depreciated on the straight-line method over the estimated useful lives of the assets. Machinery, equipment, furnishings and vehicles are depreciated on a straight-line basis over 5 years. Depreciation expense amounted to \$2,578 and \$0 for the years ended December 31, 2020 and 2019.

The following table summarizes components of fixed assets as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Furniture and equipment	\$ 25,782	\$ -
Accumulated depreciation	<u>(2,578)</u>	<u>-</u>

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Net fixed assets	<u>\$ 23,204</u>	<u>\$ -</u>
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***Asset Impairment***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Company recorded no asset impairment during the years ended December 31, 2020 and 2019.

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***Long-lived Assets Including Goodwill and Other Acquired Intangibles Assets***

We evaluate the recoverability of property and equipment and acquired finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate from the use and eventual disposition. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charges during the years presented.

Acquired finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. We routinely review the remaining estimated useful lives of property and equipment and finite-lived intangible assets. If we change the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life.

***Foreign Currency***

The functional currency of our international subsidiaries is the local currency. We translate the financial statements of these subsidiaries to U.S. dollars using quarter-end rates of exchange for assets and liabilities, and average rates of exchange for revenue, costs, and expenses. Translation gains and losses are recorded in accumulated other comprehensive income as a component of stockholders' equity. As of December 31, 2020, we had a cumulative translation gain of \$41,830. Net gains from foreign exchange transactions were \$4,475 and \$0 for the years ended December 31, 2020 and 2019, respectively.

***General and Administrative Expenses***

General and administrative expenses include office supplies, software, Internet, insurance and other overhead expenses.

***Segments***

Our chief operating decision-maker is our Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. There are no segment managers who are held accountable by the chief operating decision-maker, or anyone else, for operations, operating results, and planning for levels or components below the consolidated unit level. Accordingly, we have determined that we have a single reportable segment and operating segment structure.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to credit risk consist primarily of accounts and other receivables. The Company does not require collateral or other security to

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support these receivables. The Company conducts periodic reviews of the financial condition and payment practices of its customers to minimize collection risk on accounts receivable.

For the year ended December 31, 2020, one customer accounted for more than 10% of the Company's total sales. For the year ended December 31, 2019, no customer accounted for more than 10% of the Company's total sales.

For the year ended December 31, 2020 and 2019, no vender accounted for more than 10% of the Company's total purchase.

***Use of Estimates***

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. On a continual basis, management reviews its estimates, utilizing currently available information, changes in facts and circumstances, historical experience, and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02 – “Leases (Topic 842).” Under ASU 2016-02, entities will be required to recognize lease asset and lease liabilities by lessees for those leases classified as operating leases. Among other changes in accounting for leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. The amendments in ASU 2016-02 will become effective for companies for fiscal years beginning after December 15, 2021, including interim periods with those fiscal years, for public business entities. The Company does not expect the adoption of this accounting pronouncements to have a significant impact on the Company's results of operations, financial position, or cash flow, as it does not have any material long-term lease agreement.

In June 2018, the FASB issued ASU 2018-07, Improvement to Nonemployee Share-based Payment Accounting, which simplifies the accounting for share-based payments. The company elected early adoption of this ASU, using the modified retrospective approach, so

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that all stock compensation to employees and nonemployees is treated under the same guidance as in ASC 718.

In December 2019, the FASB issued Accounting Standard Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for us in the first quarter of 2021 on a prospective basis, and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

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, we will adopt those that are applicable under the circumstances.

## **2. Debt**

In the year ended December 31, 2019, the Company settles outstanding payables of \$400,957 due to the passing of statute of limitations, and the amount was recorded as other income.

Notes payable amounted to \$253,214 and \$261,203 as of December 31, 2020 and 2019. On February 7, 2020, the Company entered into an agreement with the note holder in which principal, interest and penalties totaling \$813,214.11 (the “Debt”) would be exchanged for 1,000,000,000 (one billion) shares of the Company’s common stock. In conjunction with this settlement, the Company recorded interest expense in the quarter ended March 31, 2020 of \$178,390. The Company’s common stock closed at \$0.0007 per share on February 7, 2020, and consequently the value of the shares of common stock to be issued to satisfy the Debt is \$700,000.

