

FUEGO ENTERPRISES, INC.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2021

FUEGO ENTERPRISES, INC.

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FUEGO ENTERPRISES, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2021
ASSETS		
Cash	\$ 44,010	\$ 4,367
Furniture and Property, net	447,441	427,873
Investments	1,005,693	1,130,693
Other Assets	2,749	-
TOTAL ASSETS	\$ 1,499,893	\$ 1,562,934
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 50,835	\$ -
Customer Deposits	50,148	208,660
Accrued Interest	-	12,081
License Fee Advance	-	71,778
Total Current Liabilities	100,984	292,519
Mortgage Payable	357,044	345,719
Notes Payable	273,580	324,937
Total Liabilities	731,607	963,174
Stockholders' Equity		
Paid-In Capital: Common Stock		
(60,000,000 shares authorized; 24,326,827 issued		
and outstanding; par value \$0.001)	24,327	24,327
Paid-In Capital: SBA EIDL Advance	14,000	14,000
Paid-In Capital: SBA PPP Forgiveness	-	64,180
Additional Paid-In Capital: Common Stock		
(60,000,000 shares authorized; 24,326,827 issued		
and outstanding; par value \$0.001)	4,675,452	4,675,452
Paid-In Capital: Preferred Stock		
(15,000,000 shares authorized; 10,000,000 issued		
and outstanding; par value \$0.001)	10,000	10,000
Total Paid-In Capital	4,723,778	4,787,958
Accumulated Deficit	(3,955,493)	(4,188,199)
Total Stockholders' Equity	768,286	599,760
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,499,893	\$ 1,562,934

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUEGO ENTERPRISES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended	
	December 31, 2020	December 31, 2021
Revenue	\$ 366,750	\$ 474,429
Costs and Expenses		
Cost of Revenue	39,645	64,695
Selling, General, and Administrative	1,261,021	642,439
Total Costs and Expenses	1,300,667	707,134
Net Income (Loss)	\$ (933,917)	\$ (232,706)
Earnings per Share (Basic)	\$ (0.04)	\$ (0.01)
Earnings per Share (Diluted)	\$ (0.03)	\$ (0.01)
Common Shares Outsanding (Basic)	24,326,827	24,326,827
Common Shares Outsanding (Diluted)	34,326,827	34,326,827

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUEGO ENTERPRISES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock			Preferred Series "A"			Total Paid-In Capital	Accumulated Deficit	Total
	Shares	Paid-In Capital	Additional Paid-In Capital	Shares	Paid-In Capital	Additional Paid-In Capital			
Balance, December 31, 2019	22,043,160	\$ 22,043	\$ 4,535,052	10,000,000	\$ 10,000	\$ -	\$ 4,567,095	\$(3,021,575)	\$ 1,545,520
Share-Based Compensation	2,283,667	\$ 2,284	\$ 140,400				\$ 142,683		
Net Income								\$ (933,917)	
SBA EIDL Advance							\$ 14,000		
Balance, December 31, 2020	24,326,827	\$ 24,327	\$ 4,675,452	10,000,000	\$ 10,000	\$ -	\$ 4,723,778	\$(3,955,493)	\$ 768,286
Share-Based Compensation									
Net Income								\$ (232,706)	
PPP Forgiveness							\$ 64,180		
Balance, December 31, 2021	24,326,827	\$ 24,327	\$ 4,675,452	10,000,000	\$ 10,000	\$ -	\$ 4,787,958	\$(4,188,199)	\$ 599,760

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUEGO ENTERPRISES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31, 2020	December 31, 2021
OPERATING ACTIVITIES		
Net Income	\$ (933,917)	\$ (232,706)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,567	19,567
Changes in operating assets and liabilities:		
Accounts Receivable	37,500	-
Undeposited Funds	(2,749)	2,749
License Fee Advance	-	71,778
Accounts Payable	32,998	(50,835)
Customer Deposits	50,148	158,511
NET CASH PROVIDED BY OPERATING ACTIVITIES	(796,453)	(30,935)
INVESTING ACTIVITIES		
Investment in New Projects	-	(125,000)
Sale of Katapult Marketplace, LLC	69,257	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	69,257	(125,000)
FINANCING ACTIVITIES		
Share-Based Compensation	142,683	-
Mortgage Payable	8,058	(11,325)
Accrued Interest	-	12,081
Notes Payable	273,580	(64,180)
Notes Payable - Related Party	82,691	115,537
SBA PPP Forgiveness	-	64,180
SBA EIDL Advance	14,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	521,012	116,293
NET INCREASE (DECREASE) IN CASH	(206,183)	(39,642)
CASH, BEGINNING OF YEAR	250,193	44,010
CASH, END OF YEAR	\$ 44,010	\$ 4,367
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest Expense	\$ 18,134	\$ 30,040

