

**Rubitection, Inc.** (the “Company”) a Pennsylvania Corporation

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

Years ended December 31, 2022 & 2023



## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To Management  
Rubitection, Inc.

We have reviewed the accompanying financial statements of the Company which comprise the statement of financial position as of December 31, 2022 & 2023 and the related statements of operations, statement of changes in shareholder equity, and statement of cash flows for the years 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.

### **Emphasis of Matter Regarding Going Concern**

As discussed in Note 8, certain conditions indicate substantial doubt that the Company will be able 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.

On behalf of Mongio and Associates CPAs, LLC

Vince Mongio, CPA, EA, CIA, CFE, MACC  
Miami, FL  
November 25, 2024

*Vincenzo Mongio*

**Statement of Financial Position**

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	254,608	412,954
<b>Total Current Assets</b>	<b>254,608</b>	<b>412,954</b>
<b>Non-current Assets</b>		
Fixtures and Equipment, net of Accumulated Depreciation	4,032	-
Intangible Assets: Patents, net of Accumulated Amortization	24,833	28,468
<b>Total Non-Current Assets</b>	<b>28,865</b>	<b>28,468</b>
<b>TOTAL ASSETS</b>	<b>283,473</b>	<b>441,422</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Patents Payable	42,855	42,855
Taxes Payable	4,690	4,163
<b>Total Current Liabilities</b>	<b>47,545</b>	<b>47,018</b>
<b>Long-term Liabilities</b>		
Convertible Notes	818,750	768,750
Future Equity Obligations	120,000	120,000
<b>Total Long-Term Liabilities</b>	<b>938,750</b>	<b>888,750</b>
<b>TOTAL LIABILITIES</b>	<b>986,295</b>	<b>935,768</b>
<b>EQUITY</b>		
Accumulated Deficit	(702,823)	(494,346)
<b>Total Equity</b>	<b>(702,823)</b>	<b>(494,346)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>283,473</b>	<b>441,422</b>

**Statement of Changes in Shareholder Equity**

	<b>Common Stock</b>			
	<b># of Shares Amount</b>	<b>\$ Amount</b>	<b>Accumulated Deficit</b>	<b>Total Shareholder Equity</b>
Beginning Balance at 1/1/2022	91,667	-	(218,659)	(218,659)
Net Income (Loss)	-	-	(275,687)	(275,687)
Ending Balance 12/31/2022	91,667	-	(494,346)	(494,346)
Net Income (Loss)	-	-	(208,476)	(208,476)
Ending Balance 12/31/2023	91,667	-	(702,823)	(702,823)

### Statement of Operations

	Year Ended December 31,	
	2023	2022
Revenue	-	-
Cost of Revenue	-	-
Gross Profit	-	-
Operating Expenses		
Advertising and Marketing	616	616
General and Administrative	226,973	267,145
General and Administrative - Related Party	6,167	8,681
Research and Development	29,116	1,188
Rent and Lease	1,961	26,922
Depreciation	1,008	-
Amortization	3,635	3,635
Total Operating Expenses	269,476	308,187
Operating Income (loss)	(269,476)	(308,187)
Other Income		
Other	-	17,500
Grant Income	61,000	15,000
Total Other Income	61,000	32,500
Earnings Before Income Taxes	(208,476)	(275,687)
Provision for Income Tax Expense/(Benefit)	-	-
Net Income (loss)	(208,476)	(275,687)

**Statement of Cash Flows**

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	(208,476)	(275,687)
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Depreciation	1,008	-
Amortization	3,635	3,635
Taxes Payable	527	636
Other	-	(15,197)
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	5,170	(10,926)
Net Cash provided by (used in) Operating Activities	(203,306)	(286,613)
<b>INVESTING ACTIVITIES</b>		
Fixtures & Equipment	(5,040)	-
Net Cash provided by (used by) Investing Activities	(5,040)	-
<b>FINANCING ACTIVITIES</b>		
Proceeds from Convertible Notes	50,000	210,000
Net Cash provided by (used in) Financing Activities	50,000	210,000
Cash at the beginning of period	412,954	489,567
Net Cash increase (decrease) for period	(158,347)	(76,613)
Cash at end of period	254,608	412,954

**Rubitection, Inc.**  
**Notes to the Unaudited Financial Statements**  
**December 31st, 2023**  
**SUSD**

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

Rubitection, Inc. (“the Company”) was formed in Pennsylvania on March 22<sup>nd</sup>, 2010. The Company plans to earn revenue using an AI-based platform for assessing and managing chronic wounds and skin conditions, including bedsores, diabetic foot ulcers, psoriasis, and skin cancer. The Company’s headquarters is in Pittsburgh, PA. The Company’s customers will be located in the United States and internationally.

