

PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE
YEARS ENDED NOVEMBER 30, 2021, AND 2020

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PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATE BALANCE SHEETS
AS OF NOVEMBER 30, 2021, AND 2020

ASSETS	November 30, 2021	November 30, 2020
ASSETS		
Current assets		
Cash	\$ 441,820	\$ 440,158
Accounts receivable, net of allowance of \$60,637 in 2020	76,999	122,317
Inventory	2,925,623	2,754,238
Prepaid expenses	429,502	63,694
Other current assets	254,891	262,977
Total current assets	4,128,835	3,643,384
Fixed assets, net	4,498,308	5,624,317
Right of use assets	1,464,621	2,749,768
Intangible assets	904,167	929,167
Other assets	137,784	106,992
Investments	249,500	-
TOTAL ASSETS	\$ 11,383,215	\$ 13,053,628
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,317,254	\$ 616,425
Accrued expenses	328,153	185,792
Deferred revenue	-	5,317
Income tax liability	89,636	89,636
Interest payable	244,375	-
Derivative liability	43,810	-
Notes payable	455,000	-
Current portion of lease liability	530,549	1,211,275
Total current liabilities	3,008,777	2,108,445
Long-term lease liability	990,940	1,603,669
Legacy tax liabilities	2,824,148	2,758,783
Long-term debt less current portion	3,414,971	3,330,222
Total liabilities	10,238,836	9,801,119
Commitments and contingencies	-	-
Shareholders' equity		
Convertible preferred stock, par value \$.00001, 875,010 shares authorized		
Series F: 25,000 shares issued and outstanding	-	-
Series H: 850,000 and 0 shares issued and outstanding	8	-
Common stock, par value \$.00001, 8,978,999,990 shares authorized, 4,979,231,963 and 4,778,006,249 outstanding		
	49,792	47,780
Capital in excess of par value	(1,369,447)	(564,481)
Retained earnings	10,634,990	10,105,296
Total Pervasip Corp. shareholders' equity	9,315,343	9,588,595
Noncontrolling interest	(8,170,964)	(6,336,086)
Total Shareholders' equity	1,144,379	3,252,509
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 11,383,215	\$ 13,053,628

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED NOVEMBER 30, 2021, AND 2020

	Year Ended November 30, 2021	Year Ended November 30, 2020
Revenue	\$ 17,057,274	\$ 17,265,417
Cost of services	14,855,439	15,233,170
Gross Profit	2,201,835	2,032,247
Costs and expenses:		
Payroll expenses	704,875	1,436,841
Office and professional fees	1,196,317	1,366,427
Insurance	213,538	159,655
Occupancy	424,369	176,314
Advertising	143,582	75,008
Business taxes and licensing	403,337	375,853
General and administrative	219,226	204,885
Total costs and expenses	3,305,244	3,794,983
Income (loss) from operations	(1,103,409)	(1,762,736)
Other income (expenses):		
Other income	73,188	98,450
Mark to market change in derivatives	7,742	-
Gain on debt restructuring	-	10,811,110
Net gain on disposal of fixed assets	-	3,183
Other expense	(3,912)	(10,285)
Unrealized loss on marketable securities	(18,500)	-
Interest expense	(260,293)	(660,579)
Total other income (expenses)	(201,775)	10,241,879
Net income (loss) before income taxes	(1,305,184)	8,479,143
Income tax expense (benefit)	-	(166,485)
Net income (loss)	(1,305,184)	8,645,628
Loss (income) from noncontrolling interest	(1,834,878)	(2,925,880)
Net income attributable to Pervasip Corp.	\$ 529,694	\$ 11,571,508
Basic and diluted income per share	\$ 0.00	\$ 0.00
Weighted Average Number of Shares Outstanding		
Basic	5,063,269,068	4,778,006,249
Diluted	8,902,847,247	5,270,950,213

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

	<u>Common Shares</u>	<u>Common Stock, Par</u>	<u>Preferred Shares</u>	<u>Preferred Stock, Par</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Non-Controlling Interest</u>	<u>Total Stockholders' Equity (Deficit)</u>
Balance, November 30, 2019	4,778,006,249	\$ 47,780	25,000	-	\$ (564,481)	\$ (1,466,212)	\$ (3,410,206)	\$ (5,393,119)
Net income November 30, 2020	-	-	-	-	-	11,571,508	(2,925,880)	8,645,628
Balance, November 30, 2020	4,778,006,249	47,780	25,000	-	(564,481)	10,105,296	(6,336,086)	3,252,509
Cancellation of shares before merger	(1,000,000,000)	(10,000)	-	-	10,000	-	-	-
Issuance of common stock before merger	1,201,225,714	12,012	-	-	(12,012)	-	-	-
Merger with Artizen Corporation	-	-	850,000	8	(802,954)	-	-	(802,946)
Net income November 30, 2021	-	-	-	-	-	529,694	(1,834,878)	(1,305,184)
	<u>4,979,231,963</u>	<u>\$ 49,792</u>	<u>875,000</u>	<u>\$ 8</u>	<u>\$ (1,369,447)</u>	<u>\$ 10,634,990</u>	<u>\$ (8,170,964)</u>	<u>\$ 1,144,379</u>

