

The word "PEBBLY" is written in large, light blue, bubbly letters with a dark blue outline. Below the letters is a patch of green grass with small white flowers and purple pebbles. To the left of the letters are two cartoon rocks: a pink one with a smile and a grey one with a tongue sticking out. To the right are two more: a yellow one with a smile and a dark blue one with a wide smile. The background is a light blue sky with white clouds.

PEBBLY

For When Life Gets Rocky

Financial Highlights & Statements

South Pasadena High School
2020-2021



Pebbly-vei.com



[Pebbly.vei](https://www.instagram.com/Pebbly.vei)



Pebbly.vei@gmail.com



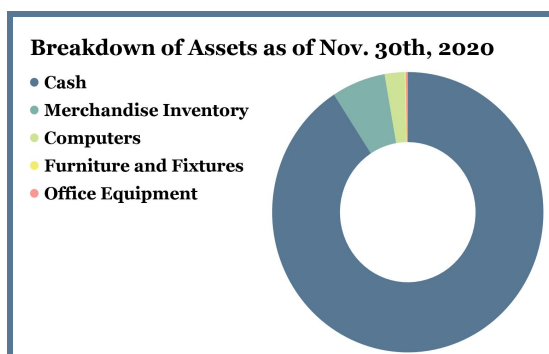
[PebblyV](https://twitter.com/PebblyV)

PEBBLY

Overview

Pebbly was established in late October of 2020 as a Virtual Enterprises International startup company that seeks to improve the social-emotional wellness of Generation Z by providing lovable pet rock companions known as “Pebbly Pals” in both tangible and digital forms. Using our interactive website, customers can log on and bring their rock to life through several engaging online games. By providing an exciting platform that emphasizes social-emotional interaction, Pebbly serves to the mutual benefit of both our target market and our valued investors.

On October 30th, 2020, Pebbly registered as a C corporation, which provides the company with certain tax benefits and ensures that our owners have limited personal liability. Most importantly, this form of ownership has allowed for the rapid acquisition of capital through the sale of stock. In the days following our establishment, our firm managed to acquire \$170,000 in startup funding in this manner, selling \$50,000 of



stock each to three angel investors and acquiring an additional \$20,000 in VEI seed money. As shown on our first-quarter balance sheet, Pebbly has invested only \$3,600 in fixed assets, largely due to our remote operations in light of the Covid-19 pandemic. With over \$117,000 remaining in cash at the end of November, and a high quick ratio of 33.13, Pebbly is in a strong position to cover any expenses incurred within the next few months.

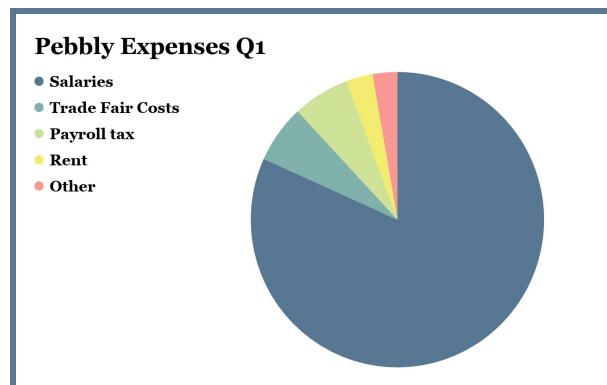
Pebbly’s sole tangible product, the Pebbly Pals, each cost \$4.52 to produce and ship to our customers. Each rock is sold at an affordable price of \$20 and is paired with access to our interactive website, containing a variety of digital games for each customer’s Pebbly Pal. This item was the only product sold for the month of November, where our gross margin was 77.4%. Our line of digital cosmetic accessories was introduced shortly after this report’s financial statements are dated, in mid-December. Single accessories are sold for \$3 each and bundles of accessories can be purchased for a unit price as low as \$2.50.



