

CMG HOLDINGS GROUP INC
Consolidated Balance Sheets

BALANCE SHEETS

Unaudited

	March 31	December 31,
	2019	2018
<hr/>		
ASSETS		
 CURRENT ASSETS		
Cash and Cash Equivalents	\$ 317,359	\$ 151,871
Prepaid expenses and other current assets	8,400	8,400
TOTAL CURRENT ASSETS	<u>325,759</u>	<u>160,271</u>
Property and equipment, net	28,478	28,478
Goodwill	54,500	54,500
TOTAL ASSETS	<u>\$ 408,737</u>	<u>\$ 243,249</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
 CURRENT LIABILITIES		
Accounts payable	\$ 205,967	\$ 573,942
Deferred compensation	731,500	760,000
Accrued liabilities	145,408	145,408
Loan from shareholders	96,100	96,100
Loan outside party	125,000	125,000
Notes payable	150,000	150,000
TOTAL CURRENT LIABILITIES	<u>1,453,975</u>	<u>1,850,450</u>
TOTAL LIABILITIES	<u>1,453,975</u>	<u>1,850,450</u>
 STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock		
Series A Convertible Preferred Stock, 5,000,000 shares authorized; \$0.001 par value,		
none issued and outstanding as of December 31, 2017 and 2016	-	-
Series B Convertible Preferred Stock, 5,000,000 shares authorized; \$0.001 par value,		
none issued and outstanding as of December 31, 2017 and 2016	-	-
Common Stock		
450,000,000 shares authorized; \$0.001 par value, 449,4329,190 shares issued and outstanding as of December 31, 2017 and 2016	449,329	449,329
Additional Paid-In Capital	14,688,042	14,688,042
Stock Subscription Receivable		
Accumulated deficit	(16,182,609)	(16,744,572)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	<u>(1,405,238)</u>	<u>(1,607,201)</u>
 TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	 <u>\$ 408,737</u>	 <u>243,249</u>

The accompanying notes are an integral part of these financial statements.

CMG HOLDINGS GROUP INC

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

	For the Three Month Ended March 31,	
	2019	2018
Total revenues	\$ 448,693	\$ 443,521
EXPENSES		
General and Administrative	514,928	324,471
Operating Expenses	514,928	324,471
Operating Income (Loss)	(66,235)	125,110
Other Income (Expense) (see note 4)		
Lawsuit settlement payments	268,198	-
Write-off of accounts payable	360,000	-
Net Loss Before Taxes	561,963	125,110
Provision for income taxes	-	-
NET INCOME	\$ 561,963	\$ 125,110
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ 0.0012	\$ 0.0003
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	449,329,190	449,329,190

The accompanying notes are an integral part of these financial statements.

CMG HOLDINGS GROUP INC

STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended	
	March 31,	
	2019	2018
	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss) for the Period	\$ 561,963	\$ 125,110
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase (Decrease) in Account Payable	(7,975)	(50,000)
Deferred compensation	(28,500)	45,000
Write-off of accounts payable	(360,000)	-
	<hr/>	<hr/>
Net cash used in operating activities	<u>165,488</u>	<u>120,110</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
	<hr/>	<hr/>
Net cash provided from investment activities	<u>-</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Common Stock for cash or cash equivalent	<hr/>	<hr/>
Net Cash Provided by Financing Activities (see note 4)	<u>-</u>	<u>-</u>
 Net (Decrease) Increase in Cash	165,488	120,110
Cash at Beginning of Period	<u>151,871</u>	<u>39,566</u>
Cash at End of Period	<u><u>\$ 317,359</u></u>	<u><u>\$ 159,676</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

The accompanying notes are an integral part of these financial statements.

CMG HOLDINGS GROUP, INC.

Notes to the Consolidated Financial Statements

1. Nature of Operations and Continuance of Business

Creative Management Group, Inc. was formed in Delaware on August 13, 2002 as a limited liability company named Creative Management Group, LLC. On August 7, 2007, this entity converted to a corporation. The Company is a sports, entertainment, marketing and management company providing event management implementation, sponsorships, licensing and broadcast, production and syndication.

