



...Your Avenue For Entertainment

**HOLLYWALL ENTERTAINMENT, INC.
UN-AUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDING
12/31/2021**

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Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Balance Sheets

		As of	
		12/31/2021	12/31/2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$	128,318	\$ 44,948
Prepaid Expenses		1,128,090	2,039,000
Total Current Assets		1,256,408	2,083,948
Property and Equipment, net			
Vehicles, net		46,261	51,104
Total Property and Equipment, net		46,261	51,104
Other Non Current Assets			
Intangibles, net		17,122,222	21,588,889
Total Other Non Current Assets		17,122,222	21,588,889
TOTAL ASSETS	\$	18,424,891	\$ 23,723,941
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$	45,523	\$ 26,228
Convertible Notes Payable		305,000	-
Total Current Liabilities		350,523	26,228
TOTAL LIABILITIES		350,523	26,228
Commitments and Contingencies (Note 12)			
STOCKHOLDERS' EQUITY			
Preferred Stock, \$0.001 par value, 200,000 shares authorized, 99,391 issued and outstanding		99	99
Treasury Stock		(7,000)	(7,000)
Common Stock, \$0.001 par value; 300,000,000 shares authorized, 91,991,607 and 89,796,284 issued and outstanding at December 31, 2021 and 2020, respectively		91,991	89,796
Common Stock to be Issued		1,023,168	777,358
Additional Paid-In Capital		67,016,754	67,460,568
Accumulated Deficit		(50,050,644)	(44,623,108)
Total Stockholders' Equity		17,828,558	23,697,713
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	18,424,891	\$ 23,723,941

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Statements of Operations

		For the years ending	
		12/31/2021	12/31/2020
REVENUE			
Music Licensing Income		\$ 354,261	\$ 247,470
Lobbying Income		221,102	299,543
Total Revenue		575,363	547,013
OPERATING EXPENSES			
Amortization Expense		4,466,667	4,466,667
Executive Management Compensation		587,357	475,000
General and Administrative Expenses		567,156	447,088
Professional Fees		376,876	70,612
Depreciation Expense		4,843	19,372
Total Operating Expenses		6,002,899	5,478,739
Loss from Operations		(5,427,536)	(4,931,726)
Other Income			
Gain on Forgiveness of Debt		-	39,500
Other Expenses			
Interest Expense		-	(5,284)
Net Other Income/(Expenses)		-	34,216
Provision for income taxes		-	-
Net Loss		\$ (5,427,536)	\$ (4,897,510)
Basic and diluted loss per share		\$ (0.11)	\$ (0.10)
Weighted average number of shares outstanding, basic and diluted		47,746,988	47,746,988

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Statement of Cash Flows

	For the years ending	
	12/31/2021	12/31/2020
OPERATING ACTIVITIES		
Net Loss	\$ (5,427,536)	\$ (4,897,510)
Adjustments to Reconcile Net Loss to Net Cash From Operating Activities:		
Depreciation Expense	4,843	19,372
Amortization Expense	4,466,667	4,466,667
Executive Stock Compensation	251,061	556,108
Stock Compensation	(5,000)	96,000
Changes in assets and liabilities:		
Accounts Payable	19,295	(25,980)
Accrued Expenses	-	(621,059)
Prepaid Expenses	910,910	-
Total Adjustments to reconcile Net Income to Net Cash	5,647,776	4,491,108
Net Cash Provided by Operating Activities	220,240	(406,401)
INVESTING ACTIVITIES		
Purchase of Vehicles	-	-
Net Cash From Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Convertible Notes Payable	305,000	(588,750)
Payments on Convertible Notes Payable		805,904
Proceeds from the sale of Common Stock	(441,870)	230,250
Net Cash From Financing Activities	(136,870)	447,404
NON-CASH OPERATING AND FINANCING ACTIVITIES		
Common Stock issued in advance of services		(846,000)
Common Stock issued from previous periods	(2,795)	
Common Stock issued for accrued expenses		(1,440,000)
Cancellation of shares	600	
Net Change in Cash and Cash Equivalents	83,370	41,003
Cash and Cash Equivalents, Beginning of Period	44,948	3,945
Cash and Cash Equivalents, End of Period	\$ 128,318	\$ 44,948
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Taxes	\$ -	\$ -

