



# CAPSAICIN HOLDINGS, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021  
AND 2020

WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORT



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## *Belle Business Services*

*Certified Public Accountants*

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

To the Board of Directors  
Capsaicin Holdings, Inc.  
Miami, Florida

We have reviewed the accompanying financial statements of Capsaicin Holdings, Inc., which comprise the balance sheets as of December 31, 2021, and 2020, and the related statements of income, statements of equity and statements 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 taken 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

#### ***Going Concern***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4, certain conditions raise an uncertainty about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

*Belle Business Services, LLC*

Belle Business Services, LLC  
June 13, 2022

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**CAPSAICIN HOLDINGS, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(unaudited)

**ASSETS**

	2021	2020
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,193	\$ 390
TOTAL CURRENT ASSETS	7,193	390
<b>OTHER ASSETS</b>		
Intangible assets	155,515	89,221
<b>TOTAL ASSETS</b>	\$ 162,708	\$ 89,611

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ -	\$ -
TOTAL CURRENT LIABILITIES	-	-
<b>TOTAL LIABILITIES</b>	-	-
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, see note 3	150	148
Additional paid-in capital	17,693	11,538
SAFE obligations	266,000	171,000
Accumulated deficit	(121,135)	(93,075)
TOTAL SHAREHOLDERS' EQUITY	162,708	89,611
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	\$ 162,708	\$ 89,611

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

**CAPSAICIN HOLDINGS, INC.**  
**STATEMENTS OF INCOME**  
**DECEMBER 31, 2021 AND 2020**  
(unaudited)

	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>	\$ -	\$ -
<b>COST OF GOODS SOLD</b>	-	-
<b>GROSS PROFIT</b>	-	-
<b>OPERATING EXPENSES</b>		
Amortization expense	8,829	4,404
Advertising and marketing	774	33,000
General and administrative	8,875	2,925
Legal and professional fees	3,357	12,134
<b>TOTAL OPERATING EXPENSES</b>	<b>21,835</b>	<b>52,463</b>
<b>NET OPERATING LOSS</b>	<b>(21,835)</b>	<b>(52,463)</b>
<b>OTHER INCOME/(EXPENSES)</b>		
Interest expense	(6,225)	(571)
<b>TOTAL OTHER INCOME/(EXPENSES)</b>	<b>(6,225)</b>	<b>(571)</b>
<b>NET LOSS</b>	<b>\$ (28,060)</b>	<b>\$ (53,034)</b>

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

**CAPSAICIN HOLDINGS, INC.**  
**STATEMENTS OF EQUITY**  
**DECEMBER 31, 2021 AND 2020**  
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>SAFE Obligations</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>ENDING BALANCE, JANUARY 1, 2020</b>	1,448,112	\$ 145	\$ 202	\$ 60,000	\$ (40,041)	\$ 20,306
Issuance of common stock	30,730	3	11,336	-	-	\$ 11,339
Issuance of SAFE obligations	-	-	-	111,000	-	\$ 111,000
Net loss	-	-	-	-	(53,034)	\$ (53,034)
<b>ENDING BALANCE, DECEMBER 31, 2020</b>	1,478,842	\$ 148	\$ 11,538	\$ 171,000	\$ (93,075)	\$ 89,611
Issuance of common stock	19,525	2	6,155	-	-	\$ 6,157
Issuance of SAFE obligations	-	-	-	95,000	-	\$ 95,000
Net loss	-	-	-	-	(28,060)	\$ (28,060)
<b>ENDING BALANCE, DECEMBER 31, 2021</b>	<u>1,498,367</u>	<u>\$ 150</u>	<u>\$ 17,693</u>	<u>\$ 266,000</u>	<u>\$ (121,135)</u>	<u>\$ 162,708</u>

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

**CAPSAICIN HOLDINGS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2021 AND 2020**  
(unaudited)

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (28,060)	\$ (53,034)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization expense	8,829	4,404
Increase (decrease) in liabilities:		
Accounts payable	-	(22,782)
	(19,231)	(71,412)
<b>CASH USED FOR OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash used for intangible assets	(75,123)	(57,615)
	(75,123)	(57,615)
<b>CASH USED FOR INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	6,157	11,339
Issuance of SAFE obligations	95,000	111,000
	101,157	122,339
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	6,803	(6,688)
<b>CASH AT BEGINNING OF YEAR</b>	390	7,078
<b>CASH AT END OF YEAR</b>	\$ 7,193	\$ 390
 <b>CASH PAID DURING THE YEAR FOR:</b>		
<b>INTEREST</b>	\$ 6,225	\$ 571
<b>INCOME TAXES</b>	\$ -	\$ -

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

**CAPSAICIN HOLDINGS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
**(unaudited)**

**1. Summary of Significant Accounting Policies**

***The Company***

Capsaicin Holdings, Inc. dba Sandinista (the “Company”) was incorporated in the State of Delaware on September 17, 2018. The Company specializes in producing a Sandinista tequila with flavors of agave, lime, sriracha and a secrete company spice mix that can be used as a shot or added to mixed drinks. Additionally, the Company has merchandise of t-shirts and pom ski hats to promote the Sandinista tequila.

***Going Concern***

Since Inception, the Company has relied on funds from SAFE obligations issued and common stock issued to fund its operations. As of December 31, 2021, the Company will likely incur losses prior to generating positive working capital. These matters raise substantial concern about the Company’s ability to continue as a going concern. As of December 31, 2021, the Company is still mostly in the developmental process, with no revenue. The Company’s ability to continue as a going concern is dependent on the Company’s ability to raise short term capital, as well as the Company’s ability to finish the development of the Tequila.