On February 20, 2008, Creative Management Group, Inc. formed CMG Acquisitions, Inc., a Delaware company, for the purpose of acquiring companies and expansion strategies. On February 20, 2008, Creative Management Group, Inc. acquired 92.6% of Pebble Beach Enterprises, Inc. (a publicly traded company) and changed the name to CMG Holdings Group, Inc. ("the Company"). The purpose of the acquisition was to effect a reverse merger with Pebble Beach Enterprises, Inc. at a later date. On May 27, 2008, Pebble Beach entered into an Agreement and Plan of Reorganization with its controlling shareholder, Creative Management Group, Inc., a privately held Delaware corporation. Upon closing the eighty shareholders of Creative Management Group delivered all of their equity interests in Creative Management Group to Pebble Beach in exchange for shares of common stock in Pebble Beach owned by Creative Management Group, as a result of which Creative Management Group became a wholly owned subsidiary of Pebble Beach. The shareholders of Creative Management Group received one share of Pebble Beach's common stock previously owned by Creative Management Group for each issued and outstanding common share owned of Creative Management Group. As a result, the 22,135,148 shares of Pebble Beach that were issued and previously owned by Creative Management Group, are now owned directly by its shareholders. The 22,135,148 shares of Creative Management Group previously owned by its shareholders are now owned by Pebble Beach, thereby making Creative Management Group a wholly owned subsidiary of Pebble Beach. Pebble Beach did not issue any new shares as part of the Reorganization. The transaction was accounted for as a reverse merger and recapitalization whereby Creative Management Group is the accounting acquirer. Pebble Beach was renamed CMG Holdings Group, Inc.

On April 1, 2009, the Company, through a newly formed subsidiary CMGO Capital, Inc., a Nevada corporation, completed the acquisition of XA, The Experiential Agency, Inc. On March 31, 2010, the Company and AudioEye, Inc. ("AudioEye") completed a Stock Purchase Agreement under which the Company acquired all the capital stock of AudioEye. On June 22, 2011 the Company entered into a Master Agreement subject to shareholder approval and closing conditions with AudioEye Acquisition Corp., a Nevada corporation where the shareholders of AudioEye Acquisition Corp. exchanged 100% of the stock in AudioEye Acquisition Corp for 80% of the capital stock of AudioEye. The Company retained 15% of AudioEye subject to transfer restrictions in accordance with the Master Agreement; in October 2012, the Company distributed to its shareholders, in a dividend, 5% of the capital stock of AudioEye in accordance with provisions of the Master Agreement.

On March 28, 2014, CMG Holdings Group, Inc. (the "Company" or "CMG"), completed its acquisition of 100% of the shares of Good Gaming, Inc. ("GGI") by entering into a Share Exchange Agreement (the "SEA") with BMB Financial, Inc. and Jackie Beckford, shareholders of GGI. The sole owner of BMB Financial, Inc. is also the sole owner of Infinite Alpha, Inc. which provides consulting services to CMG. Pursuant to the SEA, the Company received 100% of the shares of GGI in exchange for 5,000,000 shares of the Company's common stock, \$33,000 in equipment and consultant compensation and a commitment to pay \$200,000 in development costs.

On February 18, 2016, the Company sold the assets of Good Gaming, Inc. to HDS International Corp. and thereafter, HDS changed their name to Good Gaming, Inc, from CMG Holdings Group, Inc. (OTCQB: GMER) ("Good Gaming"). The Company received in exchange 100,000,000 Class B Preferred Shares in Good Gaming which are convertible into shares of common stock at a rate of 200 common shares for each Class B Preferred Shares. Good Gaming, Inc. did a 1,000 to 1 reverse split, thus the 100,000,000 Class B Preferred Shares were converted to 100,000 Class B Preferred Shares. The Company has sold a portion of these Good Gaming shares to date in the market and currently owns the equivalent of 12,500,000 Common Shares in Good Gaming.

The Company's operating subsidiaries are XA - The Experiential Agency, Inc. - which is a sports, entertainment, marketing and management company providing event management implementation, sponsorships, licensing and broadcast, production and syndication. Its President is Alexis Laken, the daughter of the Company's president. The other subsidiary is Lincoln Acquisition Corp. which was formed for the purpose of liquidating shares in Good Gaming, Inc. and any other investment shares which might be held by CMG at any given time.

CMG HOLDINGS GROUP, INC.

Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies

a) Basis of Presentation and Principles of Consolidation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are expressed in US dollars. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Ship Ahoy LLC. All intercompany transactions have been eliminated. The Company's fiscal year-end is December 31.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the recoverability of its long-lived assets, stock-based compensation, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. As of December 31, 2018, and 2017, the Company had no cash equivalents.

d) Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings Per Share*, which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

e) Financial Instruments

ASC 820, "*Fair Value Measurements*", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. It prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

CMG HOLDINGS GROUP, INC.

Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable, and amounts due to related parties. Pursuant to ASC 820, the fair value of our cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

f) Property and Equipment

Property and equipment is comprised of a vehicle and is amortized on a straight-line basis over an expected useful life of three years. Maintenance and repairs are charged to expense as incurred. The land is not depreciated.

g) Impairment of Long-lived Assets

The Company evaluates the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. The Company records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

h) Reclassification

Certain prior period amounts have been reclassified to conform to current presentation.

3 Equity

a. Common Stock

During the years ended December 31, 2018 and December 31, 2017, the Company did not sell any shares of its \$0.001 par value per share common stock.

b. Common Stock Warrants

During the years ended December 31, 2018 and December 31, 2017, the Company did not issue any warrants for its common shares. On December 15, 2018, the Company's Board of Directors lowered the strike price on the outstanding 40,000,000 Warrants previously issued to Glenn Laken to \$0.0035 and extended the duration of the exercise date for an additional five (5) years.

CMG HOLDINGS GROUP, INC.

Notes to the Consolidated Financial Statements

4. Notes Payable**Convertible Promissory Notes**

During the years ended December 31, 2018 and December 31, 2017, the Company did not issue any new convertible promissory notes.

The Company's outstanding convertible promissory notes, one with a face value of \$114,000, the other with a face value of \$55,000 were all settled for a total of \$25,000 in March 2019. We are analyzing the accounting treatment for these favorable settlements and will make appropriate adjustments to our financial statements in subsequent periods.

5. Legal Proceedings

We are subject to certain claims and litigation in the ordinary course of business. It is the opinion of management that the outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

In January 2019, the Company settled a lawsuit. The Company received an initial payment of \$268,198 during the quarter ended March 31, 2019 as part of the settlement.

In October 2014, Ronald Burkhardt, XA's former Executive Chairman and former member of the Company's Board of Directors filed a lawsuit in the Supreme Court of the State of New York, County of New York, alleging breach of his employment contract and seeking approximately \$695,000 in damages. This lawsuit, where a judgement was entered against the Company for approximately \$775,000, was settled with Burkhardt for \$105,000.

6. Income Taxes

The Company has a net operating loss carried forward of \$16,542,609 available to offset taxable income in future years which commence expiring in fiscal 2027. The Company is subject to United States federal and state income taxes at an approximate rate of 21% (2018) and 34% (2017). As at December 31, 2018 and 2017, the Company had no uncertain tax positions.

	2018	2017
Income tax recovery at statutory rate	-	-
Permanent differences and other	-	-
Valuation allowance change	<u>-</u>	<u>-</u>
Provision for income taxes	<u>-</u>	<u>-</u>

The significant components of deferred income tax assets and liabilities at March 31, 2019 and December 31, 2017 are as follows:

	March 31 2019	December 31 2018
Net operating loss carried forward	(16,182,609)	(16,744,572)
Valuation allowance	<u>-</u>	<u>-</u>
Net deferred income tax asset	<u>(16,182,609)</u>	<u>(16,744,572)</u>

CMG HOLDINGS GROUP, INC.

Notes to the Consolidated Financial Statements

7. Segments

The Company splits its business activities during the year ended December 31, 2018 into three reportable segments. Each segment represents an entity of which are included in the consolidation. The table below represents the operations results for each segment or entity, for the year ended December 31, 2018.

	<u>XA</u>	<u>Lincoln Acquisition</u>	<u>CMG Holdings Group</u>	<u>Total</u>
Revenues	438,693	10,000	-	448,693
Operating expenses	<u>— 352,178</u>	<u>75</u>	<u>162,675</u>	<u>514,928</u>
Operating Income (Loss)	86,515	9,925	(162,675)	(66,235)
Other Income (Expenses)	<u>— 360,000</u>	<u>-</u>	<u>268,198</u>	<u>628,198</u>
Net Income (Loss)	<u>— 446,515</u>	<u>9,925</u>	<u>105,523</u>	<u>561,963</u>

Due to technical issues the company will be submitting it's financial statements to OTC markets within 90 days which will make us current. Sorry about the delay, it's all set.