The note holder make take down from time-to-time, upon the request of the holder (each a “Takedown Request”), any number of shares it desires, so long as the number of shares of common stock issuable upon a Takedown Request does not result in beneficial ownership by the holder, together with its affiliates and any persons acting as a group together with the holder, of more than 9.99% of the outstanding shares of common stock of the Company.

As of December 31, 2020, the Company has issued 800,000,000 shares of common stock to the note holder. The issuance was recorded as a reduction in accrued interest and penalties, which are recorded as a component of accrued expenses on the Company’s balance sheet, and as a reduction in notes payable. The total reduction in liabilities as of December 31, 2020, due to the issuance of stock in conjunction with the debt settlement agreement, amounts to \$560,000. Upon issuance of an additional 200,000,000 shares of common stock the Debt will be satisfied, and any existing notes shall be cancelled.



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**3. Fair Value Measurements**

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of financial instruments on a recurring basis.

***Fair Value Hierarchy***

The Fair Value Measurements Topic of FASB's ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

***Determination of Fair Value***

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

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Valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value where it is practicable to do so for financial instruments not recorded at fair value are as follows:

***Cash and cash equivalents, accounts receivable, inventory, and accounts payable***

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. In general, carrying amounts approximate fair value because of the short maturity of these instruments.

***Long-lived Assets***

All carrying amounts of long-lived assets approximate fair value.

***Debt***

As of December 31, 2020 and 2019, the Company's debt was carried at its face value plus accrued interest. Based on the financial condition of the Company, it is impracticable for the Company to estimate the fair value of its short and long-term debt.

The Company has no instruments with significant off-balance sheet risk.

**4. Income Taxes**

The Company recorded a provision for income taxes of \$250,104 and \$0 for the years ended December 31, 2020 and 2019, respectively. The tax provision relates to tax expense for profitable operations of its two wholly owned subsidiaries in Switzerland.

As of December 31, 2020, the Company had net operating loss carryforwards for Federal income tax purposes of approximately \$190,000. Because there is no certainty that we will realize taxable income in the future, we did not record any deferred tax benefit as a result of these losses. However, under Section 382 of the Internal Revenue Code, the use of the net operating loss carryforwards indefinitely.

The Company did not have any material unrecognized tax benefits as of December 31, 2020 and 2019. The Company does not expect the unrecognized tax benefits to significantly increase or decrease within the next twelve months. The Company recorded no interest and penalties relating to unrecognized tax benefits as of and during the years ended December 31, 2020 and 2019. The Company is subject to U.S. federal income tax, as well as taxes by various state jurisdictions and foreign jurisdictions. The Company has filed its federal tax returns for 2019. The federal tax returns for 2020 are outstanding and passed due. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending December 31, 2018 through 2020.

The Company has filed all required foreign tax returns for the period with the Swiss Tax Authorities.

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**5. Commitments and Contingencies**

***Litigation***

The Company accrues for loss contingencies associated with outstanding litigation, claims and assessments for which management has determined it is probable that a loss contingency exists, and the amount of loss can be reasonably estimated. Costs for professional services associated with litigation claims are expensed as incurred. As of December 31, 2020, the Company has not accrued or incurred any amounts for litigation matters.

***Leases***

The Company has a two-year lease at a cost of \$300 per month that ends on January 15, 2021. Rockflowr Production leases space for its grow facility in Dietikon, Switzerland for 2,850 CHF per month on a month-to-month basis, which is considered as a short-term lease under ASC 842.

The Company has signed a new lease agreement for the new location in Glattbrugg-Zurich as of April 1, 2021. The contract is concluded for a period of 5 years and causes monthly costs of USD 15'000 for the Company.

**6. Stockholders' Equity**

The Company is authorized to issue 6,000,000,000 shares of its common stock, par value \$0.00001 and 100,000,000 shares of preferred stock, par value \$0.00001. 4,709,538,107 and 3,908,538,107 shares of common stock were outstanding as of December 31, 2020 and 2019, respectively. 10,000,000 and 6,900,000 shares of preferred stock were outstanding as of December 31, 2020 and 2019, respectively. The preferred shares have voting control of the Company.

During the year ended December 31, 2019, the Company sold 1.4 million shares of preferred stock for aggregate \$43,411, and issued 4.85 million shares of common stock, valued at \$2,716 for services received.

On February 7, 2020, the Company sold 3,100,000 shares of preferred stock at a price of \$0.0001 per share. Consequently, the preferred stock shareholders obtained the voting control of the Company.

