UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-1609139

INNERSCOPE HEARING TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada	**46-3096516**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2151 Professional Drive, Second Floor **Roseville, CA**	**95661**
(Address of principal executive offices)	(Zip Code)

(916) 218-4100
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, $0.0001 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or has for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑
(Do not check if a smaller reporting company)	Emerging growth company ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $4,752,400.

The number of shares outstanding of the registrant's $0.0001 par value Common Stock as of April 15, 2019, was 151,737,305 shares.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. The Securities and Exchange Commission (the "SEC") encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "project", "believe", "anticipate", "plan", "expect", "estimate", "intend", "should", "would", "could", or "may", or other such words, verbs in the future tense and words and phrases that convey similar meaning and uncertainty of future events or outcomes to identify these forward–looking statements. There are a number of important factors beyond our control that could cause actual results to differ materially from the results anticipated by these forward–looking statements. While we make these forward–looking statements based on various factors and using numerous assumptions, you have no assurance the factors and assumptions will prove to be materially accurate when the events they anticipate actually occur in the future. Factors that could cause our actual results of operations and financial condition to differ materially are discussed in greater detail under Item 1A, "Risk Factors" of this annual report on Form 10-K.

The forward–looking statements are based upon our beliefs and assumptions using information available at the time we make these statements. We caution you not to place undue reliance on our forward–looking statements as (i) these statements are neither predictions nor guaranties of future events or circumstances, and (ii) the assumptions, beliefs, expectations, forecasts and projections about future events may differ materially from actual results. We undertake no obligation to publicly update any forward–looking statement to reflect developments occurring after the date of this report.

PART I

ITEM 1. BUSINESS.

Company Overview

InnerScope Hearing Technologies, Inc. ("InnerScope" or the "Company") is a Nevada Corporation incorporated June 15, 2012, with its principal place of business in Roseville, California.

On June 20, 2012, InnerScope acquired InnerScope Advertising Agency, LLC ("ILLC"), a commonly owned entity, to provide advertising/marketing services to the hearing device industry in accordance with an Acquisition and Plan of Share Exchange with ILLC.

On November 1, 2013, InnerScope acquired Intela-Hear, LLC ("Intela-Hear"), a commonly owned entity, with an Acquisition and Plan of Share Exchange with Intela-Hear.

On August 25, 2017, the Company changed its name to InnerScope Hearing Technologies, Inc. to better reflect the Company's current direction as a technology driven company with a scalable business to business (B2B) solution and business to consumer (and B2C) solution. Recently, the Company began offering its own line of FDA (Food and Drug Administration) registered Hearing Aids and its "Hearable", and "Wearable" Personal Sound Amplifier Products (PSAPs). On July 5, 2018, the Company signed a supplier agreement as a direct shipped vendor ("DSV") for Walmart.com. The Company has been accepted as a Walmart.com USA, LLC (a wholly-owned subsidiary of Wal-Mart Stores, Inc.) supplier and will sell its FDA-Registered Hearing Aids and its PSAP to Walmart.com as the retailer for their Direct-To-Consumer online retail sale.

InnerScope is a technology driven company with scalable Business to Business ("BTB") and Business to Consumer ("BTC") solutions. The Company offers a BTB SaaS based Patient Management System (PMS) software program, designed to improve operations and communication with patients. InnerScope also offers a Buying Group experience for audiology practice, enabling owners to lower product costs and increase their margins. The Company will compete in the DTC (Direct-to-Consumer) markets with its own line of "Hearables", and "Wearables", including APPs on the iOS and Android markets. The company also has opened 5 retail hearing device clinics and plans on using management's unique and successful talents on acquiring and opening additional audiological brick and mortar clinics to be owned and operated by the company.

On September 10, 2018, the Company acquired all of the assets and assumed certain liabilities of Kathy L Amos Audiology ("Amos Audiology") in exchange for 340,352 shares of common stock (the "Acquisition"). Amos Audiology provides retail hearing aid sales and audiological services in the East Bay area of San Francisco.

We are dedicated to serving the retail hearing aid dispensing community and developing a program to contribute to various hearing aid focused charities.

InnerScope is an "emerging growth company" within the meaning of the federal securities laws. For as long as we are an emerging growth company, we will not be required to comply with the requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and the exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions until we are no longer an emerging growth company.

InnerScope will continue to be an emerging growth company until the earliest to occur of (1) the last day of the fiscal year during which we had total annual gross revenues of at least $1 billion (as indexed for inflation), (2) the last day of the fiscal year following the fifth anniversary of the date of our initial public offering, (3) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt and (4) the date on which we are deemed to be a "large accelerated filer," as defined under the Securities Exchange Act of 1934, as amended (which we refer to as the "Exchange Act").

InnerScope also qualifies as a "smaller reporting company" under Rule 12b-2 of the Securities Exchange Act of 1934, as amended, which is defined as a company with a public equity float of less than $75 million. To the extent that we remain a smaller reporting company at such time as we are no longer an emerging growth company, we will still have reduced disclosure requirements for our public filings some of which are similar to those of an emerging growth company including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

Our authorized capital stock currently consists of 490,000,000 shares of common stock, and 25,000,000 shares of preferred stock. Our common stock is listed on The OTCQB under the symbol "INND."

Our principal corporate headquarters are located at 2151 Professional Drive, Second Floor, Roseville, CA. 95661. Our telephone number is (916) 218-4100. Our website address is www.innd.com. (The information contained on, or that can be accessed through, our website is not a part of this Annual Report on Form 10-K.)

Customers

Pursuant to a Marketing Agreement (cancelled August 5, 2016), the Company provided marketing programs to promote and sell hearing aid instruments and related devices to Moore Family Hearing Company ("MFHC"), an entity under common control, MFHC owned and operated retail hearing aid stores. Based on common control of MFHC and the Company, all transactions with MFHC are classified as related party transactions. The Company has offset the accounts receivable owed from MFHC for expenses of the Company that have been paid by MFHC. As a result of these payments, in addition to MFHC's payments to the Company through December 31, 2016, the balance due to MFHC as of December 31, 2018, and 2017, was $22,548, which is included in Accounts payable, related party, on the consolidated balance sheet included herein.

In September 2016, the officers and directors of the Company formed a California Limited Liability Company ("LLC1"), for the purpose of acquiring commercial real estate and other business activities. On December 24, 2016, LLC1 acquired two retail stores from the buyer of the MFHC stores. On March 1, 2017, the Company entered into a twelve-month Marketing Agreement with each of the stores to provide telemarketing and design and marketing services for $2,500 per month per store, resulting in $60,000 and $50,000, respectively for the years ended December 31, 2018, and 2017. Additionally, for the years ended December 31, 2018, the Company invoiced LLC1 $20,226 for the Company's production, printing and mailing services and $1,793 for sale of products. As of December 31, 2018, and December 31, 2017, LLC1 owes the Company $145,505 and $73,996, respectively.

On August 5, 2016, the Company along with Mark Moore ("Mark", the Company's Chairman of the Board), Matthew Moore ("Matthew", the Company's Chief Executive Officer) and Kim Moore ("Kim", the Company's Chief Financial Officer) entered into a Store Expansion Consulting Agreement (the "Expansion Agreement") with a third party (the "Client"). Mark, Matthew and Kim are herein referred to collectively as the "Moores". Pursuant to the Expansion Agreement, the Company and the Moores were responsible for all physical plant and marketing details for the Client's new store openings during the initial term of six-months. The Expansion Agreement was cancelled on January 6, 2017. The Client has decided to do their own marketing in-house and eliminate this out-sourced contract and decided to open only one location and delay the opening of any other new stores. For the year ended December 31, 2017, the Company recognized $100,000 of income for the one new store, opened in January 2017, and $160,000 in other income, net, for payments received for the Expansion Agreement pursuant to the cancellation. The Client also paid an additional $30,000 for the cancellation of the Store Expansion Agreement and a marketing agreement.

On August 5, 2016, the Company and the Moores also entered into a Consulting Agreement (the "Consulting Agreement") with the same Client as the store Expansion Agreement. Under the Consulting Agreement, including the Non-Compete provision covering a ten-mile radius of any retail store, the Company and the Moores were to provide unlimited licensing of the Intela-Hear brand name, exclusive access to the Aware Aural Rehab Program within 10 miles of retail stores, exclusive territory of all services within 10 miles of retail stores and up to 40 hours per month of various consulting services. The Consulting Agreement continues until January 31, 2019, unless terminated for cause, as defined in the Consulting Agreement. On May 26, 2017, the Company and the Moores were named in an action filed by the Client, that included a demand that all monies paid pursuant to the Consulting Agreement be returned. On August 13, 2018, the Client, InnerScope and the Moores executed a Settlement Agreement.

Revenue Generation

The Company has begun to implement an industry encompassing revenue strategy, including the current revenue model to other major sectors of the global hearing industry. The Company plans include generating revenues from 7 separate revenue streams. Each stream will generate revenue and be poised for growth, increasing the Company's market penetration.

The 7 revenue streams are:

Patient Management System (PMS): a SaaS based software program which was created, designed and customized by and for audiologists, specifically to fill a much-needed clinical gap solved in other multidiscipline software programs. It allows audiological retail clinics to better manage their day-to-day operations through efficient clinical workflow, patient follow up, and logical organization of data. The PMS software platform delivers a comprehensive business solution. Once the data is uploaded, the platform seamlessly integrates the needs of the audiologist, management, patient and marketing. The software also provides a link between an electronic medical record (EMR) system containing patient's medical history, all while seamlessly integrating the schedule and patient files of the clinics' patient management platform. EMR systems are not designed for Audiology and the records are often not integrated. The Company's PMS software solves that problem by linking the two platforms.

Buying Group: The Company will create an exclusive Buying Group experience that management believes will permit hearing aid practices of all sizes to reduce their wholesale costs by aggregating their orders with other practices to obtain a lower per unit cost.

Direct-to-Consumer (DTC): The Company has begun the marketing and selling of products within the new emerging "Hearables" and "Wearables" markets in "Personal Sound Amplification Products" (PSAP's) and the Over-the-Counter (OTC) hearing aid market created by the result of recently passed Congressional legislation, known as "The Hearing Aid Act of 2017", which allows the purchase of hearing aids and related products without seeking a medical professional. The Company will continue to market and sell these products as well as invest in "Hearable" technology and has and will continue to create its own brands and technology in the PSAP and OTC hearing aids in the DTC markets.

APP Development: The Company plans on building apps for the iOS and Android markets that will be dedicated to serving the hearing impairment population around the world. The APPs will be developed to help the audiology and hearing aid retail practices that have joined the Buying Group or using the Company's PMS software, as well as APPs for the hearing-impaired consumer to use for a better hearing experience.

Advertising and Marketing: This division will be built on the Company's current business and will include graphic artists, digital and print marketing experts, and telemarketers. This division will assist all divisions in helping to market and deploy all products and services to practices and consumers, as well as assisting Buying Group members with advertising and marketing for their own practices. Whether the hearing aid dispensary is small, medium or large, we have previously shown an ability to increase the total revenue of our clients without increasing cost. There are over 14,000 retail hearing aid dispensing practices in the United States. The company operates in a highly competitive and growing industry. The proliferation of media channels, including the rapid development of interactive technologies and mediums, along with their integration within all offerings has fragmented consumer audiences, especially the 55+ age sector which is our clients' primary targeted audience. These developments make it more complex for marketers to reach their target audiences in a cost-effective way, causing them to turn to marketing service providers for a customized mix of advertising and marketing communications services designed to make the best use of their total marketing expenditures. We provide a comprehensive range of services (including consulting services), grouped into four fundamental disciplines: advertising/marketing, customer relationship management, public relations and specialty communications.

Retail: The Company plans to open a chain of Audiological and Hearing Aid Clinics throughout the United States and eventually abroad.

Research and Development ("R&D"): Management has been researching and developing products and solutions for the Business to Business ("BTB") and Business to Consumer ("BTC") hearing impaired markets for more than 3 decades. The R&D team which will be comprised of world renowned scientists, business professionals and industry leaders, will develop and deploy products.

Consulting Agreements

On August 9, 2018, the Company entered into a monthly Consulting Services Master Agreement (the “CSMA”), with a third party. The CSMA requires a two- month minimum and a 30- day termination notice. Pursuant to the CSMA, the Company is to compensate the consultant $12,500 per month by the issuance of restricted shares of common stock, based on the average closing trading prices for the three days prior to each monthly payment.

On August 10, 2018, the Company entered into a one- year Consulting, Public Relations and Marketing Agreement (the “CPRM Agreement”), with a third party, which can be cancelled by either party with a 30- day notice to the other party. Pursuant to the terms of the CPTM Agreement the Company is to issue 100,000 shares of restricted common stock each month. The parties agreed to terminate the CPRM Agreement on October 23, 2018.

On August 15, 2018, the Company entered into a six-month Consulting Agreement (the “CA”), with a third party. Pursuant to the CA, the Company agreed to issue 2,500,000 shares of restricted common stock to the consultant.

On October 3, 2018, the Company entered into a Manufacturing Design and Marketing Agreement (the “Agreement”) with Zounds Hearing, Inc. a Delaware corporation (“Zounds”), whereby, Zounds as the Subcontractor will provide design, technology, manufacturing and supply chain services to the Company, to enable the Company to manufacture comparable hearing aids and related components and accessories to be sold under the Company’s exclusive brand names (the “Manufacturer’s Products”) through the Company’s various marketing and distribution channels. The Company will pay Zounds One Million ($1,000,000) (the “Technology Access Fee”). The Technology Access Fee, as amended will be paid in eight (8) installments of $75,000 each, in four- week intervals until $600,000 is paid and $400,000 is to be paid as Product Surcharges based on $200 per unit manufactured for up to the first 2,000 units. Once $400,000 of Product Surcharges are paid said per unit surcharge will be discontinued. As of December 31, 2018, the Company has paid $183,200 towards the Technology Access Fee and as of December 31, 2018, $816.800 is including in accounts payable and accrued expenses.

On October 10, 2018, the Company executed an engagement letter with The Crone Law Group (“Crone”). Crone will provide certain SEC filing services for a fee of $2,500 per month. Additionally, the Company has agreed to issue Crone 500,000 shares of common stock. The Company valued the shares at $36,400, based on the market price of the common stock on the date of the agreement, and is included in professional fees, as stock- based compensation for the year ended December 31, 2108.

On October 31, 2018, the Company entered into a three-year Joint Development Agreement (the “JD Agreement”) and an Exclusive Distribution Agreement (the “ED Agreement”) with Erchonia Corporation (“Erchonia”). As part of the JD Agreement, the Company and Erchonia will conduct FDA clinical research and trials for the purposes of obtaining 510k FDA Clearances for devices, technologies, methods and techniques used in the treatment of hearing relating conditions and disorders such as Tinnitus, Sensorineural hearing Loss, dizziness and other disorders. The agreements give the Company the exclusive worldwide rights for all designs and any newly developed Erchonia 3LT lasers and related technologies and gives the Company the rights to license and distribute such products worldwide. Pursuant to the JD Agreement, the Company has agreed to issue 1,000,000 shares of common stock. The Company valued to the common stock to be issued at $60,000, based on the market price of the common stock on the date of the JD Agreement, to be amortized over the three-year term.

On December 7, 2018, the Company entered into a one- year consulting agreement (the “Media Consulting Agreement”) with a third- party consultant (the “Consultant”). The Consultant will provide communication and broadcast services, as well as strategic planning services. Pursuant to the Media Consulting Agreement, the Company has agreed to issue the Consultant 3,125,000 shares of restricted common stock. On December 7, 2018, the Company recorded 3,125,000 shares of common stock to be issued. The company valued the common stock to be issued at $125,000 based on the market price of the common stock on the date of the Media Consulting Agreement, to be amortized over the term of the agreement. The Company amortized $7,639 for the year ended December 31, 2018, and is included in Professional fees on the consolidated Statement of operations. As of December 31, 2018, there remains $117,361 of deferred stock compensation on the consolidated balance sheet, to be amortized in 2019.

On April 3, 2017, the Company entered into a one (1) year Financial Consulting Agreement (the "FC Agreement"), with a Consultant (the "FC Consultant"). Pursuant to the FC Agreement, the FC Consultant will assist the Company in its' accounting and public company filing requirements and compliance. The Company has agreed to compensate the FC Consultant $4,500 per month and to issue 333,334 shares of restricted common stock of the Company. The Company valued the shares at $0.30 per share (the market price of the common stock on the date of the agreement) and will amortize the cost over the one-year life of the agreement, accordingly, the Company recorded stock compensation expense of $25,000 and $75,000 for the years ended December 31, 2018, and 2017, respectively., and there remains a $25,000 balance of deferred stock compensation (in the equity section of the balance sheet herein) that will be amortized over the remaining term of the agreement. The FC Consultant was previously providing services for the Company at the time of the Agreement but is not affiliated with the Company or its management.. For each of the years ended December 31, 2018, and 2017, the Company expensed fees to the FC Consultant of $54,000.

Effective December 1, 2017, the Company entered into a one-year Marketing Services Agreement (the "MSA"), with a third party. Pursuant to the terms of the MSA, the Company will receive consulting and advisory services regarding the implementation of marketing programs, including the design and creation of commercial websites and commercialization of products through social media or other marketing methods. The Company will pay consideration for the services of $5,000 cash and $5,000 of common stock each month. The Company will issue the number of shares of common stock equal to a twenty-five percent (25%) discount to the lowest closing price of the common stock for the five (5) last trading days of the common stock for that month. The parties agreed to terminate the services and contract effective June 30, 2018. For the year ended December 31, 2018, the Company recorded $30,000 of consulting expense and recorded $38,512 of stock-based compensation expense (pursuant to the terms of the MSA) from the issuance of 925,130 shares of common stock. On February 27, 2018, the Company issued 102,564 shares of common stock that were previously recorded as common stock to be issued.as of December 31, 2017.

On December 1, 2017, the Company entered into a three-month Consulting and Marketing Agreement (the "CMA") with a third party. Pursuant to the terms of the CMA the Company compensated the third-party $15,000 per month in consideration for consulting services related to development of business plans, corporate strategy and marketing.

On December 8, 2017, the Company entered in a month to month contract regarding investor relation services with a third-party for $3,600 per month beginning January 1, 2018.

On August 5, 2016, the Company along with the Expansion Agreement as discussed above. Pursuant to the Expansion Agreement, the Company and the Moores were responsible for all physical plant and marketing details for new store openings during the initial term of six-months. The Expansion Agreement was cancelled on January 6, 2017. The Company's client has decided to do their own marketing in-house and eliminate this out-sourced contract and has decided to delay the opening of any new stores. For the year ending December 31, 2017, the Company has received and recognized $160,000 in other income, net, for payments received for the cancellation of the Expansion Agreement.