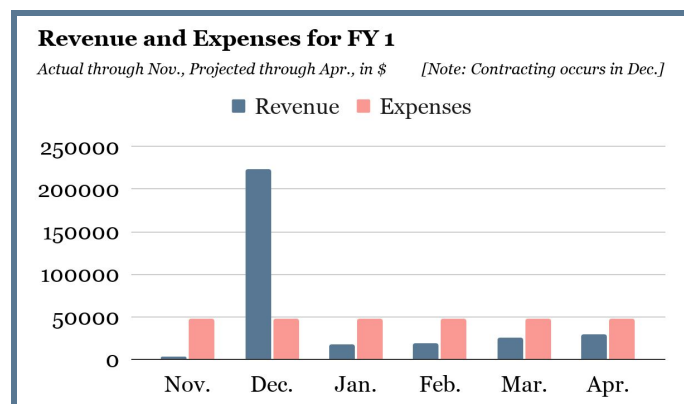
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Pebbly's monthly operating expenses amount to about \$48,000. About \$38,500 of that is made up of salaries, our largest expense. Other significant expenses include trade fair costs, payroll taxes, and rent. Pebbly received \$3,260 in revenue in its first month of operation, with 84% of that coming from the November 17th trade fair.

Upon first glance, Pebbly's first-quarter income statement and cash budget for the month of November may appear troubling. However, several extrinsic factors have contributed to the substantial net loss of \$44,663 reported in the first quarter.



First, Pebbly only began operating on November 17th yet paid expenses, including salaries, for the entire month in which our employees have worked tirelessly to start up the company. Second, out-of-network contracting, which will cover over \$180,000 in expenses for the next six months, is set to occur in December. Lastly, our digital product line, which is virtually free for our firm to produce, is set to be released



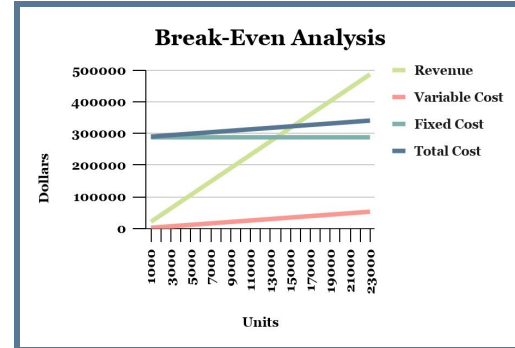
in December, which is expected to increase our average gross profit per customer from about \$15 to over \$25. As seen in our sales forecast, Pebbly expects to drastically increase our revenue as we gain a larger presence within the VEI market and begin contracting. As illustrated by our break-even analysis, with the above factors in mind, we expect the firm to achieve profitability within six months.

Enclosed within this submission is a series of actual and projected financial statements that will accurately reflect the current financial standing of Pebbly. These include a break-even analysis, the first-quarter balance sheet, actual and projected income statements, sales projections, and our actual and projected cash budget. As demonstrated by these statements, Pebbly's strong financial position will enable us to serve both our investors and target market to the fullest extent possible for years to come.



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PEBBLY Break-Even Analysis				
Average Selling Price per Sale		\$21.17		
Average Cost of Goods Sold per Sale		\$2.30		
Average Profit Rate		89.13%		
Annual Fixed Cost		\$287,830		
X	Y	Y	Y	Y
Units Sold	Revenue	Variable Cost	Fixed Cost	Total Cost
1000	\$21,169	\$2,301	\$287,830	\$290,131
2000	\$42,338	\$4,601	\$287,830	\$292,431
3000	\$63,506	\$6,902	\$287,830	\$294,732
4000	\$84,675	\$9,202	\$287,830	\$297,033
5000	\$105,844	\$11,503	\$287,830	\$299,333
6000	\$127,013	\$13,804	\$287,830	\$301,634
7000	\$148,182	\$16,104	\$287,830	\$303,935
8000	\$169,350	\$18,405	\$287,830	\$306,235
9000	\$190,519	\$20,705	\$287,830	\$308,536
10000	\$211,688	\$23,006	\$287,830	\$310,836
11000	\$232,857	\$25,307	\$287,830	\$313,137
12000	\$254,026	\$27,607	\$287,830	\$315,438
13000	\$275,194	\$29,908	\$287,830	\$317,738
14000	\$296,363	\$32,209	\$287,830	\$320,039
15000	\$317,532	\$34,509	\$287,830	\$322,339
16000	\$338,701	\$36,810	\$287,830	\$324,640
17000	\$359,870	\$39,110	\$287,830	\$326,941
18000	\$381,038	\$41,411	\$287,830	\$329,241
19000	\$402,207	\$43,712	\$287,830	\$331,542
20000	\$423,376	\$46,012	\$287,830	\$333,842
21000	\$444,545	\$48,313	\$287,830	\$336,143
22000	\$465,714	\$50,613	\$287,830	\$338,444
23000	\$486,882	\$52,914	\$287,830	\$340,744