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUEGO ENTERPRISES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2021

1. Summary of Significant Accounting Policies

Nature of Operations

Fuego Enterprises, Inc. (the “Company”, “Fuego”, “we”, “our” or “us”) was originally incorporated under the laws of the State of Nevada on December 30, 2004 as “Durango Entertainment, Inc.” On February 15, 2005, we filed a Certificate of Amendment with the Nevada Secretary of State changing our name to “Fuego Entertainment, Inc.” On May 18, 2009, we filed a Certificate of Amendment with the Nevada Secretary of State changing our name to “Fuego Enterprises, Inc.” The Company operates principally as a diversified holding company for business opportunities in emerging and developed markets.

Basis of Financial Statements Presentation

The accompanying financial statements include those of Fuego Enterprises, Inc. and its subsidiaries. The financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America. The fiscal year end of the Company is May 31.

Business Description

Fuego Enterprises, Inc. is a public company trading on the Pink Open Market under the symbol “FUGI.” The Company is a diversified holding company for business opportunities in emerging and developed markets, and (1) makes direct equity investments, (2) launches new businesses and initiatives, and (3) seeks strategic partnerships and joint venture opportunities in the following industries:

- Travel & Hospitality, including Real Estate;
- Consumer Products & Promotional Goods;
- Software & Technology;
- Media & Entertainment;
- Infrastructure & Telecommunications; and,
- E-Commerce & Big Data Solutions.

For those looking to access emerging markets, Fuego represents multinational corporations for bespoke business development strategies, to include sales and distribution, marketing and promotions, management consulting, public relations, and more.

The Company earns the majority of its revenue through consulting services related to regulatory matters in Cuba, with the objective of OFAC-compliance for any commercial activities between the U.S. and Cuba. The balance of the Company’s revenue is earned through its media activities, including advertising and subscription revenue from the Company’s media portals and printed magazines.

Subsidiaries

Travel & Hospitality

OnCuba Travel, LLC (“OCT”) is an IATAN-certified full-service global travel agency based in Miami, Florida, with relationships with airlines, hotel chains, and cruise lines around the world. OCT offers comprehensive travel programs. NCL/SHOREEX, LLC is a strategic pass-through entity for operations support.

FUEGO ENTERPRISES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2021

Media

Fuego Enterprises, Inc. offers media products in print and digital formats, and generates revenue through (1) subscription-based and one-time sales of its magazine, OnCuba Travel Magazine (<http://www.OnCubaTravel.com/magazines>), (2) advertisement sales for the Company's magazines and online news portal (<http://www.OnCubaNews.com>), and (3) licensing fees from the music catalog of the Company's CEO, Mr. Hugo Cancio.

Consumer Products & Promotional Goods

OCG, LLC ("OCG") licenses, produces, and distributes handcrafted souvenirs, destination-unique promotional products, and made-to-order goods as a full-service supplier of reliable, high-quality, and low-cost consumer items. Examples include coffee mugs, ashtrays, t-shirts, postcards, and more.

Data Analytics

IslaData, LLC ("IslaData") is a provider of data mining, predictive analytics, and text mining related to the Cuban marketplace. IslaData currently has no operations, and all of its expenses to date have been capitalized.

Consolidation Policy

The accompanying December 31, 2020 and December 31, 2021 financial statements include the Company's accounts and the accounts of its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Company's ownership of its subsidiaries as of December 31, 2021 is as follows:

Name of Subsidiary	Percentage of Ownership
OnCuba Travel, LLC	100%
OCG Logistics, LLC	100%
NCL/SHOREEX, LLC	100%
IslaData, LLC	50%

Revenue Recognition

Travel & Hospitality

Revenue related to travel, groups, and related bookings are recognized at the time the services are booked by the end-user. Sales include airfare, hotels, cruise cabins, meal packages, and tours: multi-day tours, custom tour packages, and shore excursions for cruise ship passengers. Revenue also includes the sale of visas and passport services.

