



...Your Avenue For Entertainment

HOLLYWALL ENTERTAINMENT, INC.
AMENDED FINANCIAL
STATEMENTS
FOR THE QUARTER
ENDING 3/31/2022

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Balance Sheets

	As of	
	<u>3/31/2022</u>	<u>3/31/2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 19,745	\$ 15,837
Total Current Assets	<u>19,745</u>	<u>15,837</u>
Property and Equipment, net	26,889	46,261
Intangibles, net	16,005,555	20,472,222
TOTAL ASSETS	<u><u>\$ 16,052,188</u></u>	<u><u>\$ 20,534,320</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 45,523	\$ 44,480
Accrued Expenses	9,150	-
Convertible Notes Payable	305,000	-
Total Current Liabilities	<u>359,673</u>	<u>44,480</u>
TOTAL LIABILITIES	<u>359,673</u>	<u>44,480</u>
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, 91,773,145 and 89,806,357 issued and outstanding at March 31, 2022 and 2021, respectively	91,773	89,806
Common Stock to be Issued	1,127,168	881,357
Unearned Stock Compensation	0	(1,440,000)
Treasury Stock	(8,100)	(7,000)
Additional Paid-In Capital	67,106,572	67,411,648
Accumulated Deficit	<u>(52,624,997)</u>	<u>(46,446,070)</u>
Total Stockholders' Equity	<u>15,692,515</u>	<u>20,489,840</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 16,052,188</u></u>	<u><u>\$ 20,534,320</u></u>

Hollywall Entertainment, Inc. and Subsidiaries
Consolidated Statements of Operations

		For the quarter ending	
		<u>3/31/2022</u>	<u>3/31/2021</u>
REVENUE			
Music Licensing Income		\$ -	\$ 169,211
Lobbying Income		60,000	61,102
	Total Revenue	<u>60,000</u>	<u>230,313</u>
OPERATING EXPENSES			
Amortization Expense		1,116,668	1,116,668
Executive Management Compensation		101,388	78,695
General and Administrative Expenses		83,039	171,481
Professional Fees		308,155	681,797
Depreciation Expense		4,843	4,843
	Total Operating Expenses	<u>1,614,092</u>	<u>2,053,484</u>
	Loss from Operations	<u>(1,554,092)</u>	<u>(1,823,171)</u>
Other Income/(Expenses)			
Interest Expense		9,150	-
	Net Other Income/(Expenses)	<u>9,150</u>	<u>-</u>
Loss Before Taxes		<u>(1,544,942)</u>	<u>(1,823,171)</u>
Provision for income taxes		-	-
	Net Loss	<u>\$ (1,544,942)</u>	<u>\$ (1,823,171)</u>
Basic and diluted loss per share		<u>\$ (0.02)</u>	<u>\$ (0.11)</u>
Weighted average number of shares outstanding, basic and diluted		<u>91,773,145</u>	<u>89,806,357</u>

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

	For the years ending	
	<u>3/31/2022</u>	<u>3/31/2021</u>
OPERATING ACTIVITIES		
Net Loss	\$ (1,544,942)	\$ (1,823,171)
Adjustments to Reconcile Net Loss to Net Cash From Operating Activities:		
Depreciation Expense	4,843	4,843
Amortization Expense	1,116,667	1,116,667
Stock Compensation	263	10
Changes in assets and liabilities:		
Accounts Payable	-	18,252
Accrued Expenses	9,150	-
Net Cash From Operating Activities	<u>(414,019)</u>	<u>(683,399)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Convertible Notes Payable	305,238	-
Payments on Convertible Notes Payable	-	(256,920)
Cancellation of shares issued for Compensation	-	911,000
Net Cash From Financing Activities	<u>305,238</u>	<u>654,080</u>
Net Change in Cash and Cash Equivalents	(108,781)	(29,319)
Cash and Cash Equivalents, Beginning of Period	128,526	45,156
Cash and Cash Equivalents, End of Period	<u>\$ 19,745</u>	<u>\$ 15,837</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	-	-
Cash Paid for Taxes	-	-
NON-CASH OPERATING AND FINANCING ACTIVITIES		
Return and cancellation of shares issued in advance, but not earned	1,440,000	911,000

