

BASEMENT SPORTS, INC.

Reviewed Financial Statements For The Period Ended December 31, 2019



Independent Accountant's Review Report

To Management
Basement Sports, Inc.
Jersey City, NJ

We have reviewed the accompanying balance sheet of Basement Sports, Inc. as of December 31, 2019 and the related statements of income, retained earnings, and cash flows for the period then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of my procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Jason M. Tyra, CPA, PLLC
Dallas, TX
June 15, 2020

BASEMENT SPORTS, INC.
BALANCE SHEET
DECEMBER 31, 2019

	<u>2019</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ -
TOTAL CURRENT ASSETS	<u>-</u>
TOTAL ASSETS	<u><u>-</u></u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>	
NON-CURRENT LIABILITIES	
Related Party Loan	31,790
TOTAL LIABILITIES	<u>31,790</u>
MEMBERS' EQUITY	
Retained Earnings (Deficit)	(31,790)
TOTAL MEMBERS' EQUITY	<u>(31,790)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ -</u></u>

BASEMENT SPORTS, INC.
INCOME STATEMENT
FOR THE PERIOD OF OCTOBER 23, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	<u>2019</u>
Operating Expense	
Research & Development	20,199
Salaries & Wages	5,775
Rent	2,714
General & Administrative	1,603
Professional & Legal	1,500
	<hr/>
	31,790
Net Income from Operations	(31,790)
Net Income	<hr/> <u>\$ (31,790)</u>

BASEMENT SPORTS, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD OF OCTOBER 23, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	<u>2019</u>
Cash Flows From Operating Activities	
Net Income (Loss) For The Period	\$ (31,790)
Net Cash Flows From Operating Activities	<u>(31,790)</u>
Cash Flows From Financing Activities	
Change in Related Party Loan	31,790
Net Cash Flows From Investing Activities	<u>31,790</u>
Cash at Beginning of Period	-
Net Increase (Decrease) In Cash	-
Cash at End of Period	<u><u>\$ -</u></u>

BASEMENT SPORTS, INC.
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD OF OCTOBER 23, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	Contributed Capital	Retained Earnings	Total Members' Equity
Balance at October 23, 2019 (Inception)	\$ -	\$ -	\$ -
Net Income			(31,790)
Balance at December 31, 2019	\$ -	\$ -	\$ (31,790)

BASEMENT SPORTS, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED)
DECEMBER 31, 2019

NOTE A- ORGANIZATION AND NATURE OF ACTIVITIES

Basement Sports, Inc. (“the Company”) is a corporation organized under the laws of the State of Delaware. The Company is a mobile game and toy product developer.

As of December 31, 2019, the Company was a wholly owned subsidiary of Blabs Ventures, LLC. The Company was originally organized as a limited liability company but reorganized as a corporation in January of 2020.

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Company’s fiscal year ends December 31.

Significant Risks and Uncertainties

The Company is subject to customary risks and uncertainties associated with development of new technology including, but not limited to, the need for protection of intellectual property, dependence on key personnel, costs of services provided by third parties, the need to obtain additional financing, and limited operating history.

The Company currently has no developed products for commercialization and there can be no assurance that the Company’s research and development will be successfully commercialized. Developing and commercializing a product requires significant capital, and based on the current operating plan, the Company expects to continue to incur operating losses as well as cash outflows from operations in the near term.

Use of Estimates

The preparation of financial statements in conformity with 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. Changes in estimates are recorded in the period they are made. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Revenue

BASEMENT SPORTS, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED) (CONTINUED)

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company's revenue streams will be in-app purchases and revenues from toy sales.

Fixed Assets

The Company capitalizes assets with an expected useful life of one year or more, and an original purchase price of \$1,000 or more. Depreciation is calculated on a straight-line basis over management's estimate of each asset's useful life.

Related Party Transactions

Blabs Ventures, LLC advanced funds to the Company in the form of expenses paid on the Company's behalf. This is an informal loan with no interest or repayment structure. The Company is a wholly owned subsidiary of Blabs Ventures, LLC.

Research & Development

The Company records research & development expenses in the year incurred.

Advertising

The Company records advertising expenses in the year incurred.

Income Taxes

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax 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. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States.

The Company is subject to franchise tax filing requirements in the State of Delaware.

Recently Adopted Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that

BASEMENT SPORTS, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED) (CONTINUED)

are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In May 2014, the FASB issued ASU, 2014-09—*Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09, and further updated through ASU 2016-12, or ASU 2016-12, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled to when products are transferred to customers. This guidance is effective for annual reporting periods, and interim periods within those years, beginning December 15, 2018 for non-public entities. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The adoption of ASU 2014-09 had no material impact on the Company's financial statements and related disclosures.

NOTE C- FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Company uses valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1 - Observable inputs, such as quoted prices for identical assets or liabilities in active markets;
Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, or market-corroborated inputs; and
Level 3 - Unobservable inputs for which there is little or no market data which require the reporting entity to develop its own assumptions about how market participants would price the assets or liabilities.

The valuation techniques that may be used to measure fair value are as follows:

Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models, and excess earnings method.

Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

NOTE D- CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

BASEMENT SPORTS, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED) (CONTINUED)

NOTE E- SUBSEQUENT EVENTS

Management considered events subsequent to the end of the period but before June 15, 2020, the date that the financial statements were available to be issued.