

123 GREETINGS.COM, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED

MARCH 31, 2016

**123 GREETINGS.COM, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

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# ZBS GROUP LLP

Certified Public Accountants and Advisors

Board of Directors and Shareholders  
123 Greetings.com Inc.  
New York, NY

## Report on the Financial Statements

We have audited the accompanying financial statements of 123 Greetings.com Inc. which comprise the balance sheet as of March 31, 2016, and the related statement of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

## 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 123 Greetings.com Inc. as of March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying supporting schedules and general and administrative expenses schedule is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements as a whole.

ZBS Group LLP

*ZBS Group LLP*

Plainview, New York  
May 9, 2016

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**123 GREETINGS.COM, INC.**  
**BALANCE SHEET**  
**MARCH 31, 2016**

**A S S E T S**

Current Assets:	
Cash and cash equivalents	\$ 129,312
Accounts receivable	272,446
Prepaid expenses	<u>13,397</u>
Total Current Assets	415,155
Property and Equipment	
Furniture and fixtures	2,116
Office equipment	46,363
Software	<u>43,350</u>
	91,829
Less accumulated depreciation	<u>58,122</u>
Property and Equipment, Net	33,707
Other Assets:	
Security deposits	3,710
Trademark	625
Prepaid taxes	<u>24,455</u>
Total Other Assets	28,790
<b>TOTAL ASSETS</b>	<b><u>\$ 477,652</u></b>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities:	
Accounts payable and accrued expenses	\$ 43,935
Advances from customers	54,976
Income Taxes Payable	11,732
Due to Related Party	<u>155,026</u>
Total Current Liabilities	265,669
<b>TOTAL LIABILITIES</b>	265,669
Shareholder's Equity:	
Common stock	100,000
Retained earnings	<u>111,983</u>
	211,983
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b><u>\$ 477,652</u></b>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

**123 GREETINGS.COM, INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

Revenues	
Sales	<u>\$ 2,687,354</u>
Expenses:	
Cost of Sales (Schedule 1)	341,633
Product and Content Development (Schedule 2)	1,920,634
Sales and Marketing Expenses (Schedule 3)	200,693
General and Administrative Expenses (Schedule 4)	213,158
Total Expenses	<u>2,676,118</u>
Net Profit Before Provision for Income Tax	11,236
Provision for Income Tax	<u>2,564</u>
<b>NET PROFIT</b>	<b>8,672</b>
<b>RETAINED EARNINGS - BEGINNING</b>	<b>103,311</b>
<b>RETAINED EARNINGS - ENDING</b>	<b><u>\$ 111,983</u></b>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

**123 GREETINGS.COM, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

Cash flows from operating activities:

Net Profit	\$ 8,672
Adjustments to reconcile net profit to net cash provided by operating activities:	
Depreciation and amortization	7,169
Changes in operating assets and liabilities:	
(Increase) Decrease in accounts receivable	93,155
(Increase) Decrease in prepaid expenses	9,209
Increase (Decrease) in accounts payable and accrued expenses	4,723
Increase (Decrease) in advance from customers	5,736
Increase (Decrease) in due to related party	(118,012)
Increase (Decrease) in income taxes payable	(3,519)
Net cash provided by operating activities	<u>7,133</u>

Cash Flows Used in Investing activities:

Purchase of assets	<u>(25,350)</u>
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Cash Flows Used in Financing activities:

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Net decrease in cash	(18,217)
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Cash at beginning of year	<u>147,529</u>
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Cash at end of year	<u><u>\$ 129,312</u></u>
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Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Interest	<u>\$ -</u>
Income taxes	<u>\$ 6,083</u>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

**123 GREETINGS.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**1. Summary of Significant Accounting Policies**

*Organization*

123 Greetings.com, Inc ("The Company"), incorporated in the state of Delaware on May 27, 1999 under the name of Intrasoftware Media Technologies, Inc. to provide Internet based electronic greeting cards delivery services. During the second quarter of 2009, the company began operations of its e-commerce business.

