
Sentinels Corporation

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024, AND 2023 *(Unaudited)*

I, Robert Moore, the Chief Executive Officer of Sentinels Corporation, hereby certify that the financial statements of Sentinels Corporation and notes thereto for the periods ending December 31, 2023, and December 31, 2024, included in this Form C offering statement are true and complete in all material respects and that the information below reflects accurately the information reported on our federal income tax returns.

For the year 2024 Sentinels Corporation has not yet filed its federal tax return.

IN WITNESS THEREOF, this Principal Executive Officer's Financial Statement Certification has been executed as of March 28, 2025.

 (Signature)

Chief Executive Officer (Title)

March 28, 2025 (Date)

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(UNAUDITED)

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SENTINELS CORPORATION
BALANCE SHEET
(UNAUDITED)

As of December 31,	2024	2023
(USD \$ in Dollars)		
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 685,627	\$ 44,600
Inventory	27,382	-
Accounts Receivable, net	513,013	497,259
Other Current Assets	157,632	-
Total current assets	1,383,654	541,859
Property and Equipment, net	35,767	32,555
Security Deposit	87,621	92,749
Total assets	\$ 1,507,041	\$ 667,162
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 176,205	\$ 38,016
Other Current Liabilities	810,042	131,365
Total current liabilities	986,247	169,381
Loan Agreement	2,850,000	-
Note Purchase Agreement	4,635,000	3,000,000
Total liabilities	8,471,247	3,169,381
MEMBERS' EQUITY		
Members' Equity	(6,964,206)	(2,502,219)
Total Members' Equity	(6,964,206)	(2,502,219)
Total Liabilities and Members' Equity	\$ 1,507,041	\$ 667,162

See accompanying notes to financial statements.

SENTINELS CORPORATION
STATEMENTS OF OPERATIONS
(UNAUDITED)

For Fiscal Year Ended December 31,	2024	2023
(USD \$ in Dollars)		
Net Revenue	\$ 5,791,790	\$ 2,929,596
Cost of Goods Sold	683,454	256,900
Gross profit	5,108,335	2,672,696
Operating expenses		
General and Administrative	11,017,074	10,977,556
Sales and Marketing	176,418	96,724
Total operating expenses	11,193,492	11,074,280
Operating Income/(Loss)	(6,085,157)	(8,401,584)
Interest Expense		-
Other Loss/(Income)		(256)
Income/(Loss) before provision for income taxes	(6,085,157)	(8,401,328)
Provision/(Benefit) for income taxes	-	-
Net Income/(Net Loss)	\$ (6,085,157)	\$ (8,401,328)

See accompanying notes to financial statements.

SENTINELS CORPORATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(UNAUDITED)

<u>(in , \$US)</u>	<u>Members' Equity</u>
Balance—December 31, 2022	\$ (1,811,690)
Capital Contribution	7,600,319
Warrants Expenses	110,480
Net income/(loss)	(8,401,328)
Balance—December 31, 2023	\$ (2,502,219)
Capital Contribution	1,519,711
Warrants Expenses	103,458
Net income/(loss)	(6,085,157)
Balance—December 31, 2024	\$ (6,964,206)

See accompanying notes to financial statements.

SENTINELS CORPORATION
STATEMENTS OF CASH FLOWS
(UNAUDITED)

For Fiscal Year Ended December 31,	2024	2023
(USD \$ in Dollars)		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/(loss)	\$ (6,085,157)	\$ (8,401,328)
<i>Adjustments to reconcile net income to net cash provided/(used) by operating activities:</i>		
Warrants Expenses	103,458	110,480
Depreciation of Property	10,851	10,851
Changes in operating assets and liabilities:		
Accounts Receivable, net	(15,754)	(135,154)
Inventory	(27,382)	-
Other Current Assets	(157,632)	-
Accounts Payable	138,189	(352,221)
Other Current Liabilities	678,676	126,432
Other Current Assets	5,128	-
Net cash provided/(used) by operating activities	(5,349,622)	(8,640,940)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(14,063)	-
Net cash provided/(used) in investing activities	(14,063)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Contribution	1,519,711	7,600,319
Loan Payable, net	2,850,000	-
Note Purchase Agreement	1,635,000	900,000
Net cash provided/(used) by financing activities	6,004,711	8,500,319
Change in cash	641,027	(140,621)
Cash—beginning of year	44,600	185,221
Cash—end of year	\$ 685,627	\$ 44,600
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Issuance of equity in return for note	\$ -	\$ -
Issuance of equity in return for accrued payroll and other liabilities	\$ -	\$ -

See accompanying notes to financial statements.

