



...Your Avenue For Entertainment

**CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEARS ENDING
12/31/2020 and 12/31/2019**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Hollywall Entertainment, Inc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hollywall Entertainment, Inc (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5, the Company has incurred net losses and negative cash flow from operations since inception. These factors, and the need for additional financing in order for the Company to meet its business plans raises substantial doubt about the Company's ability to continue as a going concern. Our opinion is not modified with respect to that matter.

Basis for Opinion

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

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

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

Critical Audit Matters

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

Impairment of Long-Lived Assets

As described in Note 3 to the Company's consolidated financial statements, when facts and circumstances indicate that the carrying value of long-lived assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of revenues and the resulting gross profit and cash flows. If the sum of the expected future cash flows is less than the carrying amount, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds fair value.

We identified the Company's application of impairment of long-lived assets as a critical audit matter. The principal considerations for our determination of this critical audit matter related to the high degree of subjectivity in the Company's judgments in determining the qualitative factors. Auditing these judgments and assumptions by the Company involves auditor judgment due to the nature and extent of audit evidence and effort required to address these matters.

The primary procedures we performed to address these critical audit matters included the following:

- We obtained management's cash flow and impairment analysis on the intangibles, as well as a third party valuation report, and performed the following procedures:
 - Reviewed the cash flow analysis and third party valuation report.
 - Had a second independent valuation firm review the Company's third party valuation report to assess the methods and assumptions used for reasonableness.
 - Tested supporting documentation related to management's conclusion that the expected future cash flows is greater than the carrying value.
 - Assessed the assumptions used by management and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination that no impairment exists.

Accell Audit & Compliance, PA

We have served as the Company's auditor since 2020.

Tampa, Florida

April 18, 2022

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Balance Sheets

		As of	
		12/31/2020	12/31/2019
			(Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents		\$ 44,948	\$ 3,945
Total Current Assets		44,948	3,945
Property and Equipment, net		51,104	70,476
Intangibles, net		21,588,889	26,055,556
TOTAL ASSETS		\$ 21,684,941	\$ 26,129,977
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		\$ 26,228	\$ 52,207
Accrued Expenses		-	621,059
Convertible Notes Payable		-	588,750
Total Current Liabilities		26,228	1,262,016
TOTAL LIABILITIES		26,228	1,262,016
Commitments and Contingencies (Note 13)			
STOCKHOLDERS' EQUITY			
Preferred Stock, \$0.001 par value, 200,000 shares authorized, 99,391 issued and outstanding		99	99
Common Stock, \$0.001 par value; 300,000,000 shares authorized, 89,796,357 and 71,325,857 issued and outstanding at December 31, 2020 and 2019, respectively		89,796	71,325
Common Stock to be Issued		881,358	2,068,250
Unearned Stock Compensation		(2,351,000)	(3,197,000)
Treasury Stock		(7,000)	-
Additional Paid-In Capital		67,668,568	65,650,885
Accumulated Deficit		(44,623,108)	(39,725,598)
Total Stockholders' Equity		21,658,713	24,867,961
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 21,684,941	\$ 26,129,977

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Statements of Operations

		For the years ending	
		12/31/2020	12/31/2019
			(Restated)
REVENUE			
Music Licensing Income		\$ 247,470	\$ 21,760
Lobbying Income		299,543	180,000
	Total Revenue	547,013	201,760
OPERATING EXPENSES			
Amortization Expense		4,466,667	4,466,667
Executive Management Compensation		475,000	475,000
General and Administrative Expenses		447,088	380,698
Professional Fees		70,612	38,906
Depreciation Expense		19,372	20,695
	Total Operating Expenses	5,478,739	5,381,966
	Loss from Operations	(4,931,726)	(5,180,206)
Other Income/(Expenses)			
Gain on Forgiveness of Debt		39,500	-
Interest Expense		(5,284)	(29,687)
	Net Other Income/(Expenses)	34,216	(29,687)
Loss Before Taxes		(4,897,510)	(5,209,893)
Provision for income taxes		-	-
	Net Loss	\$ (4,897,510)	\$ (5,209,893)
Basic and diluted loss per share		\$ (0.06)	\$ (0.11)
Weighted average number of shares outstanding, basic and diluted		80,473,771	47,746,988