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

	<u>Year Ended November 30, 2021</u>	<u>Year Ended November 30, 2020</u>
OPERATING ACTIVITIES		
Net income (loss)	\$ (1,305,184)	\$ 8,645,628
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,164,230	1,327,908
Stock-based compensation	23,561	-
Change in fair value of derivative liabilities	(7,742)	-
Bad debt expense	32,311	32,117
Gain on debt restructuring	-	(10,811,110)
Unrealized gain in investments	18,500	-
Changes in working capital items:		
Accounts receivable	13,007	(39,728)
Inventory	(171,385)	993,012
Other assets	(22,706)	(264,265)
Prepaid expenses	(322,912)	(12,992)
Accounts payable and accrued liabilities	575,583	435,495
Lease liability	(8,308)	34,121
Deferred revenue	(5,317)	5,317
Interest payable	39,000	(3,442)
Cash provided by operating activities	<u>22,638</u>	<u>342,061</u>
INVESTING ACTIVITIES		
Reverse asset acquisition	1,200	-
Purchase of fixed assets	(13,221)	(190,072)
Cash used in investing activities	<u>(12,021)</u>	<u>(190,072)</u>
FINANCING ACTIVITIES		
Payments of notes payable	(63,955)	(64,338)
Proceeds from loans	55,000	67,380
Cash provided by (used in) financing activities	<u>(8,955)</u>	<u>3,042</u>
Net change in cash	1,662	155,031
Cash at beginning of the year	440,158	285,127
Cash at end of the year	<u>\$ 441,820</u>	<u>\$ 440,158</u>
Supplemental disclosure of cash flow information:		
Cash paid for taxes	<u>\$ -</u>	<u>\$ 58,028</u>
Cash paid for interest	<u>\$ 147,326</u>	<u>\$ 147,709</u>

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED NOVEMBER 30, 2021, AND 2020

1. Description of Business and Summary of Accounting Policies

Description of Business

Pervasip Corp. (“Pervasip”, “we,” “our,” or the “Company”) is incorporated in New York State and its head office is located at 1917 1st Avenue, Suite 400, Seattle, Washington 98101. The principal activities of the Company are consulting, IP licensing, management, staffing, leasing, and support services. We are a diversified asset management company that was founded to acquire, develop, and support companies and technologies in the emerging cannabis industry. We also own the rights to a cannabis brand.

Fiscal Year-End

The Company has a November 30 fiscal year end.

Functional Currency

The Company and its subsidiaries’ functional currency, as determined by management, is the United States (“U.S.”) dollar.

Variable Interest Entities

A variable interest entity (“VIE”) is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to control the entity’s activities or do not substantially participate in the gains and losses of the entity. Upon inception of a contractual agreement, and thereafter, if a reconsideration event occurs, the Company performs an assessment to determine whether the arrangement contains a variable interest in an entity and whether that entity is a VIE. The primary beneficiary of a VIE is the party that has both the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under guidance in the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) 810 – *Consolidations*, where the Company concludes that it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE.

The following are the Company’s VIE that are included in these consolidated financial statements as of and for the fiscal year ended November 30, 2021, and November 30, 2020:

Entity	Location	Purpose	Ownership	
			2021	2020
Artizen Group, LLC (1)(6)	Lacey, WA	Cultivation and Processing	0%	0%
KMH Housing, LLC (2)(5)	Tacoma, WA	Cultivation and Processing	0%	0%
Cascadia Growers Association, LLC (3)(5)	Tumwater, WA	Cultivation	0%	0%
Pacala Inc.(4)(6)	Port Townsend, WA	Cultivation	0%	0%

- (1) As the sole member of Zen Asset Management, LLC (“ZAM”), the Company is the primary beneficiary of the management services, staffing, consulting, and brand licensing agreements between ZAM and Artizen Group, LLC. The Company does not hold any ownership interests in Artizen Group, LLC.
- (2) As the sole member of ZAM, the Company is the primary beneficiary of the management services, staffing, and consulting agreements between ZAM and KMH Housing, LLC. The Company does not hold any ownership interests in KMH Housing, LLC.
- (3) As the sole member of ZAM, the Company is the primary beneficiary of the management services, staffing, and consulting agreements between ZAM and Cascadia Growers Association, LLC. The Company does not hold any ownership interests in Cascadia Growers Association, LLC.
- (4) As the sole member of ZAM, the Company is the primary beneficiary of the management services, staffing, and consulting agreements between ZAM and Pacala Inc. The Company does not hold any ownership interests in Pacala Inc.
- (5) A Washington Limited Liability Company
- (6) A Washington Corporation

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and entities over which the Company has control as defined in ASC 810 after elimination of significant intercompany balances and transactions. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity. In assessing control, potential voting rights that are currently exercisable are taken into account. The Company uses the accrual basis of accounting and accounting principles generally accepted in the United States of America.

The following are the Company’s principal whole-owned subsidiaries that are included in these consolidated financial statements as of and for the year ended November 30, 2021, and November 30, 2020:

Entity	Location	Purpose	Ownership	
			2021	2020
Zen Asset Management, LLC (1)	Seattle, WA	Management of Operations	100%	0%
G.R.P.T., LLC (2)	Seattle, WA	Real Estate	100%	0%

- (1) A Delaware Limited Liability Company
- (2) A Washington Limited Liability Company

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company’s ownership interest that do not result in a loss of control are accounted for as equity transactions.

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. The most significant estimates relate to the derivative liabilities, the income tax valuation allowance, and the allowance for doubtful accounts receivable. 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.

Segment Reporting

Management makes significant operating decisions based upon the analysis of the entire Company and financial performance is evaluated on a company-wide basis. Accordingly, the various products sold are aggregated into one reportable operating segment as under guidance in ASC Topic 280 for segment reporting.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company has no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from balances outstanding at period-end, based on the Company's assessment of the credit history with customers having outstanding balances and current relationships with them. A reserve for uncollectible receivables is established when collection of amounts due is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, client cash flow difficulties or ongoing service or billing disputes. At November 30, 2021 and 2020, the Company established an allowance for doubtful accounts of \$0 and \$45,049, respectively.

We are exposed to credit risk in the normal course of business, primarily related to accounts receivable. We are affected by general economic conditions in the United States. To limit credit risk, management periodically reviews and evaluates the financial condition of its customers and maintains an allowance for doubtful accounts. As of November 30, 2021, and 2020, we do not believe that we have significant credit risk.

Inventory

Inventory consists of raw materials, supplies and consumables used in the inventory process, merchandise for sale, finished goods and work-in-process. Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. Costs are capitalized to inventory, until substantially ready for sale. Costs include direct and indirect labor, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience, and application of the specific identification method. The Company classifies cannabis inventory as a current asset, although part of such inventory, because of the duration of the cultivation, drying, and conversion process, may not ordinarily be utilized within one year.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or components of property, plant and equipment. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in net income (loss).

