

Affinity 

Annual Report 2017-2018

2360 95th St, Naperville, IL 60564

Phone: 630-428-6196

Email: affinity.il@veinternational.org



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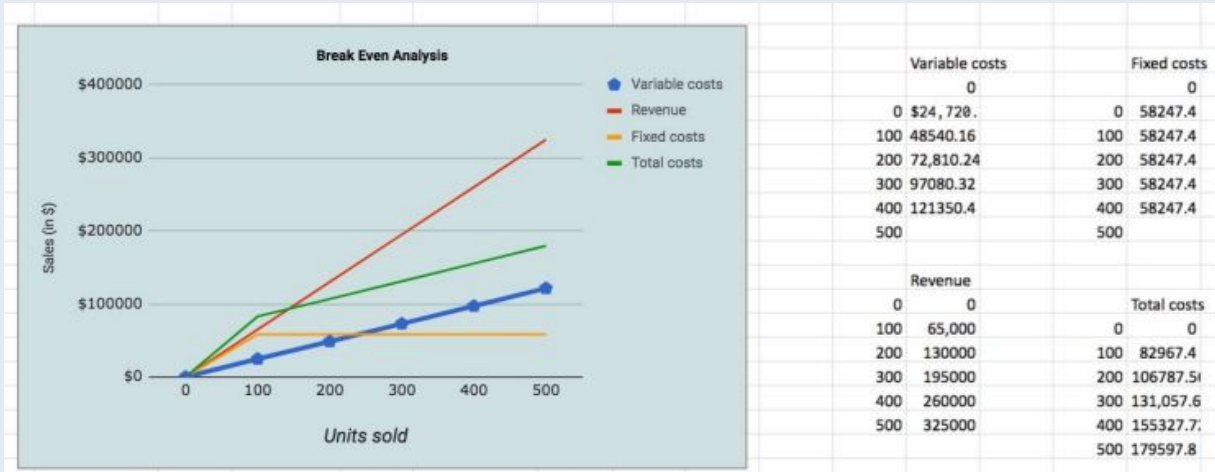
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Letter to Stockholders

Dear Shareholders,

Affinity is now ending its 2017-2018 year of operation. As a technological company, we strive to give our customers an advanced and unique experience of home entertainment at an affordable price. This year, Affinity decided to rebrand itself to becoming a technological entertainment company to enter into a new market. Affinity now offers the Pro-5, a five sided projector complete with four different packages: sleep and relaxation, app streaming, gaming, and finally sports. The customer is able to project whatever packet they bought onto the four walls and ceiling of any room of his or her choice. Each package offered has different aspects that make it appealing.

Despite having high operating expenses of \$225,200.34, Affinity still made an overall profit. We made a gross profit of \$515,343.63 despite having those high expenses. We made the majority of our sales during the various trade shows which included sales on our website and paper sales. Affinity has an overall net income of \$226,721.91. We exceeded our projected trade show sales each trade show by having an average of 30 sales made at each trade show exhibition.



Our projected sales at the beginning of the year was to sell roughly around 500 units to make a total revenue of about \$325,000 on average of \$650 a unit. Selling about 274 units with the variety prices between \$650-730 we were short on our desired revenue by about \$98,200, making roughly \$227,000. Even though we were unable to reach our goal we still ended the year off with over \$1.5 million in our bank account.

In the future, we plan on expanding our product line to incorporate more products. With the new product line, Affinity may venture into a new market to attract a larger variety of customers. Due to the increase in sales revenue, Affinity is hoping to increase the employees' salaries sometime during the next school year.

Due to Affinity having a new and unique product, we were able to market ourselves well which strengthened our sales. We entered the technology and virtual reality markets and were able to successfully sell our unique product. Along with our marketing, we provided great customer service which increase our customer satisfaction and increase the chance of our customers returning. In order to attract more people to our product, we also added a new package, a sports package, to our Pro-5 projector.

Due to a low barrier of entry in the technology and virtual reality markets, Affinity realizes a threat to our presence in the market. Competitors may attempt to mimic our strategies, as well as begin to offer similar products as ours due to Affinity being one of the older VE firms. However, because of our current presence, we believe we could beat any competition.

Because of this year's overall success, we have high expectations for the future. Affinity is excellently positioned in the VE Network, and we are looking forward to a profitable future serving and entertaining our customers.

Best Regards,

Nicholas Szimon
Chief Executive Officer

The logo for Affinity, featuring the word "Affinity" in a blue, cursive script font, followed by a small yellow star icon.