Media

Revenue from magazine sales is recognized when (1) the magazine is shipped to the customer (in the case of one-time sales) or (2) when a customer pays for a subscription. Advertisement revenue is recognized when clients pay for advertisements in the Company's magazines or websites. Licensing fees earned from Mr. Hugo Cancio's music catalog are recognized when distributors notify the Company of sales through their online stores.

FUEGO ENTERPRISES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2021

Consumer Products & Promotional Goods

Revenue from the sale of consumer products and promotional goods is recognized when the products are sold.

Other

Fees for other services, such as consulting provided to third-parties, are recognized as revenue when the services are performed and there is reasonable assurance of collection.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates include, among other things, determining the depreciable lives of property and equipment and intangible assets. Actual results may differ from those estimates, and the differences may be material to the financial statements.

Advertising Expenses

Advertising costs are expensed as incurred and are included in the SG&A expenses in the accompanying statement of operations.

Cost of Revenue

Cost of Revenue represents the cost of travel packages and related cruise services, the cost of developing, printing and distribution of the OnCuba Travel magazine, merchant processing fees, and the cost related to the purchase and sale of merchandise.

Income Tax Expense

The Company pays federal corporate income taxes on its taxable income and incurs a liability for state income taxes when appropriate.

There is no income tax provision for the twelve months ended December 31, 2020 and 2021 due to net operating losses for which there is no benefit currently available. The Company had net operating losses of \$1,684,657 as of 5/31/16.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2021, the Company did not exceed the FDIC insured limits. The Company has never experienced any losses related to these balances.

FUEGO ENTERPRISES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2021

Property and Furniture, Net

Property and furniture are stated at cost less accumulated depreciation. Depreciation has been calculated using the straight-line method over the estimated useful lives of the assets. Improvements and replacements of property and new equipment purchases are capitalized over \$2,500 per item. Expenditures for maintenance and repairs are charged against operations in the year incurred. Upon retirement or other disposition of property, applicable cost and accumulated depreciation are removed from the accounts and any gains and losses are included in the reporting of operations. The estimated useful life of the office condominium is 27.5 years and the furniture is 7 years.

Allowance for Doubtful Accounts

In order to assess the collectability of our trade accounts receivable, the Company monitors the current creditworthiness of each customer and analyzes the balances aged beyond the customer's credit terms. These evaluations may indicate a situation in which a certain customer cannot meet its financial obligations due to deterioration of its financial viability, credit ratings, or bankruptcy. The allowance requirements are based on current facts and are reevaluated and adjusted as additional information is received. Trade accounts receivable are subject to an allowance for doubtful accounts when it is probable that the balance will not be collected. Accounts receivable are ultimately written off when collection efforts have been exhausted and there is no likelihood of collection. For the period ended December 31, 2020 and December 31, 2021, the Company did not have an outstanding balance for accounts receivable.

Investment in New Projects

No operations have commenced for IslaData, LLC and Club 28; therefore, all expenses for these entities have been capitalized in the balance sheet.

Recently Issued Accounting Standards

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant effect on its consolidated financial position or results of operations.

Income (Loss) Per Common Share

Income (loss) per common share is calculated on the number of common shares outstanding during each period. Diluted income (loss) per common share is based on the number of common shares outstanding during each period, adjusted for the effect of outstanding stock equivalents.

FUEGO ENTERPRISES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2021

2. Property and Furniture

Property and furniture consist of the following:

	As of December 31,	
	2020	2021
Property, at Cost	\$ 490,000	\$ 490,000
Furniture	12,244	12,244
Total Property and Furniture, Gross	502,244	502,244
Less: Accumulated Depreciation	(54,804)	(74,371)
Property and Furniture, Net	\$ 447,441	\$ 427,873

Depreciation expense for property and furniture is included in selling, general, and administrative expenses as “Depreciation” on the consolidated statement of operations, and totaled \$19,567 for each of the years ended December 31, 2020 and 2021.

3. Mortgage and Notes Payable

Mortgage and notes payable consist of the following:

	As of December 31,	
	2020	2021
Mortgage Payable	\$ 357,044	\$ 345,719
Notes Payable		
SBA EIDL Loan (Fuego Enterprises, Inc.)	150,000	150,000
SBA EIDL Loan (OCG Logistics, LLC)	22,400	22,400
SBA EIDL Loan (OnCuba Travel, LLC)	37,000	37,000
SBA PPP Loan (Fuego Enterprises, Inc.)	64,180	-
Related Party	-	115,537
Total Notes Payable	\$ 273,580	\$ 324,937

4. Commitments and Contingencies

IslaData, LLC

In October 2018, Fuego formed IslaData, LLC (“IslaData”), a provider of data mining, predictive analytics, and text mining related to the Cuban marketplace. IslaData currently has no operations, and requires ongoing investment from the Company. The Company owns 50% of IslaData.