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

1. NATURE OF OPERATIONS

P1 eSports, LLC was formed on January 5, 2018 in the state of California under the name Phoenix2 eSports, LLC. On September 4, 2018, the company changed the name to P1 eSports, LLC. On June 30, 2023, Sentinels Corporation transferred all assets of P1 eSports into Sentinels Corporation and all results of P1 eSports, LLC are included in the financial statements of Sentinels Corporation herein. The financial statements of Sentinels Corporation (which may be referred to as the “Company”, “we”, “us”, or “our”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company’s headquarters are located in Los Angeles, California.

Sentinels Corporation, competing as Sentinels, fields teams that compete in professional Esports competitions. Sentinels generates revenue through the Sale of merchandise featuring the Company’s name and logo, the Sale of sponsorship of the team, receiving a share of certain digital goods sold by game publishers, receiving payments by game publishers to the Company for participating in certain esports leagues and from tournament prize winnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The Company has adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash in banks. The Company’s cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The Company’s cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2024 and December 31, 2023, the Company’s cash and cash equivalents did not exceed FDIC insured limits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at a net realizable value or the amount that the Company expects to collect on gross customer trade receivables. We estimate losses on receivables based on known troubled accounts and historical experience of losses incurred. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As of December 31, 2024 and 2023, the Company determined that no reserve was necessary.

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

Property and Equipment

Property and equipment are stated at cost. Normal repairs and maintenance costs are charged to earnings as incurred and additions and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the related depreciation are eliminated from the accounts in the period of disposal and the resulting gain or loss is credited or charged to earnings.

Depreciation is computed over the estimated useful lives of the related asset type or term of the operating lease using the straight-line method for financial statement purposes. The estimated service lives for property and equipment are as follows:

Category	Useful Life
Office Equipment	7 years

Impairment of Long-lived Assets

Long-lived assets, such as property and equipment and identifiable intangibles with finite useful lives, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We look for indicators of a trigger event for asset impairment and pay special attention to any adverse change in the extent or manner in which the asset is being used or in its physical condition. Assets are grouped and evaluated for impairment at the lowest level of which there are identifiable cash flows, which is generally at a location level. Assets are reviewed using factors including, but not limited to, our future operating plans and projected cash flows. The determination of whether impairment has occurred is based on an estimate of undiscounted future cash flows directly related to the assets, compared to the carrying value of the assets. If the sum of the undiscounted future cash flows of the assets does not exceed the carrying value of the assets, full or partial impairment may exist. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined using an income approach, which requires discounting the estimated future cash flows associated with the asset.

Income Taxes

Historically, the legacy Company had been taxed as a Limited Liability Company (LLC). Under these provisions, the Company did not pay federal corporate income taxes on its taxable income. Instead, the shareholders were liable for individual federal and state income taxes on their respective shares of the Company's taxable income. Sentinels Corporation for 2023 will transition to filing as a corporation and taxed as an entity. The Company has not recognized any tax-related assets in the preparation of their financial results. The Company has filed all its tax returns from inception through December 31, 2023, and is not yet subject to tax examination by the Internal Revenue Service or state regulatory agencies.

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 creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

Revenue Recognition

The Company recognizes revenues in accordance with FASB ASC 606, Revenue from Contracts with Customers, when delivery of goods is the sole performance obligation in its contracts with customers. The Company typically collects payment upon sale and recognizes the revenue when the item has shipped and has fulfilled its sole performance.

Revenue recognition, according to Topic 606, is determined using the following steps:

- 1) Identification of the contract, or contracts, with the customer: the Company determines the existence of a contract with a customer when the contract is mutually approved; the rights of each party in relation to the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the capacity and intention to pay, and the contract has commercial substance.
- 2) Identification of performance obligations in the contract: performance obligations consist of a promised in a contract (written or oral) with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- 3) Recognition of revenue when, or how, a performance obligation is met: revenues are recognized when or as control of the promised goods or services is transferred to customers.

