Spirit of Speedway, LLC

Financial Statements

For the Period June 28, 2021 (Date of Formation) Through September 30, 2021

Spirit of Speedway, LLC
Contents

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To The Board of Managers
Spirit of Speedway, LLC
Indianapolis, Indiana

We have reviewed the accompanying financial statements of Spirit of Speedway, LLC (a limited liability company), which comprise the balance sheet as of September 30, 2021 and the related statements of operations and member's deficit and cash flows for the period June 28, 2021 through September 30, 2021, 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 engagement 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 review, 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.

Agresta, Storms & O'Leary, PC

Indianapolis, Indiana
October 22, 2021

Spirit of Speedway, LLC
Balance Sheet

September 30,	2021
ASSETS	
TOTAL ASSETS	**$ -**
LIABILITIES AND MEMBER'S DEFICIT	
Current liabilities:	
Accounts payable, trade	$ 989
Due to related entity	17,329
Total current liabilities	18,318
Total liabilities	18,318
Member's deficit	(18,318)
TOTAL LIABILITIES AND MEMBER'S DEFICIT	**$ -**

See accompanying summary of significant accounting policies, notes to financial statements and independent accountants' review report

Spirit of Speedway, LLC
Statement of Operations and Member's Deficit

June 28, 2021 (Date of Formation) through September 30,		2021
Revenue	$	-
Selling, general and administrative expenses:		
Professional fees		18,318
Total selling, general and administrative expenses		18,318
Net loss		(18,318)
Member's equity, beginning of period		-
Member's deficit, end of period	$	(18,318)

See accompanying summary of significant accounting policies, notes to financial statements and independent accountants' review report

Spirit of Speedway, LLC

Statement of Cash Flows

June 28, 2021 (Date of Formation) through September 30,		2021
Cash flows from operating activities:		
Net loss	$	(18,318)
Adjustments to reconcile net loss to net cash used in operating activities:		
Due to related entity		17,329
Increase in operating liabilities:		
Accounts payable, trade		989
Net cash used in operating activities		-
Net increase in cash		-
Cash, beginning of period		-
Cash, end of period	$	-
Supplemental information:		
Interest paid	$	-
Income taxes paid	$	-
<u>Non-cash financing activities</u>		
Payment of operating expenses by related entity	$	17,329

See accompanying summary of significant accounting policies, notes to financial statements and independent accountants' review report

Nature of activities

Spirit of Speedway, LLC ("the Company") was formed on June 28, 2021 and has not commenced planned principal operations. The Company is a business whose planned principal operations is primarily obtaining investment funds and sponsorship income to promote and support an IndyCar Series race team for a limited number of races for the 2022 and 2023 IndyCar seasons, specifically the 2022 and 2023 Indianapolis 500.

The Company is currently in the process of raising equity capital and obtaining sponsorships to support the commencement of operations of the Company and has incurred various expenditures related to these activities. The Company's activities are subject to significant risks and uncertainties, including failing to secure necessary funding to commence principal operations.

The Company's fiscal year end is December 31.

The term of the Company is perpetual and the member's liability is limited in accordance with state statutes.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates

The timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash

The Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable are recognized as services are provided based on terms of individual agreements and are recorded net of allowance for doubtful accounts.

Allowance for doubtful accounts

The Company records an allowance for doubtful accounts based on historical loss experience and current economic conditions. If actual collections experience changes, revisions to the allowance may be required. The Company may have a limited number of customers with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' creditworthiness or other matters affecting the collectability of amounts due from such customers could have a material effect on the results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The allowance for doubtful accounts totaled $0 as of September 30, 2021.

Property and equipment

Property and equipment is recorded at cost. Major expenses incurred which substantially increase the useful lives of existing assets are capitalized. Maintenance, repairs and minor renewals are charged to expense as incurred. The Company depreciates property and equipment over its estimated useful life using the straight-line depreciation method. Depreciation expense totaled $0 for the period June 28, 2021 through September 30, 2021.

Revenue recognition

The Company derives its revenues primarily from the sale of sponsorship of the Company's car and driver used in autosport activities. The Company recognizes revenue for sponsorship at points in time throughout the respective sponsorship agreements as performance obligations are achieved; typically for each autosport activity as governed by the specific agreements. The Company recognizes revenues related to the sponsorship agreements in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company recognizes revenues from the sale of merchandise and fan experiences upon shipment or delivery to the customer when control of the merchandise is transferred to the customer, or as fan experience services are provided. Revenue is recognized from prize money from IndyCar Series races as earned with the team's participation in each race. These revenues are recognized in amounts that reflect the consideration the Company expects to be entitled to in exchange for these products, services and participation.

Revenue from performance obligations satisfied at a point in time consists of sale of merchandise, fan experiences and prize money. Revenue from performance obligations satisfied over a period of time consist of sponsorship of the Company's car and driver; which are typically recognized over the life of the related agreements as services are provided as governed by the specific sponsorship agreements. The nature of the Company's business gives rise to variable consideration including allowances and returns that generally decrease revenue. These variable amounts are generally credited to the sponsor or customer based on product returns or price concessions.