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are as follows:

	<u>Years</u>
Buildings and greenhouses	20 - 50
Production and warehouse equipment	5 - 30
Leasehold improvements	3 - 20
Office and lab equipment	3 - 10
Vehicles	3 - 7

Estimates of useful life and residual value, and the method of depreciation, are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation method are no longer appropriate. Any changes are accounted for on a prospective basis as a change in estimate.

Investments

The Company adopted FASB ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), which updates certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 did not have a material impact on the Company’s consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." 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.

The Company identifies performance obligations in contracts with customers, and primarily satisfies its performance obligations when a customer takes possession of product. The transaction price is determined based on the amount the Company expects to be entitled to receive in exchange for transferring the products to the customer. The transaction price in the contract is allocated to each distinct performance obligation in an amount that represents the relative amount of consideration expected to be received in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied. The Company usually bills its customers as a customer takes possession of the product. Contracts are typically less than one year.

Judgments and Estimates

The estimation of variable consideration for each performance obligation requires the Company to make subjective judgments. The Company occasionally enters contracts with customers that regularly include promises to transfer multiple products at different times. For arrangements with multiple products, the Company evaluates whether the individual services qualify as distinct performance obligations.

If an agreement involves multiple distinct performance obligations, the Company allocates arrangement consideration to all performance obligations at the inception of an arrangement based on the relative standalone selling prices (“SSP”) of each performance obligation. Where the Company has standalone sales data for its performance obligations which are indicative of the price at which the Company sells a product separately to a customer, such data is used to establish SSP. In instances where standalone sales data is not available for a particular performance obligation, the Company estimates SSP by the use of observable market and cost-based inputs. The Company continues to review the factors used to establish list price and will adjust standalone selling price methodologies as necessary on a prospective basis.

Contract Assets

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services. Contract assets are included in other current or non-current assets in the consolidated balance sheets, depending on if their reduction will be recognized during the succeeding twelve-month period or beyond.

Deferred Revenue

Deferred revenues represent billings or payments received in advance of revenue recognition and are recognized upon transfer of control. Balances consist primarily of prepaid services or product sales not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding twelve-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other non-current liabilities in the consolidated balance sheets. Deferred revenue amounted to \$0 and \$5,317 as of November 30, 2021, and 2020, respectively.

Costs to Obtain a Customer Contract

Sales commissions and related expenses are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized as other current or non-current assets and amortized on a straight-line basis over the life of the contract, which approximates the benefit period. The benefit period was estimated by taking into consideration the length of customer contracts, technology lifecycle, and other factors. All sales commissions are recorded as consulting fees within the Company's consolidated statement of operations.

Remaining Performance Obligations

The Company's subscription terms are typically less than one year. All of the Company's revenues are considered contract revenues. As of November 30, 2021, and 2020 there is no contract revenue which has not yet been recognized.

Cost of Services

The types of costs included in cost of goods sold are raw materials, packaging materials, manufacturing costs, plant facilities administrative support and overheads, and freight and warehouse costs, including distribution costs.

Leases

We account for leases in accordance with the FASB ASC 842, Leases. We assess whether an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We have elected the practical expedient to not separate lease and non-lease components for all assets. Operating lease assets and operating lease liabilities are calculated based on the present value of the future minimum lease payments over the lease term at the lease start date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease start date in determining the present value of future payments. The operating lease asset is increased by any lease payments made at or before the lease start date and reduced by lease incentives and initial direct costs incurred. The lease term includes options to renew or terminate the lease when it is reasonably certain that we will exercise that option. The exercise of lease renewal options is at our sole discretion. The depreciable life of lease assets and leasehold improvements are limited by the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations immediately as a gain on acquisition. See "Note 9 – Business Acquisitions" for further details on business combinations.

Fair Value of Financial Instruments

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.

Impairment of long-lived assets

The Company periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. During the years ended November 30, 2021, and 2020, the Company did not record any impairment expense.

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 carry forwards. 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. A valuation allowance has been established to eliminate the Company's deferred tax assets as it is more likely than not that any of the deferred tax assets will be realized.

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.

Based on the Company's history of losses, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company may in the future become subject to foreign, federal, state and local income taxation though it has not been since inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the Company's net income or loss applicable to common shareholders by the weighted average number of common shares during the period. A diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

Stock-Based Compensation

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of warrant issuances or stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. The Company estimates volatility by considering the historical stock volatility. The Company has opted to use the simplified method for estimating expected term.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815 “Derivatives and Hedging Activities”.

Accounting standards require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The Company accounts for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: We record when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

The Company accounts for the conversion of the underlying derivative of a convertible debt instrument as a gain or loss. The decrease in debt that results from a debt conversion is calculated and compared to the then-current fair value of shares issued with any difference recorded as a gain or loss.

Concentrations

No customer concentrations existed as of November 30, 2021, and 2020.

Recent Accounting Pronouncements

From time to time, the Financial Accounting Standards Board (“FASB”) or other standard setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update (“ASU”). We have implemented all new accounting pronouncements that are in effect and that may impact our financial statements. We have evaluated recently issued accounting pronouncements and determined that there is no material impact on our financial position or results of operations.

As of January 1, 2019, the Company adopted the FASB ASU 2016-02, *Leases* (ASC 842), which introduces the balance sheet recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The Company has adopted the new lease standard using the new transition option issued under the amendments in ASU 2018-11, *Leases*, which allowed the Company to continue to apply the legacy guidance in ASC 840, *Leases*, in the comparative periods presented in the year of adoption. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. The Company will recognize those lease payments on a straight-line basis over the lease term. The impact of the adoption was an increase to the Company’s operating lease assets and liabilities on January 1, 2019, of \$3.2 million.