On August 31, 1999 the Company changed its name to 123 Greetings.com, Inc.

On October 1, 2014, the Company was restructured which resulted in the sale of the e-commerce division which was formed into a corporation, 123Stores Inc.

The results of the Company operations for the year ended March 31, 2016 does not include the results of the e-commerce division.

*Cash and cash equivalent*

For the purpose of the statement of cash flows, the Company considers all temporary cash investments purchased with maturity of three months or less to be cash equivalent.

*Revenues*

Electronic greeting cards delivery service:

Revenues are principally generated from impressions of customer's banners on the company's web site. Revenues are recognized and billed on the last day of the month using industry recognized reporting.

*Accounts receivable*

Accounts receivable totaled \$272,446 as of March 31, 2016. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

*Advertising costs*

The company expenses advertising costs as incurred. For the year ended March 31, 2016 advertising costs were \$4,732.



**123 GREETINGS.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

*Property and equipment*

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated lives of the related assets. Depreciation and amortization expenses for the year ended March 31, 2016 totaled \$7,169.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Events Occurring After Reporting Date*

The Company has evaluated events and transactions that occurred between March 31, 2016 and May 9, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**2. Prepaid Expenses**

Prepaid expenses consist of web services that the company purchases in advance. Prepaid expenses for the year ended March 31, 2016 were \$13,397.

**3. Related Party Transactions**

The Company's parent company provides Development and Transmission of IT Enabled Services. During the year ended March 31, 2016, amounts billed by the parent company were \$1,851,861. As of March 31, 2016 balance due to the parent company totaled \$155,026.

**4. Income Taxes**

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based upon the differences between financial statements carrying amounts and the tax basis of existing assets and liabilities. During the

**123 GREETINGS.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

year ended March 31, 2016, there were no material differences that required deferred tax asset or liability.

The Company reviews tax positions taken to determine if it is more likely than not that the position would be sustained upon examination resulting in an uncertain tax position. The Company did not have any material unrecognized tax benefit at March 31, 2016. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the year ended March 31, 2016, the Company recognized no interest and penalties.

The Company files U.S. federal tax returns and tax returns in various states. All tax periods since 2012 remain open to examination by the taxing jurisdictions to which the Company is subject.

**5. Concentration of Risk**

The Company maintains cash in deposit accounts in a federally insured bank. At times, the balance in the account may be in excess of federally insured limits.

**6. Operating Leases**

The Company leases office space in Manhattan, New York. The Company currently makes rental payment on a month to month basis. Rent expenses charged to operation totaled \$22,946 for the year ended March 31, 2016.

**9. Common and Preferred Stock**

The Company authorized 10,000,000 shares of \$.01 par value common stock and 1,000,000 shares of \$.01 par value preferred stock. At March 31, 2016 the company had 10,000,000 shares of common stock issued and outstanding.

## SUPPLEMENTARY INFORMATION

**123 GREETINGS.COM, INC.**  
**SUPPORTING SCHEDULES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**Schedule 1 - Cost of Sales**

Ad service charges	\$ 56,221
Bandwidth and usage charges	260,218
Dues & subscriptions	25,194
	<u>\$ 341,633</u>

**Schedule 2 - Product and Content Development**

Content purchases	1,920,634
	<u>\$ 1,920,634</u>

**Schedule 3 - Sales and Marketing Expenses**

Advertising	\$ 4,732
Commissions to agencies	147,599
Commissions to sales agents	27,931
Delivery discount	20,431
	<u>\$ 200,693</u>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.



**123 GREETINGS.COM, INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**Schedule 4 - General and Administrative Expenses**

Payroll	\$	83,077
Payroll taxes		6,698
Rent		22,946
Repairs and maintenance		425
Professional fees		20,602
Communication & Correspondence		13,677
Insurance		1,310
Finance charges		31,973
General expenses		660
Depreciation		7,169
Utilities		4,578
Bad Debt Expense		20,043
	\$	<u>213,158</u>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.