Club 28

Club 28 is a new hospitality development that the Company invested, which requires ongoing investment from the Company prior to its grand opening.

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Claims and Litigation

In the ordinary course of business, the Company has been and will become involved in certain legal claims and litigation. As of December 31, 2021, the company did not have any pending legal claims and litigation.

5. Related Party Transactions

Loans from Shareholders

From time to time, Hugo M. Cancio, the issuer's CEO, has advanced funds to the Company for a variety of general administrative expenses and various other costs. As of December 31, 2021, Mr. Cancio advanced \$115,537 as a short-term, unsecured loan with one year maturity and a one percent (1%) annual interest rate that may be prepaid at any time. The Company has the option to renew these advances upon mutual agreement with Mr. Cancio.

Sale of Katapult Marketplace, LLC

As a result of the COVID-19 Outbreak, the Company experienced significant liquidity concerns in March 2020 and the Company's CEO (Hugo Cancio) provided cash liquidity to the Company by purchasing Katapult Marketplace, LLC ("Katapult") from the Company on April 1, 2020 for the full value reported on the Company's balance sheet of \$69,257 and a 5% perpetual royalty to Fuego based on gross profit through Katapult. Katapult began operations in December 2020 and through December 31, 2021, the Company received \$401,222 in royalty payments from Katapult.

6. Stockholders' Equity

Common Stock and Preferred Series 'A' Stock

The Company has 60,000,000 shares of Common Stock authorized with a par value of \$0.001 per share ("Common Stock"), and 15,000,000 shares of Preferred Series 'A' Stock authorized with a par value of \$0.001 per share ("Preferred Stock"). All Common Stock have equal voting rights, are non-assessable, and have one vote per share. Voting rights are not cumulative, and therefore, the holders of more than 50% of the Common Stock could elect all directors of the Company. There are currently 24,326,827 shares of the Company's Common Stock issued and outstanding. All 10,000,000 shares of Preferred Stock have been designated as Preferred Series "A" Stock and are issued and outstanding.

7. Subsequent Events

The Company evaluated subsequent events from December 31, 2021 through the time of issuance of this financial report on April 15, 2022, and a few factors continue to contribute negatively to the Company's operations since 2019.

U.S.-Cuban Political Relations

On June 4, 2019, the U.S. Department of State issued a notice that prohibits U.S. travelers from going to Cuba via cruise ships, among other restrictions (<https://www.state.gov/united-states-restricts-travel-and-vessels-to-cuba/>). As a result, the Company's revenue in 2019 and 2020 significantly declined because the majority of its revenue was sourced through a strategic agreement with an international cruise ship operator

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for Cuban ports of call. While the Company is working to rebalance its efforts in other international markets, it is unknown if or when this travel ban will be removed and this activity can resume.

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19 Outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 Outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act (“CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Company received certain SBA loans totaling \$273,580 and SBA EIDL advances totaling \$14,000, which were personally guaranteed by the Company’s CEO (Hugo Cancio). As of May 31, 2021, the Company received full forgiveness of its PPP loan of \$64,180.

As of today, given the continued evolution of the COVID-19 outbreak and the ongoing political straining of the U.S.-Cuba relationship, the Company continues to see a significant decrease in demand for its services.

8. Going Concern

Certain accounting standards require management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after these financial statements are issued.

Our primary need for liquidity is to fund working capital requirements of our businesses, capital expenditures, and for general corporate purposes, including debt repayment. We have incurred significant losses and experienced negative operating cash flows for the past three years, and accordingly, the Company has taken a number of actions to continue to support of operations and meet its obligations.

During 2021, we undertook actions to monetize the value of certain projects that were inactive and had limited expectations for successful launch or ultimate profitability.

We acknowledge that we continue to face a challenging political environment and while we continue to experience the ongoing effects of the COVID-19 Pandemic, we are focused on new opportunities across all international markets that increase our liquidity and business operations. We continue to explore ways to unlock value across our range of assets and knowhow. We continue to right-size and redeploy our assets. Nevertheless, if we continue to experience operating losses, and we are not able to generate additional liquidity or secure additional sources of funds, substantial doubt exists related to the Company’s ability to continue as a going concern.