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

	For the years ending	
	12/31/2020	12/31/2019
OPERATING ACTIVITIES		(Restated)
Net Loss	\$ (4,897,510)	\$ (5,209,893)
Adjustments to Reconcile Net Loss to Net Cash From Operating Activities:		
Depreciation Expense	19,372	20,695
Amortization Expense	4,466,667	4,466,667
Gain on Forgiveness of Debt	(39,500)	-
Executive Stock Compensation	25,419	356,250
Stock Compensation	96,000	99,000
Changes in assets and liabilities:		
Accounts Payable	(25,979)	34,737
Accrued Expenses	(22,716)	53,566
Net Cash From Operating Activities	<u>(378,247)</u>	<u>(178,978)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Convertible Notes Payable	189,000	-
Proceeds from the sale of Common Stock	230,250	22,000
Net Cash From Financing Activities	<u>419,250</u>	<u>22,000</u>
Net Change in Cash and Cash Equivalents	41,003	(156,978)
Cash and Cash Equivalents, Beginning of Period	3,945	160,923
Cash and Cash Equivalents, End of Period	<u>\$ 44,948</u>	<u>\$ 3,945</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	-	-
Cash Paid for Taxes	-	-
NON-CASH OPERATING AND FINANCING ACTIVITIES		
Accrued expenses converted to common stock	598,343	123,900
Convertible notes payable converted to common stock	738,250	-
Common stock issued in advance of services	1,440,000	2,286,000
Common stock issued from previous periods	1,944,250	12,281,956
Return and cancellation of shares issued in advance, but not earned	2,286,000	-
Stock issued for warrant conversion	3,000	-
Shares issued to and held by wholly owned subsidiary	7,000	-

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

	Preferred Stock		Common Stock		Common Stock to be Issued		Unearned Stock Compensation		Treasury Stock	Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Paid in Capital	Deficit	Stockholders' Equity
Balances as of December 31, 2018 (Restated)	99,391	\$ 99	15,041,893	\$ 15,041	61,884,310	\$ 14,251,206	(600,000)	\$ (911,000)	\$ -	\$ 50,637,063	\$ (34,515,705)	29,476,704
Common Stock issued for cash	-	-	22,000	22	-	-	-	-	-	21,978	-	22,000
Common Stock issued in advance of services	-	-	900,000	900	-	-	(900,000)	(2,286,000)	-	2,285,100	-	-
Common Stock issued for services	-	-	-	-	76,107	99,000	-	-	-	-	-	99,000
Common Stock issued for executive management compensation	-	-	672,169	672	-	-	-	-	-	355,578	-	356,250
Common Stock issued for accrued expenses	-	-	233,774	234	-	-	-	-	-	123,666	-	123,900
Common Stock issued from previous periods	-	-	54,456,021	54,456	(54,456,810)	(12,281,956)	-	-	-	12,227,500	-	-
Net Loss	-	-	-	-	-	-	-	-	-	-	(5,209,893)	(5,209,893)
Balances as of December 31, 2019 (Restated)	99,391	\$ 99	71,325,857	\$ 71,325	7,503,607	\$ 2,068,250	(1,500,000)	\$ (3,197,000)	\$ -	\$ 65,650,885	\$ (39,725,598)	\$ 24,867,961
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	-	-	480,000	480	-	-	(480,000)	(1,440,000)	-	1,439,520	-	-
Common Stock issued for services	-	-	-	-	64,429	96,000	-	-	-	-	-	96,000
Accrued expenses converted to Common Stock	-	-	116,100	116	717,147	530,689	-	-	-	67,538	-	598,343
Notes Payable converted to Common Stock	-	-	1,266,900	1,267	-	-	-	-	-	736,983	-	738,250
Common Stock issued for executive management compensation	-	-	-	-	17,060	25,419	-	-	-	-	-	25,419
Common Stock issued from previous periods	-	-	7,407,500	7,408	(7,407,500)	(1,944,250)	-	-	-	1,936,842	-	-
Return and cancellation of shares issued in advance, but not earned	-	-	(900,000)	(900)	-	-	900,000	2,286,000	-	(2,285,100)	-	-
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	999,993	\$ 881,358	(1,080,000)	\$ (2,351,000)	\$ (7,000)	\$ 67,668,568	\$ (44,623,108)	\$ 21,658,713

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. Restatement

During the audit of the 2020 financial statements, it was discovered that there were additional amounts of “Common Stock to be Issued” related to transactions that occurred prior to 2018. In addition, it was discovered that some contractual agreements recorded as accrued expenses should have been more properly recognized as “Common Stock to be Issued”. Therefore, the 2019 financial statements have been restated as shown below. Further explanations for material adjustments are provided below:

2019	As Audited	Adjustment	Restated
Cash and Cash Equivalents	\$ 3,945	\$ -	\$ 3,945
Prepaid Expenses	-	-	-
Vehicles	70,476	-	70,476
Intangibles, net	26,055,556	-	26,055,556
Accounts Payable	(52,207)	-	(52,207)
Accrued Expenses	(930,708)	a 309,649	(621,059)
Convertible Notes Payable	(593,942)	b 5,192	(588,750)
Preferred Stock	(99)	-	(99)
Common Stock	(71,325)	-	(71,325)
Common Stock to be Issued	(444,400)	c (1,623,850)	(2,068,250)
Unearned Stock Compensation	-	d 3,197,000	3,197,000
Additional Paid-In Capital	(62,253,013)	e (3,397,872)	(65,650,885)
Accumulated Deficit	38,215,717	e 1,509,881	39,725,598
	-	-	-
Revenue	(201,760)	-	(201,760)
Amortization Expense	4,466,667	-	4,466,667
Executive Management Compensation	601,851	f (126,851)	475,000
General and Administrative Expenses	323,212	g 57,486	380,698
Professional Fees	212,911	h (174,005)	38,906
Depreciation Expense	20,695	-	20,695
Interest Expense	29,687	-	29,687
Net Loss	\$ 5,453,263	\$ (243,370)	\$ 5,209,893

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

- a. The 2019 “Accrued Expenses” balance decreased by approximately \$310,000. Approximately \$274,000 of the decrease was an adjustment for contracts for the periods from 2013 to 2019 that were originally accrued, but would have been more appropriately reported as “Common Stock to be Issued” for the periods from 2013 to 2019. Accrued executive compensation also decreased by a net amount of approximately \$36,000 to properly reflect the balance due at December 31, 2019.
- b. Convertible notes payable was reduced by approximately \$5,000 to properly reflect the balance due at December 31, 2019.
- c. The December 31, 2019 “Common Stock to be Issued” balance was increased by approximately \$1,624,000 comprised of the following:
 - Approximately \$1,564,000 net increase for additional shares realized to be owed for services incurred from 2013-2018;
 - Approximately \$60,000 increase for additional shares realized to be owed from 2019.
- d. During the year ended December 31, 2019, the Company realized that certain shares issued in 2017 and 2018 valued at \$911,000 and certain shares issued in 2019 valued at \$2,286,000 were for services that had not been provided to the Company. As the stock had been issued, but these services were unearned at December 31, 2019, the Company restated the financial statements at December 31, 2019 to show \$3,197,000 of “Unearned Stock Compensation” as a contra equity balance. As discussed in Notes 11 and 13, all of these shares were returned to the Company subsequent to December 31, 2019 and removed from the “Unearned Stock Compensation” account.
- e. Represents the cumulative effects of the other adjustments.
- f. For the year ending December 31, 2019, “Executive Management Compensation” balance was reduced by approximately \$127,000 to reflect payments made to executives that were reimbursements of expenses rather than compensation.
- g. For the year ending December 31, 2019, approximately \$54,000 of “General and Administrative Expenses” were reclassified from “Professional Fees” (see **h**). The remaining increase was an immaterial adjustment to reconcile the trial balance.
- h. For the year ending December 31, 2019, “Professional Fees” was decreased by approximately \$174,000 based on a clarified of the value of certain consulting agreements. The recalculation resulted in a \$120,000 decrease to “Professional Fees” and approximately \$54,000 reclassification to “General and Administrative Expenses”.

3. 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 Entertainment, Inc.

Notes to Consolidated Financial Statements

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 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

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cash deposits in excess of FDIC insurance at December 31, 2020 and 2019.

Property and Equipment

Property and Equipment 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.

Leases

The Company adopted ASU 2016-02, “Leases” (Topic 842). Based on this standard, the Company determines if an agreement is a lease at inception. Operating leases are included in operating lease – right to use, current portion of operating lease liability, and operating lease liability, less current portion in the Company’s consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of long-term debt, net and long-term debt, less current portion and debt issuance costs in the Company’s consolidated balance sheets.

As permitted under ASU 2016-02, the Company has made an accounting policy election not to apply the recognition provisions of ASU 2016-02 to short term leases (leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise); instead, the Company will recognize the lease payments for short term leases on a straight-line basis over the lease term.

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 2020 or 2019.

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.

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 \$130,469 and \$100,533 for the years ended December 31, 2020 and 2019, 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

Hollywall Entertainment, Inc.

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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

On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326). The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

The new guidance; (i) eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an organization’s current estimate of all expected credit losses over the contractual term of its financial assets, (ii) broadens the information that an entity can consider when measuring credit losses to include forward-looking information, (iii) increases usefulness of the financial statements by requiring timely inclusion of forecasted information in forming expectations of credit losses, (iv) increases comparability of purchased financial assets with credit deterioration (PCD assets) with other purchased assets that do not have credit deterioration as well as originated assets because credit losses that are expected will be recorded through an allowance for credit losses for all assets, (v) increases users’ understanding of underwriting standards and credit

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quality trends by requiring additional information about credit quality indicators by year of origination (vintage), and (vi) aligns the income statement recognition of credit losses, for available-for-sale debt securities, with the reporting period in which changes occur by recording credit losses (and subsequent changes in credit losses) through an allowance rather than a write down.

The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. It affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

For public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application is permitted. The Group will adopt beginning January 1, 2023. The Group does not believe the adoption of this pronouncement will have a material impact on its consolidated financial statements.