On January 1, 2019, the Company also adopted ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting.” ASU 2018-07 more closely aligns the accounting for employee and nonemployee share-based payments. The amendment is effective commencing in 2019 with early adoption permitted. The adoption of this new guidance did not have a material impact on our Financial Statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The new guidance modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of this new guidance, effective December 1, 2020, did not have a material impact on our Financial Statements.

Recently Issued Accounting Pronouncements – Pending Adoption

In October 2020, the FASB issued new guidance that updates various codification topics by clarifying or improving disclosure requirements. The standard is effective for annual periods beginning after December 15, 2020. The Company does not expect the adoption of this new guidance to have a material impact on the Company’s financial conditions, results or operations, cash flows or disclosures.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments — Credit Losses (Topic 326),” changing the impairment model for most financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. The ASU will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, available-for-sale and held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures. In November 2019, the FASB issued ASU No. 2019-10, changing effective dates for the new standards to give implementation relief to certain types of entities. The Company is required to adopt the new standards no later than January 1, 2023, according to ASU 2019-10, with early adoption allowed. We are currently evaluating the impact of adopting this new accounting guidance on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-02, *Simplifying the Accounting for Income Taxes*, to simplify the accounting for income taxes by removing certain exceptions to the general principles and also simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The standard will be effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those periods. We are currently evaluating the impact of adopting this new accounting guidance on our condensed consolidated financial statements.

In March 2017 the FASB issued ASU 2017-04 *Intangibles—Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. This amendment simplifies the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. This update is effective for fiscal years beginning after December 15, 2021. The adoption of ASU No. 2017-04 is not expected to have a material impact on the Company’s financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt –Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)* (“ASU No. 2020-06”). ASU No. 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. ASU No. 2020-06 is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. ASU No. 2020-06 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2020-06 to have a material impact on its condensed 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. Going Concern Matters and Realization of Assets

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. However, the Company has had negative working capital and a stockholders’ deficit. In addition, the Company is unable to meet its obligations as they become due and sustain its operations. The Company believes that its existing cash resources are not sufficient to fund its debt payments and working capital requirements.

The Company may not be able to raise sufficient additional debt, equity, or other cash on acceptable terms, if at all. Failure to generate sufficient revenues, achieve certain other business plan objectives or raise additional funds could have a material adverse effect on the Company's results of operations, cash flows and financial position, including its ability to continue as a going concern, and may require it to significantly reduce, reorganize, discontinue, or shut down its operations.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company which, in turn, is dependent upon the Company's ability to meet its financing requirements on a continuing basis, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in its existence. Management's plans include efforts to develop new revenue sources and negotiate further debt reductions with creditors.

There can be no assurance that the Company will be able to achieve its business plan objectives or be able to achieve or maintain cash-flow-positive operating results. If the Company is unable to generate adequate funds from operations or raise sufficient additional funds, the Company may not be able to repay its existing debt, continue to operate its network, respond to competitive pressures, or fund its operations. As a result, the Company may be required to significantly reduce, reorganize, discontinue, or shut down its operations. Accordingly, the management of the Company has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements.

3. Accounts Receivable and Revenue Recognition

Revenues disaggregated by revenue source consist of the following:

	Year Ended <u>November 30, 2021</u>	Year Ended <u>November 30, 2020</u>
Servicing, licensing and retail	\$ 13,398,032	\$ 15,694,885
Wholesale activities	3,638,191	1,290,859
Other	<u>20,852</u>	<u>279,673</u>
Total revenues	<u>\$ 17,057,075</u>	<u>\$ 17,265,417</u>

Contract Balances

Depending on the timing of when a customer takes possession of product and when a customer makes payments for such product, the Company recognizes a customer trade receivable (asset) or a customer deposit (liability). The difference between the opening and closing balances of the Company's customer trade receivables and the customer deposit liability results from timing differences between the Company's performance and the customer's payment for the years ended November 30, 2021, and 2020. The company had no customer deposit liabilities as of November 30, 2021, and 2020.

The opening and closing balances of the Company's customer trade receivables are as follows:

Contract Balances

Opening balance, December 1, 2019	\$	114,706
Closing balance, November 30, 2020		122,317
Increase (decrease)	\$	<u>7,611</u>

Opening balance, December 1, 2020		122,317
Closing balance, November 30, 2021		76,999
Increase (decrease)	\$	<u>(45,318)</u>

4. Inventory

The following table summarizes the components of inventory as of November 30, 2021, and 2020.

	November 30,	
	2021	2020
Raw materials	\$ 171,531	\$ 119,289
Work-in-process	447,373	393,019
Finished goods	2,306,719	2,241,930
Total inventory	<u>\$ 2,925,623</u>	<u>\$ 2,754,238</u>

5. Property and Equipment

Property and equipment as of November 30, 2021, and 2020 consist of the following:

	November 30,	
	2021	2020
Machinery and equipment	\$ 5,672,871	\$ 5,592,587
Vehicles	105,603	105,603
Buildings	2,034,364	2,034,364
Leashold improvements	4,035,380	4,031,680
Land	169,307	169,307
	<u>12,017,525</u>	<u>11,933,541</u>
Accumulated depreciation and amortization	<u>(7,519,217)</u>	<u>(6,309,224)</u>
Property and equipment, net	<u>\$ 4,498,308</u>	<u>\$ 5,624,317</u>

Depreciation expense was \$1,245,102 and \$2,090,441 for the years ended November 30, 2021 and 2020, respectively.

6. Securities Exchange Agreement

On September 1, 2021, Artizen Corporation (“Artizen”) completed a Securities Exchange Agreement with Pervasip (“the transaction”). Pursuant to the agreement:

- Pervasip agreed to issue 150,000,000 shares of common stock to its Chief Executive Officer in exchange for the cancellation of 10 shares of Series E Preferred Stock, 9,975,000 shares of Series F Preferred Stock, 10,000,000 shares of Series G Preferred Stock, and the cancellation of all debt owed to the Chief Executive Officer, except for \$50,000.

