

**VIRTUAL IMMERSIVE EDUCATIONAL  
WORLDS, INC**

**FINANCIAL STATEMENTS**

FOR THE YEARS ENDED  
DECEMBER 31, 2019 & 2018

**HARTLE & REES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Management of  
Virtual Immersive Educational Worlds, Inc  
Salt Lake City, Utah

Management is responsible for the accompanying financial statements of Virtual Immersive Educational Worlds, Inc (a C corporation), which comprise the balance sheets as of December 31, 2019 & 2018 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Hartle & Rees, LLC

May 15, 2020

**Virtual Immersive Educational Worlds, Inc**  
**Balance Sheets**  
**As of December 31, 2019 & 2018**

<b><u>Assets</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets:		
Cash and cash equivalents	\$ 63,842	\$ 11,013
Total current assets	63,842	11,013
Property and equipment, net	-	386
Total assets	<u>63,842</u>	<u>11,399</u>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Current liabilities:		
Credit cards payable	9,948	31,367
Total current liabilities	9,948	31,367
Long-term debt, net of current portion	-	-
Total liabilities	<u>9,948</u>	<u>31,367</u>
<b><u>Stockholder's Equity:</u></b>		
Common stock, \$0.001 par value, 10,000,000 shares authorized; 4,476,062 shares issued and outstanding, respectively	4,476	4,476
Additional paid-in-capital	4,691,241	3,940,785
Series A Financing Costs	(11,820)	-
Retained earnings (accumulated deficits)	<u>(4,630,003)</u>	<u>(3,965,229)</u>
Total stockholders' equity	<u>53,894</u>	<u>(19,968)</u>
Total liabilities and stockholders' equity	<u>\$ 63,842</u>	<u>\$ 11,399</u>

**Virtual Immersive Educational Worlds, Inc**  
**Statements of Income**  
**For the Years Ended December 31, 2019 & 2018**

	2019	2018
<b>Revenues:</b>		
Sales	\$ 89,284	\$ 164,036
Total revenues	89,284	164,036
<b>Expenses:</b>		
Advertising and promotion	104,215	266,556
Bank service charges	4,979	2,748
Commissions	1,050	-
Computer expense	18,495	13,876
Contract labor	521,510	571,456
Depreciation	386	772
Legal and professional fees	6,899	18,743
Meals	651	1,573
Merchant service fees	17,787	38,732
Office expense	3,637	2,087
Permits and licenses	2,461	849
Quality assurance	-	2,712
Research and development	25,158	4,943
Taxes	214	199
Translation services	8,628	4,200
Travel	32,887	14,723
Total expenses	748,957	944,169
<b>Income from operations</b>	<b>(659,673)</b>	<b>(780,133)</b>
<b>Other Income/(Expenses)</b>		
Interest expense	(5,101)	(166,137)
Total other income/expense, net	(5,101.00)	(166,137)
<b>Net Income</b>	<b>\$ (664,774)</b>	<b>\$ (946,270)</b>

**Virtual Immersive Educational Worlds, Inc**  
**Statements of Stockholders' Equity**  
**For the Years Ended December 31, 2019 & 2018**

	<u>Common Stock</u>			<u>Additional Paid-in-Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at January 1, 2018	4,476,062	\$ 4,476	\$	100,631	\$ (3,028,029)	\$ (2,922,922)
Prior period adjustment	-	-		-	9,070	9,070
Net loss	-	-		-	(946,270)	(946,270)
Conversion of shareholders' loan	-	-		3,840,154	-	3,840,154
Stockholder contributions	-	-		-	-	-
Series A Simple agreement for future equity securities	-	-		-	-	-
Series A Financing costs	-	-		-	-	-
<b>Balance at December 31, 2018</b>	<b>4,476,062</b>	<b>\$ 4,476</b>	<b>\$</b>	<b>3,940,785</b>	<b>\$ (3,965,229)</b>	<b>\$ (19,968)</b>
Balance at January 1, 2019	4,476,062	\$ 4,476	\$	3,940,785	\$ (3,965,229)	\$ (19,968)
Prior period adjustment	-	-		-	-	-
Net loss	-	-		-	(664,774)	(664,774)
Conversion of shareholders' loan	-	-		-	-	-
Stockholder contributions	-	-		570,456	-	570,456
Series A Simple agreement for future equity securities	-	-		180,000	-	180,000
Series A Financing costs	-	-		(11,820)	-	-
<b>Balance at December 31, 2019</b>	<b>4,476,062</b>	<b>\$ 4,476</b>	<b>\$</b>	<b>4,679,421</b>	<b>\$ (4,630,003)</b>	<b>\$ 53,894</b>

See accompanying notes to financial statements and independent accountants' review report.

**Virtual Immersive Educational Worlds, Inc**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 & 2018**

	2019	2018
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (664,774)	\$ (946,270)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	386	772
Increase (Decrease) in Credit card payable	(21,419)	(14,594)
Increase (Decrease) in Accrued interest payable	-	(121,112)
Net cash used in operating activities	(685,807)	(1,081,204)
<b>Cash flows from investing activities:</b>		
Net cash used in investing activities	-	-
<b>Cash flows from financing activities:</b>		
Increase (Decrease) in Loan from shareholders	-	(2,812,990)
Additional paid in capital	738,636	3,840,154
Prior period adjustment	-	9,070
Net cash provided by financing activities	738,636	1,036,234
Net increase (decrease) in cash and cash equivalents	52,829	(44,970)
Cash and cash equivalents at beginning of year	11,013	55,983
Cash and cash equivalents at end of year	\$ 63,842	\$ 11,013

## Virtual Immersive Educational Worlds, Inc Notes to Financial Statements

### NOTE A. DESCRIPTION OF ORGANIZATION:

Virtual Immersive Educational Worlds, Inc. (“the Company”) was incorporated on September 15, 2014, in the State of Delaware. On September 16, 2014, the Company registered as a foreign corporation in the State of Utah. The Company provides revolutionary language learning platforms through mobile applications, virtual social classroom learning videos, and virtual reality.

### NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Company recognizes all significant receivables, payables, and other liabilities.

#### Use of Estimates

The preparation of the 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 amounts reported in the financial statements and disclosed in the accompanying notes. Actual results could differ from those estimates.

#### Concentrations of Credit Risk

The Company maintains its cash and cash equivalents in bank deposit accounts which at times, may exceed federally insured limits of \$250,000. To date, the Company has not experienced a loss or lack of access to its invested cash; however, no assurance can be provided that access to the Company’s invested cash will not be impacted by adverse conditions in financial markets.

In the normal course of business, the Company provides credit terms to its customers and generally requires no collateral. Credit risk is limited due to the online nature of the business. The Company’s management believes no significant credit risk exists for the reporting period of these financial statements.

#### Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets, which range from five to seven years.

Expenditures that materially increase values or capacities or extend useful lives of property and equipment, and exceed a de minimis safe harbor of \$2,500, are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Upon sale or other retirement of depreciable



**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Property and Equipment (Continued):

property, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in the statement of income.

The Company reviews its property and equipment, and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statement of income for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Company's assets to be impaired as of December 31, 2019.

Accounts Receivable & Allowance for Doubtful Accounts

Accounts receivable consists of amounts billed to customers for purchase for which payment has not yet been received. Due to the nature of the business, no accounts receivable and allowance for doubtful accounts were recognized for the reporting periods of these financial statements.

Revenue Recognition

The Company recognizes revenue when payment is tendered at the point of sale.

Advertising and Promotional Costs

The Company expenses advertising and promotional costs as they are incurred. Annual advertising and promotional expenses totaled \$104,215 and \$266,556 in 2019 and 2018, respectively.

Income Taxes

The Company computes income taxes using the asset and liability method, under which deferred income taxes are recognized based on the difference between the financial statement carrying amounts and the respective tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which the Company expects the temporary differences to reverse. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. As of reporting dates, it is more likely than not that the Company will not utilize deferred tax assets generated from net operating losses; accordingly, the Company has not recognized deferred tax assets or liabilities.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The carrying amounts of the Company's cash, credit card payable, and other accrued liabilities approximate fair values because of the short-term nature of these instruments.

**Virtual Immersive Educational Worlds, Inc**  
**Notes to Financial Statements**  
*Continued*

**NOTE C. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash in bank – Zions Bank	\$ 63,842	\$ 11,013
Total Cash and cash equivalents	<u>\$ 63,842</u>	<u>\$ 11,013</u>

**NOTE D. PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Property and equipment	\$ 6,000	\$ 6,000
Less: Accumulated depreciation	6,000	5,614
Total Property and equipment, net	<u>\$ -</u>	<u>\$ 386</u>

Depreciation and amortization expenses on property and equipment were \$386 and \$772 for the years ended December 31, 2019 and 2018.

**NOTE E. LONG-TERM LIABILITIES**

The Company had no long-term liabilities as of December 31, 2019 and 2018.

**NOTE F. STOCKHOLDERS' EQUITY**

In 2019, the Company issued Series A simple agreement for future equity securities for a net amount of \$168,180. As a result, the Company is authorized to issue 188,482 shares of preferred stock. As of December 31, 2019, no shares were issued or outstanding. Throughout 2019, stockholders contributed \$570,456 to additional paid-in-capital; no new shares were issued.

On December 31, 2018, the Company converted a loan from shareholders and related accrued interests into additional paid-in-capital. The total amount of the conversion was \$3,840,154; no new shares were issued.

In 2014, the Company adopted an equity incentive plan. Stock options as of December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Options granted	574,868	539,868
Options available	539,339	574,339
Total Equity incentive plan	<u>1,114,207</u>	<u>1,114,207</u>

**Virtual Immersive Educational Worlds, Inc**  
**Notes to Financial Statements**  
*Continued*

**NOTE F. STOCKHOLDERS' EQUITY (Continued)**

In 2015, the Company granted warrants to acquire common stock. Warrants as of December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Warrants to acquire common stock	153,126	153,126
Total Warrants to acquire common stock	<u>153,126</u>	<u>153,126</u>

**NOTE G. RELATED PARTY TRANSACTIONS**

During 2018, stockholders made multiple loans to the Company to provide operating capital. The aggregate amount of loans and unpaid accrued interest totaled \$3,840,153.64 on December 31, 2018. Effective as of December 31, 2018, stockholders, with the agreement of the board, made a contribution to capital to fully satisfy and discharge the Company's 2018 shareholder loans. The total amount of the contribution made was \$3,840,154; accordingly, it was applied to the Company's financial statements as additional paid-in-capital.

The Company has no other reportable related party transactions.

**NOTE H. SUBSEQUENT EVENTS**

The Company's management has evaluated material events and transactions for potential recognition or disclosure through May 15, 2020, which is the day the financial statements were available to be issued, and determined that there was no material subsequent event that would be reportable in these financial statements.