Also, on August 5, 2016, the Company and the Moores entered into a Consulting Agreement as discussed above with the same party as the store Expansion Agreement. On May 26, 2017, a complaint (the "Complaint") was filed against the Company and the Moores, which includes a request for rescission of the Consulting Agreement. The Company filed a countersuit against this third party for breach of contract so that it may recover the amounts owed under the Consulting Agreement, however, effective January 1, 2017, the Company had not recognized revenue from the Consulting Agreement, and accordingly, $847,223 was classified as deferred revenue on the December 31, 2017, consolidated balance sheets presented herein. On August 13, 2018, the client, the Company and the Moores signed a Settlement Agreement, whereby, the Company received $450,000 and both parties dismissing all claims against the other party with prejudice. Accordingly, the Company recognized Other income of $1,297,223 for the year ended December 31, 2018, comprised of the deferred revenues for amounts previously received and the $450,000 settlement amount.

Competition

We have numerous direct, indirect and partial competitors, many of which have valuable industry relationships and access to greater resources than we do. There is no assurance that we will be able to provide services that will be competitive in the marketplace, and even if competitive, that we will be able to earn a profit.

The numerous types of direct or indirect competitors that exist in the market today include, but may not be limited to, sales and marketing firms, marketing consultants, design services, ad agencies, media buying firms, internet marketing firms, online social media firms and others: Key competitors include Chicago Advertising & Marketing (CAM), a leader in direct marketing for the Hearing Aid Industry since 1995, Beeman Marketing, a marketing firm specializing in hearing care practitioners and audiologists since 2004, and Nutshell Marketing, a high quality direct response marketing firm specialized in targeting 55 and older age group.

The internet is fast becoming a major factor in the distribution of hearing aids in the U.S. Numerous small companies are on the internet advertising hearing aids for the cheapest price, and the largest hearing aid manufacturer, Sonova, which owns HearingPlanet, is most prominent among these online offerings. However, internet sales still require the participation of a local practitioner for testing and fitting. This limits the widespread geographic appeal of internet sales.

Our Buying Group plan faces competition from major retail distributors and/or networks, as there is presently rapid growth of manufacturer-owned retail stores. Major consolidation has taken place in the US market by the hearing aid manufacturers in the last few years, with almost every manufacturer participating in buying out other smaller manufacturers, resulting in many different brand labels controlled under the same parent company umbrella. This consolidation has allowed the manufacturers to increase and control more of their distribution by offering different levels in their product lines throughout their different brands. This has also allowed the manufacturers to implement different price strategies for the same technology throughout their brands. This consolidation has not only increased their market share but also increased their profit margins.

Technology and Development

We are equipped with three (3) G5 MacPros and one (1) iMac, which are up-to-date with the latest in software package from Adobe Creative Cloud and other graphic design software. We also utilize a large format printer and a production color printer to handle all proofing needs. All design and client information is held on a cloud computing network, which allows all designers and customer relation associates to access all design and customer files from on-site and off-site, to improve productivity and decrease lag time. Files are encrypted and password protected to make sure files are securely stored.

Intellectual Property

We have copyrights on all materials that are created or modified by any designers, which includes all conceptual and final artwork. Over the years, we have developed proprietary processes in how we manage our marketing programs; these processes are not protected by any patents but, to the extent possible, are covered by non-disclosure agreements executed with clients, consultants and employees. In the future we may utilize the services of contract developers, consultants, and/or third party personnel. Our success may depend in part upon our ability to preserve our trade secrets, obtain and maintain patent protection for our technologies, products and processes, and operate without infringing upon the proprietary right of other parties. However, we may rely on certain proprietary technologies, trade secrets, and know-how that are not patentable. Although we may take action to protect our unpatented trade secrets and our proprietary information, in part, by the use of confidentiality agreements with our employees, consultants and certain of our contractors, we cannot guarantee that:

(a) these agreements will not be breached;

(b) we would have adequate remedies for any breach; or

(c) our proprietary trade secrets and know-how will not otherwise become known or be independently developed or discovered by competitors.

We cannot guarantee that our actions will be sufficient to prevent imitation or duplication of either our products or services by others or prevent others from claiming violations of their trade secrets and proprietary rights.

Government Regulation.

We are subject to a limited variety of local, state, and federal regulations. Some of our products for example are registered with the FDA. While we believe that our operations are in compliance with all applicable regulations, there can be no assurances that from time to time unintentional violations of such regulations will not occur. We are subject to federal, state and local laws and regulation applied to businesses, such as payroll taxes on the state and federal levels. Our current business requires that we comply with state corporate filings, city or county business license and the necessary business liability insurance. The requirements of these regulations are minimal and do not cause any undue burden.

Internet access and online services are not subject to direct regulation in the United States. Changes in the laws and regulations relating to the telecommunications and media industry, however, could impact our business. For example, the Federal Communications Commission could begin to regulate the Internet and online service industry, which could result in increased costs for us. The laws and regulations applicable to the Internet and to our services are evolving and unclear and could damage our business. There are currently few laws or regulations directly applicable to access to, or commerce on, the Internet. Due to the increasing popularity and use of the Internet, it is possible that laws and regulations may be adopted, covering issues such as user privacy, defamation, pricing, taxation, content regulation, quality of products and services, and intellectual property ownership and infringement. Such legislation could expose us to substantial liability as well as dampen the growth in use of the Internet, decrease the acceptance of the Internet as a communications and commercial medium, or require us to incur significant expenses in complying with any new regulations.

Debt and Recent Events

Capital Raising

During the year ended 2018 and through April 15, 2019, we incurred an aggregate of $1,961,133 and $1,296,003 of convertible indebtedness, respectively, at variable conversion rates. An aggregate of $1,277.108 and $2,337,436 was outstanding as of December 31, 2018 and April 15, 2019, respectively, convertible into approximately 75,600,000 shares of our common stock as of the date hereof. All of these financings were private transactions with accredited investors pursuant to Regulation D of Rule 506 or other exemptions from the registration requirements of the Securities Act.

Retail Establishments

Our retail establishment presence has grown significantly during late 2018 and early 2019. Since September 2018 through the date of filing of this Report we opened and entered into property leases for, five new retail clinic facilities. Additional detailed information relating to these facilities is provided in our "Description of Properties" section below.

Employees

As of March 31, 2019, we have 19 full-time employees.

ITEM 1A – RISK FACTORS

You should carefully consider the risks described below, as well as other information provided to you in this document, including information in the section of this document entitled "Forward-Looking Statements." The risks and uncertainties described below are not the only ones facing the Company. If any of the following risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

Investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. Our business, financial condition and/or results of operation may be materially adversely affected by the nature and impact of these risks. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Risks Related to Our Business and Our Industry

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern.

We incurred a net loss of $4,585,117 and $1,913,332 for the years ending December 31, 2018, and 2017, respectively. Because of the operating losses, negative cash flows from operations and working capital deficit, in their report on our financial statements for the year ended December 31, 2018, our independent auditors included an explanatory paragraph regarding their substantial doubt about our ability to continue as a going concern. We are dependent therefore in raising additional capital in order to fund our operations. We may continue to experience net operating losses in the foreseeable future. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loan from various financial institutions where possible. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

We are dependent on raising additional capital. If we are unable to raise additional capital, we may not be able to achieve our business plan and you could lose your investment.

We are dependent on raising outside capital to fill our operational and expansion needs. We currently raise this debt through private debt or equity financings, as well as obtain credit from vendors to be able to fully execute our business plan. Any additional capital raised through the sale of equity may dilute your ownership interest. We may not be able to raise additional funds on favorable terms, or at all. If we are unable to obtain additional funds or credit from our vendors, we will be unable to execute our business plan and you could lose your investment. Management estimates we will need approximately $2,500,000 to fully implement, execute, market and launch our plans of multiple revenue streams in 2019. During 2019 we raised approximately $1,073,000 by the issuance of $1,296,000 of convertible notes.

Our Directors and Officers hold 900,000 Shares of our Series B Preferred Shares which gives them voting control of the Company and therefore effective control of the Company.

As the holders of the Series B Preferred Stock, our current officers and directors (the Moores) will have 1,000 votes per each share of the 900,000 shares of Series B Preferred that they own, constituting 900,000,000 votes, on any matter submitted to the holders of the common stock of the Company, effectively giving the holders voting control of the Company, as there are only 151,737,305 shares of the Company's common stock currently issued and outstanding. In addition to the voting power held via the Series B Preferred, our officers and directors are also the holder of 57,060,000 shares of the Company's common stock representing 37.6% of the issued and outstanding shares of the Company's common stock. As a result of the issuance of the preferred, the holders total voting percentage, including their common stock, is now 91%. This leaves our shareholders with no control over our business and operations, and any investors in our Company should be aware of this risk.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business. Some of the individuals who now constitute our management team have limited experience managing a publicly traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our continued transition to a public company that will be subject to significant regulatory oversight and reporting obligations under the federal securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business, which could materially and adversely impact our business operations.

Sales concentrations for the year ended December 31, 2018 and 2017.

For the year ended December 31, 2108, one customer accounted for 25.2% of our business and is a related party. For the year ended December 31, 2017, four customers accounted for approximately 75% of our business, of which one (18.3%), was a related party. In August 2016, we entered into a 30- month Consulting Agreement with an unaffiliated party, as well as a Store Expansion Agreement and Marketing Agreement. The Store Expansion Agreement and Marketing Agreement were subsequently cancelled. The unaffiliated party represented approximately 27.6% of our revenues for the year ended December 31, 2017.

A significant part of our business plan depends on marketing of our products and services, which may not be accepted in the marketplace.

Our industry is extremely competitive and we have yet to attain any significant market share. In order to achieve successful operations, we will depend on effective marketing to gain a significantly larger market share. We do not engage independent sales representatives. We do not employ a marketing agency. Employing a greater number of marketing personnel or a marketing agency would require greater financial resources than we currently possess. Furthermore, our ability to attract independent sales representatives may be limited without greater name recognition, an advertising campaign and market penetration. Unless we are able to address these limitations in our marketing capabilities, you may expect our revenues to be limited and we may have difficulty staying in business. And under such circumstances, our stock would not gain in value.

We operate in and plan to expand into extremely competitive environments, which will make it difficult for us to achieve market recognition and revenues.

We operate in an extremely competitive environment and the markets for our products and services are characterized by rapidly changing technologies, frequent new product introductions, short product life cycles and evolving industry standards. Our success depends, in substantial part, on the timely and successful introduction of our new products and services and thereafter upgrades of our products and services to comply with emerging industry standards and to address competing technological and product developments by our competitors. We may focus our resources on technologies that do not become widely accepted, are not timely released or are not commercially viable. In addition, our products may contain defects or errors that are detected only after deployment. If our products are not competitive or do not work properly, our business could suffer and our financial performance could be negatively impacted. You have no assurance that our new products and services, which we intend to be a significant part or our business, will be accepted in the marketplace. If our products and services do not achieve market acceptance, our revenues will be significantly below the level we anticipate.

We are an early-stage company with an unproven business model and our business may not become profitable.

We are an early-stage company with a limited operating history upon which you can evaluate our business. We have very limited historical financial data. As a result of these factors, the revenue and income potential of our business is unproven, and we have only a limited operating history upon which to base an evaluation of our current business and future prospects. Because of our limited operating history and because the health care industry is rapidly evolving, we have limited insight into trends that may emerge and affect our business. We may make errors in predicting and reacting to relevant business trends, which could harm our business. Early-stage companies in new and rapidly evolving markets such as ours frequently encounter risks, uncertainties and difficulties, including those described in this section. We may not be able to successfully address any or all of these risks. Failure to adequately address such risks could cause our business, financial condition, results of operations and prospects to suffer.

Our revenues are highly susceptible to declines as a result of unfavorable economic conditions.

Economic downturns could affect the hearing aid industry more severely than other industries, and the recovery of the hearing aid industry could lag behind that of the economy generally. In the past, some clients have responded to weakening economic conditions by reducing their purchases of hearing aids in general and marketing budgets specifically, which include discretionary components that are easier to reduce in the short term than other operating expenses. This pattern may recur in the future. A decrease in our revenue could pose a challenge to our cash generation from operations.

Our financial condition could be adversely affected if our available liquidity is insufficient.

If our business is significantly adversely affected by further deterioration in the economic environment or otherwise, it could lead us to seek new or additional sources of liquidity to fund our needs. Currently, for a non-investment-grade company such as ours, the capital markets are challenging, with limited available financing and at higher costs than in recent years. There can be no guarantee that we would be able to access any new sources of liquidity on commercially reasonable terms or at all.

We may lose or fail to attract and retain key employees and management personnel.

Our employees, including creative, research, media and account specialists, and their skills and relationships with clients, are among our most important assets. An important aspect of our competitiveness is our ability to attract and retain key employees and management personnel. Our ability to do so is influenced by a variety of factors, including the compensation we award, and could be adversely affected by our financial or market performance.

We currently have only a small management team and staff, which could limit our ability to effectively seize market opportunities and grow our business.

Our operations are subject to all of the risks inherent in a growing business enterprise, including the likelihood of operating losses. As a smaller company with a limited operating history, our success will depend, among other factors, upon how we manage the problems, expenses, difficulties, complications and delays frequently encountered in connection with the growth of a new business, products and channels of distribution, and current and future development. In addition, as a company with a limited operating history and only a small management team and staff to grow the business and manage the risks inherent in a growing business enterprise, these factors could limit our ability to effectively seize market opportunities and grow.

We are subject to regulations and other governmental scrutiny that could restrict our activities or negatively impact our revenues.

Our marketing sector is subject to government regulation and other governmental action, both domestic and foreign. There has been an increasing tendency on the part of advertisers and consumer groups to challenge advertising through legislation, regulation, the courts or otherwise. For example, challenges have been made in the courts on the grounds that the advertising is false and deceptive or injurious to public welfare. Through the years, there has been a continuing expansion of specific rules, prohibitions, media restrictions, labeling disclosures and warning requirements with respect to the advertising for certain products. Representatives within government bodies, both domestic and foreign, continue to initiate proposals to ban the advertising of specific products and to impose taxes on or deny deductions for advertising, which, if successful, may have an adverse effect on advertising expenditures and consequently our revenues.

We are be subject to the periodic reporting requirements of Section 15(d) of the Exchange Act that requires us to incur audit fees and legal fees in connection with the preparation of such reports. These additional costs could reduce or eliminate our ability to earn a profit.

We are subject to the periodic reporting requirements of Section 15(d) of the Exchange Act that requires us to incur audit fees and legal fees in connection with the preparation of such reports. These additional accounting, audit, legal, printing, public relations and other costs could reduce or eliminate our ability to earn a profit. We are required to file periodic reports with the SEC pursuant to the Exchange Act and the rules and regulations promulgated thereunder. In order to comply with these requirements, our independent registered public accounting firm will have to review our financial statements on a quarterly basis and audit our financial statements on an annual basis. Moreover, our legal counsel will have to review and assist in the preparation of such reports. The incurrence of such costs constitutes an expense to our operations and thus have a negative effect on our ability to meet our overhead requirements and earn a profit. We are also continually exposed to potential risks resulting from any new requirements under Section 404 of the Sarbanes-Oxley Act of 2002. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock, could drop significantly

If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.

Due to our evolving business model, the unpredictability of new markets that we intend to enter, and the unpredictability of future general economic and financial market conditions, we may not be able to accurately forecast our rate of growth. We plan our expense levels and investment on estimates of future revenue and future anticipated rate of growth. As a result, we expect that our revenues, operating results and cash flows may fluctuate significantly on a quarterly basis

We may in the future be sued by third parties for alleged infringement of their proprietary rights.

The software and Internet industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We may receive in the future communications from third parties claiming that we have infringed the intellectual property rights of others. We may in the future be sued by third parties for alleged infringement of their proprietary rights. Our technologies may not be able to withstand any third-party claims against their use. The outcome of any litigation is inherently uncertain. Any intellectual property claims, whether with or without merit, could be time-consuming and expensive to resolve, could divert management attention from executing our business plan and could require us to change our technology, change our business practices and/or pay monetary damages or enter into short- or long-term royalty or licensing agreements which may not be available in the future at the same terms or at all.

We rely on third-party computer hardware and software that may be difficult to replace or which could cause errors or failures of our service.

We will rely on computer hardware purchased or leased and software licensed from third parties in order to offer our proposed service, including database software from Oracle Corporation and an open source content management system. This hardware and software may not continue to be available at reasonable prices or on commercially reasonable terms, or at all. Any loss of the right to use any of this hardware or software could significantly increase our expenses and otherwise result in delays in the provisioning of our service until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. Any errors or defects in third-party hardware or software could result in errors or a failure of our service which could harm our business.

Our business could be adversely affected if our customers are not satisfied with their purchase through us or the implementation and customization services provided by third party Service Providers.

Our business will depend on our ability to satisfy our potential customers. If a customer is not satisfied with the quality of the product or service, the customer's dissatisfaction could damage our ability to obtain additional or future orders from that customer. In addition, potential negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with prospective customers.

We are dependent on our CEO and outsourced consultants, and the loss of one or more of these individuals could harm our business and prevent us from implementing our business plan in a timely manner.

Our success depends substantially upon the continued services of our executive officers and other key members of management, particularly our CEO, Matthew Moore. We do not maintain key person life insurance policies on our CEO. The loss of the services of our CEO could seriously harm our business.

Our CEO is also an Officer or a managing member of Moore Family Hearing Company, Moore Holdings, LLC and Value Hearing, LLC, and we have entered into transactions with these entities.

Our future growth may be dependent, in part, on our distribution arrangements directly with retailers and regional retail accounts. If we are unable to establish and maintain these arrangements, our results of operations and financial condition could be adversely affected.

Our future growth may be dependent in part on our distribution arrangements directly with retailers and regional retail accounts. If we are unable to establish and maintain these arrangements, our results of operations and financial condition could be adversely affected. We currently have distribution arrangements with a few regional retail accounts to distribute our products directly through their venues; however, there are several risks associated with this distribution strategy. First, we do not have long-term agreements in place with any of these accounts and thus, the arrangements are terminable at any time by these retailers or us. Accordingly, we may not be able to maintain continuing relationships with any of these national accounts. A decision by any of these retailers, or any other large retail accounts we may obtain, to decrease the amount purchased from us or to cease carrying our products could have a material adverse effect on our reputation, financial condition or results of operations. In addition, we may not be able to establish additional distribution arrangements with other national retailers. In addition, our dependence on large regional retail chains may result in pressure on us to reduce our pricing to them or seek significant product discounts. In general, our margins are lower on our sales to these customers because of these pressures. Any increase in our costs for these retailers to carry our product, reduction in price, or demand for product discounts could have a material adverse effect on our profit margin.