The Company will conduct a crowdfunding campaign under regulation CF in 2024 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 will identify and analyze its performance obligations with respect to customer contracts once the first contract is signed.

## 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, 2023.

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 12/31/23
Fixtures & Equipment	5	5,894	(1,862)	-	4,032
<b>Grand Total</b>	-	<b>5,894</b>	<b>(1,862)</b>	-	<b>4,032</b>

## Intangible Assets

A summary of the Company's intangible assets is below.

Property Type	Useful Life in Years	Cost	Accumulated Amortization	Disposals	Book Value as of 12/31/23
Patents	15	54,519	(29,686)	-	24,833
<b>Grand Total</b>	-	<b>54,519</b>	<b>(29,686)</b>	-	<b>24,833</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.

#### 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

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 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.

The Company did not have any outstanding option agreements as of December 31<sup>st</sup>, 2023.

**Warrants** - The Company accounts for stock warrants as either equity instruments, derivative liabilities, or liabilities in accordance with ASC 480, Distinguishing Liabilities from Equity (ASC 480), depending on the specific terms of the warrant agreement. The Warrants below do not have cash settlement provisions or down round protection; therefore, the Company classifies them as equity. Management considers the equity-based compensation expense for 2022 and 2023 to be negligible.

The Company did not have any outstanding warrant agreements as of December 31<sup>st</sup>, 2023.

#### Income Taxes

The Company is subject to corporate income and state income taxes in the state it does business. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this

method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not have any uncertain tax provisions. The Company's primary tax jurisdictions are the United States, Massachusetts, and Pennsylvania. The Company's primary deferred tax assets are its net operating loss (NOL) carryforwards which approximates its retained earnings as of the date of these financials. A deferred tax asset as a result of NOLs have not been recognized due to the uncertainty of future positive taxable income to utilize the NOL. The Company is no longer subject to U.S. federal, state and local, tax examinations by tax authorities for years before 2019.

#### 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. No transactions require disclosure.

#### **NOTE 4 – COMMITMENTS, 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. The Company does not have any long-term commitments or guarantees.

#### License Agreement

On June 29<sup>th</sup>, 2012, the Company entered into a License Agreement with Carnegie Mellon University (CMU) whereas the Company acquired rights to certain technology relating to an early-stage pressure ulcer diagnostic tool. The agreement requires royalties of 2.325% of net sales and 20% of sublicense fees to be paid to CMU. The agreement expires at the later of 20 years from the effective date (June 29<sup>th</sup>, 2012) or on the expiration date of the last to expire patent. The agreement also granted CMU a warrant to purchase an equity interest of 7,975 common shares, for which the equity interest was subsequently purchased.

#### **NOTE 5 – LIABILITIES AND DEBT**

Convertible Notes - The Company has entered into several convertible note agreements for the purposes of funding operations. The interest on the notes ranged from 7%-8%. The amounts were to be repaid at the demand of the holder prior to conversion with maturities ranging from 2023 to 2026, however management expects all convertible notes to convert upon their upcoming qualified financing event. The notes are convertible into shares of the Company's common stock at a 20% discount during a change of control or qualified financing event.

The Company entered into numerous SAFE agreements (Simple Agreement for Future Equity) 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 or change of control event at a 20% discount. The agreements do not have any stated valuation caps.

#### **NOTE 6 – EQUITY**

The Company has authorized 100,000 common shares with no stated par value. 91,667 shares were issued and outstanding as of 2022 and 2023.

**Voting:** Common stockholders are entitled to one vote per share

**Dividends:** The holders of common stock are entitled to receive dividends when and if declared by the Board of Directors.

#### **NOTE 7 – SUBSEQUENT EVENTS**

The Company has evaluated events subsequent to December 31, 2023 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through November 25, 2024, the date these financial statements were available to be issued. No events require recognition or disclosure.

#### **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 realized losses every year since inception, incurred negative cash flows from operations, and may continue to generate losses.

During the next twelve months, the Company intends to finance its operations with funds from a crowdfunding campaign. 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.