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, 2020	99,391	\$ 99	89,796,357	\$ 89,796	999,993	\$ 881,358	(1,080,000)	\$ (2,351,000)	\$ (7,000)	\$ 67,668,568	\$ (44,622,900)	21,658,921
Common Stock issued for services	-	-	610,000	610	-	-	-	-	-	644,890	-	645,500
Notes Payable converted to Common Stock	-	-	-	-	-	-	-	-	-	8,591	-	8,591
Return and cancellation of shares issued in advance, but not earned	-	-	(600,000)	(600)	-	-	600,000	911,000	-	(910,400)	-	-
Net Loss	-	-	-	-	-	-	-	-	-	-	(1,823,171)	(1,823,171)
Balances as of March 31, 2021	99,391	\$ 99	89,806,357	\$ 89,806	999,993	\$ 881,358	(480,000)	\$ (1,440,000)	\$ (7,000)	\$ 67,411,649	\$ (46,446,071)	\$ 20,489,840
Balances as of December 31, 2021	99,391	\$ 99	91,991,000	\$ 91,991	999,993	\$ 1,127,168	(480,000)	\$ (1,440,000)	\$ (8,100)	\$ 68,240,854	\$ (51,080,055)	16,931,957
Common Stock issued for services	-	-	260,931	262	-	-	-	-	-	305,238	-	305,500
Return and cancellation of shares issued in advance, but not earned	-	-	(480,000)	(480)	-	-	480,000	1,440,000	-	(1,439,520)	(1,544,942)	-
Net Loss	198,782	\$ 99	91,773,145	\$91,773	\$ 999,993	\$ 1,127,168	\$ (0)	\$ (0)	\$ (8,100)	\$ 67,106,572	\$ (52,624,997)	\$ 15,692,515
Balances as of March 31, 2022												

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. 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 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

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

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

Property and Equipment

Vehicles 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, if applicable.

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.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

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 \$15,000 and \$12,500 for the quarter ended March 31, 2022 and 2021, 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 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.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

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 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.

Hollywall Entertainment, Inc.

Notes to 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.

3. Property and Equipment

Vehicles and accumulated depreciation consisted of the following:

	<u>3/31/2022</u>	<u>3/31/2021</u>	<u>Estimated Useful Life</u>
Vehicles	\$95,897	\$95,897	3-5 years
Less: Accumulated Amortization	<u>(69,008)</u>	<u>(49,726)</u>	
	<u>\$26,889</u>	<u>\$46,261</u>	

Depreciation expense for the quarter ending March 31, 2022 and 2021 was \$4,843 and \$4,843 respectively.

4. 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>3/31/2022</u>	<u>3/31/2021</u>	<u>Estimated Useful Life</u>
Music Master Recordings Library	\$53,600,000	\$53,600,000	12 years
Less: Accumulated Amortization	<u>(36,477,777)</u>	<u>(33,127,778)</u>	
	<u>\$17,122,223</u>	<u>\$20,472,222</u>	

Amortization expense for the quarter ending March 31, 2022 and 2021 was \$1,116,667. 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.

5. 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 March 31, 2022, the Company had \$19,745 in cash and \$15,837 in working capital. For the quarter ended March 31, 2022 and 2021, the Company had a net loss of \$1,544,942 and \$1,823,171 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.

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

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.

6. Convertible Notes Payable

Issuance Date	Note Holder	Conversion Rate	Interest Rate	Maturity Date	Balance 3/31/2022	Balance 3/31/22
12/30/2021	Mast Hill Funding	\$1.00/share	12%	12/31/2022	305,000	0
				Convertible Notes Payable	305,000	0
				Less current maturities	(0)	0
					\$305,000	\$ 305,000

8. Concentrations

For the quarter ending March 2022, the Company had one customers representing 100%, of total revenue. For the year ending December 31, 2021, had three customers representing 46%, 36% and 18% of total revenue.

9. Warrants

At, December 31, 2020 and in July 2020 all warrants were exercised in a cashless warrant conversion resulting in 3,000,000 shares of common stock being issued.

10. Income Taxes

The components of the net deferred tax asset (liability) 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	8,342,375
Valuation allowance Deferred tax asset	(9,370,853)	8,342,375)
	<u>\$</u>	<u>\$</u>

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

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 quarter ended March 31, 2022 and 2021:

	<u>March 31, 2022</u>	—	<u>March 31, 2021</u>
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 March 31, 2022.

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:

- Convertible at option of holder
- The holders are entitled to receive dividends
- 1 Preferred share is convertible to 1,000 common shares
- In the event of reorganization this Class of Preferred will not be affected by any such capital reorganization.
- Voting: The holder of this Series of Preferred shall be entitled to elect the majority of the members of the Board of Directors

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 returned to treasury and the associated prepaid expense was removed from the balance sheet.

In first quarter 2022 The company issued 261,538 common shares for consulting services for the value of \$305,399

Hollywall Entertainment, Inc.

Notes to Consolidated Financial Statements

12. 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, 2021 and 2020, the Company is not aware of any contingent liabilities that should be reflected in the financial statements.

13. 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 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 compensation was removed from the balance sheet.