Our ability to grow our business may depend on developing a positive brand reputation and member loyalty.

Establishing and maintaining a positive brand reputation and nurturing member loyalty is critical to attracting new customers. We expect to expend reasonable but limited resources to develop, maintain and enhance our brand in the near future. In addition, nurturing customer loyalty will depend on our ability to provide a high-quality, user experience. If we are unable to maintain and enhance our brand reputation and customer satisfaction, our ability to attract new customers will be harmed.

Investors may lose their entire investment if we fail to reach profitability.

We commenced business in 2006. We have no demonstrable operations record from which you can evaluate the business and its prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development. We cannot guarantee that we will be successful in accomplishing our objectives. To date, we have incurred losses and will continue to do so in the foreseeable future. Investors should therefore be aware that they may lose their entire investment in the securities.

We have limited protection of our intellectual property.

Our business prospects do not rely upon company-owned patented technologies. Our business prospects will depend largely on our ability to service and support customers and deliver services and solutions. There can be no assurance that we will be able to adequately protect our trade secrets. In the event competitors independently develop or otherwise obtain access to our know-how, concepts or trade secrets, we may be adversely affected.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We may become party to litigation claims and legal proceedings. Litigation involves significant risks, uncertainties and costs, including distracting of management's attention away from our current business operations. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We caution you that actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Our policies and procedures require strict compliance by our employees and agents with all United States and local laws and regulations applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, there can be no assurance that our policies and procedures will always ensure full compliance by our employees and agents with all applicable legal requirements. Improper conduct by our employees or agents could damage our reputation in the United States and internationally or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

Our business model is subject to change

We may elect from time to time to make pricing, service, hiring and marketing decisions that could increase our expenses, affect our revenues and impact our financial results. Moreover, because our expense levels in any given quarter are based, in part, on management's expectations regarding future revenues, if revenues are below expectations, the effect on our operating results may be magnified by our inability to adjust spending in a timely manner to compensate for a shortfall in revenues. The extent to which expenses are not subsequently followed by increased revenues would harm our operating results and could seriously impair our business.

If we do not effectively manage changes in our business, these changes could place a significant strain on our management and operations.

To manage our growth successfully, we must continue to improve and expand our systems and infrastructure in a timely and efficient manner. Our controls, systems, procedures and resources may not be adequate to support a changing and growing company. If our management fails to respond effectively to changes and growth in our business, including acquisitions, this could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

As we attempt to expand our customer base through our marketing efforts, our new customers may use our products differently than our existing customers and, accordingly, our business model may not be as efficient at attracting and retaining new customers.

As we attempt to expand our customer base, our new customers may use our products differently than our existing customers. For example, a greater percentage of new customers may take advantage of the free trial period we offer but ultimately choose to use another form of marketing to reach their constituents. If our new customers are not as loyal as our existing customers, our attrition rate will increase and our customer referrals will decrease, which would have an adverse effect on our results of operations. In addition, as we seek to expand our customer base, we expect to increase our spending on sales and marketing activities in order to attract new customers, which will increase our operating costs. There can be no assurance that these sales and marketing efforts will be successful

U.S. federal legislation entitled Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 imposes certain obligations on the senders of commercial emails, which could minimize the effectiveness of our email marketing solution, and establishes financial penalties for non-compliance, which could increase the costs of our business.

Part of our marketing plan includes email advertising. U.S. federal legislation entitled Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 imposes certain obligations on the senders of commercial emails, which could minimize the effectiveness of our email marketing solution, and establishes financial penalties for non-compliance, which could increase the costs of our business. In December 2003, Congress enacted Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, which establishes certain requirements for commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to source or content. The CAN-SPAM Act, among other things, obligates the sender of commercial emails to provide recipients with the ability to opt out of receiving future emails from the sender. In addition, some states have passed laws regulating commercial email practices that are significantly more punitive and difficult to comply with than the CAN-SPAM Act, particularly Utah and Michigan, which have enacted do-not-email registries listing minors who do not wish to receive unsolicited commercial email that markets certain covered content, such as adult or other harmful products. Some portions of these state laws may not be preempted by the CAN-SPAM Act. The ability of our customers' constituents to opt out of receiving commercial emails may minimize the effectiveness of our email marketing solution. Moreover, non-compliance with the CAN-SPAM Act carries significant financial penalties. If we were found to be in violation of the CAN-SPAM Act, applicable state laws not preempted by the CAN-SPAM Act, or foreign laws regulating the distribution of commercial email, whether as a result of violations by our customers or if we were deemed to be directly subject to and in violation of these requirements, we could be required to pay penalties, which would adversely affect our financial performance and significantly harm our business. We also may be required to change one or more aspects of the way we operate our business, which could impair our ability to attract and retain customers or increase our operating costs.

Government regulation of the Internet, e-commerce and m-commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations.

Government regulation of the Internet, e-commerce and m-commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations. We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet, e-commerce and m-commerce in a number of jurisdictions around the world. Existing and future regulations and laws could impede the growth of the Internet, e-commerce, m-commerce or other online services. These regulations and laws may involve taxation, tariffs, privacy and data security, anti-spam, data protection, content, copyrights, distribution, electronic contracts, electronic communications and consumer protection. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws and regulations were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet, e-commerce or m-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant resources in defense of these proceedings, distract our management, increase our costs of doing business, and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and mobile applications or may even attempt to completely block access to our marketplace. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our net revenues as anticipated

Our business practices with respect to data and consumer protection could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy, data protection and consumer protection.

Our business practices with respect to data and consumer protection could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy, data protection and consumer protection. Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we collect. We strive to comply with all applicable laws, regulations, self-regulatory requirements and legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by us to comply with federal, state or international laws or regulations, including laws and regulations regulating privacy, data security, marketing communications or consumer protection, or other policies, self-regulatory requirements or legal obligations could result in harm to our reputation, a loss in business, and proceedings or actions against us by governmental entities, consumers, retailers or others. We may also be contractually liable to indemnify and hold harmless performance marketing networks or other third parties from the costs or consequences of noncompliance with any laws, regulations, self-regulatory requirements or other legal obligations relating to privacy, data protection and consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Any such proceeding or action, and any related indemnification obligation, could hurt our reputation, force us to incur significant expenses in defense of these proceedings, distract our management, increase our costs of doing business and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability.

The Company may lose its status as an Emerging Growth Company.

Under Section 2(a)(19) of the Securities Act of 1933 and Section 3(a)(80) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), an Emerging Growth Company ("EGC") will lose its EGC status upon the earliest of:

- the last day of the first fiscal year in which the company's annual gross revenues exceed $1 billion;
- the date on which the company is deemed to be a large accelerated filer (as defined in Rule 12b-2 under the Exchange Act);
- the date on which the company has, during the previous three-year period, issued more than $1 billion in non-convertible debt; and
- the last day of the fiscal year in which the fifth anniversary of the company's first sale of equity securities pursuant to an effective registration statement occurs.

Risks Related to Our Common Stock

We have raised capital through the use of convertible debt instruments that causes substantial dilution to our stockholders.

Because of the size of our Company and its status as a “penny stock” as well as the current economy and difficulties of companies our size experience in finding adequate sources of funding, we have been forced to raise capital through the issuance of convertible notes and other debt instruments. These debt instruments carry favorable conversion terms to their holders of up to 35% discounts to the market price of our common stock on conversion and in some cases provide for the immediate sale of our securities into the open market, which will cause dilution to our stockholders. As of December 31, 2018, we had approximately $1,277,108 in convertible debt and potential convertible debt outstanding, with weighted average interest of approximately 8% and annual debt service of approximately $103,000. The convertible debt is convertible into approximately 120,800,000 shares of common stock at December 31, 2018. This convertible debt balance as well as additional convertible debt we incur in the future will cause substantial dilution to our stockholders.

Because we are quoted on the OTCQB instead of an exchange or national quotation system, our investors may have a tougher time selling their stock or experience negative volatility on the market price of our common stock.

Our common stock is quoted on the OTCQB. The OTCQB is often highly illiquid, in part because it does not have a national quotation system by which potential investors can follow the market price of shares except through information received and generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of volatility for securities that are quoted on the OTCQB as compared to a national exchange or quotation system. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower trading volume, and market conditions. Investors in our common stock may experience high fluctuations in the market price and volume of the trading market for our securities. These fluctuations, when they occur, have a negative effect on the market price for our securities. Accordingly, our stockholders may not be able to realize a fair price from their shares when they determine to sell them or may have to hold them for a substantial period of time until the market for our common stock improves.

Our stock is listed on the OTCQB, if we fail to remain current on our reporting requirements, we could be removed from the OTCQB which would limit the ability of broker-dealers to sell our securities in the secondary market.

Companies trading on the OTCQB, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTCQB. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. In addition, we may be unable to get relisted on the OTCQB, which may have an adverse material effect on the Company.

The Possible Sale of Shares of Common Stock by Our Selling Security Holders May Have a Significant Adverse Effect on the Market Price of Our Common Stock.

We have registered 906,000 shares of common stock with the U.S. Securities Exchange Commission. The security holders may sell some or all of their shares at anytime. In the event that the security holders sell some or all of their shares, the price of our common stock could decrease significantly.

Our ability to raise additional capital through the sale of our stock in a private placement may be harmed by these competing re-sales of our common stock by the selling security holders. Potential investors may not be interested in purchasing shares of our common stock if the selling security holders are selling their shares of common stock. The selling of stock by the security holders could be interpreted by potential investors as a lack of confidence in us and our ability to develop a stable market for our stock. The price of our common stock could fall if the selling security holders sell substantial amounts of our common stock. These sales may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate because the selling security holders may offer to sell their shares of common stock to potential investors for less than we do.

We are an 'Emerging Growth Company" and we intend to take advantage of reduced disclosure and governance requirements applicable to Emerging Growth Companies, which could result in our stock being less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We expect to take advantage of these reporting exemptions until we are no longer an emerging growth company, which in certain circumstances could be for up to five years.

The Company's election to take advantage of the jobs act's extended accounting transition period may not make its financial statements easily comparable to other companies.

Pursuant to the JOBS Act of 2012, as an emerging growth company the Company can elect to take advantage of the extended transition period for any new or revised accounting standards that may be issued by the Public Company Accounting Oversight Board ("PCAOB") or the Securities & Exchange Commission ("SEC"). The Company has elected take advantage of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the standard on the private company timeframe. This may make comparison of the Company's financial statements with any other public company which is not either an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible as possible different or revised standards may be used.

The Jobs Act will also allow the Company to postpone the date by which it must comply with certain laws and regulations intended to protect investors and reduce the amount of information provided in reports filed with the

The JOBS Act is intended to reduce the regulatory burden on "emerging growth companies. The Company meets the definition of an emerging growth company and so long as it qualifies as an "emerging growth company," it will, among other things:

- be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that its independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting.

- be exempt from the "say on pay" provisions (requiring a non-binding shareholder vote to approve compensation of certain executive officers) and the "say on golden parachute" provisions (requiring a non-binding shareholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Act and certain disclosure requirements of the Dodd-Frank Act relating to compensation of its chief executive officer;

- be permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Securities Exchange Act of 1934 and instead provide a reduced level of disclosure concerning executive compensation; and

- be exempt from any rules that may be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report on the financial statements

The Company currently intends to take advantage of some or all of the reduced regulatory and reporting requirements that will be available to it so long as it qualifies as an "emerging growth company".

As long as the Company qualifies as an Emerging Growth Company, the Company's independent registered public accounting firm will not be required to attest to the effectiveness of the company's internal control over financial reporting.

Because the Company has elected to take advantage of the extended time periods for compliance with new or revised accounting standards provided for under Section 102(b) of the JOBS Act, among other things, this means that the Company's independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of the Company's internal control over financial reporting so long as it qualifies as an emerging growth company, which may increase the risk that weaknesses or deficiencies in the internal control over financial reporting go undetected. Likewise, so long as it qualifies as an emerging growth company, the Company may elect not to provide certain information, including certain financial information and certain information regarding compensation of executive officers that would otherwise have been required to provide in filings with the SEC, which may make it more difficult for investors and securities analysts to evaluate the Company. As a result, investor confidence in the Company and the market price of its common stock may be adversely affected.

The Penny Stock Rules Could Restrict the Ability of Broker-Dealers to Sell Our Shares.

The SEC has adopted penny stock regulations which apply to securities traded over-the-counter. These regulations generally define penny stock to be any equity security that has a market price of less than $5.00 per share or an equity security of an issuer with net tangible assets of less than $5,000,000 as indicated in audited financial statements, if the corporation has been in continuous operations for less than three years. Subject to certain limited exceptions, the rules for any transaction involving a penny stock require the delivery, prior to the transaction, of a risk disclosure document prepared by the SEC that contains certain information describing the nature and level of risk associated with investments in the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Monthly account statements must be sent by the broker-dealer disclosing the estimated market value of each penny stock held in the account or indicating that the estimated market value cannot be determined because of the unavailability of firm quotes. In addition, the rules impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and institutional accredited investors (generally institutions with assets in excess of $5,000,000). These practices require that, prior to the purchase, the broker-dealer determined that transactions in penny stocks were suitable for the purchaser and obtained the purchaser's written consent to the transaction. If a market for our common stock does develop and our shares trade below $5.00 per share, it will be a penny stock. Consequently, the penny stock rules will likely restrict the ability of broker-dealers to sell our shares and will likely affect the ability of purchasers in the offering to sell our shares in the secondary market. Trading in our common stock will be subject to the "penny stock" rules. Due to the thinly traded market of these shares investors are at a much higher risk to lose all or part of their investment. Not only are these shares thinly traded but they are subject to higher fluctuations in price due to the instability of earnings of these smaller companies. As a result of the lack of a highly traded market in our shares investors are at risk of a lack of brokers who may be willing to trade in these shares.

We do not expect to pay dividends in the future; any return on investment may be limited to the value of our common stock.

We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, a decision to declare and pay dividends is at the sole discretion of our board of directors. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

The market price of our common stock may be volatile and may decline in value.

The market price of our common stock has been and will likely continue to be highly volatile, as is the stock market in general, and the market for OTC Marketplace quoted stocks, in particular. Some of the factors that may materially affect the market price of our common stock are beyond our control, such as changes in financial estimates by industry and securities analysts, conditions or trends in the industry in which we operate or sales of our common stock. These factors may materially adversely affect the market price of our common stock, regardless of our performance. In addition, the public stock markets have experienced extreme price and trading volume volatility. This volatility has significantly affected the market prices of securities of many companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock.

Our stockholders may experience significant dilution if future equity offerings are used to fund operations or acquire complementary businesses.

If our future operations or acquisitions are financed through the issuance of equity securities, our stockholders could experience significant dilution. In addition, securities issued in connection with future financing activities or potential acquisitions may have rights and preferences senior to the rights and preferences of our common stock.

Our current management can exert significant influence over us and make decisions that are not in the best interests of all stockholders.

Our executive officers and directors (the Moores) beneficially own as a group approximately 91% of our outstanding voting shares, including our Series B Preferred Stock. As a result, these stockholders will be able to assert significant influence over all matters requiring stockholder approval, including the election and removal of directors and any change in control. In particular, this concentration of ownership of our outstanding shares of common stock could have the effect of delaying or preventing a change in control, or otherwise discouraging or preventing a potential acquirer from attempting to obtain control. This, in turn, could have a negative effect on the market price of our common stock. It could also prevent our stockholders from realizing a premium over the market prices for their shares of common stock. Moreover, the interests of the owners of this concentration of ownership may not always coincide with our interests or the interests of other stockholders and, accordingly, could cause us to enter into transactions or agreements that we would not otherwise consider.

We could issue additional "blank check" preferred stock without stockholder approval with the effect of diluting then current stockholder interests and impairing their voting rights, and provisions in our charter documents and under Nevada law could discourage a takeover that stockholders may consider favorable.

Our certificate of incorporation, as amended, provides that we may authorize and issue up to 25,000,000 shares of "blank check" preferred stock with designations, rights, and preferences as may be determined from time to time by our Board. Our Board has issued 900,000 of Series B Preferred, and is empowered, without stockholder approval, to issue one or more series of preferred stock with dividend, liquidation, conversion, voting, or other rights, which could dilute the interest of or impair the voting power of our holders of Common Stock. The issuance of a series of preferred stock could be used as a method of discouraging, delaying, or preventing a change in control. For example, it would be possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of our Company.

Investors who purchase shares of our common stock should be aware of the possibility of a total loss of their investment.

An investment in our common stock involves a substantial degree of risk. Before making an investment decision, you should give careful consideration to the risk factors described in this section in addition to the other information contained herein. The risk factors described herein, however, may not reflect all of the risks associated with our business or an investment in our common stock. You should invest in our Company only if you can afford to lose your entire investment.

The Financial Industry Regulatory Authority, or FINRA, sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the Penny Stock Rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

A significant amount of our issued and outstanding shares of common stock are restricted securities and may not be freely resold to the public. When the restriction on any or all of these shares is lifted, and the shares are sold in the open market, the price of our common stock could be adversely affected.

A significant amount of our issued and outstanding shares of common stock are "restricted securities" as defined under Rule 144 promulgated under the Securities Act of 1933, as amended, and may only be sold pursuant to an effective registration statement or an exemption from registration, if available. Although Rule 144 may not be immediately available to permit resale of such shares, once available, and given the number of shares that would no longer be restricted, sales of shares by our shareholders, whether pursuant to Rule 144 or otherwise, could have an immediate negative effect upon the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable to a smaller reporting company.

ITEM 2. DESCRIPTION OF PROPERTY

Leases

Office Space

On April 1, 2013, the Company entered into a five- year sublease agreement with MFHC to sublease approximately 729 square feet of office space for $1,500 per month. The monthly rent reduced the amounts owed to the Company from MFHC for the marketing services provided to MFHC.

On February 1, 2017, the Company and MFHC terminated the above lease and the Company agreed to a month to month lease directly with the landlord for $8,436 per month. This lease was terminated June 15, 2017.

On June 14, 2017, the company entered into a five-year lease with LLC1 for approximately 6,944 square feet and a monthly rent of $12,000.

Retail Clinics

A significant portion of our business involves expansion in the form of retail clinics. The clinics involve leases or subleases.

On September 10, 2018, pursuant to the Amos Audiology acquisition, the Company assumed a lease dated December 1, 2017 and expiring April 30, 2023, in Walnut Creek, California. Lease payments in the first year of the lease are $3, 988 per month and increase by 3% on December 1st of each new lease year.

On October 15, 2018, the Company entered into lease to operate a retail hearing aid clinic in Roseville, California expiring December 31, 2023. Initial lease payments of $3,102 begin on January 1, 2019, and increase by 3% on January 1st of each new lease year.