During the year ended December 31, 2020, the Company issued an aggregate of 800,000,000 shares of common stock, valued at \$560,000 in conjunction with a debt settlement agreement. See Note 2 for details of the debt settlement.

Effective May 22, 2020 the Company agreed to issue 400,000,000 shares of common stock to purchase Rockflowr Exchange. Effective June 18, 2020 the Company agreed to issue 200,000,000 shares of common stock to purchase Rockflowr Production. See Notes 1, 8 and Note 9. The 600,000,000 shares of common stock were not issued as of December 31, 2020, and subsequently were issued on February 10, 2021.

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On August 25, 2020, the Company issued 1,000,000 shares of common stock, valued at \$1,000, as stock-based compensation to a consultant.

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**7. Income Per Common Share**

Income per common share data was computed as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net income attributable to common stockholders – basic	\$ 532,807	\$ 291,150
Adjustments to net income	—	—
Net income attributable to common stockholders – diluted	\$ 532,807	\$ 291,150
Weighted average common shares outstanding – basic	4,649,380,966	3,908,538,107
Effect of dilutive securities	15,200,000,000	15,000,000,000
Weighted average common shares outstanding – diluted	19,849,390,966	18,908,538,107
Earnings per common share - basic	\$ 0.00	\$ 0.00
Earnings per common share - diluted	\$ 0.00	\$ 0.00

All of the Company's preferred stock is convertible into shares of common stock at a rate of 1,500 shares of common stock for every preferred share.

**8. Business Combinations**

During the second quarter of 2020, the Company purchased two Swiss-based CBD entities, Rockflowr Exchange and Rockflowr Production. The financial results of these business acquisitions is included in the consolidated financial statements from their respective dates of acquisition.

Rockflowr Production was purchased on May 22, 2020 for a purchase price of 400,000,000 shares of the Company's common stock, valued at \$720,000. The fair value of the assets over the liabilities of Rockflowr Production amounted to \$18,315. The Company did not record any intangible assets for the excess of the value of the stock issued over the fair market value of the net assets purchased because the acquisition was qualified as a reorganization of entities under common control.

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Rockflowr Exchange was purchased on June 18, 2020 for a purchase price of 200,000,000 shares of the Company's common stock, valued at \$280,000. The fair value of the liabilities over the assets of Rockflowr Exchange amounted to \$17,039. The Company did not record any intangible assets for the excess of the value of the stock issued over the fair market value of the net assets purchased because the acquisition was qualified as a reorganization of entities under common control..

**9. Related Party Transactions**

Rockflowr Production was purchased on May 22, 2020 by issuing 400,000,000 shares of our common stock, valued at \$720,000, to Swiss Industry Ventures, which holds all of the preferred shares and voting control of the Company.

Rockflowr Exchange was purchased on June 18, 2020 by issuing 200,000,000 shares of our common stock, valued at \$280,000, to Swiss Industry Ventures.

As of December 31, 2020 and 2019, the Company recorded accounts receivable and accounts payable to related parties of \$211,126 and \$96,671, respectively. Certain related parties charged receivables and payables to each other with a net receivable of \$199,000 as of December 31, 2020. Swiss Industry Ventures is providing or paying for services for the Company in the area of accounting, marketing and business development. In the year ended December 31, 2020, Swiss Industry Ventures charged management fees of \$456,000 to Rockflowr, which amount was recorded in the costs of goods sold. The Company is also sharing office space with related parties. The related party accounts receivable will be offset by future costs incurred by related parties on behalf of the Company.

As of December 31, 2020, the Company recorded accounts sales and accounts receivable of \$ 22,500 with a third party company controlled by a major shareholder of the Company.

**10. Subsequent Events**

On May 22, 2020 the Company agreed to issue 400,000,000 shares of common stock to purchase Rockflowr Exchange. On June 18, 2020, the Company agreed to issue 200,000,000 shares of common stock to purchase Rockflowr Production. See Notes 1, 8 and Note 9. The 600,000,000 shares of common stock were not issued as of December 31, 2020, and subsequently were issued on February 10, 2021.

On February 10, 2021, the Company issued an aggregate of 50,000 shares of common stock as stock-based compensation to employees.

On March 3, 2021, the company signed a new lease agreement for the new location in Glattbrugg-Zurich as of April 1, 2021. The contract is concluded for a period of 5 years and causes monthly costs of USD 15'000 for the company.