Revenue recognition (continued)

Estimates of variable consideration are based on historical experience and known trends and are included in the transaction price to the extent it is probable that a significant reversal of revenue will be recognized.

Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. The Company does not have any significant financing components as payment is received prior to or shortly after the services are provided.

The Company pays incremental costs upon the signing of contracts. Because the recovery of incremental costs is expected to occur from contract revenues in one year (or less), the Company charges incremental costs to expense as incurred.

Deferred revenue and customer deposits

Deferred revenue and customer deposits represent amounts prepaid by sponsors or customers for services to be provided, or product ordered by the sponsor or customer, not earned as of the balance sheet date.

Advertising costs

The Company incurs advertising costs in the normal course of business which are expensed as incurred. Advertising costs totaled $0 during the period June 28, 2021 through September 30, 2021.

Income taxes

The Company, with consent of its member, intends to elect to be taxed as a partnership for income tax purposes for the year ended December 31, 2021 upon the expected entrance of additional members. Accordingly, instead of paying corporate income taxes, the members of a partnership are taxed individually on the proportionate share of the Company's taxable income. Therefore, no current or deferred provision for federal or state income taxes has been recorded in the financial statements.

Presentation of sales tax

The State of Indiana imposes a sales tax on the Company's sales to non-exempt customers. The Company collects that sales tax from customers and remits the entire amount to the state. The Company's accounting policy is to exclude the tax collected and remitted to the state from revenue and cost of revenues.

Going concern

Management evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern for the period of one year from the date the financial statements are available to be issued.

Accounting for uncertainty in income taxes

The Company is subject to audit by federal, state or local authorities in the areas of income taxes and the collection and remittance of sales and use taxes. In addition to a federal income tax filing, the Company files in the State of Indiana and may file in various other states commencing in 2022. The Company's federal and state income tax returns for the year 2021 will be subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date. These audits could include questioning the nexus of income amounts in various tax jurisdictions, and compliance with federal, state, and local tax laws.

Management of the Company is not aware of any significant tax positions that are more likely than not to change in the next twelve months or that would not sustain an examination by applicable taxing authorities. Therefore, there is no effect recorded in these financial statements for assets or liabilities resulting from unrecognized tax benefits as of September 30, 2021. The Company's policy is to recognize penalties and interest as incurred in the statement of operations and member's deficit, which totaled $0 for the period June 28, 2021 through September 30, 2021.

Note 1 - Concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its cash investments with high quality financial institutions and is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The bank accounts, at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts. At September 30, 2021, there was no cash in excess of insured amounts.

Management reviews the credit history of sponsors and customers before extending any significant credit. In addition, management establishes, as necessary, allowances for potentially uncollectible accounts based on specific sponsor and customer risk, historical trends and other information. The Company does not charge finance fees for delinquent accounts. The allowance for doubtful accounts was $0 as of September 30, 2021.

The Company's operations have been affected by the ongoing outbreak of the Coronavirus Disease 2019 ("COVID-19") which was declared a pandemic by the World Health Organization in March 2020. As a result of the spread of the COVID-19 pandemic and related governmental responses, economic uncertainties have arisen which have impacted the Company. The ultimate disruption which may be caused by the outbreak, which is on-going, is uncertain; however, it may result in a material adverse impact on the Company's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Company's revenue, including IndyCar Series events, absenteeism in the Company's labor workforce, and unavailability of products used in operations.

Note 2 – Transactions with affiliated entity

The Company is involved in a number of business transactions with Marotti Autosport, LLC, a related entity with common ownership. Such transactions include cash advances and borrowings. The amount due to related entity, totaling $17,329 as of September 30, 2021, represent payables to and advances from Marotti Autosport, LLC. These payables and advances are non-interest bearing and are due on demand.

Note 3 – Fair value measurements

The Company's financial assets and liabilities are reported at fair value in the accompanying balance sheet. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial assets or liabilities could result in a different fair value measurement at the reporting date.

The Company uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Note 4 – Subsequent events

The Company has evaluated subsequent events through October 22, 2021, which is the date these financial statements were available to be issued and has determined that no subsequent events requires disclosure in the financial statements.

Note 5 – Membership units

The Company has membership units that are divided into two separate classes; Series A Common Units and Series B Common Units. Series A Common Units entitle each member possessing such units to one vote per Series A Common Unit. Series B Common Units do not entitle members to voting rights. As of September 30, 2021, only Series A Common Units had been issued to one member of the Company.

Note 6 – Recently issued accounting standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the effect this ASU will have on its future financial statements, including related disclosures.

Note 7 – Commitments and contingencies

Contingencies

The Company may be party to various actions and claims arising in the ordinary course of business. In the opinion of management, no material liabilities resulting from claims or actions exist at September 30, 2021.