On December 1, 2018, the Company entered into lease to operate a retail hearing aid clinic in Sacramento, California expiring March 31, 2024. Initial lease payments of $3,002 begin on April 1, 2019, and increase by 3.33% on April 1, 2020 and 2021, and by 3% on April 1, 2022.

On February 1, 2019, the Company entered into lease to operate a retail hearing aid clinic in Elk Grove, California expiring January 31, 2024. Initial lease payments of $2,307 begin on February 1, 2019, and increase by an average of 2.6% on February 1st of each new lease year.

On February 1, 2019, the Company entered into lease to operate a retail hearing aid clinic in Fremont, California expiring February 28, 2021. Initial lease payments of $2,019 begin on March 1, 2019, and increases by 3% on March 1, 2020.

ITEM 3. LEGAL PROCEEDINGS.

On May 26, 2017, Helix Hearing Care (California), Inc. a California corporation ("Helix"), filed a complaint (the "Complaint") against the InnerScope and the Moores, in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida, that includes a rescission of the Consulting Agreement and a demand that all monies paid pursuant to the Consulting Agreement be returned, on the basis that an injunction against certain Officers and Directors renders the Consulting Agreement impossible to perform. The Company had previously received $1,250,000 under the Consulting Agreement. InnerScope was not named as an enjoined party in such previous litigation, and the services contemplated under the Consulting Agreement are not within the scope of the injunction, thus InnerScope believes the accusation by the third party is frivolous and without merit, as well as not providing sufficient cause for the Agreement to be terminated. InnerScope and the Moores filed their Answer and Affirmative Defenses to the Complaint on June 27, 2017. On the same date, InnerScope, the Moores, and MFHC filed a counterclaim. On February 27, 2018, the Counterclaim was amended to include four claims for breach of contract, one claim for anticipatory breach of contract, one claim for negligent misrepresentation, and one claim for account stated. On August 13, 2018, Helix, the Company and the Moores signed a Settlement Agreement, whereby, the Company received $450,000, both parties dismissing all claims against the other party with prejudice and Matthew, Mark and Kimberly have been released from their covenant not to compete agreement signed in August 2016 with Helix.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock began trading on February 14, 2017, on the over-the-counter market, and quoted on the OTCQB tier of the OTC Markets Group Inc. under the symbol "INND."

(a) Market Information

The following table sets forth, for the periods indicated the high and low bid quotations for our common stock. These quotations represent inter-dealer quotations, without adjustment for retail markup, markdown, or commission and may not represent actual transactions.

Period	High		Low	
Fiscal Year 2018				
First Quarter (January 1, 2018 – March 31, 2018)	$	0.13	$	0.04
Second Quarter (April 1, 2018 – June 30, 2018)	$	0.078	$	0.013
Third Quarter (July 1, 2018 – September 30, 2018)	$	0.108	$	0.0065
Fourth Quarter (October 1, 2018 – December 31, 2018)	$	0.0805	$	0.0151
Fiscal Year 2017				
First Quarter (January 1, 2017 – March 31, 2017)	$	0.30	$	0.25
Second Quarter (April 1, 2017 – June 30, 2017)	$	0.55	$	0.30
Third Quarter (July 1, 2017 - September 30, 2017)	$	0.39	$	0.30
Fourth Quarter (October 1, 2017 – December 31, 2017)	$	0.40	$	.0535

(b) Holders

The number of record holders of our common stock as of April 15, 2019 was approximately 58. This excludes shareholders who hold their stock in street name. The Company estimates that there are over 1,300 stockholders who hold their shares of common stock in street name.

(c) Dividends

The Company did not declare any cash dividends for the years ended December 31, 2018, and 2017. Our Board of Directors does not intend to distribute any cash dividends in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the Board of Directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors as the Board of Directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend.

(d) Securities authorized for issuance under equity compensation plans

None

Recent Sales of Unregistered Equity Securities

On February 23, 2018, the Company issued 111,111 shares of common stock to a consultant. The shares were valued at $7,778, based on the market price of the common stock on January 31, 2018, the date the Company agreed to issue the shares.

On February 23, 2018, the Company issued 10,397 shares of common stock to an employee. The shares were valued at $728, based on the market price of the common stock on January 31, 2018, the date the Company agreed to issue the shares.

On February 27, 2018, the Company issued 102,564 shares of common stock that were classified as common stock to be issued as of December 31, 2017.

On February 28, 2018, the Company recorded 133,067 shares of common stock to be issued to a marketing consultant (see Note 13) and recorded $8,117 of stock-based compensation expense (based on the market price of the common stock on that date). The shares were certificated on September 5,2018.

On March 31, 2018, the Company recorded 133,333 shares of common stock to be issued to the same marketing consultant (See Note 13) and recorded $9,067 of stock-based compensation expense (based on the market price of the common stock on that date). The shares were certificated on September 5, 2018.

On April 30, 2018, the Company recorded 166,667 shares of common stock to be issued to a marketing consultant (see Note 13) and recorded $6,883 of stock-based compensation expense (based on the market price of the common stock on that date). The shares were certificated on September 5, 2018.

On May 31, 2018, the Company recorded 380,952 shares of common stock to be issued to the same marketing consultant (See Note 13) and recorded $6,667 of stock-based compensation expense (based on the market price of the common stock on that date). The shares were certificated on September 5, 2018.

On June 4, 2018, Matthew, Mark and Kimberly, each cancelled and returned to treasury 6,340,000 shares of common stock, in exchange for the issuance of 3,170,000 shares of Series A Preferred Stock to each. On August 8, 2018, Matthew, Mark and Kim each converted 3,170,000 shares of Series A Preferred Stock for 6,340,000 shares of common stock. The common stock issued replaced the 19,010,000 shares in the aggregate that the Moore’s cancelled in June 2018.

On August 27, 2018, the Company issued 100,000 shares of restricted common stock to a consultant pursuant to the CPRM Agreement (See Note 13). The shares were valued at $8,430 of stock-based compensation expense (based on the market price of the common stock on that date).

On August 27, 2018, the Company issued 129,534 shares of restricted common stock pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the effective date of the CSMA.

On August 27, 2018, the Company issued 2,500,000 shares of restricted common stock pursuant to the CA (See Note 13). The shares were valued at $175,000 based on the market price of the common stock, and were recorded as deferred stock compensation on the consolidated balance sheet presented herein, and will be amortized to stock compensation expense over the term of the CA. For the year ended December 31, 2018, the Company amortized $116,167 to stock compensation expense.

On September 5, 2018, the Company recorded 340,352 shares of common stock to be issued pursuant to the APA related to Amos Audiology (See Note 2). The shares were issued on November 27, 2018.

On October 9, 2018, the Company issued 186,289 shares of restricted common stock pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the month of service pursuant to* the CSMA.

Effective October 10, 2018, the Company issued 500,000 shares of common stock to MEC Consulting, pursuant to the Crone Law Group engagement (see Note 13). The shares were valued at $36,400, based on the market price of the common stock on the date of the engagement.

On October 23, 2018, the Company issued 100,000 shares of restricted common stock to a consultant pursuant to the CPRM Agreement (See Note 13). The shares were valued at $7,000 of stock-based compensation expense (based on the market price of the common stock on that date). This issuance was the final issuance under the CPRM Agreement as it was terminated.

On November 8, 2018, the Company issued 21,468 shares of common stock each to two employees as part of their compensation. The Company agreed to issue $20,000 of stock over a six- month period based on continual employment, to each, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $3,349, included in Compensation and benefits in the consolidated statement of operations, included herein.

On November 20, 2018, the Company issued 170,687 shares of restricted common stock pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the month of service pursuant to* the CSMA.

On November 29, 2018, the Company issued 12,588 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $745, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 8, 2018, the Company issued 21,468 shares of common stock each to two employees as part of their compensation. The Company agreed to issue $20,000 of stock over a six- month period based on continual employment, to each, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $3,349, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 12, 2018, the Company issued 34,722 shares of common stock to an employee as part of their compensation. The Company agreed to issue $20,000 of stock, over a six- month period based on continual employment, based on the highest closing price of the Company's common stock for the 5 days prior to employment, and accordingly recorded stock-based compensation of $1,250, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 26, 2018, the Company issued 12,588 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $745, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 26, 2018, the Company issued 28,090 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $1,685, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 26, 2018, the Company issued 37,879 shares of common stock to an employee as part of their compensation. The Company agreed to issue $20,000 of stock, over a six- month period based on continual employment, based on the highest closing price of the Company's common stock for the 5 days prior to employment, and accordingly recorded stock-based compensation of $1,250, included in Compensation and benefits in the consolidated statement of operations, included herein.

During the year ended December 31, 2018, the Company issued 53,325,227 shares of common stock for conversion of $681,412 of principal and $40,954 of accrued interest, for a total of $722,366.

All of the above financings were entered into with accredited investors only and were not part of any public or general solicitation. The Company believes that all of the above transactions were exempt from the registration requirements of the Securities Act, in accordance with Regulation D or other exemptions for such transactions.

On April 3, 2017, the Company issued 333,334 shares of restricted common stock to a consultant. The Company valued the shares at $0.30 per share (the market price of the common stock on the date of the agreement) and will amortize the cost over the one-year life of the agreement, accordingly, the Company recorded stock compensation expense of $75,000 for the year ended December 31, 2017.

On April 7, 2017, the Company issued 300,000 shares of restricted common stock to a consultant. The Company valued the shares at $0.30 per share (the market price of the common stock on the date of the agreement) and recorded stock compensation expense of $90,000 for the year ended December 31, 2017.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors that have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements, as well as information relating to the plans of our current management. This report includes forward-looking statements. Generally, the words "believes," "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the matters set forth in this report or other reports or documents we file with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected. Some of our risks and uncertainties are included in the Risk Factors section of this Report, as well as, other reports that we may file from time to time. Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements.

The independent auditors' reports on our financial statements for the years ended December 31, 2018 and 2017 includes a "going concern" explanatory paragraph that describes substantial doubt about our ability to continue as a going concern. Management's plans in regard to the factors prompting the explanatory paragraph are discussed below and also in Note 4 to the consolidated financial statements filed herein.

While our financial statements are presented on the basis that we are a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time, our auditors have raised a substantial doubt about our ability to continue as a going concern.

Results of Operations

For the year ended December 31, 2018 compared to the year ended December 31, 2017

Revenues

Revenues for the year ended December 31, 2018 were $324,876 compared to $470,626 for the year ended December 31, 2017. The revenue decrease was primarily the result of the cancellations of the third-party Consulting and Marketing Agreements in January 2017, as well as reduced revenues from direct print and mail services. For the year ended December 31, 2018, a related customer accounted for 25.2% of our revenues compared to 18.3% for the year ended December 31, 2017. During the year ended December 31, 2017, three other customers accounted for 27.6%, 16.4% and 14.8% respectively. Beginning in the second quarter of 2018, the Company began to market and sell hearing aid products online on a direct to consumer basis and beginning in the third quarter of 2018 began selling hearing aids on Walmart.com website. A breakdown of sales is as follows:

	Year ended December 31,	
	2018	2017
Online sales	$ 113,635	$ —
Retail clinic sales	95,626	—
Consulting fees	—	160,000
Direct print, mail services and product	33,596	224,177
Sub total	242,857	384,177
Related party- direct print and mail services	22,019	36,449
Related party - Marketing and consulting fee	60,000	50,000
Sub total	82,019	86,449
Total revenues	$ 324,876	$ 470.626

Online sales

Beginning in the second quarter of 2018, the Company began to market a line of PSAP hearables and wearables and during the third quarter of 2018, expanded their line of products to include FDA registered hearing aid devices. The Company has introduced the products through new marketing campaigns, to bring awareness to the products and anticipates sales of these products to increase during 2019 and thereafter.

Retail clinic sales

Retail clinic sales were $95,626 as a result of the acquisition of the Amos Audiology acquisition on September 10, 2018 ($63,401 sales) and the opening of the Company's first retail clinic in November 2018 ($32,225 in sales). Retail clinic sales will continue to grow as the Company has opened three additional retail clinics to date in 2019, and anticipates to open as many as 15-20 more by December 31, 2019.

Consulting

For the year ended December 31, 2017, the Company recorded $100,000 of income related to the Store Expansion Agreement, $30,000 of income from the cancellation of the Marketing and Store Expansion Agreements and $30,000 of consulting income from other clients.

Direct print and mail service

During the year ended December 31, 2018, the Company developed marketing materials, including printing and mailing services, for direct marketing campaigns and recorded revenues of $33,596, compared to $224,177 for the year ended December 31, 2017. The Company is currently concentrating on building its' DTC sales model, which provides a greater gross profit than the direct print and mail service products.

Related Party

On December 24, 2016, Moore Holdings, LLC. ("Moore Holdings") acquired two retail stores from the buyer of the MFHC stores. On March 1, 2017, the Company entered into a twelve- month Marketing Agreement with each of the stores to provide telemarketing and design and marketing services for $2,500 per month per store, resulting in $60,000 of revenues for the year ended December 31, 2018, compared to $50,000 for the year ended December 31, 2017. For the year ended December 31, 2018, the Company also provided direct print and mailing services for the two retail sales and recognized revenue of $22,019, for the services, compared to $36,499 for the year ended December 31, 2017.

Cost of sales

The Company records the costs of designing, producing, printing and mailing advertisements for our client's direct mail marketing campaigns in cost of sales in the month of the mailing as well as the licensing of telemarketing software and records cost of sales on products sold online or it its retail locations, when shipped and delivered to the customer, respectively. Cost of sales for the year ended December 31, 2018 was $181,688 compared to $293,221 for the year ended December 31, 2017. Related party cost of sales was $24,779 for the year ended December 31, 2018, compared to $36,303 for the year ended December 31, 2017.

Operating Expenses

Operating expenses were $2,851,801, respectively, for the year ended December 31, 2018, compared to $1,403,897 for the year ended December 31, 2017. The increase in expenses in the current periods was as follows:

	Year ended December 31,	
Description	**2018**	**2017**
Compensation and benefits	$ 771,154	$ 645,723
Stock compensation	1,087,850	173,974
Professional fees	335,966	217,193
Commissions, stockholder	—	60,000
Advertising and promotion	173,580	—
Investor relations	125,415	43,845
Rent, related party	144,000	72,000
Rent, other	42,700	39,377
General and other administrative	171,136	151,785
Total	$ 2,851,801	$ 1,403,897

Compensation and benefits increased in the current period, as the Company acquired Amos Audiology in September 2018 as well as opened a Company owned retail clinic in November 2018, both of which required staffing as well as additional office support staff.

Stock based compensation for the year ended December 31, 2018, is comprised of:

- On February 23, 2018, the Company issued 111,111 shares of common stock to a marketing consultant. The shares were valued at $7,778, based on the market price of the common stock on January 31, 2018, the date the Company agreed to issue the shares.

- On February 23, 2018, the Company issued 10,397 shares of common stock to an employee. The shares were valued at $728, based on the market price of the common stock on January 31, 2018, the date the Company agreed to issue the shares.

- On February 28, 2018, the Company recorded 133,067 shares of common stock to be issued to a marketing consultant (see Note 12) and recorded $8,117 of stock-based compensation expense (based on the market price of the common stock on that date).

- On March 31, 2018, the Company recorded 133,333 shares of common stock to be issued to the same marketing consultant and recorded $9,067 of stock-based compensation expense (based on the market price of the common stock on that date).

- The amortization of deferred stock compensation of $25,000 is included in the year ended December 31, 2018.

- On April 30, 2018, the Company recorded 166,667 shares of common stock to be issued to the same marketing consultant and recorded $6,883 of stock-based compensation expense (based on the market price of the common stock on that date).

- On May 31, 2018, the Company recorded 380,952 shares of common stock to be issued to the same marketing consultant and recorded $6,667 of stock-based compensation expense (based on the market price of the common stock on that date).

- On June 4, 2018, the Company issued 300,000 shares of its Series B Preferred Stock each to Matthew, Mark and Kimberly, in consideration of $45,000 of accrued expenses, the Company's failure to timely pay current and past salaries, and the willingness to accrue unpaid payroll and non-reimbursement of business expenses without penalty or action for all amounts. The Company determined that fair value of the Series B Preferred Stock issued to the Company's CEO was $817,600, and accordingly $772,600 is included in stock compensation expense for the year ended December 31, 2018. The fair value was determined as set forth in the Statement of Financial Accounting Standard ASC 820-10-35-37, Fair Value in Financial Instruments.

- On August 27, 2018, the Company issued 100,000 shares of restricted common stock to a consultant pursuant to the CPRM Agreement (See Note 13). The shares were valued at $8,430 of stock-based compensation expense (based on the market price of the common stock on that date).

- On August 27, 2018, the Company issued 129,534 shares of restricted common stock pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the effective date of the CSMA.

- On August 27, 2018, the Company issued 2,500,000 shares of restricted common stock pursuant to the CA (See Note 13). The shares were valued at $175,000 based on the market price of the common stock, and were recorded as deferred stock compensation on the condensed consolidated balance sheet presented herein, and will be amortized to stock compensation expense over the term of the CA. For the year ended December 31, 2018, the Company amortized $116,667 to stock compensation expense.

- On September 7, 2018, the Company recorded 129,534 shares of restricted common stock to be issued pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the month of service. The shares were certificated on October 9, 2018.

- On October 9, 2018, the Company issued 186,289 shares of restricted common stock pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the month of service pursuant to the CSMA.

- Effective October 10, 2018, the Company issued 500,000 shares of common stock to MEC Consulting, pursuant to the Crone Law Group engagement (see Note 13). The shares were valued at $36,400, based on the market price of the common stock on the date of the engagement.

- On October 23, 2018, the Company issued 100,000 shares of restricted common stock to a consultant pursuant to the CPRM Agreement (See Note 13). The shares were valued at $7,000 of stock-based compensation expense (based on the market price of the common stock on that date). This issuance was the final issuance under the CPRM Agreement as it was terminated.

- On November 8, 2018, the Company issued 21,468 shares of common stock each to two employees as part of their compensation. The Company agreed to issue $20,000 of stock over a six- month period based on continual employment, to each, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $3,349, included in Compensation and benefits in the consolidated statement of operations, included herein.

- On November 20, 2018, the Company issued 170,687 shares of restricted common stock pursuant to the CSMA (See Note 13). The shares were valued at $12,500 based on the average closing price for the three days prior to the month of service pursuant to the CSMA.

- On November 29, 2018, the Company issued 12,588 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $745, included in Compensation and benefits in the consolidated statement of operations, included herein.

- On December 8, 2018, the Company issued 21,468 shares of common stock each to two employees as part of their compensation. The Company agreed to issue $20,000 of stock over a six- month period based on continual employment, to each, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $3,349, included in Compensation and benefits in the consolidated statement of operations, included herein.