The Company earns revenues from sale of merchandise featuring the Company's name and logo, the sale of sponsorship of the team, receiving a share of certain digital goods sold by game publishers, and receiving payments by game publishers to the Company for participating in certain esports leagues and from tournament prize winnings.

Cost of sales

Costs of goods sold include the cost of merchandise and merchant fees.

Advertising and Promotion

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2024 and December 31, 2023 amounted to \$176,418 and \$96,724, which is included in sales and marketing expense.

Stock-Based Compensation

The Company accounts for stock-based compensation to both employees and non-employees in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the option vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of such instruments).

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3—Unobservable inputs reflecting the Company’s assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Subsequent Events

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through March 25, 2024, which is the date the financial statements were issued.

Recently Issued and Adopted Accounting Pronouncements

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.

3. DETAILS OF CERTAIN ASSETS AND LIABILITIES

Account receivables consist primarily of trade receivables and accounts payable consist primarily of trade payables.

Other current liabilities consist of the following items:

As of December 31,	2024	2023
Sales Tax Payable	\$ -	\$ 7,224
Deferred Revenue	\$ -	\$ 101,706
All Other Accrued Expenses	\$ 810,042	\$ 22,435
Total Other Current Liabilities	\$ 810,042	\$ 131,365

All Other Accrued Expense primarily include player share of prize money and digital goods.

4. PROPERTY AND EQUIPMENT

As of December 31, 2024 and December 31, 2023, property and equipment consist of:

As of Year Ended December 31,	2024	2023
Office Equipment	\$ 76,110	\$ 62,047
Property and Equipment, at Cost	76,110	62,047
Accumulated depreciation	(40,344)	(29,493)
Property and Equipment, Net	\$ 35,766	\$ 32,554

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

Depreciation expenses for property and equipment for the fiscal year ended December 31, 2023 and 2022 were in the amount of \$10,851 and \$10,851, respectively.

5. MEMBERS' EQUITY

The ownership percentages of the members are as follows:

As of Year Ended December 31, 2024

Member's name	Ownership percentage
Rob Moore	11.6%
P1 Esports, LLC	64.4%
JAG Future Ventures LLC	23.3%
Others	0.7%
TOTAL	100.0%

6. UNIT BASED COMPENSATION

During the previous period, the Company issued warrants. The option exercise price generally may not be less than the underlying unit's fair market value at the date of the grant and generally have a term of two years. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award.

Unit Options

The Company granted unit warrants. The unit warrants were valued using the Black-Scholes pricing model with a range of inputs indicated below:

As of Year Ended December 31,	2024
Expected Life (years)	1.5
Risk-free interest rate	4.16%
Expected volatility	30%
Annual dividend yield	0%

The risk-free interest rate assumption for warrants granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's employee unit warrant.

The expected term of employee unit options is calculated using the simplified method which takes into consideration the contractual life and vesting terms of the warrants.

The Company determined the expected volatility assumption for warrants granted using the historical volatility of STOXX Global Video Gaming & eSports Index. The Company will continue to monitor the index and other relevant factors used to measure expected volatility for future unit warrants grants, until such a time that the Company's Common Unit has enough market history to use historical volatility.

The dividend yield assumption for warrants granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common unit, and the Company does not anticipate paying any cash dividends in the foreseeable future.

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

Management estimated the fair value of Common Unit based on recent sales to third parties. Forfeitures are recognized as incurred.

A summary of the Company's unit warrants activity and related information is as follows:

		Weighted Average	Weighted Average
	Number of Awards	Fair Value	Contract Term (Years)
Outstanding at December 31, 2022	186,562	\$ 0.60	7.7
Exercisable Warrants at December 31, 2022	166,755	\$ 0.60	7.7
Split - 1 for 6 for existing warrants	1,119,372	0.11	7.7
Granted	90,000	0.65	7.0
Exercised	-	-	-
Expired/Cancelled	-	-	-
Outstanding at December 31, 2023	1,209,372	\$ 0.15	6.8
Exercisable Warrants at December 31, 2023	1,119,372	\$ 0.15	6.8
Granted	280,560	0.81	6.0
Exercised	-	-	-
Expired/Cancelled	-	-	-
Outstanding at December 31, 2024	1,489,932	\$ 0.28	5.8
Exercisable Warrants at December 31, 2024	1,164,372	\$ 0.28	5.8

Unit warrants expenses for the years ended December 31, 2024 and December 31, 2023 were \$103,458 and \$110,480, respectively.