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

	Preferred Stock		Common Stock		Common Stock to be Issued		Treasury Stock	Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Paid in Capital	Deficit	Stockholders' Equity
Balances as of December 31, 2019	99,391	\$ 99	71,325,284	\$ 71,325	7,503,607	\$ 2,068,250	\$ -	\$ 65,650,885	\$ (39,725,598)	\$ 28,064,961
Common Stock issued for cash	-	-	100,000	100	105,250	105,250	-	124,900	-	230,250
Common stock issued for warrants exercised	-	-	3,000,000	3,000	-	-	-	(3,000)	-	-
Common Stock issued in advance of services	-	-	376,000	376	-	-	-	1,127,624	-	1,128,000
Common Stock issued for services	-	-	-	-	64,429	96,000	-	-	-	96,000
Accrued expenses converted to Common Stock	-	-	-	-	717,147	530,689	-	-	-	530,689
Notes Payable converted to Common Stock	-	-	1,383,000	1,383	-	-	-	804,521	-	805,904
Common Stock issued for executive management compensation	-	-	-	-	17,060	25,419	-	-	-	25,419
Common Stock issued from previous periods	-	-	7,512,073	7,512	(7,503,607)	(2,048,250)	-	2,040,738	-	-
Return and cancellation of shares issued in advance, but not earned	-	-	(900,000)	(900)	-	-	-	(2,285,100)	-	(2,286,000)
Shares issued to and held by wholly-owned subsidiary	-	-	7,000,000	7,000	-	-	(7,000)	-	-	-
Net Loss	-	-	-	-	-	-	-	-	(4,897,510)	(4,897,510)
Balances as of December 31, 2020	99,391	\$ 99	89,796,357	\$ 89,796	903,886	\$ 777,358	\$ (7,000)	\$ 67,460,568	\$ (44,623,108)	\$ 23,697,713
Common Stock issued for services	-	-	2,795,250	2,795	-	-	-	466,586	-	469,381
Return and cancellation of shares issued in advance, but not earned	-	-	(600,000)	(600)	-	-	-	(910,400)	-	(911,000)
Net Loss	-	-	-	-	-	-	-	-	(5,427,536)	(5,427,536)
Balances as of December 31, 2021	99,391	\$ 99	91,991,607	\$ 91,991	903,886	\$ 777,358	\$ (7,000)	\$ 67,016,754	\$ (50,050,644)	\$ 17,828,558

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

1. Nature of Operations

Hollywall Entertainment, Inc. (the “Company”) was incorporated in the State of Nevada on May 12, 2009 and is headquartered in Franklin, Tennessee. The Company’s current music business is the sale of music recordings in the form of packaged CD compilation sales, digital downloads and ringtones and licensing for use in motion pictures, television and commercial advertising. The Company also performs lobbying activities for telecom companies to assist them in the procurement of permits needed to expand the installation of their telecommunication networks within Washington D.C.

The Company plans to become a multi-faceted construction/developer, media, entertainment, telecommunications, technology and broadcasting company, operating through seven divisions: Hollywall School, Hollywall Music, Hollywall TV, Hollywall Productions, Hollywall Networks, Hollywall Radio, and Hollywall Development Corporation Foundation.

The Company is focused on increasing its content via acquisition of music, film, television, home video and computer game software libraries. The Company is also planning to develop a digital distribution and verification system designed to maximize customer delivery, quality control, and revenues for artists, writers, content developers, copyright owners and shareholders. The Company holds exclusive and nonexclusive rights to market, manufacture and distribute a library of music recording masters.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) and are expressed in U.S. dollars.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Hollywall Development Company LLC and Hollywall School of Communications, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates, estimates and makes assumptions related to the deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Update (“ASU”) 2014-09, “Revenue

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

from Contracts with Customers,” (“Topic 606”). Revenue is recognized when a customer obtains control of promised goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods. The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company’s main revenue stream is from services. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company’s performance obligations are transferred to customers at a point in time, typically upon delivery.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of Topic 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

The Company maintains accounts with financial institutions. All cash in checking accounts is non-interest bearing and is fully insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash balances may exceed the maximum coverage provided by the FDIC on insured depositor accounts. The Company believes it mitigates its risk by depositing its cash and cash equivalents with major financial institutions. There were no cash deposits in excess of FDIC insurance at December 31, 2019 and 2018.

Vehicles

Vehicles are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets or the expected lease term for leasehold improvements, if applicable.

Intangible Assets

The Company amortizes intangible assets with finite lives over the shorter of their estimated useful or legal life. The useful life is reevaluated for each reporting period. The Company evaluates intangible assets with finite lives for impairment when events or changes in circumstances indicate that an impairment may exist. The Company evaluates intangible assets with indefinite lives for impairment at least annually. The Company determined that none of its intangible assets were impaired in 2019 or 2018.