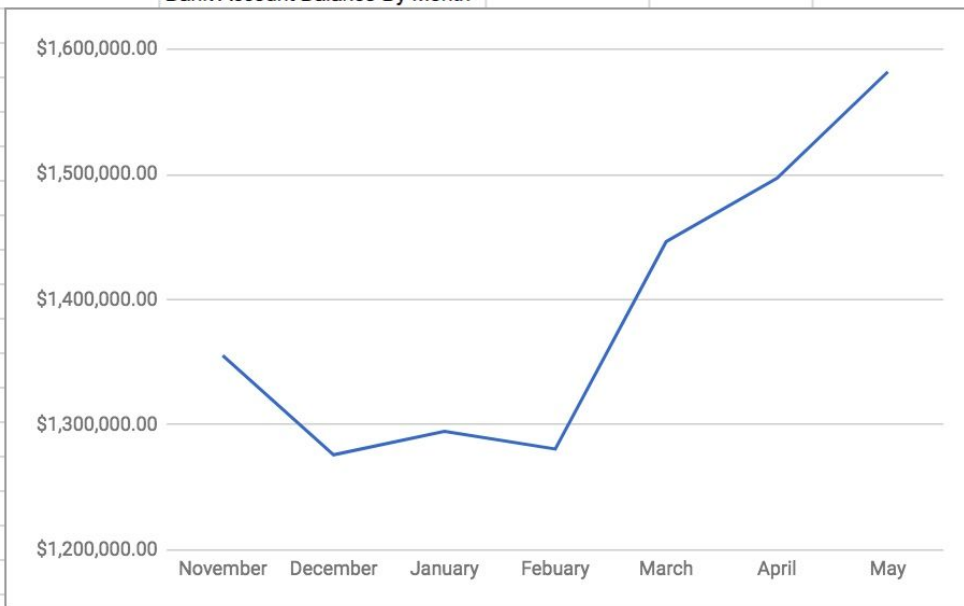
Financial Highlights

Graph of sales by month

November	\$1,355,289.33
December	1276025.01
January	1294818.47
February	1280674.67
March	1446287.19
April	1497030.15
May	1582011.24

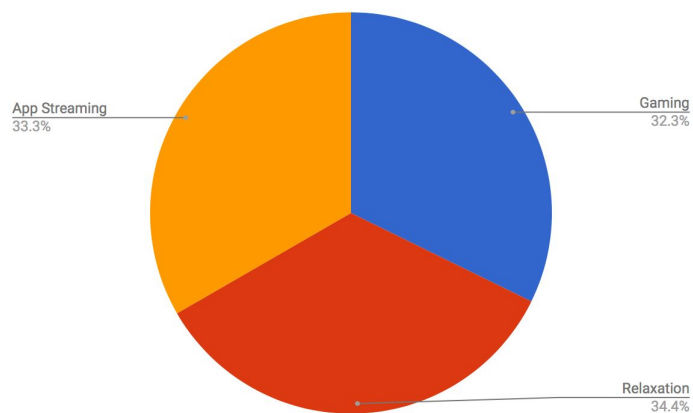
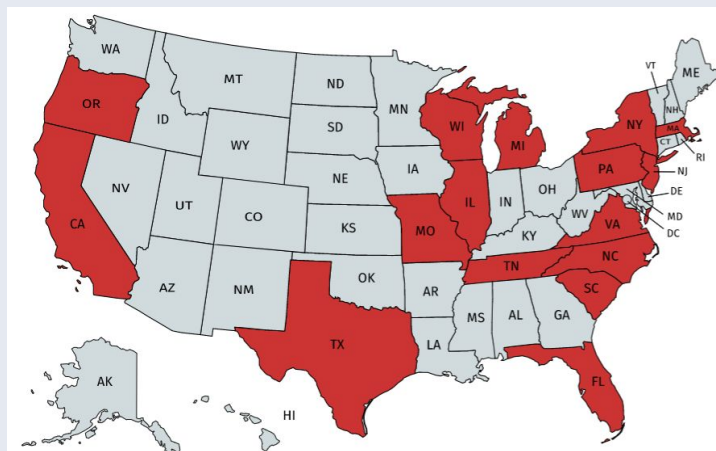
Gaming	30
Relaxation	32
App Streaming	31

Bank Account Balance By Month



Sales Map

Sales Per Package



Board of Directors and Top Management Team

Board of Directors

Virtual Enterprise Coordinator: Mr. John Hanson

Angel Investor: Gunner Lyslo, Surfacide

School Principal: Dr. Robert McBride, Neuqua Valley High school

Virtual Enterprise Regional Director: Ms. Wendy Schmitt, Great Lakes Regional Director

