

# Financial Statements (unaudited)

**Areto Labs Inc.**

**For the period ended December 31, 2022**



aretolabs.com

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# Management Report

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To: Areto Labs Inc.

**Subject:** Management Reports - Engagement Letter

This letter confirms the terms of my appointment as your corporate tax preparer, and it outlines the terms, nature, and extent of the services I will be providing.

## **Management Reports & Notice to Reader**

On the basis of information provided by management, we have compiled the management reports of Areto Labs Inc.

Financial data is from management's financial systems and no formal financial statements are prepared.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement or compilation engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

Date: December 31, 2022      **Strategic Management Force Inc.**

## **Scope/Limitations**

A. Strategic Management Force does not provide forensic auditing. Accordingly, our engagement for accounting services will not, and cannot, be relied upon to disclose financial errors, irregularities, or illegal acts such as fraud or misappropriation which may exist or take place during the term of our engagement. Incomplete or inaccurate information provided to Strategic Management Force will affect the ability of Strategic Management Force to perform the services for which it is being retained. Should such matters come to our attention during the provision of services same shall be disclosed to the Client.

B. More specifically the Client agrees that Strategic Management Force is not, and shall not be deemed to be liable for any losses resulting from advice provided by the Client, or from work done by the Client, or for loss of profits of the Client or of any other party which may flow there from, whether it be direct or incidental, whether or not they have been advised of the possibility of such damages, and the Client acknowledges and agrees to same hereto.

C. The Client agrees to release, indemnify, and hold Strategic Management Force (their partners, executors, heirs, successors, and assigns) harmless from any and all liability and costs resulting from any known misrepresentations or fraud participated in by management or any employee, or such errors resulting from incomplete or inaccurate information provided by management, and such indemnity shall not be limited to the term of this contract but shall be ongoing even after its termination.

D. The Client also acknowledges that Strategic Management Force, in the course of their work may view or otherwise come into contact with information the Client considers confidential. In such a case the Strategic Management Force team will undertake to keep such information confidential subject to governing law, jurisprudence and/or order of a court of competent jurisdiction and the Client agrees that no action can be taken against Strategic Management Force as a result of their view or contact with the confidential information unless Strategic Management Force fail to honour their undertaking as defined in this paragraph

Sincerely,

Strategic Management Force Inc.

Acknowledged and agreed on behalf of the management of Areto Labs Inc.

# Profit and Loss

January - December 2022

|   | Jan - Dec. 2022   | Jan - Dec. 2021 (PY) | Total             |
|---|-------------------|----------------------|-------------------|
| <b>INCOME</b>                                   |                   |                      |                   |
| Donation  | 240.00            |                      | 240.00            |
| Grants Received                                 | 185,002.40        |                      | 217,351.50        |
| Interest earned                                 | 3,420.22          |                      | 27.76             |
| Subscriptions & Contract Sales                  | 0.00              |                      |                   |
| Misc Subscription Sales                         |                   |                      | 11,183.45         |
| ProBot Contracts                                | 10,143.38         |                      | 33,030.96         |
| ProBot Subscription Sales                       | 38,452.13         |                      | 15,917.59         |
| <b>Total Subscriptions &amp; Contract Sales</b> | <b>48,595.51</b>  |                      | <b>60,132.00</b>  |
| <b>Total Income</b>                             | <b>237,258.13</b> |                      | <b>277,751.26</b> |
| <b>COST OF GOODS SOLD</b>                       |                   |                      |                   |
| Cloud Computing                                 | 671.63            |                      | 567.65            |
| Freight and delivery - COS                      | 133.43            |                      |                   |
| Subcontractors - COS                            | 106,465.54        |                      | 35,402.41         |
| <b>Total Cost of Goods Sold</b>                 | <b>107,270.60</b> |                      | <b>35,970.06</b>  |
| <b>GROSS PROFIT</b>                             | <b>129,987.53</b> |                      | <b>241,781.20</b> |
| <b>EXPENSES</b>                                 |                   |                      |                   |
| Advertising                                     |                   |                      | 2,641.06          |
| Promotional                                     | 1,654.88          |                      | 4,026.17          |
| Sales and Marketing                             | 793.00            |                      | 7,427.89          |
| <b>Total Advertising</b>                        | <b>2,447.88</b>   |                      | <b>14,095.12</b>  |
| Bank charges                                    | 1,217.32          |                      | 618.62            |
| Computer Expenses/supplies                      | 309.97            |                      |                   |
| Dues and Subscriptions                          | 1,593.95          |                      | 20.98             |
| Insurance                                       | 1,550.00          |                      | 1,550.00          |
| Internet/Telephone                              | 315.90            |                      | 1,562.96          |
| Legal and professional fees                     | 33,920.34         |                      | 1,000.00          |
| Meals and entertainment                         | 1,448.80          |                      | 102.94            |
| Non Deductible                                  | 749.02            |                      |                   |
| Office expenses                                 | 5,538.97          |                      | 2,054.84          |
| Payroll Expenses                                |                   |                      |                   |
| Empire Benefits Expense                         | 1,309.50          |                      |                   |
| Taxes   | 39,534.26         |                      | 12,652.74         |
| Wages   | 541,699.72        |                      | 178,178.77        |
| <b>Total Payroll Expenses</b>                   | <b>582,543.48</b> |                      | <b>190,831.51</b> |
| Rent or lease payments                          | 3,341.17          |                      | 4,800.00          |
| Taxes and Licenses                              |                   |                      | 1,963.00          |
| Training  | 3,226.75          |                      | 5,385.87          |
| Travel  | 46,143.32         |                      |                   |
| Travel meals                                    | 1,973.29          |                      |                   |
| Web maintenance                                 |                   |                      | 2,358.96          |
| <b>Total Expenses</b>                           | <b>686,320.16</b> |                      | <b>226,344.80</b> |
| <b>OTHER INCOME</b>                             |                   |                      |                   |
| Exchange +/-                                    | 4,353.36          |                      | 388.00            |