Impairment of Long-Lived Assets

Potential impairments of long-lived assets are reviewed when events or changes in circumstances indicate a potential impairment may exist. In accordance with ASC Subtopic 360-10, “Property, Plant and Equipment – Overall,” impairment is determined when estimated future undiscounted cash flows associated with an asset are less than the asset’s carrying value.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

Advertising, Marketing and Public Relations

The Company follows the policy of charging the costs of advertising, marketing, and public relations to expense as incurred. The Company recorded advertising expenses in the amount of \$100,533 and \$28,709 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

Income taxes are accounted for 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, capital 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 effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs. The Company records interest and penalties related to unrecognized tax benefits as a component of general and administrative expenses. Our federal tax return and any state tax returns are not currently under examination.

The Company has adopted FASB ASC 740-10, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually from differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Stock Based Compensation Expense

The Company records stock-based compensation in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, "Accounting for Stock Compensation," which establishes accounting standards for transactions in which an entity exchanges its equity instruments for goods or services. In accordance with guidance provided under ASC Topic 718, the Company recognizes an expense, for the fair value of its stock awards at the time of grant and the fair value of its outstanding stock options as they vest, whether held by employees or others.

Net Income (Loss) Per Common Share

The Company computes net income (loss) per common share, in accordance with Financial Accounting Standards Board FASB ASC Topic 260, Earnings Per Share, which requires dual presentation of basic and diluted earnings per share. Basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding, plus the issuance of common shares, if dilutive, that could result from the exercise of outstanding stock options and warrants.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes,

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Notes to Consolidated Financial Statements

the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model and the new revenue recognition standard. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has adopted this guidance effective January 1, 2019. As of December 31, 2019 and 2018, the Company had no leases.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, issued as a new Topic, ASC Topic 606. The new revenue recognition standard supersedes all existing revenue recognition guidance. Under this ASU, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14, issued in August 2015, deferred the effective date of ASU 2014-09 to the first quarter of 2018, with early adoption permitted in the first quarter of 2017. The Company has adopted this guidance effective January 1, 2018. The adoption of this standard did not have a material impact on the financial statements.

3. Vehicles, Net

Vehicles and accumulated depreciation consisted of the following:

	<u>12/31/2021</u>	<u>12/31/2020</u>	Estimated Useful Life
Vehicles	\$95,897	\$95,897	3-5 years
Less: Accumulated Depreciation	<u>(49,636)</u>	<u>(44,793)</u>	
	<u>\$46,261</u>	<u>\$51,104</u>	

Depreciation expense for the years ending December 31, 2021 and 2020 was \$19,372 and \$19,372 respectively.

4. Intangibles

In 2013, the Company acquired a music master recording, video and gaming library, which was initially valued at \$53,600,000. Since 2013, the Company has generated a nominal amount of revenue from this library while in the process of digitalizing the library for future distribution through network television and mobile application streaming. Management has developed infrastructure and industry relationships and expects to begin distribution on a national level beginning in 2022.

	<u>12/31/2021</u>	<u>12/31/2020</u>	Estimated Useful Life
Music Master Recordings Library	\$53,600,000	\$53,600,000	12 years
Less: Accumulated Amortization	<u>(36,477,778)</u>	<u>(32,011,111)</u>	
	<u>\$17,122,222</u>	<u>\$21,588,889</u>	

Amortization expense for the years ending December 31, 2021 and 2020 was \$4,466,667. During the year ended December 31, 2019, the Company evaluated the intangibles for impairment and believe that the estimated future undiscounted cash flows are greater than the carrying value.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

5. Going Concern

The Company's consolidated financial statements are prepared using US GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At December 31, 2021, the Company had \$128,317 in cash and \$905,885 in working capital. For the years ended December 31, 2021 and 2020, the Company had a net loss of \$5,427,536 and \$4,923,281 respectively. Continued losses may adversely affect the liquidity of the Company in the future. In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The consolidated 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 as a going concern.

The Company has operating costs and expenses at the present time for development of its business activities. The Company, however, will be required to raise additional capital over the next twelve months to meet its current operating expenses, and it may do so in connection with or in anticipation of possible acquisition transactions. This financing may take the form of additional sales of its equity securities loans from its directors and or convertible notes. There is no assurance that additional financing will be available, if required, or on terms favorable to the Company.