7. DEBT

Note Agreements

On October 14, 2020, the Company entered into a note purchase agreement with JAG Future Ventures LLC. The note was amended on September 14, 2022. The Company had borrowed from the Purchaser \$2,100,000 by December 31, 2024. The note was further amended on August 15, 2023, to increase borrowing to \$3,000,000 by December 31, 2023. Additional borrowing was contracted throughout 2024 with an ending balance owed at December 31, 2024 of \$4,635,000. The Notes shall be either (a) due or payable upon the closing of a Qualified Financing or (b) payable quarterly at any time that the Company has a cash reserve in excess of one million and 00/100 dollars (\$1,000,000.00). The term "Qualified Financing" shall mean the next equity financing consummated by Company after the date of this Agreement resulting in aggregate proceeds to the Company of at least seven million one hundred thousand dollars (\$7,100,000.00).

The Company issued the warrant which provides that Purchaser may purchase up to 5% of the Units of the Company calculated at the time of exercise at a price of \$3.16/Unit exercisable on the earlier of (i) one (1) year after the Notes are paid in full or (ii) at the time of any public offering of at least 20% of the outstanding equity interests in the Company or any successor thereof. The details of the Company's notes, and the terms are as follows:

Starting in January 2024, the Company established a new loan facility with JAG Future Ventures LLC that totaled \$2,850,000 at December 31, 2024.

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

Debt Instrument Name	Principal Amount	Borrowing Period	For the Year Ended December 2024			For the Year Ended December 2023		
			Current Portion	Non-Current Portion	Total Indebtedness	Current Portion	Non-Current Portion	Total Indebtedness
JAG Future Ventures LLC	\$ 4,635,000	9/14/2022	-	4,635,000	4,635,000	-	3,000,000	3,000,000
Loan Payable JAG	\$ 2,850,000	1/15/2024		2,850,000	2,850,000	-	-	-
Total			\$ -	\$ 7,485,000	\$ 7,485,000	\$ -	\$ 3,000,000	\$ 3,000,000

8. RELATED PARTY

The Company orders merchandise from a related party, IM Beauty Supply (the Company is partially owned by one of the P1 eSports LLC's members, P1 eSports LLC is a shareholder of the Company); purchases for the year end December 31, 2024 and December 31, 2023 were in the amounts of \$203,004 and \$41,138, respectively.

The Company orders merchandise from a related party, IM Global LLC (the Company is partially owned by one of the P1 eSports LLC's members, P1 eSports LLC is a shareholder of the Company); purchases for the year end December 31, 2024 and December 31, 2023 were in the amount of \$261,462 and \$0, respectively.

The Company additionally receives fulfillment services and customer service from a related party, Eric Mapo Tofu LLC (the Company is partially owned by one of the P1 eSports LLC's members, P1 eSports LLC is a shareholder of the Company); purchases for the year end December 31, 2024 and December 31, 2023 were in the amount of \$103,722 and \$0, respectively.

The Company has entered into several Note Agreements with JAG Future Ventures LLC (one of the Company's Shareholders). The terms of the debt instruments and outstanding balances are outlined above in the Note Agreements section of the Company's Debt footnote.

9. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

Litigation and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2024, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for the period from December 31, 2024 through March 28, 2025, which is the date the financial statements were available to be issued.

SENTINELS CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2024 AND DECEMBER 31, 2023

There have been no events or transactions during this time which would have a material effect on these financial statements.

11. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company drove improving financial performance in 2024, compared to 2023, resulting in a net operating loss of \$6,085,157, an operating cash flow loss of \$5,349,622, and liquid assets in cash of \$685,627 for the year ended December 31, 2024.

The Company's ability to continue as a going concern in the next twelve months, following the date the financial statements were available to be issued, depends on its ability to produce increased revenues, reduce costs and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results.

Management has evaluated these conditions and has in place a robust financial planning process and is forecasting improvements in profitability in 2025. During the next twelve months, the Company intends to fund any operational shortfalls through debt and/or equity financing, as it has done in past years.