Top Management

Chief Design Officer: Natty Bhumngkij

Chief Project Manager: Riddhi Limaye

Chief of Accounting and Finance: Preston Lyslo

Chief Administrative Officer: Akshat Poddutoori

Chief Marketing Officer: Blake Reichert

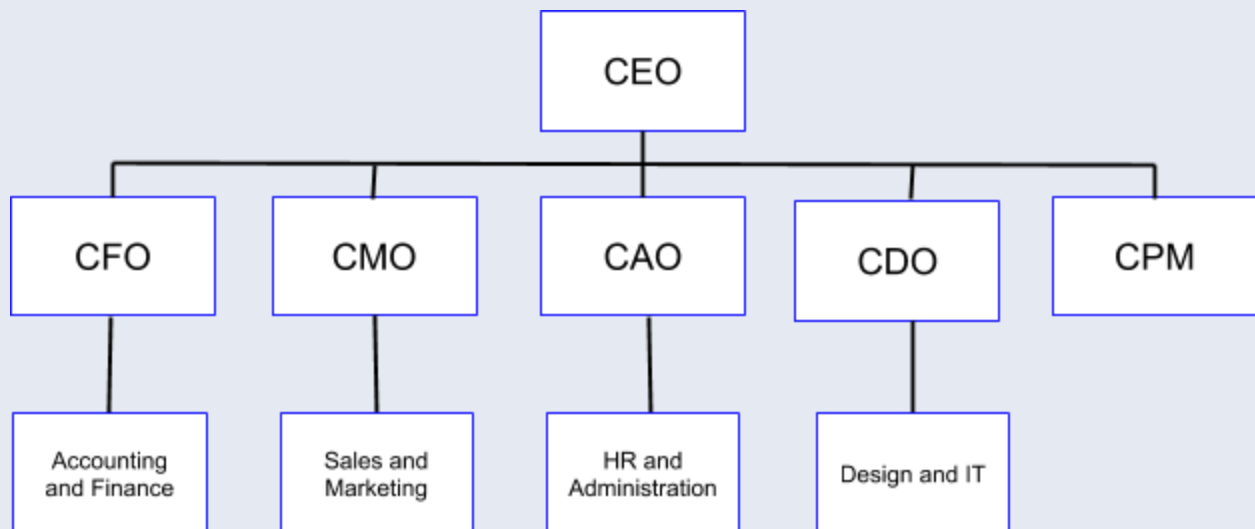
Chief Executive Officer: Nicholas Szimon

Corporate Message

Mission Statement:

Affinity is committed to giving customers an advanced and unique experience of home entertainment at an affordable price.

Management Philosophy:



At Affinity, we have a good breakdown between the departments to help keep everyone on task. Our CEO, is the person who overlooks the entire company and has weekly meetings with the other department Chiefs. Together, they discuss the tasks needed for the week and collaborate ideas how the company can improve. All of the employees in each department receive tasks and work together to make Affinity run more smoothly. The Accounting and Finance department is responsible for payroll, expenses, and keeping track of accounts payable and accounts receivable. The Sales and Marketing department is responsible for promoting Affinity's product, establishing connections with other companies, and creating special promotions. The Human Resources department takes attendance, designates an employee recognition awards, creates and updates a company calendar, and creates the culture of the company. The Administration department organizes the workplace, creates customer relations, and makes sure activities in the company are running smoothly. Lastly, the Design and IT department is responsible for creating and branding the company's logo, website, business cards, name badges and advertisements. They are also obligated to help fix any technology issues in the workplace.

Product/Service:

This year, the company has been reconstructed from the ground up, creating a brand new and revolutionary product called The Pro-5. The Pro-5 is a 5 sided projector that casts synced, 1080 pixel images across all walls and ceiling. This device not only projects images, but comes complete with surround sound and authentic smells to make it seem as if the user is really there. The product also comes with 3 extension packages: relaxation, gaming, and app streaming. Our relaxation package allows consumers to be transported to the location of their dream to calm down and unwind after a long day at work or school. The app streaming package allows you to connect your apps to your projector. Our Affinity app allows you to have multiple apps open at once on different walls. The gaming package allows easy access to old arcade games and the newest and most popular video games. Our final and newest package was added in February and it allows customers to watch their favorite sports looking on a large scale. It includes channels like, ESPN, Fox Sports, CBS, NFL Network, NBC, TNT, and BEIN.

Revenue and Profitability:

Overall, our customers were attracted to buying all of our different packages pretty evenly. But, our Relaxation package beat out the others by selling about one more at 32 packages total. Throughout the whole year, we have sold 782 total packages. It has been a profitable year.

Corporate Culture: Collective Commitments

1. Give full attention to speakers.
2. Create a supportive working environment.
3. Give 100% effort.
4. Act professionally.
5. We will have weekly check-ins between departments.
6. Everyone should collaborate together.
7. Create company and personal goals.
8. Keep the office organized and clean.
9. Plan out and be aware of deadlines.
10. Create a positive and motivational working environment. Support and encourage coworkers at all times.

