

RACEYA, INC.

**FINANCIAL STATEMENTS
(UNAUDITED)**

December 31, 2015 and 2014

*Together with
Independent Accountants' Review Report*

RaceYa, Inc.
Index to Unaudited Financial Statements

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Certified Public Accountants
Registered Firm - Public Company Accounting Oversight Board

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Management
RaceYa, Inc.
New York, New York

We have reviewed the accompanying financial statements of RaceYa, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, stockholders' equity (deficit), and of cash flows the year ended December 31, 2015 and the period from April 7, 2014 (Inception) to December 31, 2014, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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.

Accountants' Conclusion

Based on our reviews, 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.

Going Concern

As discussed in Note 1, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying balance sheet does not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Our conclusion is not modified with respect to that matter.

Newport Beach, California
July 12, 2016

RACEYA, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash	\$ 22,199	\$ 12,219
Total assets	<u>\$ 22,199</u>	<u>\$ 12,219</u>
Liabilities and Stockholders' Equity (Deficit)		
Accrued liabilities	<u>\$ 1,159</u>	<u>\$ -</u>
Current liabilities	1,159	-
Convertible debt	20,000	-
Convertible debt - related party	<u>40,000</u>	<u>-</u>
Total liabilities	61,159	-
Commitments and contingencies (Note 4)	-	-
Stockholders' Equity (Deficit):		
Common stock, par value \$0.00001, 10,000,000 shares authorized; 4,000,000 shares issued and outstanding.	40	40
Additional paid-in capital	19,960	19,960
Accumulated deficit	<u>(58,960)</u>	<u>(7,781)</u>
Total stockholders' equity (deficit)	<u>(38,960)</u>	<u>12,219</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 22,199</u>	<u>\$ 12,219</u>

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

RACEYA, INC.
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND THE PERIOD FROM
APRIL 7, 2014 (INCEPTION) TO DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
Revenues	\$ -	\$ -
Operating Expenses:		
General and administrative	4,938	7,048
Sales and marketing	588	-
Research and development	44,391	733
Total operating expenses	<u>49,917</u>	<u>7,781</u>
Operating loss	(49,917)	(7,781)
Interest expense	1,262	-
Loss before provision for income taxes	(51,179)	(7,781)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>\$ (51,179)</u>	<u>\$ (7,781)</u>

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

RACEYA, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2015 AND THE PERIOD FROM
APRIL 7, 2014 (INCEPTION) TO DECEMBER 31, 2014

	<u>Common stock</u>		Additional Paid- in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	<u>Shares</u>	<u>Amount</u>			
April 7, 2014 (Inception)	-	\$ -	\$ -	\$ -	\$ -
Founders shares	4,000,000	40	19,960	-	20,000
Net loss	-	-	-	(7,781)	(7,781)
December 31, 2014	4,000,000	40	19,960	(7,781)	12,219
Net loss	-	-	-	(51,179)	(51,179)
December 31, 2015	<u>4,000,000</u>	<u>\$ 40</u>	<u>\$ 19,960</u>	<u>\$ (58,960)</u>	<u>\$ (38,960)</u>

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

RACEYA, INC.
STATEMENTS CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND THE PERIOD FROM
APRIL 7, 2014 (INCEPTION) TO DECEMBER 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (51,179)	\$ (7,781)
Changes in operating assets and liabilities:		
Accrued liabilities	1,159	-
Net cash used in operating activities	(50,020)	(7,781)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible debt	20,000	-
Proceeds from convertible debt - related party	40,000	-
Proceeds from founder	-	20,000
Net cash provided by financing activities	60,000	20,000
Increase in cash and cash equivalents	9,980	12,219
Cash and cash equivalents, beginning of year	12,219	-
Cash and cash equivalents, end of year	\$ 22,199	\$ 12,219
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

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

RACEYA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS

RaceYa, Inc. was incorporated on April 7, 2014 in the State of Delaware. The Company's headquarters are located in New York, New York. The Company develops and makes educational toys for children aged 8-12. The financial statements of RaceYa, Inc. (which may be referred to as "RaceYa" the "Company," "we," "us," or "our") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Going Concern and Management's Plans

We will rely on debt and equity financing for working capital until positive cash flows from operations can be achieved, and have incurred operating losses since Inception. These above matters raise substantial doubt about the Company's ability to continue as a going concern. Throughout the next 12 months, the Company intends to fund its operations with funding from our Regulation Crowdfunding offering, additional debt and/or equity offerings, and the commencement of product sales. If we cannot raise additional short-term capital, we may consume all of our cash reserved for operations. There are no assurances that management will be able to raise capital on terms acceptable to the Company. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned development, which could harm our business, financial condition and operating results. The balance sheet does not include any adjustments that might result from these uncertainties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

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 December 31, 2015 and 2014. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, accounts payable, other current liabilities, deposits, shareholder advances and, settlements. Fair values for these items were assumed to approximate carrying values because of their short term in nature or they are payable on demand.