In December 2019, a novel strain of coronavirus surfaced in China, which has and is continuing to spread throughout the world. On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease ("COVID-19") a "Public Health Emergency of International Concern," and on March 11, 2020, the World Health Organization characterized the outbreak as a "pandemic". The Company is not able to predict the ultimate impact that COVID-19 will have on its business; however, if the current economic conditions continue, the Company could be forced to significantly scale back its business operations and its growth plans and could ultimately have a significant negative impact on the Company.

6. Convertible Notes Payable

Issuance Date	Note Holder	Conversion Rate	Interest Rate	Maturity Date	Balance 12/31/21	Balance 12/31/20
12/30/2021	Mast Hill Fund LLC	\$1.00 per common share	5%	12/30/2022	\$ 305,000	\$0
					<u>\$ 305,000</u>	<u>\$0</u>

7. Concentrations

For the year ending December 2021, the Company had two customers representing 62% and 38% of total revenue. For the year ending December 31, 2019, had three customers representing 46%, 36% and 18% of total revenue.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

8. Income Taxes

The components of the net deferred tax asset (liability) at December 31, 2019 and 2018 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Net operating loss carry-forward	\$ (50,050,644)	\$ (44,623,108)
Effective tax rate	21%	21%
	<u>10,510,635</u>	<u>9,376,264</u>
Valuation allowance Deferred tax asset	(10,510,635)	(9,370,852)
	<u><u>€ -</u></u>	<u><u>€ -</u></u>

Income tax benefit resulting from applying statutory rates in jurisdictions in which we are taxed differs from the income tax provision in our financial statements. The following table reflects the reconciliation for the years ended December 31, 2019 and 2018:

	<u>December 31, 2020</u>	-	<u>December 31, 2019</u>
Benefit at federal and statutory rate	(21)%		(21)%
Change in valuation allowance	21%		21%
Effective tax rate	0%		0%

With few exceptions, the Company is subject to income tax examinations by the US Federal or State authorities for three years after filing the tax returns. The Company has no uncertain tax positions as of December 31, 2019.

9. Equity

Preferred Stock

The Company has 10,000,000 shares of Preferred Stock authorized with a par value of \$.001. The Company has allocated 200,000 shares for Series A Preferred, 9,725,000 Shares for Series B Preferred, 25,000 Shares for Series C Preferred, 25,000 Shares for Series D Preferred and 25,000 Series E Preferred.

As of December 31, 2020 and 2019, there were 99,391 shares issued and outstanding respectively. The Series A Preferred has the following designation:

- Convertible at option of holder
- The holders are entitled to receive dividends
- 1 Preferred share is convertible to 1,000 common shares
- In the event of reorganization this Class of Preferred will not be affected by any such capital reorganization.
- Voting: The holder of this Series of Preferred shall be entitled to elect the majority of the members of the Board of Directors

Hollywall Entertainment, Inc.
Notes to Consolidated Financial Statements

10. Commitments and contingencies

During the normal course of business, the Company may be exposed to litigation. When the Company becomes aware of potential litigation, it evaluates the merits of the case in accordance with FASB ASC 450-20-50, *Contingencies*. The Company evaluates its exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If the Company determines that an unfavorable outcome is probable and can be reasonably estimated, it establishes the necessary accruals. As of December 31, 2020 and 2019, the Company is not aware of any contingent liabilities that should be reflected in the financial statements.

11. Subsequent Events

12. In March 2020, all notes outstanding were converted to 883,573 shares of common stock.
13. In July 2020, 157,000 warrants were exercised in a cashless conversion resulting in 3,000,000 shares of common stock being issued.
14. On December 30, 2016, the Company contracted to pay 1,000,000 shares of common stock for consulting services valued at \$2.54 per share based on the stock price on the date the agreement was signed. The shares issued on December 20, 2019; however only 10% (100,000 shares) of the services were ultimately earned. On December 20, 2020, 900,000 shares of common stock, valued at \$2,286,000, were canceled and returned to treasury and the associated prepaid expense was removed from the balance sheet.
15. On September 22, 2017 and April 4, 2018, the Company issued 100,000 and 500,000 shares, respectively, of common stock for advisory services valued at \$2.81 and \$1.26 per share, respectively, based on the stock price on the date the shares were issued; however, none of the services were rendered and earned. On February 10, 2021, 600,000 shares of common stock, valued at \$911,000, were canceled and returned to treasury and the associated prepaid expense was removed from the balance sheet.
16. In year 2021 the company issued 2,795,250 shares of common stock for advisory services valued at \$469,381