Financial Statements and Footnotes

During this year at Affinity we have made over \$515,000 in sales. While doing this our overall operating expenses were just at \$225,000 leaving us with a overall profit of just over \$225,000 throughout this year. At the beginning of this year we started with just over \$1.3 million in our company account and after financing this years operation out of previous years profits we slowly broke even for the year and increased our account balance to just above \$1.58 million. Overall, this year was very successful for Affinity due to the ability to finance this year's operation from the previous years worth of profits in Affinity.

Projected Income Statement

Affinity			
Projected Income Statement			
For the Year Ending 05/01/2018			
Sales revenues			
Trade fair revenues			240,000
Contractual sales to non-VE entities			243,277
Other than trade fair revenues			126,000
Total sales revenues			609,277
Cost of goods sold of services provided			217,750
Gross profit			391,527
Operating expenses			
Salaries			229,509
Rent			10,328
Depreciation			5,000
Payroll tax			40,500
Advertising			3,900
Promotion			0
Insurance			1,500
Pension or 401(k)			0
Interest			0
Supplies			0
Utilities			0
Other			500
Total operating expenses			291,237
Income from operations			100,290
Other revenues/gains and expenses/losses			0
Net income before taxes			100,290
Corporate income tax			5,265
Net income after taxes			95,025

Cash Budget

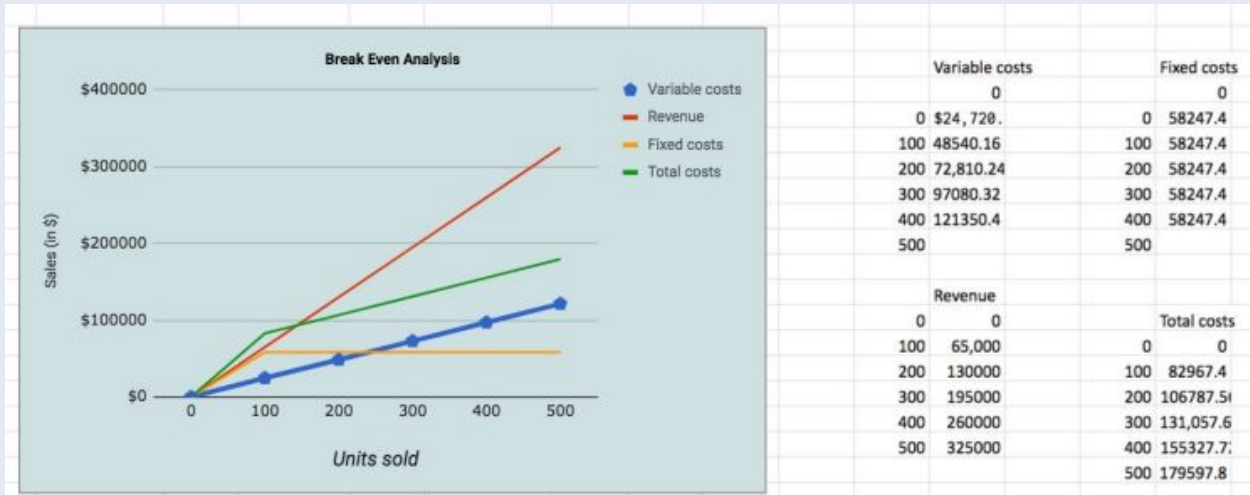
2017-18	Affinity	Monthly Budget	Amount
	Operating Expenses		
	(Obtain from Salaries Tab)	Salaries	\$ 12,500.00
	(Employer's Share Social Security & Medicare)	Payroll Taxes	\$ 956.25
		Rent	\$ 1,721.25
	(Electricity, Telephone, Internet, Water)	Utilities	\$ 17,376.00
		Advertising/Promotions	\$ 650.00
		Property & Liability Insurance	\$ 250.00
		Supplies	
		Other	
	Total One-Month Operating Expenses		\$ 33,453.50
	Fixed Assets		
	(Obtain from Computers tab)	Computers	\$ 8,155.00
	(Obtain from Equipment tab)	Equipment	\$ 5,866.00
	(Obtain from Furniture & Fixtures tab)	Furniture and Fixtures	\$ 2,735.00
	Total Fixed Assets		\$ 16,756.00
	Initial Inventory		
	(Obtain from Initial Inventory tab)	Initial Inventory	\$ -
	Three-Month Operating Expenses		\$ 100,360.50
	Operating Expenses + One Time Expenses		\$ 117,116.50