- Artizen agreed to exchange all outstanding equity consisting of 10,000,000 common shares in return for 850,000 shares of Series K Preferred Stock of Pervasip representing an 85% interest in the combined entities.
- Pervasip agreed to assign three wholly owned subsidiaries, AVI Holding Corp., Transcendence Age Corp. and TelcoSoftware.com Corp., plus a website used for advertisement of publicly traded companies known as privateequitymarkets.us., to Here To Serve Holding Corp., an entity controlled by Pervasip’s Chief Executive Officer.

On the effective close date of the transaction, the name of the combined entities continued under Pervasip Corp.

The legal transaction resulted in Pervasip divesting its prior business lines and Artizen becoming a wholly owned subsidiary of Pervasip. The Transaction constitutes a reverse acquisition of Pervasip by Artizen by virtue of the former shareholders of Artizen owning a substantial majority of the issued and outstanding equity of the combined entity. For accounting purposes, Artizen is considered the accounting acquirer and Pervasip the accounting acquiree. The reverse acquisition has been accounted for in accordance with the guidance provided in ASC 805, “Business Combinations”. As Pervasip did not meet the definition of a business under the guidance from ASC 805, the reverse acquisition does not constitute a business combination and accordingly, the reverse acquisition has been accounted for in accordance with guidance provided in “Acquisition of Assets Rather Than a Business” subsections of ASC 805-50 by using a cost accumulation model.

The net asset purchase price was determined based on the market value of the combined Company’s equity on the date of closing the reverse takeover (“RTO”) and incremental transaction costs.

The transaction costs relating to the RTO plus the aggregate of the fair value of the consideration paid was in excess of the fair value of net assets acquired resulting in a reduction to equity recorded as recapitalization deficit on the Consolidated Statements of Stockholders’ Deficit. The accompanying consolidated financial statements are those of Artizen prior to September 1, 2021, and exclude the financial position, results of operations, cash flows and stockholders’ equity of Pervasip prior to September 1, 2021.

The major classes of acquired assets and liabilities, and consideration paid, is as follows:

Purchase Consideration:

Issuance of Series K Preferred Shares	\$ 2,680,500
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Assets acquired and liabilities assumed:

Cash	1,200
Prepaid expenses	66,457
Investments	268,000
Accounts payable	(289,176)
Accrued interest payable	(205,375)
Derivative liability	(51,552)
Due to related party	(50,000)
Notes payable	(400,000)
Long-term debt	(142,500)
Net assets (liabilities) acquired at fair value	<u>(802,946)</u>

Recapitalization deficit	<u>\$ (3,483,446)</u>
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7. Debt

The following table summarizes components of debt as of November 30, 2021, and 2020:

	November 30,	
	2021	2020
Senior secured debt	\$ 142,500	\$ -
Convertible subordinated debt	365,000	-
Demand notes	90,000	-
Long-term debt	3,403,937	3,461,688
Total debt	4,001,437	3,461,688
Less: current portion	(455,000)	-
Total long-term debt	\$ 3,546,437	\$ 3,461,688

Secured Debt

As of September 1, 2021, and November 30, 2021, the Company owed a senior secured lender \$142,500. The secured debenture is due on December 31, 2022, bears interest at a rate of 6% per annum and is convertible into the Company's common stock at a fixed rate of \$0.001 per share, unless the Company is in default on the secured debenture, in which case it is convertible at the stated default rate, if such rate is lower than \$0.001. As of November 30, 2021, accrued interest payable on the secured debenture totals \$20,750.

The same lender is also owed \$140,000 and \$50,000 for two convertible debentures that are past due. The \$140,000 debenture accrues interest at a rate of 18% per annum. The principal and interest are convertible into shares of common stock at a price of \$0.0025 per share. Accrued interest payable as of November 30, 2021, amounts to \$6,283. The \$50,000 debenture accrues interest at a rate of 24% per annum. The principal and interest are convertible into shares of common stock at a price of \$0.0025 per share. Accrued interest payable as of November 30, 2021, amounts to \$117,107.

As of November 30, 2021, the Company owed a secured lender \$284,221. The debenture is due on January 1, 2025, bears an interest rate of 6% through December 2022 and 8% from January 2023 through December 2024. Monthly payments are \$1,799 through December 2022 and \$2,155 from January 2023 through December 2024. Payments are current.

As of November 30, 2021, the Company owed a secured lender \$37,896. The debenture is due on January 1, 2025, bears an interest rate of 6% through December 2022 and 8% from January 2023 through December 2024. Monthly payments are \$240 through December 2022 and \$287 from January 2023 through December 2024. Payments are current.

As of November 30, 2021, the Company owed a secured lender \$2,038,473. The debenture is due on March 1st, 2030, bears an interest rate of 6% through December 2022, 8% from January 2023 through March 2025, and 10% until March 2030. Monthly payments are \$13,100 through March 2024, \$15,693 from April 2024 through March 2025, and \$16,882 through March 2030. Payments are current.

Subordinated debt

As of November 30, 2021, the Company owed an unsecured lender \$51,887.

Convertible debt with a fixed conversion rate issued for cash

On September 22, 2021, the Company borrowed \$55,000 and issued a convertible debenture due on December 31, 2021, that bears interest at a rate of 8% per annum and is convertible into the Company's common stock at a fixed rate of \$0.001 per share, unless the Company is in default on the secured debenture, in which case it is convertible at the stated default rate, if such rate is lower than \$0.001. As of November 30, 2021, accrued interest payable on the secured debenture totals \$832.

Convertible debt with a variable conversion rate issued for cash

As of September 1, 2021, and November 30, 2021, the Company owed a lender \$115,000 in connection a note that is past due, in default, bears an interest rate of 8% per annum, and is convertible at a price of 70% of the average closing price of the Company's common stock during the five trading days prior to conversion.

Other short-term debt

As of November 30, 2021, the Company owed a single lender \$95,000 for a demand note that does not bear interest.