- On December 12, 2018, the Company issued 34,722 shares of common stock to an employee as part of their compensation. The Company agreed to issue $20,000 of stock, over a six- month period based on continual employment, based on the highest closing price of the Company's common stock for the 5 days prior to employment, and accordingly recorded stock-based compensation of $1,250, included in Compensation and benefits in the consolidated statement of operations, included herein.

- On December 26, 2018, the Company issued 12,588 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $745, included in Compensation and benefits in the consolidated statement of operations, included herein.

- On December 26, 2018, the Company issued 28,090 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $1,685, included in Compensation and benefits in the consolidated statement of operations, included herein.

- On December 26, 2018, the Company issued 37,879 shares of common stock to an employee as part of their compensation. The Company agreed to issue $20,000 of stock, over a six- month period based on continual employment, based on the highest closing price of the Company's common stock for the 5 days prior to employment, and accordingly recorded stock-based compensation of $1,250, included in Compensation and benefits in the consolidated statement of operations, included herein.

Stock based compensation expense for 2017 was as a result of on April 3, 2017, the Company issued 333,334 shares of restricted common stock to a third party, pursuant to a one-year consulting agreement. The Company valued the shares at $0.30 per share (the market price of the common stock on the date of the agreement). The Company amortized the $100,000 cost over the term of the agreement, and accordingly has included $75,000 in stock-based compensation for the year ended December 31, 2017. Additionally, on April 7, 2017, the Company issued 300,000 shares of restricted common stock to a third party, pursuant to a consulting agreement. The Company valued the shares at $0.30 per share (the market price of the common stock on the date of the agreement), and recorded an expense of $90,000 for the year ended December 31, 2017. On December 31, 2017, pursuant to an agreement for marketing services, the Company recorded an expense of $8,974 for 102,564 shares of common stock to be issued (certificated on February 28, 2018). The Company valued the shares at $0.0875 (the market price of the common stock on December 31, 2017).
Professional fees, excluding stock-based compensation for the year ended December 31, 2018 were $335,966 compared to and $217,193 for the year ended December 31, 2017. Professional fees, excluding stock-based compensation, consisted of:

	Year ended December 31,	
Description	**2018**	**2017**
Legal fees	$ 126,106	$ 68,580
Business consulting	102,974	30,000
Accounting and auditing fees	89,000	87,303
Information technology	17,886	31,320
Total	$ 335,966	$ 217,193

Commissions, stockholder, are the result of the Company recording commission due on all amounts recognized as revenue in the period related to the Consulting Agreement and Store Expansion Agreement.

Rent, related party, increased for the year ended December 31, 2018, compared to the year ended December 31, 2017 as a result of the Company on June 14, 2017, entered into a five-year lease with LLC1 for approximately 6,944 square feet and a monthly rent of $12,000.

General and administrative costs were $171,136 for the year ended December 31, 2018, compared to $151,785 for the year ended December 31, 2017, and were comprised of:

	For the year ended December 31,	
Description	**2018**	**2017**
Travel	$ 21,472	$ 25,283
Transfer agent and filing fees	17,256	9,293
Bad debt expense, net of collections	10,383	63,799
Office and payroll expenses	82,995	39,584
Other general and other administrative	39,030	13,826
Total	$ 171,136	$ 151,785

Office and payroll expenses include telephone, office supplies, payroll processing costs and computer and internet costs. Investor relations costs include web hosting on our website, investor presentations and meetings as well as press releases and consultants.

Other income (expense), net

Other expense, net was $1,876,505 for the year ended December 31, 2018, compared to $686,840 for the year ended December 31, 2017. Included in other expense, net, for the year ended December 31, 2018 was $1,297,223 as a result of the Helix settlement, whereby the Company recognized $847,223 previously classified as deferred revenues and $450,000 of cash received from the settlement and there was a gain on debt extinguishment of $530,468 for the year ended December 31, 2018. Derivative expenses of $2,436,951 and $1,269,305 of interest expense, including amortization of debt discounts increased significantly as a result of the convertible notes. The 2017 period included a loss recorded on the Consulting Agreement, due to the uncertainty of future services being provided, based on the Complaint (see Note 13) and interest and derivative expenses of $77,287 and $265,674, respectively. The expenses for the year were partially offset by the Company recognizing a gain $160,000 on the cancellation of Store Expansion Agreement. The Company received $400,000 during the year ended December 31, 2017 and also paid $240,000 to a stockholder for services provided related to the income received pursuant to the Cancellation Agreement.

Net loss

Net loss for the year ended December 31,2018 was $4,585,117 compared to $1,913,332 for the year ended December 31, 2017. The increase in the loss was mainly due to the increases in operating expenses and other expenses as above.

Capital Resources and Liquidity

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs to pay ongoing obligations. As of December 31, 2018, we had cash of $87,826, an increase of $3,106, from $84,720 as of December 31, 2017. As of December 31, 2018, we had current liabilities of $3,686,665 (including derivative liabilities of $1,807,404) compared to current assets of $597,707 which resulted in working capital deficit of $3,088,9579. The current liabilities are comprised of accounts payable, accrued expenses, notes payable, convertible notes payable and derivative liabilities.

Our ability to operate over the next twelve months, is contingent upon continuing to realize sales revenue sufficient to fund our ongoing expenses. If we are unable to sustain our ongoing operations through sales revenue, we intend to fund operations through debt and/or equity financing arrangements, which may be insufficient to fund our working capital, or other cash requirements. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all. Our ability to operate beyond December, 2019, is contingent upon continuing to realize sales revenue sufficient to fund our ongoing expenses. If we are unable to sustain our ongoing operations through sales revenue, we intend to fund operations through debt and/or equity financing arrangements, which may be insufficient to fund our working capital, or other cash requirements. Since December 31, 2018, we have received $813,475, from the issuance of $996,670 of convertible notes and approximately $145,000 from the sales of hearing aid products. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

Operating Activities

Cash used in operating activities was $1,165,526 for the year ended December 31, 2018 compared to $776,283 for the year ended December 31, 2017. For the year ended December 31, 2018, the cash used in operations was a result of the net loss of $4,585,117, the recognition of $847,223 of deferred revenue, gains recognized on debt extinguishment of $530,468 and increases in assets of $300,884, offset by increases in liabilities of $454,006 and the non- cash expense items of depreciation and amortization of $1,115,396, derivative expense of $2,436,949 and stock- based compensation of $1,087,850.

The Company used $776,283 cash in operating activities for the year ended December 31, 2017. For the year ended December 31, 2017, the cash used in operations was a result of the net loss of $1,913,332, offset be the changes in the current assets and liabilities of $631,705, as well the non- cash expenses of $265,674 for the initial expense and fair value change in derivatives, $173,974 of stock- based compensation and $63,434 of amortization of debt discounts.

Investing Activities

Cash used in investing activities was $196,744 for the year ended December 31, 2018, and was comprised of $183,200 for payments for the acquisition of technology from Zounds as well as the purchase of office furniture and equipment and the payment of security deposits for the retail clinic leases. Cash used in investing activities was $203,413 for the year ended December 31, 2017. Such investing activities was materially comprised of the purchase of a 49% interest in a building. The Company also received $17,938 as payments on a note receivable from an officer and paid $3,000 to acquire the web address innd.com.

Financing Activities

For the year ended December 31, 2018, the Company has received $1,664,450 from the issuance of $1,961,133 of convertible notes, cash of $77,600 from the issuance of notes of $101,593, and related party notes payable issued of in the aggregate of $36,800. For the year ended December 31, 2018, the Company made principal payments of $253,663 on convertible notes, $79,499 on notes payable and $6,000 paid on related party notes payable. For the year ended December 31, 2017, the Company received $65,000 in exchange for a note payable issued to a related party and $345,000 from the issuance of convertible notes of $397,000. The Company made principal payments of $18,200 on one of the convertible notes issued.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

Critical Accounting Policies

Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"). The consolidated financial statements of the Company include the consolidated accounts of InnerScope and its' wholly owned subsidiaries ILLC and Intela-Hear, a California limited liability company. All intercompany accounts and transactions have been eliminated in consolidation.

Emerging Growth Companies

The Company qualifies as an "emerging growth company" under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, the Company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of the benefits of this extended transition period.

Use of Estimates

The 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Significant estimates relied upon in preparing these financial statements include collectability of accounts receivable, accounts receivable from a related party and notes receivable from an officer, inventory allowances for slow moving or obsolete inventory and the allocation of our CEO's compensation to the Company. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original term of three months or less to be cash equivalents. These investments are carried at cost, which approximates fair value. Cash and cash equivalent balances may, at certain times, exceed federally insured limits. If the amount of a deposit at any time exceeds the federally insured amount at a bank, the uninsured portion of the deposit could be lost, in whole or in part, if the bank were to fail.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash due to the financial position of the depository institution in which those deposits are held.

Revenue Recognition

The Company has adopted ASU 2014-09, as amended effective January 1, 2018, and determined that there was no significant impact on its revenue recognition. The Company's contracts with customers are generally on a purchase order basis and represent obligations that are satisfied at a point in time as defined in the new guidance. Accordingly, revenue for each sale is recognized when each sale is complete, and any costs incurred before this point in time, are recorded as assets to be expensed during the period the related revenue is recognized. The Company accepts prepayments on hearing aids and records the amount received as customer deposits on its' balance sheet. When the Company delivers the hearing aid to the customer, revenue is recognized as well as the corresponding cost of sales. As of December 31, 2018, the Company had received $56,698 of customer deposits, that will be recognized after December 31, 2018, when the hearing aids are delivered to the customer. For the year ended December 31, 2017, the Company received and recognized $100,000 of revenue related to the Store Expansion agreement, and $30,000 of income from the cancellation of the Marketing and Store Expansion Agreements. For the year ended December 31, 2018, the Company recognized $847,223 as other income (amount was previously in deferred revenues) as well as $450,000 pursuant to a settlement agreement.

Deferred Revenue

The Company records deferred revenues from the Consulting Agreement when cash has been received, but the related services have not been provided. Deferred revenue will be recognized when the services are provided and the terms of the agreements have been fulfilled. On May 26, 2017, the Company and the Moores were named in an action filed that included a demand that all monies paid pursuant to the Consulting Agreement be returned. The Company believes the claim is frivolous and without merit, as well as not providing sufficient cause for the Agreement to be terminated (See Note 12). The Company has not recognized any revenue in 2017 from the Consulting Agreement as a result of this litigation. As of December 31, 2017, the Company has deferred revenue of $847,223 related to the Consulting Agreement.

Advertising and Marketing Expenses

The Company expenses advertising and marketing costs as incurred. For the years ended December 31, 2018, advertising and marketing expenses were $173,580. The Company did not incur any advertising and marketing expenses for the year ended December 31, 2017.

Investment in Undivided Interest in Real Estate

The Company accounts for its' investment in undivided interest in real estate using the equity method, as the Company is severally liable only for the indebtedness incurred with its interest in the property. The Company includes its allocated portion of net income or loss in Other income (expense) in its Statement of Operations, with the offset to the equity investment account on the balance sheet. For the year ended December 31, 2018, the Company recognized a gain of $2.060. As of December 31, 2018, the carrying value the carrying value of our investment in undivided interest in real estate was $1,226,963.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance onfair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 - Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, accounts receivable, accounts payable and accrued expenses, certain notes payable and notes payable - related party, approximate their fair values because of the short maturity of these instruments.

The following table represents the Company's financial instruments that are measured at fair value on a recurring basis as of December 31, 2018, and 2017, for each fair value hierarchy level:

December 31, 2018	Derivative Liability	Total
Level I	$ —	$ —
Level II	$ —	$ —
Level III	$ 1,807,404	$ 1,807,404

December 31, 2017	Derivative Liability	Total
Level I	$ —	$ —
Level II	$ —	$ —
Level III	$ 540,965	$ 540,965

Income Taxes

The Company accounts for income taxes in accordance with ASC 740-10, Income Taxes. Deferred tax assets and liabilities are recognized to reflect the estimated future tax effects, calculated at the tax rate expected to be in effect at the time of realization. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Interest and penalties are classified as a component of interest and other expenses. To date, the Company has not been assessed, nor paid, any interest or penalties.

Uncertain tax positions are measured and recorded by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized.

Earnings (loss) Per Share

The Company reports earnings (loss) per share in accordance with ASC 260, "Earnings per Share." Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net loss by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. As of December 31, 2018, and 2017, the Company's outstanding convertible debt is convertible into approximately 120,715,294 and 10,043,445 shares of common stock, respectively, subject to adjustment based on changes in the Company's stock price. This amount is not included in the computation of dilutive loss per share because their impact is antidilutive.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements and Financial Statement Schedules appearing on pages F-1 to F-12 of this annual report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), as of the end of the period covered by this annual report on Form 10-K, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this annual report. Based on that review and evaluation, the CEO and CFO have concluded that as of December 31, 2018, disclosure controls and procedures were not effective at ensuring that the material information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported as required in the application of SEC rules and forms.

Management's Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a set of processes designed by, or under the supervision of, a company's principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and disposition of our assets;
- Provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of internal control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our CEO and CFO have evaluated the effectiveness of our internal control over financial reporting as described in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report based upon criteria established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). As a result of this evaluation, we concluded that our internal control over financial reporting was not effective as of December 31, 2018, as described below.

We assessed the effectiveness of the Company's internal control over financial reporting as of evaluation date and identified the following material weaknesses:

Insufficient Resources: We have an inadequate number of personnel with requisite expertise in the key functional areas of finance and accounting.

Inadequate Segregation of Duties: We have an inadequate number of personnel to properly implement control procedures.

Lack of Audit Committee: We do not have a functioning audit committee, resulting in lack of independent oversight in the establishment and monitoring of required internal controls and procedures.

We are committed to improving the internal controls and will (1) consider to use third party specialists to address shortfalls in staffing and to assist us with accounting and finance responsibilities, (2) increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel and (3) may consider appointing additional outside directors and audit committee members in the future.

We have discussed the material weakness noted above with our independent registered public accounting firm. Due to the nature of these material weaknesses, there is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Identification of directors and executive officers.

The names and ages of our directors and executive officers are set forth below. Also included is their principal occupation(s). Our By-Laws provide for three directors. All directors are elected annually by the stockholders to serve until the next annual meeting of the stockholders and until their successors are duly elected and qualified.

Name	Age	Position	Director Since
Mark Moore	57	Chairman	June 18, 2012
Kim Moore	63	Treasurer and Director	June 18, 2012
Matthew Moore	33	CEO and Director	June 18, 2012

Mark Moore, Chairman

Mr. Moore has 30 years in hearing aid dispensing, practice management, private label brand management and marketing, Mr. Moore brings a wealth of experience and perspective to our field. Mr. Moore's expertise in not only running a successful multi-office retail dispensing practice, but also developing time-tested proven new marketing and advertising strategies over the past 25 years has made him one of the most sought after experts in the hearing aid industry. He has personally helped over ten thousand people hear better with hearing amplification.

Mr. Moore previously was a columnist for Advanced for Audiologists as well as Senior Publications throughout Northern California. Mark has also developed patented and patent-pending products in the areas of Nutritional Supplements for hearing related issues, Aural Rehabilitation programs, and Low-Level Laser Therapy for Tinnitus and Sensorineural hearing loss.

Mr. Moore is a graduate of San Diego Golf Academy with a business degree. He and his wife, Kim, who is also a licensed dispenser, live in Granite Bay, CA.

Kim Moore, Treasurer and Director

Mrs. Moore has over 40 years of experience in the Hearing Aid Industry. She literally grew up in the industry helping her father, Marvin Posey, develop and maintain his hearing aid practice, Posey's Hearing Aid Center, in Central Valley, California.

Mrs. Moore started working for her father at age eight, when she would help stuff direct mail pieces for an upcoming marketing campaign. She learned from her father that no potential customer walks through the door unless you advertise and market properly to the people that want to hear better. Mrs. Moore became a Hearing Instrument Specialist, just as her father did so she can help people hear better. Kim lives in Granite Bay, CA with her husband, Mark Moore.

Matthew Moore, CEO, Secretary and Director

For the last five years Matthew Moore has directed marketing and advertising as well as day to day operations for Moore Family Hearing Company. Matthew specializes in developing print and demographically tailored mail campaigns, as well as monitoring and consulting on Key Business Performance Indicators for all businesses, especially for Audiological Practices. Matthew has the ability and track record of consulting with businesses as well as in his own business streamline efficacies from Top to Bottom and extract better performance from every level of an organization. Matthew is also third generation in the hearing device industry and has literally grown up around the hearing aid industry and entrepreneurship.

Matthew Moore's expertise is in the senior demographics and customized market analysis for elderly related products including hearing aids across the United States. He lives in Roseville, CA. with his wife and two Children.

Family Relationships

Mark Moore and Kim Moore are married to one another. Matthew Moore is the son of Mark and Kim Moore.

Involvement in Certain Legal Proceedings

No director, executive officer, significant employee or control person of the Company has been involved in any legal proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

Corporate Governance

Our Board has not established any committees, including an audit committee, a compensation committee or a nominating committee, or any committee performing a similar function. The functions of those committees are being undertaken by our Board. Because we do not have any independent directors, our Board believes that the establishment of committees of our Board would not provide any benefits to our Company and could be considered more form than substance.

We do not have a policy regarding the consideration of any director candidates that may be recommended by our stockholders, including the minimum qualifications for director candidates, nor have our officers and directors established a process for identifying and evaluating director nominees. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our stockholders, including the procedures to be followed. Our officers and directors have not considered or adopted any of these policies as we have never received a recommendation from any stockholder for any candidate to serve on our Board of Directors.

Given our relative size and lack of directors' and officers' insurance coverage, we do not anticipate that any of our stockholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all current members of our Board will participate in the consideration of director nominees.

As with most small, early stage companies until such time as our Company further develops our business, achieves a revenue base and has sufficient working capital to purchase directors' and officers' insurance, we do not have any immediate prospects to attract independent directors. When we are able to expand our Board to include one or more independent directors, we intend to establish an audit committee of our Board of Directors. It is our intention that one or more of these independent directors will also qualify as an audit committee financial expert. Our securities are not quoted on an exchange that has requirements that a majority of our Board members be independent and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our Board of Directors include "independent" directors, nor are we required to establish or maintain an audit committee or other committee of our Board.

Conflicts of Interests

In September 2016, the officers and directors of the Company formed a California Limited Liability Company ("LLC1"), for the purpose of acquiring commercial real estate and other business activities. On December 24, 2016, LLC1 acquired two retail stores from the buyer of the MFHC stores. On March 1, 2017, the Company entered into a twelve-month Marketing Agreement with each of the stores to provide telemarketing and design and marketing services for $2,500 per month per store, resulting in $60,000 and $50,000 of revenues for the year ended December 31, 2018, and 2017, respectively. Additionally, for the years ended December 31, 2018, and 2017, the Company invoiced LLC1 $22,019 and $36,499, respectively, for the Company's production, printing and mailing services. As of December 31, 2018, and 2017, LLC1 owes the Company $ 203,325 and $73,996, respectively. On May 9, 2017, the Company and LLC1 purchased certain real property from an unaffiliated party. On June 14, 2017, the Company entered into a five-year lease with LLC1 for approximately 6,944 square feet and a monthly rent of $12,000. For the year ended December 31, 2018, and 2017, the Company expensed $144,000 and $64,499, respectively, related to this lease.