Break-Even Analysis

To best demonstrate the profitability of the firm, our team has generated a break-even analysis. The method used involved calculating the price for an average unit, which was accomplished by averaging the price of our four products, weighted by each product’s anticipated sales volume. A similar process was used to find the cost of goods sold for an average unit. Our average gross profit was found to be \$18.87 per unit—a margin of 89.13%. Pebbly’s fixed costs totaling \$287,830 were sourced from the six-month total operating expenses as listed on the income statement. Upon analysis of these key assumptions, our team concluded that revenues would overtake the sum of variable and fixed costs after 15,255 units were sold, at which point revenues would total approximately \$322,950. According to our sales projections, this data would imply that profitability would be achieved in April 2021.





Balance Sheet

Our first-quarter balance sheet, dated November 30th, 2020, reflects our firm's high liquidity at this early stage of our business. With a current ratio of 35.46 and a quick ratio of 33.13, our firm is in a strong position to fulfill all current financial obligations. Our team decided to raise our \$170,000 startup cost entirely through the sale of equity without relying on debt. The avoidance of interest-bearing bank loans will greatly improve our cash flow in our early years. Due to our remote operations under Covid-19 restrictions, Pebbly was required to invest in few fixed assets, which amount to under \$4,000 in value. Because of this, in case unforeseen circumstances arise that threaten our business's financial viability, Pebbly is in a strong position to quickly liquidate the vast majority of our assets. The firm has maintained a relatively high cash balance of \$117,067 thus far. Even disregarding any expected revenue, this is enough cash to fund Pebbly's operations for at least another two months.

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Balance Sheet	
<i>As of November 30th, 2020, in \$</i>	
Assets	
Current Assets	
Cash	117,067
Accounts receivable	0
Merchandise inventory	8,263
Total Current Assets	125,331
Fixed Assets	
Computers	3,100
Less: accumulated depreciation	(52)
Furniture and fixtures	175
Less: accumulated depreciation	(3)
Office equipment	325
Less: accumulated depreciation	(5)
Total Fixed Assets	3,540
Total Assets	128,871
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts payable	0
Sales tax payable	228
Salaries payable	0
Payroll tax and withholding tax payable	3,306
Total Current Liabilities	3,534
Long Term Liabilities	
Loan payable	0
Total Long Term Liabilities	0
Total Liabilities	3,534
Stockholders' Equity	
Common stock, \$10 par value, 17,000 shares issued	170,000
Additional paid-in-capital	0
In excess of par value	0
Retained earnings	(44,663)
Total Stockholders' Equity	125,337
Total Liabilities and Stockholders' Equity	128,871



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PEBBLY Rolling Income Statement <i>Actuals through November, Projected through April, in \$</i>							
	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	TOTAL
Sales Revenues							
Website and VE contractual sales	540	2,495	3,017	3,429	4,711	5,534	19,725
Trade fair revenues	2,720	12,565	15,196	17,274	23,729	27,872	99,357
Contractual sales to non-VE entities	0	208,900	0	0	0	0	208,900
Total Sales Revenues	3,260	223,960	18,213	20,704	28,440	33,406	327,983
Cost of Goods Sold	737	21,054	2,604	2,864	3,886	4,500	35,645
Gross Profit	2,523	202,906	15,609	17,840	24,554	28,906	292,338
Gross Margin (%)	77.40%	90.60%	85.71%	86.17%	86.34%	86.53%	89.13%
Operating Expenses							
Salaries	38,571	38,571	38,571	38,571	38,571	38,571	231,425
Rent	1,380	1,380	1,380	1,380	1,380	1,380	8,280
Depreciation	60	60	60	60	60	60	360
Matching payroll taxes	2,951	2,951	2,951	2,951	2,951	2,951	17,704
Insurance	80	80	80	80	80	80	480
Legal fees	200	200	200	200	200	200	1,200
Workers compensation	740	714	714	714	714	714	4,308
Trade fair costs	3,000	4,000	4,000	4,000	4,000	4,000	23,000
Utilities	115	115	115	115	115	115	690
Other	90	168	42	42	0	42	384
Total Operating Expenses	47,186	48,238	48,112	48,112	48,070	48,112	287,830
Net Income Before Taxes	(44,663)	154,668	(32,502)	(30,272)	(23,516)	(19,206)	4,508
Corporate income tax	0	0	0	0	0	947	947
Net Income After Taxes	(44,663)	154,668	(32,502)	(30,272)	(23,516)	(20,153)	3,561