RACEYA, INC.
NOTES TO THE FINANCIAL STATEMENTS

Risks and Uncertainties

The Company has a limited operating history and has not generated revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Like any new business, we face the challenges that come from early stage branding and developing a hold on the community. These adverse conditions could affect the Company's financial condition and the results of its operations.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Company will recognize revenues from ecommerce transactions when (a) pervasive evidence that an agreement exists, (b) the product or service has been delivered, (c) the prices are fixed and determinable and not subject to refund or adjustment, and (d) collection of the amounts due are reasonably assured.

Income Taxes

The Company applies ASC 740 "Income Taxes" ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax 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. The provision for income taxes represents the tax expense for the period, if any, and the change during the period in deferred tax assets and liabilities. At December 31, 2015 and 2014, the Company has established a full allowance against all deferred tax assets.

ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

Concentration of Credit Risk

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be credit worthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company maintains balances in excess of the federally insured limits.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers". Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective beginning January 1, 2018. We are currently evaluating the effect that the updated standard will have on our financial statements and related disclosures.

In February 2016, FASB issued ASU No. 2016-02, Leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2016-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those annual years, and early application is permitted. We are currently

RACEYA, INC.
NOTES TO THE FINANCIAL STATEMENTS

evaluating the effect that the updated standard will have on our financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, 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 – COMMITMENTS AND CONTINGENCIES

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

NOTE 4 – CONVERTIBLE DEBT

During 2015, the Company issued convertible debt to multiple investors totaling \$60,000. The notes carry interest of 6% and mature in five years. The notes are automatically convertible prior to maturity upon a qualified financing of at least \$1,000,000 at a 10% discount to the price paid by the qualified financing investors. If the notes remain outstanding as of the maturity date, the balance will be converted at a price obtained by dividing \$10,000,000 by the fully diluted capital of the Company. Upon a change in control, the notes are convertible at the option of the holder at the maturity conversion price or payable in cash.

Of the \$60,000 in convertible debt, \$40,000 was to a related party individual with the same terms and conditions.

Interest expense for the year ended December 31, 2015 was \$1,159.

NOTE 5 – STOCKHOLDERS DEFICIT

Common Stock

We have authorized the issuance of 10,000,000 shares of our common stock, each share having a par value of \$0.00001. Upon Inception, 4,000,000 shares of common stock were issued to the Company's founder who contributed \$20,000.

Stock Options

In 2015, the Company adopted the RaceYa, Inc. 2015 Stock Plan (the "Stock Plan"). The Stock Plan provides for the grant of equity awards to our directors, employees, and certain key consultants, including stock options to purchase shares of our common stock and stock awards. Up to 210,256 shares of our common stock may be issued pursuant to awards granted under the Stock Plan, with annual increases based on the terms of the Stock Plan document, subject to adjustment in the event of stock splits and other similar events. The Stock Plan is administered by our Board of Directors, and expires ten years after adoption, unless terminated earlier by the Board. No stock options have been granted to date.

NOTE 6 – INCOME TAXES

The Company accounts for income taxes with the recognition of estimated income taxes payable or refundable on income tax returns for the current period and for the estimated future tax effect attributable to temporary differences and carryforwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized in the immediate future. From inception to December 31, 2015, the Company had net operating losses of approximately \$14,000. The Company is subject to Federal and State income taxes at rates and has used an effective blended rate of 34% to derive a net deferred tax asset of approximately \$5,000. Due to the uncertainty as to the Company's ability to generate sufficient taxable income in the future to utilize the net operating losses before they expire, the Company

RACEYA, INC.
NOTES TO THE FINANCIAL STATEMENTS

has recorded a valuation allowance to reduce the net deferred tax asset to zero, and accordingly, has not recorded an income tax provision or benefit for the year ended December 31, 2015 or the period ended December 31, 2014.

Based on federal tax returns filed or to be filed through December 31, 2015, we had available approximately \$14,000 in U.S. tax net operating loss carryforwards, pursuant to the Tax Reform Act of 1986, which assesses the utilization of a Company's net operating loss carryforwards resulting from retaining continuity of its business operations and changes within its ownership structure. Net operating loss carryforwards start to expire 2034 or 20 years for federal income and state tax reporting purposes.

The Company is subject to tax in the United States ("U.S.") and files tax returns in the U.S. Federal jurisdiction and California state jurisdiction. The Company is subject to U.S. Federal, state and local income tax examinations by tax authorities for both periods since inception. The Company currently is not under examination by any tax authority.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the Company's founder loaned the Company \$10,000. The loan is for convertible debt with the same terms described in Note 4.

On June 8, 2016, the company entered into a service agreement with a third party to design, develop, and produce the Company's next version of its modular remote-control car product. The agreement calls for three payments of \$8,444 upon certain milestones, the issuance of a \$30,000 convertible note upon completion of the Statement of Work as described in the agreement, and certain specified reimbursable expenses. The convertible note carries the same terms as the convertible notes described in Note 4.

The Company has evaluated subsequent events that occurred after December 31, 2015 through July 11, 2016, the issuance date of these financial statements. There have been no other events or transactions during this time which would have a material effect on these financial statements.