

SMART TIRE RECYCLING INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

DECEMBER 31, 2019 AND 2018

SMART TIRE RECYCLING INC.

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Smart Tire Recycling Inc.

Pittsburgh, PA

Management is responsible for the accompanying financial statements of Smart Tire Recycling Inc., which comprise the balance sheets as of December 31 2019 and 2018, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Jonathan Rosenberg, CPA

Pittsburgh, PA

August 19, 2020

SMART TIRE RECYCLING INC.
BALANCE SHEET
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash in Bank	\$ <u>5,740</u>	\$ <u>13,536</u>
Total current assets	5,740	13,536
 FIXED ASSETS		
Equipment	22,599	599
Less: accumulated depreciation	<u>(3,522)</u>	<u>(292)</u>
Total fixed assets	19,077	307
 OTHER ASSETS		
Patent	<u>9,777</u>	<u>9,777</u>
Total Assets	\$ <u><u>34,594</u></u>	\$ <u><u>23,620</u></u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable (Note 4)	70,000	20,000
Accrued Interest (Note 4)	5,061	1,928
Due to Stockholder	\$ <u>1,570</u>	\$ <u>1,570</u>
Total current liabilities	76,631	23,498
 STOCKHOLDERS' EQUITY		
Common stock	-	-
Preferred stock (Note 3)	1,853	1,432
Paid in capital	254,897	204,368
Retained earnings/(deficit)	<u>(298,787)</u>	<u>(205,678)</u>
Total equity	<u>(42,037)</u>	<u>122</u>
Total liabilities and shareholders' equity	\$ <u><u>34,594</u></u>	\$ <u><u>23,620</u></u>

See accompanying notes and accountant's report

SMART TIRE RECYCLING INC.
STATEMENT OF OPERATING INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Sales	-	-
Expenses		
Advertising	\$ 500	\$ -
Auto and parking	231	40
Bank charges	81	69
Computer and Internet	107	-
Consulting	-	1,555
Contracted work	27,737	42,169
Depreciation expense	3,230	86
Design work	100	-
Donations	360	-
Interest expense	3,133	2,758
Machine parts	13,110	44,223
Marketing	-	117
Meals and entertainment	184	62
Moving expenses	-	96
Office supplies	1,163	3,687
Penalties	-	307
Legal and professional fees	15,465	10,049
Rent	23,200	14,500
Telephone	496	468
Travel	1,204	203
Utilities	2,095	1,914
Web hosting	713	313
	<hr/>	<hr/>
Total expenses	93,109	122,616
	<hr/>	<hr/>
Net loss	<u>(93,109)</u>	<u>(122,616)</u>

See accompanying notes and accountant's report

SMART TIRE RECYCLING INC.
 STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE PERIOD FROM AUGUST 12, 2016 TO DECEMBER 31, 2019

	<u>Common Stock (units)</u>	<u>Preferred Stock (net units)</u>	<u>Common Stock (value)</u>	<u>Preferred Stock (value)</u>	<u>Shares Redeemed or Converted</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
Balance at inception			-					
Net loss								
2016	1,060,000	-	-	-	-	60,100	(20,729)	39,371
2017		21,008		250		24,750	(62,333)	2,038
2018	12,500	118,235		1,182	(20,000)	139,518	(122,616)	122
2019		46,956		421	(50,000)	100,529	(93,109)	(42,037)

See accompanying notes and accountant's report

SMART TIRE RECYCLING INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss	\$ (93,109)	\$ (122,616)
Plus: activities not affecting cash		
Depreciation	<u>3,230</u>	<u>86</u>
Net cash used by operating activities	(89,879)	(122,530)
CASH FLOW FROM INVESTING ACTIVITIES		
Patent	-	(9,337)
Capital expenditures	<u>(22,000)</u>	<u>-</u>
Net cash used by investing activities	(22,000)	(9,337)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in notes payable	50,000	20,000
Increase in accrued interest	3,133	1,928
Decrease in loan from shareholder	-	(880)
Increase in stockholders' capital (net)	<u>50,950</u>	<u>120,700</u>
Net cash provided by financing activities	104,083	141,748
INCREASE (DECREASE) IN CASH	(7,796)	9,881
Cash at beginning of year	13,536	3,655
Cash at end of year	\$ <u><u>5,740</u></u>	\$ <u><u>13,536</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u><u>3,133</u></u>	\$ <u><u>2,758</u></u>

See accompanying notes and accountant's report

SMART TIRE RECYCLING INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Smart Tire Recycling Inc. is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

Business Activity – Smart Tire Recycling Inc. is engaged in developing a process to fully recycle used tire rubber and sell the recovered materials, predominantly carbon black as well as steel, syngas and oil. The Company has acquired 2 patents to improve its processes and has developed another patent which is pending. In addition to the sales of materials, the Company can also license its technology to major tire shredders. The Company was incorporated as an S corporation on October 23, 2015 in Pennsylvania and changed its filing status to a C corporation on August 12, 2016. It is headquartered in Pittsburgh, Pennsylvania.

Cash and Cash Equivalents – The company considers short-term highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Cash consists of funds held in the Company's checking accounts.

Inventory – The Company does not, as yet, hold inventory. Any raw materials are used to perfect recycling and recovery processes.

Property and Equipment – Property and Equipment is recorded at cost and is depreciated using straight line methods over estimated useful lives for both tax and book purposes. Equipment is depreciated over 5-7 years. Repairs and maintenance are capitalized or charged to operating expenses as incurred, in accord with Rev Proc 2015-20.

Intangible Assets – The Company has acquired 2 patents and another patent is pending. Legal fees and other costs associated with obtaining these patents are capitalized. The Company is not currently amortizing these assets.

Income Taxes – Income taxes will be determined in accordance with ASC Topic 740, "income Taxes." Under this method, deferred tax assets and liabilities are measured using enacted income tax rates

expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company is carrying forward its accumulated losses.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

The Company is not currently involved with and does not know of any pending or threatened litigation against the Company, its officers, or its stockholders.

NOTE 3 – CAPITAL STRUCTURE

As of December 31, 2019, the Company is authorized to issue 2,500,000 shares of Common Stock, no par value of which 1,060,000 shares are issued and outstanding, 200,000 shares reserved for the option plan, of which 12,500 have been issued, and 500,000 shares of Preferred Stock, par value \$0.01 of which 185,289 shares of Series Seed Preferred are issued and outstanding. The past price of the Preferred Stock was \$1.19 per share.

NOTE 4 – NOTES PAYABLE

Preferred Stock is convertible into an interest bearing note. 2 conversions have taken place:

Investment	Conversion Date	Interest Rate	Accrued Interest
\$50,000	8/31/2019	8%	\$1,333
\$20,000	12/5/2017	9%	\$3,728

NOTE 5 – SUBSEQUENT EVENTS

Anticipated Crowdfunded Offering

The Company is raising \$250,000 in a series seed round financing. The purpose of this is to complete critical testing data needed for solicitation of customer orders and to purchase plant and equipment for a demonstration plant. 133,690 shares will be offered and each share will be valued at \$1.87.

The Crowdfunded Offering is being made through Wefunder (the intermediary). The intermediary is entitled to receive a 6.5% commission fee of the amount raised through this offering.

Management's Evaluation

Management has evaluated subsequent events through August 19, 2020, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in the financial statements.