Projected Balance Sheet

Assets	November 1st 2017	May 1st 2018
Current Assets:		
Cash	\$1,355,289.00	\$1,450,314.00
Accounts Receivable	0	0
Loans Receivable	0	0
Supplies	\$600.00	\$600.00
Prepaid Insurance	\$3,000.00	\$3,000.00
Merchandise Inventory	0	0
Total Current Assets	\$1,358,789.33	\$1,453,814.00
Plant Assets:		
Office Equipment	\$17,376.00	\$18,159.68
Total Assets	\$1,376,165.33	\$1,469,973.68
Liabilities		
Current Liabilities:		
Accounts Payable	0	0
Sales Tax Payable	0	0
Rent Payable	\$1,721.25	\$1,721.25
Payroll Taxes Payable	0	0
Employee Income Tax Payable- Fed	0	0
Employee Income Tax Payable- State	0	0
Social Security Tax Payable	0	0
Medicare Tax Payable	0	0
Unemp. Tax Payable- Fed	0	0
Unemp. Tax Payable- State	0	0
Federal Income Tax Payable	0	0
Total Liabilities	\$1,721.25	\$1,721.25
Stockholders' Equity		
Capital Stock	0	0
Retained Earnings	\$1,374,444.08	\$1,468,252.43
Total Stockholders' Equity	\$1,374,444.08	\$1,468,252.43
Total Liabilities Plus Equity	\$1,376,165.33	\$1,469,473.68

Management Discussion and Analysis

Financial Performance:



Based on our break even analysis, We needed to sell a minimum of 350 projectors in order to break even. Based on our Sales chart, we sold a total of 782 projectors. 247 of those projectors were sold online through our website. Our trade show breakdown goes as follows:

Total Sales	
Online	247
Tennessee Trade Show	80
Rosemont Trade Show	81
California Trade Show	63
Sales Contract	311

Based on our numbers, we doubled our break even analysis number which is a major accomplishment for our department. Our overall company account has increased a total of \$515,343.63 over the course of our year in business. Our sales contract was our biggest sale of the year, which essentially brought us to our break even point. With the revenue that we have accumulated, we have been able to grow the company to areas which were only in projection in the beginning of the year. Our success can be credited to our whole team of employees that have worked hard to push our product to the customer.

Company Goals:

When the year began, we set many goals that we wanted to achieve by the end of the year, those goals being both financial and non-financial. As a department, we sat down and listed 10 ideas we wanted to work by everyday to help accomplish any task. Those 10 ideas were:

1. Use Google drive as source of sharing
2. Daily agenda
3. No hesitation to bring in group and share idea
4. Stay committed to work (stay late/come in early)
5. Mondays - check point day for the week / Fridays - Discussing how week went
6. Keep work department organized
7. Be a “team player” for our department, it makes everyone's job easier
8. Know who to go to for certain problems. (Chiefs, HR, Administration)
9. Respect all employees and offer honest feedback.
10. Know each employee in the department on a more personal level.

Each month as a department we set a number of online sales we wanted to achieve and had to take into consideration what events were taking place that month. For example, in the month of April we had an online trade show so we knew the number of online sales would be unportionally higher than any other month. We set the number of sales at 20 at the start of the month and ended up exceeding that number by a long shot with a total of 52 online sales in April.

When setting the price of the Pro-5, we wanted to set numbers that would ensure customers interest was high and revenue was being brought into Affinity. We listed the price in thought that customers would be encouraged to purchase the Pro-5 with all three packages, helping increase revenue. Below are the final price points that the Pro-5 were sold at all year long:

Projector + 1 Package: \$649.99

Projector + 2 Packages: \$699.99

Projector + 3 Packages: \$729.99

Package bought alone: \$99.99

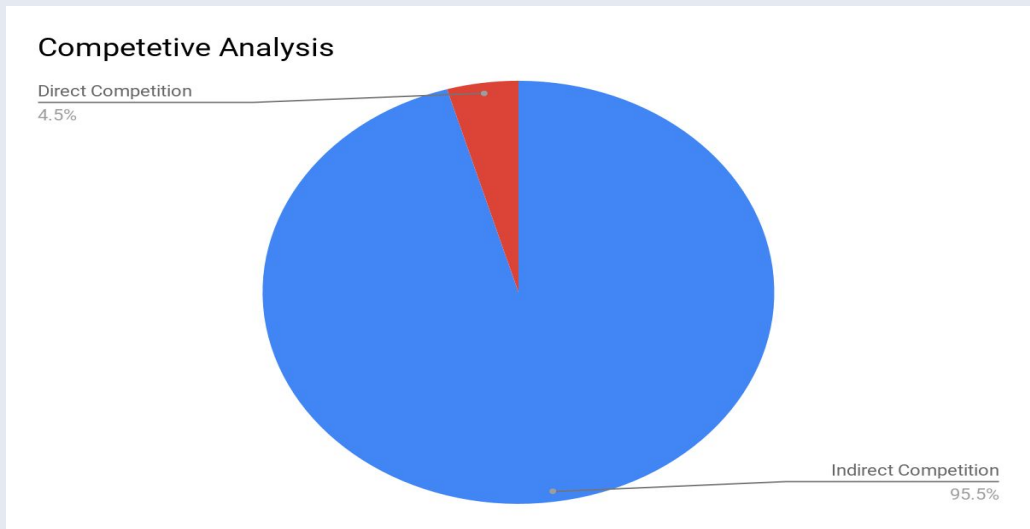
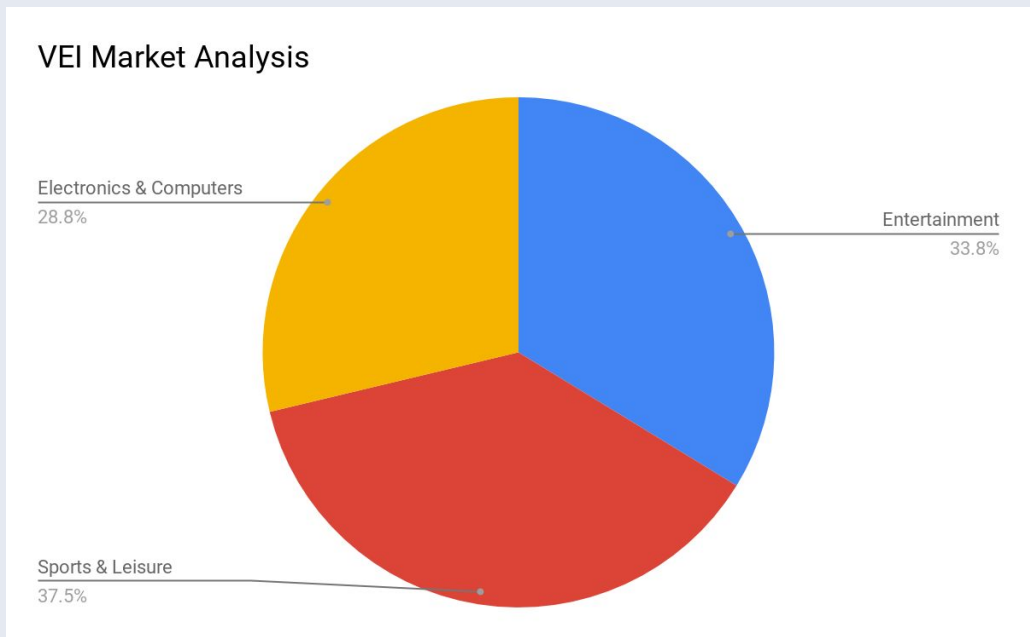
Extension for package (released monthly): \$24.99

Affinity wanted to use social media as often as possible as it was a free way for the firm to advertise and reach large audiences. We also used social media to showcase the friendly work

environment that takes place everyday. We did this by having many different daily post explaining what was being worked on and showing the smiles of our employees.