Debt Restructuring

Effective April 1, 2010, the repayment terms of several long-term debt agreements were renegotiated to be one half of cash flow, as defined. As a result, since April 1, 2020, the Company has not made a debt service payment. The debt was valued based on the projected cash flows of the business operations, in conjunction with the provisions of the Fair Value Measurements Topic of the FASB Accounting Standards Codification. Based on projected annual revenue growth of 25% and a discount rate of 15%, the debt is recorded at a value of \$400,979 as of November 30, 2021 and 2020. As a result of recording the debt at fair value, the Company recognized a restructuring gain of \$10,811,110 in the year ended November 30, 2020.

8. Derivative Liabilities

The Company evaluated their convertible note agreements pursuant to ASC 815 and due to there being no minimum or fixed conversion price resulting in an indeterminate number of shares to be issued in the future, the Company determined an embedded derivative existed and ASC 815 applied for their convertible notes. The Company valued the embedded derivatives using the Black-Scholes valuation model.

Convertible debt with a variable conversion feature

In 2020, we estimated the fair value of the derivatives using the Black-Scholes valuation method with assumptions including: (1) term of 0 to 0.38 years; (2) a computed volatility rate of 279 to 372% (3) a discount rate of 1% and (4) zero dividends. Upon settlement the valuation of this embedded derivative was recorded as gain/loss on derivative liability.

In 2019, we estimated the fair value of the derivatives using the Black-Scholes valuation method with assumptions including: (1) term of 0 to 1.38 years; (2) a computed volatility rate of 372 to 787% (3) a discount rate of 1% and (4) zero dividends. Upon settlement the valuation of this embedded derivative was recorded as gain/loss on derivative liability.

9. Stockholders' Equity

The Company has authorized 8,978,999,990 shares of common stock, \$0.00001 par value, and has 4,979,231,963 shares issued as of November 30, 2021. The Company has 875,010 shares authorized of preferred stock.

Outstanding Series of Preferred Stock

Series E, F and K Preferred Stock

On November 30, 2021, the Company has three series of preferred stock authorized that consists of 10 shares of Series E Preferred Stock, 25,000 shares of Series F Preferred Stock and 850,000 shares of Series K Preferred Stock. Preferred stock outstanding consists of 25,000 shares of Series F Preferred Stock and 850,000 shares of Series K Preferred Stock

The Series E Preferred Stock has voting rights equal to 400% of the sum of the common stock and Series F Preferred Stock, but no dividend rights and no liquidation rights. The Series E Preferred Stock is convertible into the number of common shares equal to its voting rights.

The Series F Preferred has voting rights equal to 250,000 common shares and a liquidation preference of \$250,000 over junior securities. Each share of Series F Preferred Stock is convertible by the holder into 250,000 shares of the Company's Common Stock. Shares of Series F Preferred Stock are anti-dilutive to reverse splits, so that in the event of a reverse split, the shares are convertible into the same number of common shares after the reverse split as would have been issued before the reverse split. The conversion rate of Series F Preferred Stock, however, increases proportionately in the case of forward splits, and may not be diluted by a reverse split following a forward split. A holder of Series F Preferred Stock is blocked from owning more than 9.99% of the shares of common stock.

Each share of Series K Preferred Stock shall have a stated value equal to Ten Cents (\$0.10) (the "Stated Value"). The relative rights, preferences and limitations of the Series K Preferred Stock are as follows:

Voting. The holders of shares of Series K Preferred Stock have the following voting rights: Each share of Series K Preferred Stock shall entitle the holder thereof, on all matters submitted to a vote of the stockholders of the Corporation, to that number of votes as shall be equal to the aggregate number of shares of Common Stock into which such holder's shares of Series K Preferred Stock are convertible on the record date for the stockholder action without taking into account potential conversions of any other convertible securities issued by the Corporation.

Dividends. In the event that the Corporation's Board of Directors declares a dividend payable to holders of any class of stock, the holder of each share of Series K Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Corporation's Common Stock into which that holder's Series K Preferred Stock could be converted on the record date for the dividend without application of the limitation on conversions.

Liquidation. Upon the liquidation, dissolution and winding up of the Corporation, the holders of the Series K Preferred Stock shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or from earnings available for distribution to its stockholders, before any amount shall be paid to the holders of common stock, the sum of one tenth of One Cent (\$0.001) per share, after which the holders of Series K Preferred Stock shall share in the distribution with the holders of the Common Stock on a pari passu basis, except that in determining the appropriate distribution of available cash among the shareholders, each share of Series K Preferred Stock shall be deemed to have been converted into the number of shares of the Corporation's Common Stock into which that holder's Series K Preferred Stock could be converted on the record date for the distribution without application of the limitation on conversions.

Conversion. Any shares of Series K Preferred Stock may, at any time, at the option of the holder, be converted into fully paid and nonassessable shares of Common Stock (a "Conversion"). The number of shares of Common Stock to which a holder of Series K Preferred Stock shall be entitled upon a Conversion shall equal the product obtained by (a) multiplying the number of Fully-Diluted Common Shares by five and two-thirds (5.6666), then (b) multiplying the result by a fraction, the numerator of which will be the number of shares of Series K Preferred Stock being converted and the denominator of which will be the number of issued and outstanding shares of Series K Preferred Stock. The term "Fully-Diluted Common Shares" means the sum of the outstanding Common Stock plus all shares of Common Stock that would be outstanding if all securities that could be converted into Common Stock without additional consideration were converted on the conversion date but shall not include Common Stock issuable on conversion of the Series K Preferred Stock. The Company shall not affect any conversions of the Series K Preferred Stock and the holder shall not have the right to convert any shares of Series K Preferred Stock to the extent that after giving effect to such conversion, the Holder, together with any affiliate thereof, would beneficially own more than 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion.

