



**Heavys Inc.** (the “Company”) a Delaware Corporation

Financial Statements (unaudited) and  
Independent Accountant’s Review Report

Short-Year ended December 31, 2021



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management  
Heavys Inc.

We have reviewed the accompanying financial statements of the Company which comprise the statement of financial position as of December 31, 2021 and the related statement of operations, statement of changes in shareholder equity, and statement of cash flows for the short-year 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 controls 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 engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **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 accordance with accounting principles generally accepted in the United States of America.

### **Going Concern**

As discussed in Note 8, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs.

Vince Mongio, CPA, CIA, CFE, MACC  
Miami, FL  
June 4, 2022

*Vincenzo Mongio*

### Statement of Financial Position

	As of December 31, 2021
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	341,109
Notes Receivable	3,500
Total Current Assets	344,609
<b>Non-current Assets</b>	
Equipment, net of Accumulated Depreciation	5,884
Intangible Assets: Trademark, net of Accumulated Amortization	2,096
Total Non-Current Assets	7,980
<b>TOTAL ASSETS</b>	<b>352,589</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Long-term Liabilities</b>	
Future Equity Obligations (SAFE Agreements)	545,451
Notes Payable - Related Party	70,000
Total Long-Term Liabilities	615,451
<b>TOTAL LIABILITIES</b>	615,451
<b>EQUITY</b>	
Accumulated Deficit	(262,862)
Total Equity	(262,862)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>352,589</b>

### Statement of Operations

	Short-Year Ended December 31, 2021
Revenue	48
Cost of Revenue	-
Gross Profit	48
<b>Operating Expenses</b>	
Advertising and Marketing	7,671
General and Administrative	135,168
Research and Development	119,857
Depreciation	151
Amortization	62
Total Operating Expenses	262,909
Operating Income (loss)	(262,862)
Provision for Income Tax	-
Net Income (loss)	(262,862)

**Statement of Cash Flows**

	<b>Short-Year Ended December 31, 2021</b>
<b>OPERATING ACTIVITIES</b>	
Net Income (Loss)	(262,862)
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Depreciation	151
Amortization	62
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	213
Net Cash provided by (used in) Operating Activities	(262,649)
<b>INVESTING ACTIVITIES</b>	
Equipment	(6,035)
Trademark	(2,158)
Notes Receivable	(3,500)
Net Cash provided by (used by) Investing Activities	(11,693)
<b>FINANCING ACTIVITIES</b>	
Future Equity Obligations (SAFE Agreements)	545,451
Notes Payable - Related Party	70,000
Net Cash provided by (used in) Financing Activities	615,451
Cash at the beginning of period	-
Net Cash increase (decrease) for period	341,109
Cash at end of period	341,109

**Statement of Changes in Shareholder Equity**

	<b>Common Stock</b>			<b>APIC</b>	<b>Accumulated Deficit</b>	<b>Total Shareholder Equity</b>
	<b># of Shares Amount</b>	<b>\$ Amount</b>				
Beginning Balance 3/4/2021 (Inception)	-	-	-	-	-	-
Issuance of Common Stock	3,000	-	-	-	-	-
Additional Paid in Capital	-	-	-	-	-	-
Net Income (Loss)	-	-	-	(262,862)	(262,862)	(262,862)
Ending Balance 12/31/2021	3,000	-	-	(262,862)	(262,862)	(262,862)

**Heavys Inc.**  
**Notes to the Unaudited Financial Statements**  
**December 31st, 2021**  
**\$USD**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Heavys Inc. (“the Company”) was formed in Delaware on March 4<sup>th</sup>, 2021. The Company plans to earn revenue by introducing headphones and other audio equipment to Heavy Metal music fans worldwide. The Company’s headquarters is in New York, New York. The Company’s customers will be located worldwide.

The Company will conduct a crowdfunding campaign under regulation CF in 2022 to raise operating capital.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Our fiscal year ends on December 31. The Company has no interest in variable interest entities and no predecessor entities.

Use of Estimates and Assumptions

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 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. 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.

Fair Value of Financial Instruments

ASC 820 “*Fair Value Measurements and Disclosures*” establishes a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

These tiers include:

Level 1: defined as observable inputs such as quoted prices in active markets;

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3: defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Concentrations of Credit Risks

The Company’s financial instruments that are exposed to concentrations of credit risk primarily consist of its cash and cash equivalents. The Company places its cash and cash equivalents with financial institutions of high credit worthiness. The Company’s management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited.

## Revenue Recognition

The Company recognizes revenue from the sale of products and services in accordance with ASC 606, “Revenue Recognition” following the five steps procedure:

- Step 1: Identify the contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations
- Step 5: Recognize revenue when or as performance obligations are satisfied

The Company’s primary performance obligation is the delivery of products. Revenue is recognized at the time of shipment, net of estimated returns. Coincident with revenue recognition, the Company establishes a liability for expected returns and records an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

## Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is provided using the straight-line method, based on useful lives of the assets.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment for December 31, 2021.

A summary of the Company’s property and equipment is below.