***Fiscal Year***

The Company operates on a December 31st year-end.

***Basis of Presentation***

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

***Use of Estimates***

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires the use of management’s estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at fiscal year-end. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all highly liquid financial instruments purchased with maturities of three months or less to be cash equivalents. As of December 31, 2021, and 2020, the Company held no cash equivalents.

***Risks and Uncertainties***

The Company has a limited operating history. The Company’s business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company’s control could cause fluctuations in these conditions.

The Coronavirus Disease of 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Company, COVID-19 may impact various parts of its 2022 operations and financial results including shelter in place orders, material supply chain interruption, economic hardships affecting funding for the Company’s operations, and affects the Company’s workforce. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2021.

*See independent accountant’s review report.*



**CAPSAICIN HOLDINGS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of Significant Accounting Policies (continued)**

***Intangible Assets***

The Company accounts for intangible assets (including trademarks, intellectual property and website) in accordance with ASC 350 "Intangibles-Goodwill and Other" ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. In addition, ASC 350 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. Application of the goodwill impairment test requires judgment, including the identification of reporting units; assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions or the occurrence of one or more confirming events in future periods could cause the actual results or outcomes to materially differ from such estimates and could also affect the determination of fair value and/or goodwill impairment at future reporting dates.

The Company amortizes the cost of our intangible assets over the 15-year estimated useful life on a straight-line basis. Amortization expense amounted to \$8,829 and \$4,404 for the years ended December 31, 2021, and 2020, respectively.

***Income Taxes***

The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States. The Company sustained net operating losses since inception. Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in the financial statements but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

The Company is subject to franchise and income tax filing requirements in the States of Delaware and Florida.

*See independent accountant's review report.*

**CAPSAICIN HOLDINGS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
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**1. Summary of Significant Accounting Policies (continued)**

***Fair Value of Financial Instruments***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1                   - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
  
- Level 2                   - Include other inputs that are directly or indirectly observable in the marketplace.
  
- Level 3                   - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of Inception. Fair values were assumed to approximate carrying values because of their short term in nature or they are payable on demand.

***Concentrations of Credit Risk***

From time-to-time cash balances, held at a major financial institution may exceed federally insured limits of \$250,000. Management believes that the financial institution is financially sound, and the risk of loss is low.

***Revenue Recognition***

Effective January 1, 2019, the Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. The Company generates revenues by selling Sandinista Tequila. The Company's payments are generally collected upfront. For the years ending December 31, 2021, and 2020, the Company recognized nil in revenue, respectively.

***Advertising Expenses***

The Company expenses advertising costs as they are incurred.

***Organizational Costs***

In accordance with FASB ASC 720, organizational costs, including accounting fees, legal fee, and costs of incorporation, are expensed as incurred.

*See independent accountant's review report.*

**CAPSAICIN HOLDINGS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
**(unaudited)**

**1. Summary of Significant Accounting Policies (continued)**

***New Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, or ASU 2016-02, which supersedes the guidance in ASC 840, *Leases*. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. This guidance is effective for annual reporting periods beginning after December 15, 2021 for non-public entities. The adoption of ASU 2016-02 had no material impact on the Company's financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-based Payment Accounting*, or ASU 2016-09. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas of simplification apply only to non-public companies. This guidance was effective on December 31, 2016 for public entities. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for an entity in any interim or annual period for which financial statements have not been issued or made available for issuance. An entity that elects early adoption must adopt all amendments in the same period. The adoption of ASU 2016-09 had no material impact on the Company's financial statements and related disclosures.

**2. Commitments and Contingencies**

The Company is not currently involved with and does not know of any pending or threatening litigation against the Company or its members.

**3. Equity**

***Common Stock***

Under the articles of incorporation, the total number of common shares of stock that the Corporation shall have authority to issue is 3,000,000 shares, at \$0.0001 par value per share. As of December 31, 2021, and 2020, 1,498,367 and 1,478,842 shares have been issued and are outstanding.

*See independent accountant's review report.*

**CAPSAICIN HOLDINGS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
**(unaudited)**

**3. Equity (continued)**

***SAFE Obligations***

During 2019 - 2021, the Company entered into a total of \$266,000 of SAFE obligations, with third parties. These notes have no maturity dates. The terms of the agreements provide investors the right to future equity in the Company. The valuation cap on the agreements entered into are \$6,000,000 with 20% discount rates.

**4. Going Concern**

These financial statements are prepared on a going concern basis. The Company registered on September 17, 2018 and has established a presence and operations in the United States. The Company's ability to continue is dependent upon management's plan to raise additional funds and achieve and sustain profitable operations. The financial statements do not include any adjustments that might be necessary if the Company is not able to continue as a going concern.

**5. Subsequent Events**

***Issuance of Common Stock***

In 2022, the Company converted all outstanding SAFE obligations, and common shares into 1,183,801 shares of common stock in exchange for \$30,000 in cash and conversion of the outstanding SAFE obligations of \$266,000.

***Crowdfunding Offering***

The Company is offering (the "Crowdfunded Offering") up to \$1,070,000 in sales of common stock. The Company is attempting to raise a minimum amount of \$10,000 in this offering and up to \$1,070,000 maximum. The Company must receive commitments from investors totaling the minimum amount by the offering deadline listed in the Form C, as amended in order to receive any funds.

The Crowdfunded Offering is being made through StartEngine Capital, LLC (the "Intermediary"). The Intermediary will be entitled to receive a 1% - 13% commission fee and 2% of the securities issued in this offering.

***Managements Evaluation***

The Company has evaluated subsequent events through June 13, 2022, the date through which the financial statement was available to be issued. It has been determined that no events require additional disclosure.

*See independent accountant's review report.*