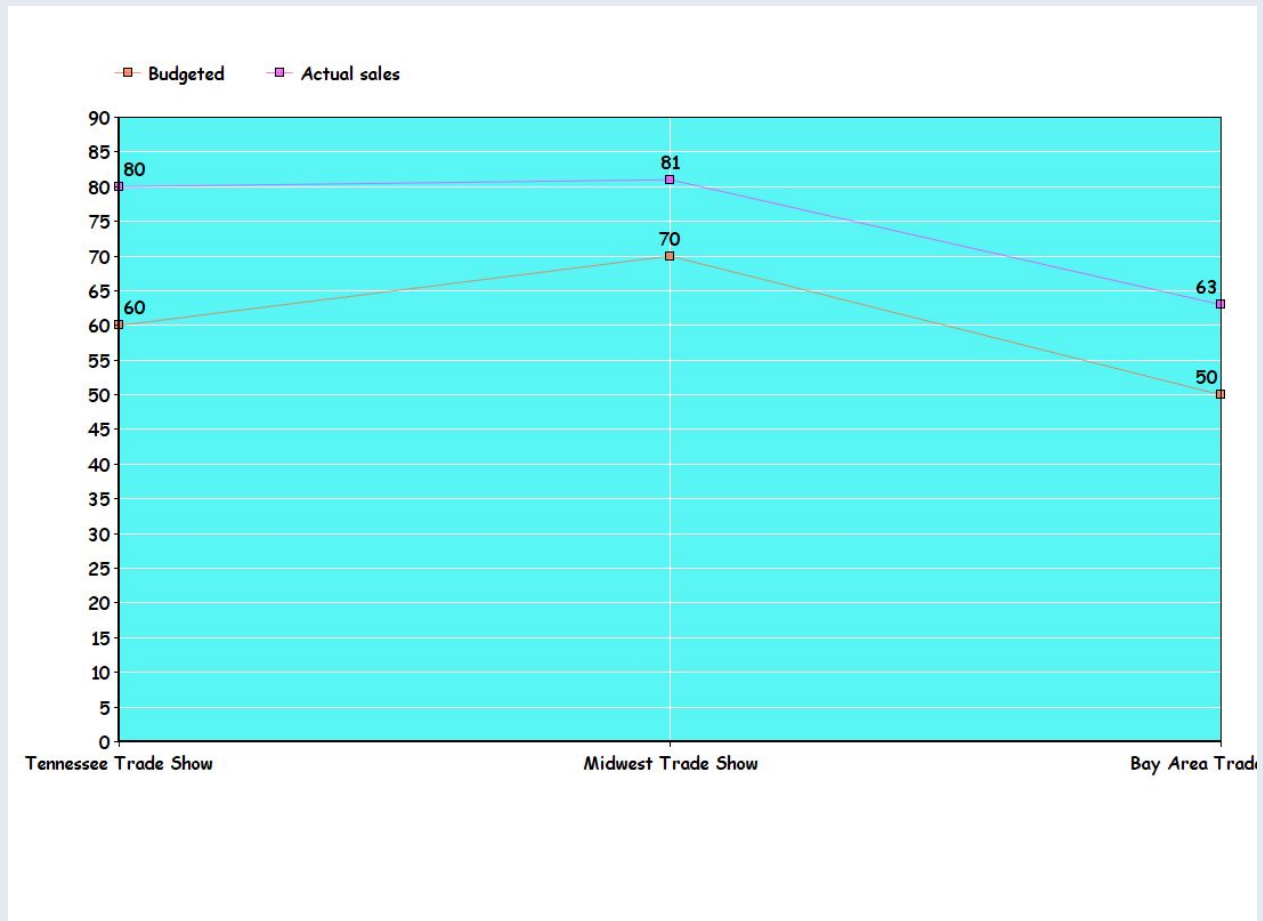
Market Research:

As a company we did a majority of our market research at the beginning of the year. While doing research, we felt as though our product fell under three distinct categories being: Electronics & Computers, Entertainment, and Sports & Leisure. This put us in a market with over 150 VE firms. However, only five VE firms sold products related to virtual reality, which gave us a large portion of the market share.



Trade Show Research:

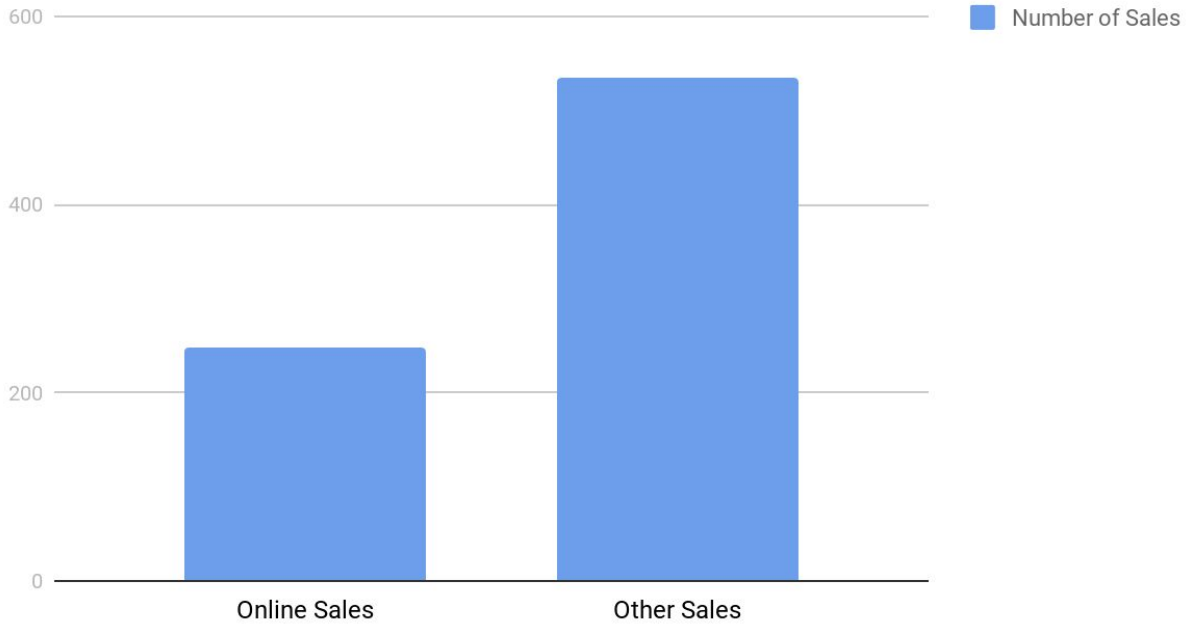
Our company designed its booth by making it the theme of our company colors. We made it attractive by adding balloons around the border of the booth. A table was set up in the middle to make sales and have customers sign up for our social media handles and the raffle. The raffle was used as our major promotion to attract customers to our booth. When each customer made a purchase, their name was entered into the raffle.