Property Type	Useful Life (in years)	Cost	Accumulated Depreciation	Disposals	Book Value as of 12/31/21
Equipment	5	6,035	151	-	5,884
<b>Grand Total</b>	<b>-</b>	<b>6,035</b>	<b>151</b>	<b>-</b>	<b>5,884</b>

## Accounts Receivable

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Payments are generally collected upfront, but some of the merchants that products are sold through have a delay between collecting from the customer and sending to the Company.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change.

### Intangible Assets

The Company's intangible asset consists of a trademark and is recorded at cost less accumulated amortization and impairment losses on a systematic basis over its life of 27.5 years. The ending balance of this asset was \$2,096 as of December 31, 2021.

### Advertising Costs

Advertising costs associated with marketing the Company's products and services are generally expensed as costs are incurred.

### General and Administrative

General and administrative expenses consist of payroll and related expenses for employees and independent contractors involved in general corporate functions, including accounting, finance, tax, legal, business development, and other miscellaneous expenses.

### Equity Based Compensation

In 2021, the Company has authorized an Employee Stock Option Plan ("the Plan") for the purposes of attracting and retaining talent. The Company allocated 330 shares of Common Stock to be awarded as Stock Options. No such awards have been granted as of December 31, 2021.

The Company accounts for stock options issued to employees under ASC 718 (Stock Compensation). Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as an item of expense ratably over the employee's requisite vesting period. The Company has elected early adoption of ASU 2018-07, which permits measurement of stock options at their intrinsic value, instead of their fair value. An option's intrinsic value is defined as the amount by which the fair value of the underlying stock exceeds the exercise price of an option. In certain cases, this means that option compensation granted by the Company may have an intrinsic value of \$0.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505 (Equity). The fair value of the option issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to expense and credited to additional paid-in capital.

There is not a viable market for the Company's common stock to determine its fair value, therefore management is required to estimate the fair value to be utilized in the determining stock-based compensation costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors, placement agents' assessments of the underlying common shares relating to our sale of preferred stock and validation by independent fair value experts. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates. Management has concluded that the estimated fair value of the Company's stock and corresponding expense is negligible.

### Income Taxes

The Company is subject to corporate income and state income taxes in the state it does business. A deferred tax asset as a result of net operating losses (NOL) has not been recognized due to the uncertainty of future positive taxable income to utilize the NOL. Due to the recently enacted Tax Cuts and Jobs Act, any NOLs will be limited to 80% of taxable income generated in future years.

### Recent accounting pronouncements

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

### **NOTE 3 – RELATED PARTY TRANSACTIONS**

The Company follows ASC 850, “Related Party Disclosures,” for the identification of related parties and disclosure of related party transactions.

The Company entered into 3 loans with its founders for a total of \$70,000 bearing no interest rate and a maturity date upon the earlier of (i) the date on which the Company has raised an aggregate of over \$2,000,000 in funds; or (ii) the date on which the Company has received revenues of over \$5,000,000. The total ending balance of this payable was \$70,000 as of December 31, 2021.

### **NOTE 4 – CONTINGENCIES, COMPLIANCE WITH LAWS AND REGULATIONS**

We are currently not involved with or know of any pending or threatening litigation against the Company or any of its officers. Further, the Company is currently complying with all relevant laws and regulations.

### **NOTE 5 – DEBT**

Future Equity Obligations - Simple Agreements for Future Equity (SAFE) - During the period ending December 31, 2021, the Company entered into numerous SAFE agreements with third parties. The SAFE agreements have no maturity date and bear no interest. The agreements provide the right of the investor to future equity in the Company during a qualified financing event, or the option to receive either (i) a cash payment equal to the purchase amount, or (ii) a number of shares of Common Stock equal to the purchase amount divided by the liquidity price during a liquidity event at a 20% discount. Each agreement is subject to a valuation cap. The valuation caps of the agreements entered were \$3M – 12M.

#### **Debt Principal Maturities 5 Years Subsequent to 2021**

<b>Year</b>	<b>Amount</b>
2022	70,000
2023	-
2024	-
2025	-
2026	-
Thereafter	-

\*The SAFE agreements mature during a qualified financing or liquidity event which can occur in any year.

### **NOTE 6 – EQUITY**

The Company has authorized 3,330 shares of Common Stock with a par value of \$0.0001 per share. 3,000 shares were issued and outstanding as of 2021.

Common Shareholders are entitled to one vote per share and can receive dividends at the discretion of the Board of Directors.

## **NOTE 7 – SUBSEQUENT EVENTS**

The Company has evaluated events subsequent to December 31, 2021 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through June 4, 2022, the date these financial statements were available to be issued.

The Company raised an additional \$195,000 in the form of SAFE agreements carrying the same terms as those disclosed above; however, the valuation caps of the agreements entered were \$3M – 15M.

During 2022, the Company generated \$1,142,576 in revenue from its pre-order campaign selling headphones dedicated to heavy metal music.

## **NOTE 8 – GOING CONCERN**

The accompanying balance sheet has been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The entity has a limited operating history and will likely realize losses prior to generating positive working capital for an unknown period of time. During the next twelve months, the Company intends to finance its operations with funds from a crowdfunding campaign and revenue producing activities. The Company's ability to continue as a going concern in the next twelve months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities.

## **NOTE 9 – RISKS AND UNCERTAINTIES**

### ***COVID-19***

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses remains unclear currently. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.