Warrants

The following tables summarize information about warrants outstanding as on November 30, 2021 and 2020:

Range of Exercise Prices	Warrants Outstanding			Warrants Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
As of November 30, 2020					
\$0.005 - \$0.10	51,533,333	1.80	\$ 0.005	51,533,333	\$ 0.005
As of November 30, 2021					
\$0.0008 - \$0.005	241,533,333	3.74	\$ 0.003	241,533,333	\$ 0.003

	Number of Shares	Exercise Price Per Share	Average Exercise Price
Warrants outstanding December 1, 2019	53,123,333	\$0.005-\$0.20	\$ 0.019
Issued during year ended November 30, 2020	-	-	\$ -
Canceled during year ended November 30, 2020	(1,590,000)	\$0.10-\$0.20	\$ 0.12
Warrants outstanding November 30, 2020	51,533,333	\$0.005	\$ 0.005
Issued during the year ended November 30, 2021	190,000,000	\$0.0008-\$0.0037	\$ 0.003
Exercised/canceled during the year ended November 30, 2021	-	-	\$ -
Warrants outstanding November 30, 2021	241,533,333	\$0.0008-\$0.005	\$ 0.003
Warrants exercisable, November 30, 2021	241,533,333	\$0.0008-\$0.005	\$ 0.003

10. Income Taxes

The Company has accumulated net operating losses of approximately \$11 million for United States federal tax purposes as of November 30, 2021 and 2020, respectively. These losses expire in fiscal years 2022 through 2041.

Due to the net operating loss carryforward, the Company did not recognize income tax expense in the year ended November 30, 2021. An income tax benefit of \$166,485 was recognized in consolidation of a benefit received from a variable interest entity in the year ended November 30, 2020.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of November 30, 2021 and 2020 were as follows:

	2021	2020
Deferred tax assets, net:		
Net operating loss carry forwards	\$ 3,000,000	\$ 3,100,000
Valuation allowance	(3,000,000)	(3,100,000)
Net deferred assets	\$ —	\$ —

The valuation allowance decreased to \$3,000,000 as of November 30, 2021, from \$3,100,000 as of November 30, 2020.

The following is a reconciliation of the tax provisions for the years ended November 30, 2021 and 2020 with the statutory Federal income tax rates:

	Percentage of Pre-Tax Income	
	2021	2020
Statutory federal income tax rate	21.0%	21.0%
State and local taxes (net of federal tax benefit)	6.0	6.0
Net operating loss carryforwards	(27.0)	(27.0)
Effective tax rate	—	—

The Company did not have any material unrecognized tax benefits as of November 30, 2021 and 2020. 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 November 30, 2021 and 2020. The Company is subject to United States federal income tax, as well as taxes by various state jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending November 30, 2018 through 2021.

11. 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 the FASB Accounting Standards Codification 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.

Following is a description of 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 (disclosures required by the Fair Value Measurements Topic of the FASB Accounting Standards Codification).

Cash and cash equivalents, accounts receivable, and accounts payable

In general, carrying amounts approximate fair value because of the short maturity of these instruments.

Debt

At November 30, 2021 and 2020, long-term debt was carried at the value of the projected payments to be made under a debt restructuring agreement, or at its face value plus accrued interest due when the projected payments were equal to the face value plus accrued interest. The Company estimates the fair value of its short-term debt is equal to its face value.

Investments and Liabilities Measured and Recognized at Fair Value on a Recurring Basis

The following table presents the amounts of available-for-sale securities and liabilities measured at fair value on a recurring basis as of November 30, 2021, and 2020.

The fair value of investments is measured with quoted prices in active markets. The fair value of the derivatives that are traded in less active over-the-counter markets are generally measured using pricing models with no observable inputs. These measurements are classified as Level 3 within the fair value of hierarchy.

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>November 30, 2020</u>				
Long-term debt	\$ 400,879			400,879
<u>November 30, 2021</u>				
Equity securities at fair value	\$ 39,500		\$ 39,500	
Derivative liabilities	\$ 43,810	-	-	\$ 43,810
Long-term debt	\$ 400,879			\$ 400,879

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

12. Commitments and Contingencies

A novel strain of coronavirus, or COVID-19, has spread throughout the world and has been declared to be a pandemic by the World Health Organization. As of the date this report was issued, our operations have not been significantly impacted by the COVID-19 outbreak. However, we cannot at this time predict the specific extent, duration, or full impact that the COVID-19 outbreak will have on our financial condition, operations, and business plans for 2022. Our operations have adapted social distancing practices, and the next expected milestones of our product may be impacted, and we may experience delays in anticipated timelines and milestones.

Litigation

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability, if any, is not likely to have a material effect on the financial condition, results of operations or liquidity of the Company. However, as the outcome of litigation or legal claims is difficult to predict, significant changes in the estimated exposures could occur.

Indemnity Agreement

The Company has indemnified its secured lender, Flux Carbon Corporation (“FCC”) for excess losses that FCC may incur as a result of the debt exchange executed by the Company (see Note 4). The indemnification is applicable during a two-year time period, ending November 30, 2022, for any adverse consequences arising from an unlikely collection action against FCC by the original lender. FCC believes it has ample counter claims against the original lender, which is now out of business. The maximum amount payable by the Company is set at \$2,000,000 (the “Indemnity Cap”). Any and all cash proceeds received by FCC upon the sale of common stock issued by the Company to FCC under the Amended and Restated Convertible Debenture issued to and held by FCC or its designee(s), with an amendment effective date of November 30, 2020, and an original issuance date of February 15, 2013, shall reduce the Indemnity Cap by one dollar for each dollar of sale proceeds. The Company and FCC believe any payment to the original lender is remote and consequently, no contingency reserve has been established.

Redemption Agreement

Effective September 1, 2021, in connection with the completion of the Securities Exchange Agreement between Artizen and Pervasip, Zen Organization, Inc. (“ORG”), an entity owned by four of Artizen’s selling shareholders, contributed 100% of the issued and outstanding Class A membership interest units of Zen Asset Management LLC (“ZAM”) to Artizen. ORG beneficially owns 161,146 Class B membership interest units of ZAM, which units are non-voting and redeemable by ZAM at a rate equal to \$100 per Class B unit and 50% of ZAM’s net cash after all expenses, taxes, and ordinary course debt service until fully redeemed. An additional 75,996 Class B units were issued into escrow for the benefit of several third parties in connection with the initial acquisition and restructuring of ZAM’s historical operations effective April 1, 2020.