In November 2016, the Company's Chairman formed a California Limited Liability Company ("LLC2"), for the purpose of providing consulting services to the Company. The Company entered into an agreement with LLC2, and paid LLC2 $375,000 during the year ended December 31, 2016, for services performed and to be performed. Of the $375,000 amount paid, $241,667 was recognized as consulting fees- stockholder for the year ended December 31, 2016, and the remaining $133,334 was recorded as deferred commissions- stockholder as of December 31, 2016. During the year ended December 31, 2017, the Company paid LLC2 an additional $771,000 ($96,000 of which reduced previous amounts owed) and expensed $808,334 ($60,000 as commissions for services performed and $748,334 as other expense) due to uncertainty of future services being provided, based on the Complaint filed on May 26, 2017. As of December 31, 2017, the deferred commissions-stockholder is $-0-.

On May 9, 2017, the Company and LLC1 purchased certain real property from an unaffiliated party. The Company and LLC1 have agreed that the Company purchased and owns 49% of the building and LLC1 purchased and owns 51% of the building. The contracted purchase price for the building was $2,420,000 and the total amount paid at closing was $2,501,783 including, fees, insurance, interest and real estate taxes. The Company paid for their building interest by delivering cash at closing of $209,971 and being a co-borrower on a note in the amount of $2,057,000, of which the Company has agreed with LLC1 to pay $1,007,930.

LLC1 accounted for approximately 25% and 18% of our sales for the years ended December 31, 2018, and 2017, respectively.*Our CEO, Mr. Matthew Moore, and members of our board of directors, control LLC1, which could create a conflict of interest.* Mr. Moore is the Director of Marketing of MFHC, our Chairman is the Chief Executive Officer of MFHC and our treasurer and director is also the Chief Financial Officer and director of MFHC. On August 5, 2016, MFHC and the Company agreed to cancel the Marketing Agreement as a result of the sale by MFHC of substantially all of their assets, including the hearing aid dispensaries to which we were providing services.

Code of Ethics

We adopted a Code of Ethics for Senior Financial Management to promote honest and ethical conduct and to deter wrongdoing. This Code applies to our Chief Executive Officer and Chief Financial Officer and other employees performing similar functions. The obligations of the Code of Ethics supplement, but do not replace, any other code of conduct or ethics policy applicable to our employees generally.

Under the Code of Ethics, all members of the senior financial management shall:

- Act honestly and ethically in the performance of their duties at our company,
- Avoid actual or apparent conflicts of interest between personal and professional relationships,
- Provide full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submits to, the SEC and in other public communications by our company,
- Comply with rules and regulations of federal, state and local governments and other private and public regulatory agencies that effect the conduct of our business and our financial reporting,
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing the member's independent judgment to be subordinated
- Respect the confidentiality of information in the course of work, except when authorized or legally obtained to disclosure such information,
- Share knowledge and maintain skills relevant to carrying out the member's duties within our company,
- Proactively promote ethical behavior as a responsible partner among peers and colleagues in the work environment and community,
- Achieve responsible use of and control over all assets and resources of our company entrusted to the member, and
- Promptly bring to the attention of the Chief Executive Officer any information concerning (a) significant deficiencies in the design or operating of internal controls which could adversely affect to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in our financial reporting or internal controls.

Director Independence

None of the members of our Board of Directors qualifies as an independent director in accordance with the published listing requirements of the NASDAQ Global Market. The NASDAQ independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director, nor any of his family members has engaged in various types of business dealings with us. In addition, our Board has not made a subjective determination as to each director that no relationships exist which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, though such subjective determination is required by the NASDAQ rules. Had our Board of Directors made these determinations, our Board would have reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management.

In performing the functions of the audit committee, our board oversees our accounting and financial reporting process. In this function, our board performs several functions. Our board, among other duties, evaluates and assesses the qualifications of the Company's independent auditors; determines whether to retain or terminate the existing independent auditors; meets with the independent auditors and financial management of the Company to review the scope of the proposed audit and audit procedures on an annual basis; reviews and approves the retention of independent auditors for any non-audit services; reviews the independence of the independent auditors; reviews with the independent auditors and with the Company's financial accounting personnel the adequacy and effectiveness of accounting and financial controls and considers recommendations for improvement of such controls; reviews the financial statements to be included in our annual and quarterly reports filed with the Securities and Exchange Commission; and discusses with the Company's management and the independent auditors the results of the annual audit and the results of our quarterly financial statements.

Our board as a whole considers executive officer compensation, and our entire board participates in the consideration of director compensation. Our board as a whole oversees our compensation policies, plans and programs, reviews and approves corporate performance goals and objectives relevant to the compensation of our executive officers, if any, and reviews the compensation and other terms of employment of our Chief Executive Officer and our other executive officers. Our board also administers our equity incentive and stock option plans, if any.

Each of our directors participates in the consideration of director nominees. In addition to nominees recommended by directors, our board will consider nominees recommended by shareholders if submitted in writing to our secretary. Our board believes that any candidate for director, whether recommended by shareholders or by the board, should be considered on the basis of all factors relevant to our needs and the credentials of the candidate at the time the candidate is proposed. Such factors include relevant business and industry experience and demonstrated character and judgment.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities to file with the SEC initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common shares and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon a review of such reports, and on written representations from certain reporting persons, the Company believes that, with respect to the fiscal year ended December 31, 2018, each director, executive officer and 10% stockholder made timely filings of all reports required by Section 16 of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION.

The following tables set forth all of the compensation awarded to, earned by or paid to: (i) each individual serving as our principal executive officer; and (ii) each other individual that served as an executive officer at the conclusion of the fiscal year ended December 31, 2018 and who received in excess of $100,000.

Summary Compensation Table

Name and principal position	Year	Salary $	Bonus $	Stock Options $	Option Awards $	Non-Equity Incentive Plan Compen-sation $	Non-qualified Deferred Compen-sation Earnings $	All Other Compen-sation (1) $	Total $
Matthew Moore,	2018	225,193	0	0	0	0	0	257,533	482,726
CEO, Secretary & Director	2017	225,000	0	0	0	0	0	0	225,000
Kim Moore,	2018	125,107	0	0	0	0	0	257,533	382,640
Treasurer & Director	2017	125,000	0	0	0	0	0	0	125,000
Mark Moore,	2018	0	0	0	0	0	0	257,533	257,533
Chairman	2017	0	0	0	0	0	0	0	0

(1) On June 4, 2018, the Company issued 300,000 shares of its Series B Preferred Stock each to Matthew, Mark and Kimberly, in consideration of $45,000 of accrued expenses, the Company's failure to timely pay current and past salaries, and the willingness to accrue unpaid payroll and non-reimbursement of business expenses without penalty or action for all amounts. The Series B Preferred Stock is not convertible into common stock, nor does the Series B Preferred Stock have any right to dividends and any liquidation preference. The Series B Preferred Stock entitles its holder to a number of votes per share equal to 1,000 votes. The Company determined that fair value of the Series B Preferred Stock issued was $817,600. The fair value was determined as set forth in the Statement of Financial Accounting Standard ASC 820-10-35-37, Fair Value in Financial Instruments. As of December 31, 2018, there were 900,000 shares of Series B Preferred Stock issued and outstanding.

Employment Agreements

On November 15, 2016, the Company executed an employment agreement with Matthew Moore for an annual compensation of $225,000 and with Kimberly Moore for $125,000 annual compensation.

Outstanding Equity Awards at Fiscal Year-End

No executive officer received any equity awards or holds exercisable or unexercisable options as of December 31, 2018.

Long-Term Incentive Plans

There are no arrangements or plans in which the Company would provide pension, retirement or similar benefits for directors or executive officers.

Compensation Committee

We currently do not have a compensation committee of our Board of Directors. The Board as a whole determines executive compensation.

Director Compensation

We do not pay fees to our directors for attendance at meetings of the board; however, we may adopt a policy of making such payments in the future. We will reimburse out-of-pocket expenses incurred by directors in attending board and committee meetings.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth information known to the Company with respect to the beneficial ownership (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of the outstanding common stock of the Company as of April 15, 2019 by: (1) each person known by the Company to beneficially own 5% or more of the Company's outstanding common stock; (2) each of the named executive officers as defined in Item 402(m)(2); (3) each of the Company's directors; and (4) all of the Company's executive officers and directors as a group. The number of shares beneficially owned is determined under rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Including those shares in the tables does not, however, constitute an admission that the named stockholder is a direct or indirect beneficial owner of those shares. The below table is as of April 15, 2019. As of April 15, 2019, there were 151,737,305 shares of common stock issued and outstanding. The Company also has outstanding 900,000 shares of Series B Preferred Stock, which is not convertible but votes on a 1,000 for one basis with the common stock and is considered a "control block" of shares.

Name and Address of Beneficial Owner (1)	Common Stock Beneficially Owned	Percent of Class (2)	Preferred Stock Beneficially Owned	Percent of Class (3)
Mark Moore (4)	19,020,000	12.53%	300,000	33.33%
Kimberly Moore (5)	19,020,000	12.53%	300,000	33.33%
Matthew Moore (6)	19,020,000	12.53%	300,000	33.33%
Officers and Directors as a group, 3 persons (7)	57,060,000	37.6%	900,000	100.0%

(1) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.
(2) Percentages are based on a total of 151,737,305 shares of common stock outstanding as of April 15, 2019.
(3) Percentages are based on a total of 900,000 shares of common stock outstanding as of April 15, 2019.
(4) Excludes 19,020,000 shares owned by Kimberly Moore, the spouse of Mark Moore.
(5) Excludes 19,020,000 shares owned by Mark Moore, the spouse of Kimberly Moore.
(6) Excludes 450,000 shares owned by Margaret May Moore, the spouse of Matthew Moore.
(7) Includes Matthew Moore shares, Kimberly Moore shares and Mark Moore shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

On November 1, 2013, the Company acquired Intela-Hear, in exchange for 27,000,000 shares of the Company's common stock. This resulted in Intela-Hear becoming a wholly-owned subsidiary of the Company. The shares were issued equally to Mark Moore and Kim Moore, who owned all of the outstanding equity of Intela-Hear. Because of the common ownership, all accounts were recorded at Intela-Hear's historical cost basis. The Company also issued 1,530,000 shares of common stock to its' CEO for services rendered. The shares were recorded as compensation expense at $40,800 ($0.0267 per share), based upon the Company's internal valuation on a discounted cash flow basis.

The Company loaned the CEO $20,500 during the year ended December 31, 2013. During the year ended December 31, 2017, the Company received payments in full of all principal and interest due. As of December 31, 2017, the balance owed the Company is $-0-. The Company recorded interest income of $228 for the year ended December 31, 2017.

The Company loaned the CEO $20,500 during the year ended December 31, 2013. The note and interest were paid in full during the year ended December 31, 2017. The Company recorded interest income of $228 for the year ended December 31, 2017.

During the year ended December 31, 2018, and 2017, our CEO (stockholder) paid expenses of the Company and accounts payable on behalf of the Company (see Note 5). As of December 31, 2018, and 2017, the Company owed the CEO $57,526 and $138,637, respectively, which is included in Advances payable, stockholders on the consolidated balance sheets included herein.

During the year ended December 31, 2018, and 2017, our Chairman (stockholder) paid expenses of the Company and accounts payable on behalf of the Company (see Note 5). As of December 31, 2018, and 2017, the Company owed the Chairman $0 and $38,201, respectively, which is included in Advances payable, stockholders on the consolidated balance sheets included herein.

Pursuant to a Marketing Agreement (cancelled August 5, 2016), the Company provided marketing programs to promote and sell hearing aid instruments and related devices to Moore Family Hearing Company ("MFHC"). MFHC owned and operated retail hearing aid stores. Based on common control of MFHC and the Company, all transactions with MFHC are classified as related party transactions. On August 8, 2016, in consideration of $128,000 (the "Cancellation Fee"), MFHC and the Company agreed to cancel the Marketing Agreement as a result of the sale by MFHC of substantially all of their assets (see Note 6). On August 11, MFHC paid $229,622 to the Company (inclusive of the balance owed as of June 30, 2016, the Cancellation Fee and other related party activity).

Pursuant to the Marketing Agreement, beginning in January 2014, the monthly fee was increased from $2,500 to $3,200 per retail location. For January through June 2015, there were 18 MFHC retail stores and one store was added July 1, 2015. From January 1, 2016 thru August 5, 2016, there were 20 stores resulting in revenue of $458,667 and $720,000 for the year ended December 31, 2016. Also, during the year ended December 31, 2016, the Company invoiced MFHC $330,353 for the production, printing and mailing of direct mail advertising materials. Lastly, the Company recognized $128,000 from the Cancellation Fee of the Marketing Agreement as related party income for the year ended December 31, 2016. The Company has offset the accounts receivable owed from MFHC for expenses of the Company that have been paid by MFHC. As a result of these payments in addition to MFHC's payments to the Company during the years ended December 31, 2017, and 2016, the balance due to MFHC as of December 31, 2018, and 2017, was $22,548.

On April 1, 2013, the Company entered into a five-year sublease agreement with MFHC to sublease approximately 729 square feet of office space for $1,500 per month. The monthly rent reduced the amounts owed to the Company from MFHC for the marketing services provided to MFHC. For the year ended December 31, 2017, the Company expensed $1,500 related to this lease.

On February 1, 2016, the Company entered into a one- year sublease agreement with MFHC to sublease approximately 2,119 square feet of office space for $4,026 per month. The monthly rent reduced the amounts owed to the Company from MFHC for the marketing services provided to MFHC. Effective April 30, 2016, MFHC released the Company from the sublease. For the year ended December 31, 2017, the Company expensed $12,078 related to this lease.

Prior to August 1, 2016, the Company's CEO was being compensated from MFHC, as he also held a position with MFHC. During that time the Company estimated the portion of the CEO's salary that should be allocated to the Company, and subsequent to August 1, 2016, the Company agreed to compensation of $225,000 per year. Effective August 1, 2016, the Company agreed to compensate our Chief Financial Officer $125,000 per annum. On November 15, 2016, the Company entered into an employment agreement with our CEO and CFO which includes an annual base salary of $225,000 and $125,000, respectively. The Company has expensed $225,193 and $225,000 for the CEO, for the years ended December 31, 2018, and 2017, respectively, and the Company recognized $125,107 and $124,519 of expense for the CFO for the year ended December 31, 2018, and 2017, respectively.

In September 2016, the officers and directors of the Company formed a California Limited Liability Company ("LLC1"), for the purpose of acquiring commercial real estate and other business activities. On December 24, 2016, LLC1 acquired two retail stores from the buyer of the MFHC stores. On March 1, 2017, the Company entered into a twelve-month Marketing Agreement with each of the stores to provide telemarketing and design and marketing services for $2,500 per month per store, resulting in $60,000 and $50,000 of revenues for the years ended December 31, 2018, and 2017, respectively. Additionally, for the years ended December 31, 2018, and 2017, the Company invoiced LLC1 $22,019 and $36,499, respectively, for the Company's production, printing and mailing services. As of December 31, 2018, and 2017, LLC1 owes the Company $203,325 and $73,996, respectively.

On May 9, 2017, the Company and LLC1 purchased certain real property from an unaffiliated party. The Company and LLC1 have agreed that the Company purchased and owns 49% of the building and LLC1 purchased and owns 51% of the building. The contracted purchase price for the building was $2,420,000 and the total amount paid at closing was $2,501,783 including, fees, insurance, interest and real estate taxes. The Company paid for their building interest by delivering cash at closing of $209,971 and being a co-borrower on a note in the amount of $2,057,000, of which the Company has agreed with LLC1 to pay $1,007,930. On June 14, 2017, the company entered into a five-year lease with LLC1 for approximately 6,944 square feet and a monthly rent of $12,000. For the years ended December 31, 2018, and 2017, the Company expensed $144,000 and $64,499, respectively, related to this lease and is included in Rent, related party, on the consolidated statement of operations, included herein.

In November 2016, our Chairman formed a California limited liability Company ("LLC"), for the purpose of providing consulting services to the Company. The Company entered into an agreement with the LLC and paid the LLC, $375,000 during the year ended December 31, 2016 for services performed and to be performed. Of the $375,00 amount paid, $241,667 was recognized as consulting fees- stockholder for the year ended December 31, 2016, and the remaining $133,334 was recorded as deferred commissions- stockholder as of December 31, 2016. Additionally, the Company has accrued and recorded $96,000 in other expense- stockholder and $96,000 was recorded as commission payable, stockholder. During the year ended December 31, 2017, the Company paid the LLC an additional $771,000 ($96,000 of which reduced previous amounts owed) and expensed $808,334 ($60,000 as commissions for services performed and $748,334 as other expense) due to uncertainty of future services being provided, based on the Complaint filed on May 26, 2017. As of December 31, 2017, the deferred commissions-stockholder is $-0-.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table shows the fees that were billed for the audit and other services provided by D. Brooks and Associates CPA's P.A. for the years ended December 31, 2018 and 2017.

	2018	2017
Audit Fees	$ 28,606	$ 28,606
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$ 28,606	$ 28,606

Audit Fees — This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees — This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC and other accounting consulting.

Tax Fees — This category consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice.

All Other Fees — This category consists of fees for other miscellaneous items.

Our board of directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the board. All audit and permissible non-audit services provided by the auditors with respect to 2016 and 2015 were pre-approved by the board of directors.

PART IV

ITEM 15. EXHIBITS AND REPORTS.

(a) 1. Financial Statements

The consolidated financial statements and Report of Independent Registered Public Accounting Firm is included on pages F-1 through F-13

2. Financial Statement Schedules

All schedules for which provisions made in the applicable accounting regulations of the Securities and Exchange Commission (the "Commission") are either not required under the related instructions, are not applicable (and therefore have been omitted), or the required disclosures are contained in the financial statements included herein.