The Group has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its consolidated financial statements.

4. Property and Equipment, Net

Property and Equipment and accumulated depreciation consisted of the following:

	<u>12/31/2020</u>	<u>12/31/2019</u>	Estimated Useful Life
Vehicles	\$ 95,897	\$ 95,897	3-5 years
Less: Accumulated Depreciation	<u>(44,793)</u>	<u>(25,421)</u>	
	<u>\$ 51,104</u>	<u>\$ 70,476</u>	

Depreciation expense for the years ending December 31, 2020 and 2019 was \$19,372 and \$20,695 respectively.

5. 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>12/31/2020</u>	<u>12/31/2019</u>	Estimated Useful Life
Music Master Recordings Library	\$53,600,000	\$53,600,000	12 years
Less: Accumulated Depreciation	<u>(32,011,111)</u>	<u>(27,544,444)</u>	
	<u>\$21,588,889</u>	<u>\$26,055,556</u>	

Amortization expense for the years ending December 31, 2020 and 2019 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

6. 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, 2020, the Company had \$44,948 in cash and \$18,720 in working capital. For the years ended December 31, 2020 and 2019, the Company had a net loss of \$4,897,510 and \$5,209,893 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.

COVID-19 Disclosure

The 2021 and 2020 operations reflect the impact of COVID-19 throughout the periods. Restrictions continued to impact the Group's global operations, with key sales channels remaining in varied states of impact and recovery. During the pandemic, non e-commerce sales channels experienced varying levels of disruption. COVID-19 also caused a shortage of certain raw materials, prolonged logistics and delayed progress on the Company's fund raising.

7. Convertible Notes Payable

Issuance Date	Note Holder	Conversion Rate	Interest Rate	Maturity Date	Balance 12/31/20	Balance 12/31/19
8/17/2014	E&A Enterprises, LLC	\$1.25 per common share	5%	7/17/2015	\$ -	\$ 87,000
11/15/2014	NSS, LLC	\$1.25 per common share	5%	12/31/2014	-	32,000
4/30/2015	Aero Studios	\$1.25 per common share	5%	3/31/2016	-	9,500
4/5/2016	NSS, LLC	\$1.25 per common share	5%	3/31/2017	-	35,000
4/30/2016	Aero Studios	\$1.25 per common share	5%	3/31/2017	-	16,000
11/17/2016	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2017	-	21,969
12/15/2016	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2017	-	27,065
1/9/2017	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2017	-	54,582
5/16/2017	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2018	-	29,325
6/5/2017	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2018	-	29,390
8/17/2017	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2018	-	87,736
8/1/2018	Glenwood Partners, LLP	50% discount of 20-day average trading price	5%	12/31/2019	-	159,183
Total Convertible Notes Payable					-	588,750
Less current maturities					-	(588,750)
Long-Term Convertible Notes Payable					\$ -	\$ -

In 2020, all notes outstanding were converted to 1,266,900 shares of common stock.

8. Concentrations

For the year ending December 2020, the Company had three customers representing 46%, 36% and 18% of total revenue. For the year ending December 31, 2019, had three customers representing 79%, 11% and 10% of total revenue.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

9. Warrants

In July 2020, 157,000 warrants were exercised in a cashless conversion resulting in 3,000,000 shares of common stock being issued. No warrants remain outstanding at December 31, 2020.

10. Income Taxes

The components of the net deferred tax asset at December 31, 2020 and 2019 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	December 31, 2020	December 31, 2019
Net operating loss carry-forward	(44,623,108)	(39,725,598)
Effective tax rate	21%	21%
	9,370,853	8,342,376
Valuation allowance	(9,370,853)	(8,342,376)
Deferred tax asset	-	-

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, 2020 and 2019:

	December 31, 2020	December 31, 2019
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, 2020.

11. 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:

- a. Convertible at option of holder
- b. The holders are entitled to receive dividends
- c. 1 Preferred share is convertible to 1,000 common shares
- d. In the event of reorganization this Class of Preferred will not be affected by any such capital reorganization
- e. 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

Common Stock

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 the associated unearned stock compensation was removed from the balance sheet.

12. Treasury Stock

During the year ended December 31, 2020, the Company issued 7,000,000 shares of common stock to Hollywall Development Company, LLC, its wholly owned subsidiary. These shares eliminate upon consolidation.

13. 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.

14. Subsequent Events

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 unearned stock compensation was removed from the balance sheet.

On September 13, 2020, the Company issued 480,000 shares of common stock for advisory services valued at \$3.00 per share based on the stock price on the date the shares were issued; however, none of the services were rendered and earned. On June 22, 2021, 480,000 shares of common stock, valued at \$1,440,000, were canceled and returned to treasury and the associated unearned stock compensation was removed from the balance sheet.