|                    | Total           |                      |
|--------------------|-----------------|----------------------|
|                    | Jan - Dec. 2022 | Jan - Dec. 2021 (PY) |
| Total Other Income | 4,353.36        | 388.00               |
| PROFIT             | \$ -551,979.27  | \$15,824.40          |

# Balance Sheet

As of December 31, 2022

|  | Total               |                          |
|--|---------------------|--------------------------|
|  | As of Dec. 31, 2022 | As of Dec. 31, 2021 (PY) |
| <b>ASSETS</b>                          |                     |                          |
| <b>Current Assets</b>                  |                     |                          |
| <b>Cash and Cash Equivalent</b>        |                     |                          |
| ATB Flex Fit Account Checking (3479)   | 141,081.36          | 34,360.76                |
| Business Savings Account #00779103879  | 184,737.67          | 16,984.26                |
| <b>Total Cash and Cash Equivalent</b>  | <b>325,819.03</b>   | <b>51,345.02</b>         |
| <b>Accounts Receivable (A/R)</b>       |                     |                          |
| Accounts Receivable (A/R)              | 52,443.51           | 75,676.44                |
| <b>Total Accounts Receivable (A/R)</b> | <b>52,443.51</b>    | <b>75,676.44</b>         |
| <b>Total Current Assets</b>            | <b>378,262.54</b>   | <b>127,021.46</b>        |
| <b>Total Assets</b>                    | <b>\$378,262.54</b> | <b>\$127,021.46</b>      |
| <b>LIABILITIES AND EQUITY</b>          |                     |                          |
| <b>Liabilities</b>                     |                     |                          |
| <b>Current Liabilities</b>             |                     |                          |
| <b>Accounts Payable (A/P)</b>          |                     |                          |
| Accounts Payable (A/P)                 | 522.50              | 0.00                     |
| <b>Total Accounts Payable (A/P)</b>    | <b>522.50</b>       | <b>0.00</b>              |
| <b>Credit Card</b>                     |                     |                          |
| Credit card (6183)                     | -389.38             | 656.31                   |
| <b>Total Credit Card</b>               | <b>-389.38</b>      | <b>656.31</b>            |
| Corporate Taxes Payable                | 0.00                | 1,963.00                 |
| GST/HST Suspense                       | -484.57             | 2,285.95                 |
| Payroll Liabilities                    | 0.00                | 0.00                     |
| Federal Taxes                          | 16,521.69           | 7,437.99                 |
| Vacation Pay                           | 0.00                | 5,079.70                 |
| <b>Total Payroll Liabilities</b>       | <b>16,521.69</b>    | <b>12,517.69</b>         |
| SAFE Loan                              | 923,500.00          | 105,000.00               |
| Short Term Loans                       | 0.00                | 10,000.00                |
| <b>Total Current Liabilities</b>       | <b>939,670.24</b>   | <b>132,422.95</b>        |
| <b>Total Liabilities</b>               | <b>939,670.24</b>   | <b>132,422.95</b>        |
| <b>Equity</b>                          |                     |                          |
| Capital Stock                          | 200.00              | 200.00                   |
| Partner Distributions/Dividend         | 0.00                | -32,000.00               |
| Shareholder Loan - Kasey               | 8,303.36            | 10,330.30                |
| Shareholder Loan - Lana                | 8,300.00            | 10,300.00                |
| Retained Earnings                      | -26,231.79          | -10,056.19               |
| Profit for the year                    | -551,979.27         | 15,824.40                |
| <b>Total Equity</b>                    | <b>-561,407.70</b>  | <b>-5,401.49</b>         |
| <b>Total Liabilities and Equity</b>    | <b>\$378,262.54</b> | <b>\$127,021.46</b>      |