3. Exhibits (including those incorporated by reference).

Exhibit Number		Description of Exhibit
3.1*		Articles of Incorporation
3.2*		Bylaws of InnerScope Advertising Agency, Inc.
3.3*		Amended and Restated Articles of Incorporation
3.4*		Amended and Restated Articles of Incorporation dated August 25, 2017
4.3*		Private Placement Offering Memorandum
10.2*		InnerScope, Inc. Marketing Agreement between the Company and Moore Family Hearing Company, Inc.
10.3*		Acquisition Agreement and Plan of Share Exchange dated June 20, 2012, between the Company and InnerScope Advertising Agency, LLC

10.4*		Acquisition Agreement and Plan of Share Exchange dated November 1, 2013, between the Company and Intela-Hear, LLC
10.5*		Promissory Note dated April 1, 2013, between the Company and Matthew Moore
10.6*		Promissory Note dated June 25, 2013, between the Company and Matthew Moore
10.7*		June 2012 Business Consulting Agreement
10.8+*		GN ReSound Sales Agreement
10.9+*		Store Expansion Consulting Agreement
10.10+*		Consulting Agreement
10.11#*		Employment Agreement with Matthew Moore, CEO
10.12#*		Employment Agreement with Kimberly Moore, CFO
10.13*		Financial Consulting Agreement between the Company and Venture Equity, LLC
10.14*		Consulting and Representation Agreement between the Company and CorporateAds.com
10.15*		Business Loan Agreement, dated May 5, 2017, between InnerScope Advertising Agency, Inc. and Moore Holdings, LLC and First Community Bank.
10.16*		Commercial Security Agreement, dated May 5, 2017, between InnerScope Advertising Agency, Inc. and Moore Holdings, LLC and First Community Bank.
10.17*		U.S. Small Business Administration Note.
10.18*		Deed of Trust, dated May 5, 2017, among InnerScope Advertising Agency, Inc. and Moore Holdings, LLC. and First Community Bank and Placer Title Company.
10.19*		Securities Purchase Agreement dated October 5, 2017 by and between InnerScope Hearing Technologies, Inc. and Power Up Lending Group, LTD.
10.20*		Convertible Promissory Note dated October 5, 2017, by and between InnerScope Hearing Technologies, Inc. and Power Up Lending Group, LTD.
10.21*		Securities Purchase Agreement dated November 10, 2017, by and between InnerScope Hearing Technologies, Inc. and Carebourn Capital, L.P.
10.22*		Convertible Promissory Note dated November 10, 2017, by and between InnerScope Hearing Technologies, Inc. and Carebourn Capital, L.P.
10.23*		Securities Purchase Agreement dated February 8, 2018 by and between InnerScope Hearing Technologies, Inc. and Power Up Lending Group, LTD.
10.24*		Convertible Promissory Note dated February 8, 2018, by and between InnerScope Hearing Technologies, Inc. and Power Up Lending Group, LTD.
10.25*		Securities Purchase Agreement dated April 8, 2019, by and between InnerScope Hearing Technologies, Inc. and Carebourn Capital, L.P.
10.26*		Convertible Promissory Note dated April 8, 2018, by and between InnerScope Hearing Technologies, Inc. and Carebourn Capital, L.P.
10.27*		Securities Purchase Agreement dated May 11, 2018, by and between InnerScope Hearing Technologies, Inc. and One44 Capital LLC
10.28*		Convertible Promissory Note dated May 11, 2018, by and between InnerScope Hearing Technologies, Inc. and One44 Capital LLC
10.29*		Convertible Back- End Promissory Note dated May 11, 2018, by and between InnerScope Hearing Technologies, Inc. and One44 Capital LLC
10.30*		Mutual Settlement Agreement and Release with Helix Hearing Care (California), Inc.
10.31*		Manufacturing Design and Marketing Agreement.
10.32*		Securities Purchase Agreement between InnerScope Hearing Technologies, Inc. and Eagle Equities, LLC, dated November 2, 2018.
10.33*		Form of 8% Convertible Redeemable Notes issued by Company to Eagle Equities, LLC, dated November 2, 2018.

10.34*		$255,500 Principal Amount 8% Collateralized Secured Promissory Note issued by Eagle Equities, LLC.
10.35*		First Amendment to Manufacturing Design and Marketing Agreement (the "Zounds Agreement") between InnerScope Hearing Technologies, Inc. and Zounds Hearing, Inc., a Delaware corporation ("Zounds"), dated November 2, 2018
10.36*		Joint Development Agreement between InnerScope Hearing Technologies, Inc. and Erchonia Corporation.
10.37*		Exclusive Distributor Agreement between InnerScope Hearing Technologies, Inc. and Erchonia Corporation.
31.1**		Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2**		Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1**		Section 1350 Certification of Chief Executive Officer and Chief Financial Officer
101.INS**		XBRL Instance
101.SCH**		XBRL Taxonomy Extension Schema
101.CAL**		XBRL Taxonomy Extension Calculation Linkbase
101.DEF**		XBRL Taxonomy Extension Definition Linkbase
101.LAB**		XBRL Taxonomy Extension Labels Linkbase
101.PRE**		XBRL Taxonomy Extension Presentation Linkbase

* Previously filed.

\+ Confidential Treatment has been requested for certain portions thereof pursuant to Confidential Treatment Request under Rule 406 promulgated under the Securities Act. Such provisions and attachments have been filed with the Securities and Exchange Commission.

** Filed Herewith

\# Denotes management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

InnerScope Hearing Technologies, Inc.

By: */s/ Matthew Moore*
Matthew Moore
Chief Executive Officer

Date: April 16, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark Moore Mark Moore	Chairman	April 16, 2019
/s/ Matthew Moore Matthew Moore	Chief Executive Officer, CEO and Director (principal executive officer)	April 16, 2019
/s/ Kimberly Moore Kimberly Moore	Chief Financial Officer and Director (chief accounting officer)	April 16, 2019

INNERSCOPE ADVERTISING AGENCY, INC.
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of InnerScope Hearing Technologies, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of InnerScope Hearing Technologies, Inc. (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes to the consolidated financial statements (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred a net loss of $4,585,117 for the year ended December 31, 2018. Additionally, the Company has a working capital deficit of $3,088,957 and an accumulated deficit of $6,372,129 as of December 31, 2018. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan regarding these matters is also described in Note 3 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

D. Brooks and Associates CPA's, P.A.

D. Brooks and Associates CPA's, P.A.

We have served as the Company's auditor since 2015.

Palm Beach Gardens, Florida

April 16, 2019

INNERSCOPE HEARING TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2018		December 31, 2017	
ASSETS				
Current Assets:				
Cash	$	87,826	$	84,720
Accounts receivable, allowance for doubtful accounts $18,383 and $63,799 respectively		6,112		12,950
Accounts receivable from related party		203,325		73,996
Employee advances		40,942		—
Prepaid assets		167,992		101,110
Inventory		91,510		5,959
Total current assets		597,707		278,735
Security deposits	$	11,056	$	—
Domain name		3,000		3,000
Intangible assets, net of accumulated amortization of $2,168 (2018)		1,010,840		—
Property and equipment, net of accumulated depreciation of $4,705 (2018) and $1,068 (2017)		43,450		1,583
Investment in undivided interest in real estate		1,226,963		1,224,903
Total assets	$	2,893,014	$	1,508,221
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities:				
Accounts payable and accrued expenses	$	1,233,653	$	161,919
Accounts payable to related party		22,548		22,548
Notes payable - stockholder		95,800		65,000
Advances payable, stockholders		57,526		176,838
Current portion of convertible notes payable, net of discounts		151,166		74,140
Current portion of notes payable, net of deferred loan fees		29,270		—
Current portion of note payable - undivided interest in real estate		19,660		18,518
Customer deposits		56,698		—
Officer salaries payable		188,942		47,248
Income taxes payable		23,998		33,682
Derivative liabilities		1,807,404		540,965
Deferred revenue		—		847,223
Total current liabilities		3,686,665		1,988,081
Long term portion of note payable- undivided interest in real estate		964,847		982,176
Long term portion of convertible notes payable, net of discounts		—		12,587
Total liabilities		4,651,512		2,982,844
Commitments and contingencies				
Stockholders' Deficit:				
Preferred stock, $0.0001 par value; 25,000,000 shares authorized;				
Series A preferred stock, par value $0.0001, 9,510,000 shares authorized and -0- issued and outstanding	$	—	$	—
Series B preferred stock, par value $0.0001, 900,000 shares authorized and issued and outstanding (2018)		90		—
Common stock, $0.0001 par value; 490,000,000 shares authorized; 120,425,344 and 61,539,334 shares issued and outstanding December 31, 2018, and 2017, respectively		12,042		6,153
Common stock to be issued, $0.0001 par value, 6,373,848, and 102,564 shares December 31, 2018, and 2017, respectively		637		10
Additional paid-in capital		4,836,557		331,227
Deferred stock compensation		(235,694)		(25,000)
Accumulated deficit		(6,372,129)		(1,787,012)
Total stockholders' deficit		(1,758,498)		(1,474,623)
	$	2,893,014	$	1,508,221

See notes to consolidated financial statements.

INNERSCOPE HEARING TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2018	2017
Revenues:		
Revenues, other	$ 242,857	$ 384,177
Revenues, related party	82,019	86,449
Total revenues	324,876	470,626
Cost of sales		
Cost of sales, other	156,909	256,918
Cost of sales, related	24,779	36,303
Total cost of sales	181,688	293,221
Gross profit	143,188	177,405
Operating Expenses:		
Compensation and benefits (including stock- based fees of $785,702 (2018))	1,543,754	645,723
Advertising and promotion	173,580	—
Professional fees (including stock- based fees of $302,148 (2018) and $173,794 (2017))	651,216	391,177
Consulting fees, stockholder	—	60,000
Rent (including related party of $144,000 (2018) and $111,377 (2017))	186,700	111,377
Investor relations	125,415	43,845
Bad debt expense, net of recoveries	10,383	63,799
Other general and administrative	160,753	87,974
Total operating expenses	2,851,801	1,403,897
Loss from operations	(2,708,613)	(1,226,492)
Other Income (Expense):		
Other income	—	5,533
Derivative expense	(2,436,951)	(265,674)
Gain (loss) on investment in undivided interest in real estate	2,060	(1,378)
Write off of deferred commissions	—	(508,334)
Gain on contract cancellations and settlements	1,297,223	160,000
Gain on debt extinguishment	530,468	—
Interest income, including $228 (2017) from officer	—	300
Interest expense and finance charges	(1,269,305)	(77,287)
Total other income (expense), net	(1,876,505)	(686,840)
Net loss	$ (4,585,117)	$ (1,913,332)
Basic and diluted loss per share	$ (0.06)	$ (0.03)
Weighted average number of common shares outstanding Basic and diluted	78,891,884	61,320,706

See notes to consolidated financial statements.

INNERSCOPE HEARING TECHNOLOGIES , INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2018 and 2017

	Common stock		Common stock to be issued		Deferred stock	Series B Preferred stock		Additional Paid-in	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Compensation	Shares	Amount	Capital	(Deficit)	(Deficit)
Balances December 31, 2016	60,906,000	$ 6,090	—	$ —	$ —	—	$ —	$ 104,110	$ 126,320	$ 236,520
Common stock issued for services	633,334	63	—	—	(100,000)	—	—	189,937	—	90,000
Reclassification of derivative liabilities upon payment of convertible debt	—	—	—	—	—	—	—	28,215	—	28,215
Stock based compensation	—	—	102,564	10	75,000	—	—	8,965	—	83,975
Net loss	—	—	—	—	—	—	—	—	(1,913,332)	(1,913,332)
Balances December 31, 2017	61,539,334	6,153	102,564	10	(25,000)	0	0	331,227	(1,787,012)	(1,474,623)
Stock based compensation	5,117,867	512	3,535,284	354	(150,694)	—	—	465,079	—	315,250
Stock issued from common stock to be issued	102,564	10	(102,564)	(10)	—	—	—	—	—	—
Issuance of Series B preferred stock	—	—	—	—	—	900,000	90	817,510	—	817,600
Common stock issued or to be issued for convertible notes	53,325,227	5,333	1,838,564	184	—	—	—	819,306	—	824,822
Common stock issued for asset purchase	340,352	34	—	—	—	—	—	22,940	—	22,974
Common stock to be issued for joint development project	—	—	1,000,000	100	(60,000)	—	—	59,900	—	—
Reclassification of derivative liabilities upon payment of convertible debt	—	—	—	—	—	—	—	2,320,595	—	2,320,595
Net loss	—	—	—	—	—	—	—	—	(4,585,117)	(4,585,117)
Balances December 31, 2018	120,425,344	12,042	6,373,848	$ 637	$ (235,694)	900,000	$ 90	$ 4,836,556	$ (6,372,129)	$ (1,758,498)

See notes to consolidated financial statements.

INNERSCOPE HEARING TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

		2018		2017
Cash flows from operating activities:				
Net loss	$	(4,585,117)	$	(1,913,332)
Adjustments to reconcile net loss to net cash used in operations:				
Loss on fair value of derivatives		2,436,949		265,674
Amortization of debt discounts		1,109,590		63,434
Depreciation and amortization		5,806		884
Stock compensation expense		1,087,850		173,974
Non cash interest expense		6,025		
(Gain) loss on investment in undivided interest in real estate		(2,060)		1,378
Gain on debt extinguishment		(530,468)		—
Gain on collection of bad debts		—		—
Recognition of deferred revenues per settlement		(847,223)		—
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interest receivable, related party		—		146
Accounts receivable		6,838		(12,950)
Employee advances		(40,942)		
Inventory		(85,551)		(3,638)
Deferred commissions, stockholder		—		133,334
Prepaid assets		(51,900)		(94,887)
Accounts receivable, related party		(129,329)		(73,996)
Increase (decrease) in:				
Accounts payable and accrued expenses		265,298		114,179
Income taxes payable		(9,684)		—
Commissions payable, stockholder		—		(96,000)
Officer salaries payable		141,694		40,517
Deferred revenue		—		625,000
Customer deposits		56,698		—
Net cash used in operating activities		(1,165,526)		(776,283)
Cash flows from investing activities:				
Payment of security deposit		(6,440)		—
Purchase of domain name		—		(3,000)
Purchase of office and computer equipment		(7,104)		—
Repayments from shareholder loans receivable		—		17,938
Investment in undvided interest in real estate		—		(218,351)
Purchase of technology		(183,200)		—
Net cash used in investing activities		(196,744)		(203,413)
Cash flows from financing activities:				
Proceeds from issuance of note payable		77,600		—
Advances (repayments) to stockholder		(74,312)		186,338
Proceeds from advances, stockholder		36,800		65,000
Proceeds from issuances of convertible notes payable		1,664,450		345,000
Repayments of note payable		(79,499)		(7,236)
Repayments of advances, shareholder		(6,000)		—
Repayments of principal of convertible note payable		(253,663)		(18,200)
Net cash provided by financing activities		1,365,376		570,902
Net increase (decrease) in cash and cash equivalents		3,106		(408,794)
Cash and cash equivalents, Beginning of period		84,720		493,514
Cash and cash equivalents, End of period	$	87,826	$	84,720
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	102,203	$	4,521
Cash paid for income taxes	$	—	$	—
Schedule of non-cash Investing or Financing Activity:				
Reclassification of derivative liabilities upon principal repayments of convertible notes	$	2,320,595	$	—
Intangible assets in accounts payable	$	816,800		—
Issuance of note payable for investment in undivided interest in real estate	$	—	$	1,007,930
Conversion of notes payable and accrued interest in common stock	$	824,823		—
Series B Preferred Stock issued for payment of related party liabilities	$	45,000	$	—
Acquisition of Assets				
Issuance of common stock as consideration for assets purchased	$	22,974	$	—
Assumed liabilities		33,049		—
Property and equipment		(38,400)		—
Other Assets		(4,616)		—
Customer base		(300)		—
Non- compete		(12,707)		—
	$	—	$	—

See notes to consolidated financial statements.

NOTE 1 - ORGANIZATION

Business

InnerScope Hearing Technologies, Inc. ("Company", "InnerScope") is a Nevada Corporation incorporated on June 15, 2012, with its principal place of business in Roseville, California. The Company was originally named InnerScope Advertising Agency, Inc. and was formed to provide advertising and marketing services to retail establishments in the hearing device industry. On August 25, 2017, the Company changed its name to InnerScope Hearing Technologies, Inc. to better reflect the Company's current direction as a technology driven company with a scalable business model, encompassing; business to business (B2B) solutions, direct to consumer (DTC) sales and marketing and business to consumer (and B2C) solutions. The Company is a manufacturer and a DTC distributor/retailer of FDA (Food and Drug Administration) registered hearing aids, personal sound amplifier products ("PSAP's"), hearing related treatment therapies, doctor-formulated dietary hearing supplements and proprietary CDB oil for treating tinnitus. The Company also owns and operates audiological and retail hearing device clinics and plans to continue to open and acquire additional clinics. As of the date of this filing, the Company operates five retail hearing device clinics in California.

On August 5, 2016, the Company along with Mark Moore ("Mark", the Company's Chairman of the Board), Matthew Moore ("Matthew", the Company's Chief Executive Officer) and Kim Moore ("Kim", the Company's Chief Financial Officer) entered into a Store Expansion Consulting Agreement (the "Expansion Agreement") with a third party (the "Client"). Mark, Matthew and Kim are herein referred to collectively as the "Moores". Pursuant to the Expansion Agreement, the Company and the Moores were responsible for all physical plant and marketing details for the Client's new store openings during the initial term of six-months. The Expansion Agreement was cancelled on January 6, 2017. The Client decided to do their own marketing in-house and eliminate the out-sourced contract and decided to open only one location and delay the opening of any other new stores. For the year ended December 31 2017, the Company recognized $100,000 of income for the one new store, opened in January 2017, and $160,000 in other income, net, for payments received for the Expansion Agreement pursuant to the cancellation. The Client also paid an additional $30,000 for the cancellation of the Store Expansion Agreement and a marketing agreement.

Also, on August 5, 2016, the Company and the Moores entered into a Consulting Agreement (the "Consulting Agreement") with the same Client as the store Expansion Agreement. Under the Consulting Agreement, including the Non-Compete provision covering a ten-mile radius of any retail store, the Company and the Moores were to provide unlimited licensing of the Intela-Hear brand name, exclusive access to the Aware Aural Rehab Program within 10 miles of retail stores, exclusive territory of all services within 10 miles of retail stores and up to 40 hours per month of various consulting services. The Consulting Agreement continues until January 31, 2019, unless terminated for cause, as defined in the Consulting Agreement. On May 26, 2017, the Company and the Moores were named in an action filed by the Client, that included a demand that all monies paid pursuant to the Consulting Agreement be returned. On August 13, 2018, the Client, InnerScope and the Moores executed a Settlement Agreement (See Note 13).

NOTE 2 – Asset Purchase Acquisition of Kathy L Amos Audiology

Effective September 10, 2018, the Company acquired all of the assets and assumed certain liabilities of Kathy L Amos Audiology ("Amos Audiology") in exchange for 340,352 shares of common stock (the "Acquisition"). Amos Audiology provides retail hearing aid sales and audiological services in the East Bay area of San Francisco.