13. Leases

We determine if a contract contains a lease at inception. Our material operating leases consist of cultivation and processing locations as well as office space. Our leases generally have remaining terms of 1-10 years, most of which include options to extend the leases for additional 3 to 5-year periods. Generally, the lease term is the minimum of the noncancelable period of the lease or the lease term inclusive of reasonably certain renewal periods.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases. Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term.

We have elected the practical expedient to account for lease and non-lease components as a single component for our entire population of leases.

Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

Lease expense is recorded within our consolidated statements of operations based upon the nature of the assets. Where assets are used to directly serve our customers, such as facilities dedicated to customer contracts, lease costs are recorded in cost of goods sold. Facilities and assets which serve management and support functions are expensed through general and administrative expenses.

	November 30,	
	2021	2020
Right to use assets, operating lease assets	\$ 1,464,621	\$ 2,749,768
Current lease liability	\$ 530,549	\$ 1,211,275
Non-current lease liability	990,940	1,603,669
Total lease liability	<u>\$ 1,521,489</u>	<u>\$ 2,814,944</u>
Weighted average remaining lease term	16	19
Weighted average discount rate	6%	6%
Operating lease costs	\$ 1,424,554	\$ 1,424,554
Variable lease costs	334,728	420,976
Short-term lease costs	21,107	94,921
Total operating lease costs	<u>\$ 1,780,389</u>	<u>\$ 1,940,451</u>

The following table presents the maturity of the Company's operating lease liabilities as of November 30, 2021:

2022	\$ 654,348
2023	655,284
2024	332,484
2025	-
2026	-
Total lease payments	1,642,116
Less: imputed interest	120,627
Lease liability at November 30, 2021	<u>1,521,489</u>

14. Net Earnings (Loss) Per Common Share

Basic net income per share is computed by dividing net income available to common stockholders (numerator) by the weighted average number of vested, unrestricted common shares outstanding during the period (denominator). Diluted net income per share is computed on the basis of the weighted average number of shares of common stock outstanding plus the effect of dilutive potential common shares outstanding during the period using the if-converted method. Dilutive potential common shares include shares issuable upon exercise of outstanding stock options, warrants and convertible debt agreements. Net income per common and diluted share were calculated as follows for the years ended November 30, 2021 and 2020:

	Year Ended November 30, 2021	Year Ended November 30, 2020
Net income attributable to common stockholders - basic	\$ 529,694	\$ 11,571,508
Adjustments to net income - interest on convertible debt	14,533	-
Net income attributable to common stockholders - diluted	<u>\$ 544,227</u>	<u>\$ 11,571,508</u>
Weighted average common shares outstanding - basic	5,063,269,068	4,778,006,249
Effect of dilutive securities	3,839,578,179	492,943,964
Weighted average common shares outstanding - diluted	<u>8,902,847,247</u>	<u>5,270,950,213</u>
Earnings per common share - basic	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Earnings per common share - diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>

15. Related Party Transactions

Parties can be entities or individuals and are related if either party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operational decisions. Entities and individuals are also considered to be related if they are subject to the common control or significant influence of another party. The following related party transactions occurred during the years ended December 31, 2021, and 2020:

On September 1, 2021, the Company issued 150 million shares of common stock in full settlement of all liabilities to our chairman of the board of directors, except for a \$50,000 cash payment, which was made on September 23, 2021.

Effective September 1, 2021, German Burtscher and George Jordan, the Company's new chief executive officer and chief financial officer, respectively, each entered into an employment agreement with the Company. Each agreement calls for a \$185,000 and 162,500 base salary, respectively, subject to increase at the discretion of the Company's board of directors, and an initial term of five years, subject to automatic renewal for consecutive one-year terms until either party provides conforming notice of termination.

Effective September 1, 2021, Paul Riss, the Company's former chief executive officer, each entered into a consulting agreement with the Company providing for consulting fees of \$72,000 per year, subject to increase at the discretion of the Company's board of directors, and an initial term of two years, subject to automatic renewal for consecutive one-year terms until either party provides conforming notice of termination.

Effective September 1, 2021, in connection with the completion of the Securities Exchange Agreement between Artizen and Pervasip, Zen Organization, Inc. ("ORG"), an entity owned by four of Artizen's selling shareholders, contributed 100% of the issued and outstanding Class A membership interest units of Zen Asset Management LLC ("ZAM") to Artizen. ORG beneficially owns 161,146 Class B membership interest units of ZAM, which units are non-voting and redeemable by ZAM at a rate equal to \$100 per Class B unit and 50% of ZAM's net cash after all expenses, taxes, and ordinary course debt service until fully redeemed.

16. Investments

During fiscal 2021, the company provided services to and received 5,000,000 shares of common stock of Tamino Minerals Inc. (OTC:TINO). The stock was valued at \$58,000 when it was acquired on September 1, 2021. As of November 30, 2021, the stock's value decreased by \$18,500 to \$39,500. The Company recorded an unrealized loss of \$18,500 for the year ended November 30, 2021.

The Company also owns securities in a privately held company. The Company purchased a 5% interest in KRTL Biotech Inc. for a purchase price of 50,000,000 shares of its common stock, valued at \$210,000. KRTL Biotech Inc. is a company based in the United States that works with research facilities in South Korea and Canada to study and analyze psilocybin for treatment of illnesses.

As of November 30, 2021, the two securities are recorded at an aggregate value of \$279,500.

The above investments in equity securities are within the scope of ASC 321. The Company monitors the investments for any changes in observable prices from orderly transactions. All investments are initially measured at cost and evaluated for changes in estimated fair value.

17. Subsequent Events

The Company evaluated subsequent events through the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.