# Statement of Cash Flows

January - December 2022

|  | Total               |
|--|---------------------|
| <b>OPERATING ACTIVITIES</b>  |                     |
| Net Income   | -551,979.27         |
| Adjustments to reconcile Net Income to Net Cash provided by operations:              |                     |
| Accounts Receivable (A/R)  | 23,232.93           |
| Accounts Payable (A/P)   | 522.50              |
| Credit card (6183)   | -1,045.69           |
| Corporate Taxes Payable  | -1,963.00           |
| GST/HST Suspense   | -2,770.52           |
| Payroll Liabilities:Federal Taxes  | 9,083.70            |
| Payroll Liabilities:Vacation Pay   | -5,079.70           |
| SAFE Loan  | 818,500.00          |
| Short Term Loans   | -10,000.00          |
| <b>Total Adjustments to reconcile Net Income to Net Cash provided by operations:</b> | <b>830,480.22</b>   |
| <b>Net cash provided by operating activities</b>                                     | <b>278,500.95</b>   |
| <b>FINANCING ACTIVITIES</b>  |                     |
| Partner Distributions/Dividend   | 32,000.00           |
| Retained Earnings  | -32,000.00          |
| Shareholder Loan - Kasey   | -2,026.94           |
| Shareholder Loan - Lana  | -2,000.00           |
| <b>Net cash provided by financing activities</b>                                     | <b>-4,026.94</b>    |
| <b>NET CASH INCREASE FOR PERIOD</b>  | <b>274,474.01</b>   |
| Cash at beginning of period  | 51,345.02           |
| <b>CASH AT END OF PERIOD</b>   | <b>\$325,819.03</b> |

# Statement of changes in equity

As of December 31, 2022

|                          | Total            |
|--------------------------|------------------|
| Capital Stock            | 200.00           |
| Retained Earnings        | -26,231.79       |
| Shareholder Loan - Kasey | 8,303.36         |
| Shareholder Loan - Lana  | 8,300.00         |
| <b>Total Equity</b>      | <b>-9,428.43</b> |



**ARETO LABS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Fiscal Years Ended December 31, 2022

**1. ORGANIZATION AND PURPOSE**

Areto Labs Inc. (the "Company"), is a corporation organized under the laws of the State of Delaware. The Company operates a content moderation web app platform and derives revenue from selling monthly software subscriptions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

**a) Basis of Accounting**

The Company prepares its financial statements on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**b) Fiscal Year**

The Company operates on a 52-week fiscal year ending on December 31.

**c) Cash Equivalents**

Cash and cash equivalents include cash. For the fiscal year ended December 31, 2022, the Company's cash positions include its operating bank account and savings bank account.

**d) Legal Fees**

Legal fees consist of legal services provided for the creation of the Company and equity financing.

**e) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**3. SUBSEQUENT EVENT**

The Company has evaluated events and transactions subsequent to the period. No events require recognition in the financial statements or disclosures of the Company per the definitions and requirements of ASC Section 855-10, Subsequent Events.