Corporate Website:

At Affinity our website went up at the beginning of October. We produced 257 sales from the time we opened until the time we closed in early May. We average 414 visitors a week which overall would be somewhere around 8,000 people who have visited our website. Although, our percentage of sales to visitors wasn't as good as we expected we outperformed our goal for online sales.

Online Sales



November

Scheduled transactions	Date	Name/Description/Acct#	Ref#	Amount	Balance
Payees	Nov. 17, 2017	Hanneh Motkowski (US06437), Naperville, IL Pay Check Acct #630490597	3196883	-\$3,323.65	\$1,341,690.66
	Nov. 17, 2017	Marissa Tomsik (US06437), Naperville, IL Pay Check Acct #630490546	3196881	-\$3,323.65	\$1,345,014.31
	Nov. 17, 2017	Akshat Poddutoori (US06437), Naperville, IL Pay Check Acct #630490678	3196879	-\$3,323.65	\$1,348,337.96
	Nov. 17, 2017	Natty Bhumnugij (US06437), Naperville, IL Pay Check Acct #630490600	3196877	-\$3,627.72	\$1,351,661.61
	June 3, 2017	Lucy Tian (US021802), South Pasadena, CA personal care package Acct #630426058	3078689	\$175.00	\$1,355,289.33
	May 16, 2017	Mr. Hanson (US06437), Naperville, IL Affinity Shipping Cost.	3055550	-\$1,516.00	\$1,355,114.33

May

Scheduled transactions	Date	Name/Description/Acct#	Ref#	Amount	Balance
Payees	May 3, 2018	Amber Gonzalez-Pacheco (US012024), South Pasadena, CA VEI Checkout transaction #293405 05/03/2018 03:57 PM CT Acct #630559716	3722777	\$26.74	\$1,588,200.35
	May 3, 2018	Xor Thao (US012021), Fresno, CA VEI Checkout transaction #293376 05/03/2018 03:37 PM CT Acct #630497435	3722719	\$699.99	\$1,588,173.61
	May 3, 2018	Lavonte Jones (US061187), Geneva, IL VEI Checkout transaction #293281 05/03/2018 11:46 AM CT Acct #630474508	3722529	\$700.30	\$1,587,473.62
	May 3, 2018	Mark Musial (US06543), St. Charles, IL VEI Checkout transaction #292944 05/03/2018 08:39 AM CT Acct #630528306	3721896	\$781.09	\$1,586,773.32
	May 3, 2018	Kieran Ogea (US06437), Naperville, IL Money Acct #630543046	3720454	\$0.63	\$1,585,992.23
	May 2, 2018	Alex Waldinger (US012019), Naperville, IL VEI Checkout transaction #292729 05/02/2018 12:51 PM CT	3718941	\$1,990.18	\$1,585,991.60

Sales Agreement

THIS SALES AGREEMENT (the "Agreement") dated this _____ of February, 2018

BETWEEN:

Affinity Illinois of 2360 95th St, Naperville, IL 60564
(the 'Seller')

OF THE FIRST PART

- AND -

Gunner Lyslo of 3447 Keller Ln, Naperville, IL 60565
(the 'Buyer')

OF THE SECOND PART

IN CONSIDERATION OF THE COVENANTS and agreements contained in this Sales Agreement the parties to this Agreement agree as follows:

Sale of Goods

1. The Seller will sell, transfer and deliver to the Buyer on or before the 28th day of February, 2018, the following goods (the 'Goods'):
PRO5 5 Sided Projectors with Packages..

Purchase Price

2. The Buyer will accept the Goods and pay for the Goods with the sum of two hundred two thousand five hundred seven (\$202,506.75) USD, paid by cash as required in clause 4 of this Agreement.
3. The Seller and the Buyer both acknowledge the sufficiency of this consideration. In addition to the purchase price specified in this Agreement, the amount of any present or future sales, use, excise or similar tax applicable to the sale of the Goods will be paid by the Buyer, or