Income Statement

Our first-year rolling income statement includes actual figures for the month of November 2020 and projected figures for the months of December 2020 through April 2021. Because our firm began operations over halfway through this month, Pebbly received little in revenue for the month of November. However, our projected revenues, based on our sales projections, demonstrate the profitability of our business.

Furthermore, the introduction of our digital product line, which incurs no cost to produce, is expected to increase our gross margin in the coming months.

Out-of-network contracting, which will cover approximately 75% of our employees' salaries in a six-month period, is set to occur in December and will reoccur on a biannual basis. This accounts for the sudden spike in revenue for the month of December. Pebbly's expenses, which are made up primarily of salaries and trade fair costs, total about \$48,000 monthly. By the end of this fiscal year, Pebbly projects to achieve a net profit of \$3,561 after taxes.



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PEBBLY Sales Projections <i>Actuals through November, Projected through April</i>							
	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Units Sold by Product	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	TOTAL
Pebbly Pals (\$20)	163	4,658	576	634	860	996	7,886
Single Accessory (\$3)	0	150	195	234	328	393	1,300
Accessory Bundle (\$8)	0	120	156	187	262	314	1,040
Accessory Package (\$30)	0	4,313	162	194	272	327	5,268
Sales Revenues by Type							
Website and VE contractual sales	\$540	\$2,495	\$3,017	\$3,429	\$4,711	\$5,534	\$19,725
Trade fair revenues	\$2,720	\$12,565	\$15,196	\$17,274	\$23,729	\$27,872	\$99,357
Contractual sales to non-VE entities	\$0	\$208,900	\$0	\$0	\$0	\$0	\$208,900
Total Sales Revenues	\$3,260	\$223,960	\$18,213	\$20,703	\$28,440	\$33,406	\$327,983
Sales Revenues by Product							
Pebbly Pals (\$20)	\$3,260	\$93,160	\$11,520	\$12,672	\$17,196	\$19,913	\$157,721
Single Accessory (\$3)	\$0	\$450	\$585	\$702	\$983	\$1,179	\$3,899
Accessory Bundle (\$8)	\$0	\$960	\$1,248	\$1,498	\$2,097	\$2,516	\$8,318
Accessory Package (\$30)	\$0	\$129,390	\$4,860	\$5,832	\$8,165	\$9,798	\$158,045
Total Sales Revenues	\$3,260	\$223,960	\$18,213	\$20,704	\$28,440	\$33,406	\$327,983
Cost of Goods Sold by Product							
Pebbly Pals (COGS: \$20)	\$737	\$21,054	\$2,604	\$2,864	\$3,886	\$4,500	\$35,645
Single Accessory (COGS: \$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accessory Bundle (COGS: \$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accessory Package (COGS: \$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Goods Sold	\$737	\$21,054	\$2,604	\$2,864	\$3,886	\$4,500	\$35,645
Total Gross Profit	\$2,523	\$202,906	\$15,609	\$17,840	\$24,554	\$28,906	\$292,338

Sales Projections

Pebbly projects \$327,983 in total sales revenues in our first fiscal year, accumulated through our website and Virtual Enterprise contractual sales, trade fair sales, and contracts with firms outside of the Virtual Enterprise ecosystem. Pebbly's niche market limits our ability to base our projections on other real-world company sales. Thus, Pebbly used monthly growth rates from previous VE firms to project our growth, simulating a typical year in the VE economy. The addition of our online accessories was also factored into our projections, justifying the substantial growth in sales from November to December. Our out-of-network contract, scheduled for December, will generate significant revenue for Pebbly, making up 63.7% of total six-month revenue. Based on our trade fair in November, Pebbly expects 30.3% of sales to come from trade fairs and an additional 6% to come from contractual sales within VE and online sales. With the addition of new accessories each month and the ability to interact with our Pebbly Pals, Pebbly expects continued growth throughout our first fiscal year.



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PEBBLY Cash Budget <i>Actuals through November, Projected through April, in \$</i>							
Description	Actual Nov.	Proj. Dec.	Proj. Jan.	Proj. Feb.	Proj. Mar.	Proj. Apr.	Proj. TOTAL
Cash balance at beginning of period:	0.00	117,067.45	297,748.09	238,476.65	214,398.94	202,841.34	0.00
Receipts of cash:							
Sales	3,260.00	223,960.00	18,213.00	20,703.60	28,440.14	33,405.94	327,982.69
Receipts of accounts receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales tax received (7%)	228.20	15,677.20	1,274.91	1,449.25	1,990.81	2,338.42	22,958.79
Investor proceeds	170,000.00	0.00	0.00	0.00	0.00	0.00	170,000.00
Total receipts	173,488.20	239,637.20	19,487.91	22,152.85	30,430.95	35,744.36	520,941.48
Beginning balance + cash receipts	173,488.20	356,704.65	317,236.00	260,629.50	244,829.90	238,585.70	520,941.48
Payments:							
Cost of merchandise	9,000.00	16,800.00	4,200.00	4,200.00	0.00	4,200.00	38,400.00
Net salaries	35,500.00	35,500.00	35,500.00	35,500.00	35,500.00	35,500.00	213,000.00
Accounts payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rent	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	8,280.00
Trade fair costs	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	23,000.00
Insurance	80.00	80.00	80.00	80.00	80.00	80.00	480.00
Accounting and legal fees	200.00	200.00	200.00	200.00	200.00	200.00	1,200.00
Utilities	115.00	115.00	115.00	115.00	115.00	115.00	690.00
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll taxes	0.00	0.00	9,212.25	0.00	0.00	9,212.25	18,424.50
Matching payroll taxes	2,715.75	0.00	6,136.23	0.00	0.00	8,851.98	17,703.96
Workers compensation	740.00	713.56	713.56	713.56	713.56	713.56	4,307.80
Sales tax (7%)	0.00	0.00	17,180.31	0.00	0.00	5,778.48	22,958.79
Fixed assets	3,600.00	0.00	0.00	0.00	0.00	0.00	3,600.00
Corporate tax	0.00	0.00	0.00	0.00	0.00	946.58	946.58
Other	90.00	168.00	42.00	42.00	0.00	42.00	384.00
Total payments	56,420.75	58,956.56	78,759.35	46,230.56	41,988.56	71,019.85	353,375.63
Cash balance at end of period:	117,067.45	297,748.09	238,476.65	214,398.94	202,841.34	167,565.85	167,565.85
Net increase or decrease in cash	117,067.45	180,680.64	(59,271.44)	(24,077.71)	(11,557.61)	(35,275.49)	167,565.85

Cash Budget

The cash budget provides a detailed report of Pebbly's cash flow from November and expected transactions from December to April. Our ending cash balance of \$167,566 reflects the addition of \$3,561 in net income to our initial investment of \$170,000, minus the expected value of our fixed assets, \$3,240, and remaining inventory, \$2,755. Pebbly files taxes quarterly, which increases projected payments in January and April. Pebbly's relatively high cash balance at the end of the first fiscal year guarantees our ability to cover our expenses for the next several months.



PEBBLY

Account details

Account: [Download account details \(Excel\)](#)

Period: from until

Date	Name/Description/Acct#	Ref#	Amount	Balance
Nov. 30, 2020	Jonathan Batmunkh.31214.31214 (US01528), Long Island City, NY VEI Checkout transaction #513070 11/30/2020 02:55 PM CT Acct #630843376	5275576	\$21.40	\$117,067.45
Nov. 30, 2020	Mahal Montes.3884.3884 (US021804), South Pasadena, CA VEI Checkout transaction #513033 11/30/2020 01:28 PM CT Acct #630773777	5275500	\$21.40	\$117,046.05
Nov. 30, 2020	Arley Mejia.31221.31221 (US01528), Long Island City, NY VEI Checkout transaction #513030 11/30/2020 01:22 PM CT Acct #630843368	5275494	\$21.40	\$117,024.65

Bank Balance as of November 30th

As of November 30th, Pebbly’s bank balance for its checking account reads \$117,067. This figure matches the November 30th cash balance listed on the balance sheet and cash budget, which verifies the accuracy of our financial statements.