Based on the fair value of the common stock issued of $22,974 and the assumed liabilities of $33,049, the total purchase consideration was $56,023.

The following table summarizes the purchase price allocation of the fair value of assets acquired and liabilities assumed in the acquisition:

	Purchase Price Allocation
Fair value of consideration for Acquisition	$ 22,974
Liabilities assumed	33,049
Total purchase consideration	$ 56,023
Tangible assets acquired	$ 43,016
Intangible assets	13,007
	$ 56,023

The total purchase price of $56,023 has been allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values as of the completion of the Acquisition. The fair value of Amos Audiology's identifiable intangible assets was estimated primarily using the income approach which requires an estimate or forecast of all the expected future cash flows, either through the use of the relief-from-royalty method or the multi-period excess earnings method. The Company determined the identifiable intangible assets, consisting of a customer base and non-compete had fair values of $300 and $12,707, respectively.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"). The consolidated financial statements of the Company include the consolidated accounts of InnerScope and its' wholly owned subsidiaries ILLC and Intela-Hear. All intercompany accounts and transactions have been eliminated in consolidation.

Emerging Growth Companies

The Company qualifies as an "emerging growth company" under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, the Company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of the benefits of this extended transition period.

Use of Estimates

The 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates include the fair value of the derivative liabilities.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original term of three months or less to be cash equivalents. These investments are carried at cost, which approximates fair value. The Company held no cash equivalents as of December 31, 2018 and 2017. Cash balances may, at certain times, exceed federally insured limits. If the amount of a deposit at any time exceeds the federally insured amount at a bank, the uninsured portion of the deposit could be lost, in whole or in part, if the bank were to fail.

Accounts receivable

The Company records accounts receivable at the time products and services are delivered. An allowance for losses is established through a provision for losses charged to expenses. Receivables are charged against the allowance for losses when management believes collectability is unlikely. The allowance (if any) is an amount that management believes will be adequate to absorb estimated losses on existing receivables, based on evaluation of the collectability of the accounts and prior loss experience. As of December 31, 2018, management's evaluation required the establishment of an allowance for uncollectible receivables of $18,383. As of December 31, 2017, management's evaluation did not require an allowance.

Sales Concentration and Credit Risk

Following is a summary of customers who accounted for more than ten percent (10%) of the Company's revenues for the years ended December 31, 2018 and 2017, and accounts receivable balances as of December 31, 2018, and 2017:

	December 31,		Accounts Receivable as of	Accounts Receivable as of
	2018	2017		
	%	%	December 31, 2018	December 31, 2017
Customer A	—	16.4%	$ —	$ 63,799
Customer B	—	14.8%	$ —	$ 4,000
Customer C, related	25.2%	18.3%	$ 145,505	$ 81,193
Customer D	—	27.6%	$ —	—

Inventory

Inventory is valued at the lower of cost or net realizable value. Cost is determined using the first in first out (FIFO) method. Provision for potentially obsolete or slow-moving inventory is made based on management analysis or inventory levels and future sales forecasts. As of December 31, 2018, and 2017, management's analysis did not require any provisions to be recognized.

Intangible Assets

Costs for intangible assets are accounted for through the capitalization of those costs incurred in connection with developing or obtaining such assets. Capitalized costs are included in intangible assets in the consolidated balance sheets. On October 3, 2018, the Company entered into a Manufacturing Design and Marketing Agreement (the "Agreement") with Zounds Hearing, Inc., a Delaware corporation ("Zounds"), whereby, Zounds as the Subcontractor will provide design, technology, manufacturing and supply chain services to the Company (see Note 13) for a period of ten years . The Company will pay Zounds One Million ($1,000,000) for the right to use proprietary technology (the "Technology Access Fee"). As of December 31, 2018, the Company has capitalized the $1,000,000 Technology Access Fee as an intangible asset on the consolidated balance sheets. The Technology Access Fee will be amortized over the term of the Agreement. The Company also acquired intangible assets from an asset purchase agreement (see Note 2).

During the year ended December 31, 2017, the Company purchased the domain namewww.innd.com from a third party for $3,000.

Property and Equipment

Property and equipment are stated at cost, and depreciation is provided by use of a straight-line method over the estimated useful lives of the assets. The Company reviews property and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. The estimated useful lives of property and equipment are as follows:

Computer equipment	3 years
Machinery and equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	3-5 years

The Company's property and equipment consisted of the following at December 31, 2018, and 2017:

	December 31, 2018	December 31, 2017
Computer equipment	$ 2,651	$ 2,651
Machinery and equipment	31,122	—
Furniture and fixtures	2,160	—
Leasehold improvements	12,222	—
Accumulated depreciation	(4,705)	(1,068)
Balance	$ 43,450	$ 1,583

Depreciation expense of $3,638 and $884 was recorded for the years ended December 31, 2018 and 2017, respectively.

Investment in Undivided Interest in Real Estate

The Company accounts for its' investment in undivided interest in real estate using the equity method, as the Company is severally liable only for the indebtedness incurred with its interest in the property. The Company includes its allocated portion of net income or loss in Other income (expense) in its Statement of Operations, with the offset to the equity investment account on the balance sheet. For the years ended December 31, 2018 and 2017, the Company recognized a gain of $2,060 and loss of $1,378, respectively. As of December 31, 2018, and 2017, the carrying value of the Company's investment in undivided interest in real estate was $1,226,963 and $1,224,903, respectively (see Note 10).

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 - Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, accounts receivable, accounts payable and accrued expenses, certain notes payable and notes payable - related party, approximate their fair values because of the short maturity of these instruments.

The following table represents the Company's financial instruments that are measured at fair value on a recurring basis as of December 31, 2018, and 2017, for each fair value hierarchy level:

December 31, 2018	Derivative Liabilities	Total
Level I	$ —	$ —
Level II	$ —	$ —
Level III	$ 1,807,404	$ 1,807,404

December 31, 2017		
Level I	$ —	$ —
Level II	$ —	$ —
Level III	$ 540,965	$ 540,965

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion feature.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of it financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Monte Carlo simulations to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Debt Issue Costs and Debt Discount

The Company may record debt issue costs and/or debt discounts in connection with raising funds through the issuance of debt. These costs may be paid in the form of cash, or equity (such as warrants). These costs are amortized to interest expense through the maturity of the debt. If a conversion of the underlying debt occurs prior to maturity a proportionate share of the unamortized amounts is immediately expensed. Any unamortized debt issue costs and debt discount are presented net of the related debt on the consolidated balance sheets.

Original Issue Discount

For certain convertible debt issued, the Company may provide the debt holder with an original issue discount. The original issue discount would be recorded to debt discount, reducing the face amount of the note and is amortized to interest expense through the maturity of the debt. If a conversion of the underlying debt occurs prior to maturity a proportionate share of the unamortized amounts is immediately expensed. Any unamortized original issue discounts are presented net of the related debt on the consolidated balance sheets.

Revenue Recognition

Effective January 1, 2018, the Company adopted ASC Topic 606, “Revenue from Contracts with Customers” (“ASC 606”) and all the related amendments. The Company elected to adopt this guidance using the modified retrospective method. The adoption of this guidance did not have a material effect on the Company’s financial position, results of operations or cash flows.

The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The Company’s contracts with customers are generally on a purchase order basis and represent obligations that are satisfied at a point in time, as defined in the new guidance, generally upon delivery or has services are provided. Accordingly, revenue for each sale is recognized when the Company has completed its performance obligations, Any costs incurred before this point in time, are recorded as assets to be expensed during the period the related revenue is recognized. The Company accepts prepayments on hearing aids and records the amount received as customer deposits on its’ balance sheet. When the Company delivers the hearing aid to the customer, revenue is recognized as well as the corresponding cost of sales.

As of December 31, 2018, the Company had received $56,698 of customer deposits, that will be recognized as revenue after December 31, 2018, when the hearing aids are delivered to the customer

Income Taxes

The Company accounts for income taxes in accordance with ASC 740-10, Income Taxes. Deferred tax assets and liabilities are recognized to reflect the estimated future tax effects, calculated at the tax rate expected to be in effect at the time of realization. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Interest and penalties are classified as a component of interest and other expenses. To date, the Company has not been assessed, nor paid, any interest or penalties.

Uncertain tax positions are measured and recorded by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized.

Advertising and Marketing Expenses

The Company expenses advertising and marketing costs as incurred. For the years ended December 31, 2018, advertising and marketing expenses were $173,580. The Company did not incur any advertising and marketing expenses for the year ended December 31, 2017.

Earnings (Loss) Per Share

The Company reports earnings (loss) per share in accordance with ASC 260, "Earnings per Share." Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net loss by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. As of December 31, 2018, and 2017, the Company’s outstanding convertible debt is convertible into approximately 120,715,294 and 10,043,445 shares of common stock, respectively. This amount is not included in the computation of dilutive loss per share because their impact is antidilutive.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

With the exception of the new standard discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2018, as compared to the recent accounting pronouncements described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed on April 17, 2018, that are of significance or potential significance to the Company.

NOTE 4 – GOING CONCERN AND MANAGEMENT'S PLANS

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. which assumes the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company experienced a net loss of $4,585,117 for the year ended December 31, 2018. At December 31, 2018, the Company had a working capital deficit of $3,088,957, and an accumulated deficit of $6,372,129. These factors raise substantial doubt about the Company's ability to continue as a going concern and to operate in the normal course of business. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

Management's Plans

The Company continues to implement an industry encompassing revenue strategy, including the current revenue model to other major sectors of the global hearing industry. On September 10, 2018, the Company acquired all of the assets and assumed certain liabilities of Amos Audiology (see Note 2). This transaction is part of management's plans to expand the Company's retail clinic business by opening multiple clinics in the next 12 months. During the year ended December 31, 2018, the Company opened 2 retail clinics, and during the three months ended March 31, 2019, the Company opened an additional 3 retail clinics.

NOTE 5 – INTANGIBLE ASSETS, NET (OTHER THAN GOODWILL)

The Company's intangible assets consist of a customer list and non-compete acquired from Kathy L Amos Audiology (see Note 2) and a Technology Access Fee required to be paid by the Company in connection with a manufacturing design and marketing agreement executed with a supplier (see Note 13). These intangible assets are amortized over their estimated useful lives as indicated below. The following is a summary of activity related to intangible assets for the year ended December 31, 2018:

Useful Lives	Customer List 2 Years	Non-compete 2 Years	Technology Access Fee 10 Years	Total
Carrying Value at December 31, 2017	$ —	$ —	$ —	$ —
Additions	300	12,708	1,000,000	1,013,008
Amortization	(50)	(2,118)	(0)	(2,168)
Carrying Value at December 31, 2018	$ 250	$ 10,590	$ 1,000,000	$ 1,010,840

The Company recognized $2,168 of amortization expense during the year ended December 31, 2018.

Future expected amortization of intangible assets is as follows:

Fiscal Year Ending December 31,		
2019	$	106,504
2020		104,336
2021		100,000
2022		100,000
2023		100,000
Thereafter		500,000
	$	1,101,840

NOTE 6 – ADVANCES PAYABLE, STOCKHOLDERS

Chief Executive Officer

A summary of the activity for the years ended December 31, 2018, and 2017, representing amounts paid by the Company's CEO (stockholder) on behalf of the Company and amounts reimbursed is as follows.

	December 31, 2018		December 31, 2017	
Beginning Balance	$	138,637	$	-0-
Amounts paid on Company's behalf		589,524		149,370
Reimbursements		(625,635)		(10,733)
Cancelled in exchange for Series B preferred stock		(45,000)		—
Ending Balance	$	57,526	$	138,637

The ending balances as of December 31, 2018, and 2017, are included in Advances payable, stockholders on the consolidated balance sheets included herein. These advances have no specific repayment terms.

Director

A summary of the activity for the years ended December 31, 2018, and 2017, representing amounts paid by the Company's Chairman (stockholder) on behalf of the Company and amounts reimbursed is as follows.

	December 31, 2018		December 31, 2017	
Beginning Balance	$	38,201	$	-0-
Amounts paid on Company's behalf		24,299		39,201
Reimbursements		(62,500)		(1,000)
Ending Balance	$	-0-	$	38,201

The ending balances as of December 31, 2017, is included in Advances payable, stockholders on the consolidated balance sheets included herein. These advances have no specific repayment terms.

NOTE 7 – NOTE PAYABLE, STOCKHOLDER

A summary of the activity for the years ended December 31, 2018, and 2017, of amounts the Company's CEO (stockholder) loaned the Company and amounts repaid is as follows:

	December 31, 2018	December 31, 2017
Beginning Balance	$ 65,000	$ -0-
Amounts loaned to the Company	36,800	65,000
Repaid	(6,000)	-0-
Ending Balance	$ 95,800	$ 65,000

The ending balance amount is due on demand, carries interest at 8% per annum and is included Notes payable, stockholder on the consolidated balance sheets included herein.

NOTE 8 – NOTE PAYABLE

On February 27, 2018, the Company entered into a Business Loan Agreement (the "February BLA") for $43,358 with a third- party, whereby the Company received $32,600 on March 1, 2018, with a 33% interest rate and maturing on March 1, 2019. The February BLA requires the Company to make the first six monthly payments of principal and interest of $4,102 per month, and then $3,124 for months seven through twelve. The Company paid the note in full on August 28, 2018.

On July 30, 2018, the Company entered into a Business Loan Agreement (the "July BLA") for $11,020 with a third- party, whereby the Company received $9,500 on July 30, 2018, with a 16% interest rate and maturing on February 16, 2019. The July BLA requires the Company to make the first two monthly payments of principal and interest of $2,106 per month, and then $1,702 for months three through six. The Company paid the note in full on August 28, 2018.

On October 8, 2018, the Company entered into a Business Loan Agreement (the "October BLA") for $47,215 with a third- party, whereby the Company received $35,500 on October 10, 2018. The October BLA requires the Company to make the first six monthly payments of principal and interest of $4,467 per month, and then $3,402 for months seven through twelve. The note carries a 33% interest rate and matures on October 28, 2019. As of December 31, 2018, there was a balance of $38,280 on the October BLA, with a carrying value of $29,270, net of unamortized discounts of $9,011.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company loaned the CEO $20,500 during the year ended December 31, 2013. The note and interest were paid in full during the year ended December 31, 2017. The Company recorded interest income of $228 for the year ended December 31, 2017.

During the year ended December 31, 2018, and 2017, our CEO (stockholder) paid expenses and accounts payable on behalf of the Company (see Note 5). As of December 31, 2018, and 2017, the Company owed the CEO $57,526 and $138,637, respectively, which is included in Advances payable, stockholders on the consolidated balance sheets included herein.

During the year ended December 31, 2018, and 2017, our Chairman (stockholder) paid expenses of the Company and accounts payable on behalf of the Company (see Note 5). As of December 31, 2018, and 2017, the Company owed the Chairman $0 and $38,201, respectively, which is included in Advances payable, stockholders on the consolidated balance sheets included herein.

On August 8, 2016, in consideration of $128,000 (the "Cancellation Fee"), MFHC and the Company agreed to cancel the Marketing Agreement as a result of the sale by MFHC of substantially all of their assets. On August 11, 2016, MFHC paid $229,622 to the Company (inclusive of the balance owed as of June 30, 2016, the Cancellation Fee and other related party activity).

Pursuant to a Marketing Agreement (cancelled August 5, 2016), the Company provided marketing programs to promote and sell hearing aid instruments and related devices to Moore Family Hearing Company ("MFHC"). MFHC owned and operated retail hearing aid stores. Based on common control of MFHC and the Company, all transactions with MFHC are classified as related party transactions. For the year ended December 31, 2016 (through August 5, 2016), there were 20 stores resulting in revenue of $458,667. The Company has offset the accounts receivable owed from MFHC for these services with expenses of the Company that have been paid by MFHC. As a result of these payments, in addition to MFHC's payments to the Company through December 31, 2016, the balance due to MFHC as of December 31, 2018, and 2017, was $22,548, which is included in Accounts payable, related party, on the consolidated balance sheets included herein.

Effective August 1, 2016, the Company agreed to compensation of $225,000 and $125,000 per year for the Company's CEO and CFO, respectively. On November 15, 2016, the Company entered into employment agreements with its CEO and CFO, which includes their annual base salaries of $225,000 and $125,000, respectively. For the years ended December 31, 2018, and 2017, the Company recorded expenses to its officers in the following amounts:

	Year ended December 31,	
Description	**2018**	**2017**
CEO	$ 225,193	$ 224,691
CFO	125,107	124,828
Total	$ 350,300	$ 349,519

As of December 31, 2018, the Company owes the CEO and CFO $49,142 and $139,800, respectively, and as of December 31, 2017, the Company owed the CEO and CFO $4,327 and $40,385, respectively for accrued and unpaid wages. These amounts are included in Officer salaries payable on the balance sheets included herein.

In September 2016, the officers and directors of the Company formed a California Limited Liability Company ("LLC1"), for the purpose of acquiring commercial real estate and other business activities. On December 24, 2016, LLC1 acquired two retail stores from the buyer of the MFHC stores. On March 1, 2017, the Company entered into a twelve-month Marketing Agreement with each of the stores to provide telemarketing and design and marketing services for $2,500 per month per store, resulting in $60,000 and $50,000, respectively, for the years ended December 31, 2018, and 2017. Additionally, for the year ended December 31, 2018, the Company invoiced LLC1 $20,226 for the Company's production, printing and mailing services and $1,793 for sale of products. As of December 31, 2018, and December 31, 2017, LLC1 owes the Company $203,325 and $73,996, respectively, for the consulting fees and mailing services as well expenses of LLC1 paid by the Company.

As of December 31, 2018, the Company is owed On June 14, 2017, the Company entered into a five-year lease with LLC1 for approximately 6,944 square feet and a monthly rent of $12,000. For the years ended December 31, 2018, and 2017, the Company expensed $144,000 and $111,377, respectively, related to this lease and is included in Rent, related party, on the consolidated statement of operations, included herein. As of December 31, 2018, the Company owed LLC1 $30,500 for unpaid rent.

In November 2016, the Company's Chairman formed a California Limited Liability Company ("LLC2"), for the purpose of providing consulting services to the Company. The Company entered into an agreement with LLC2, and paid LLC2 $375,000 during the year ended December 31, 2016, for services performed and to be performed. Of the $375,000 amount paid, $241,667 was recognized as consulting fees- stockholder for the year ended December 31, 2016, and the remaining $133,334 was recorded as deferred commissions- stockholder as of December 31, 2016. For the year ended December 31, 2017, the Company paid LLC2 an additional $771,000 ($96,000 of which reduced previous amounts owed) and expensed $808,334 ($60,000 as commissions for services performed and $748,334 as other expense). As of December 31, 2018, and 2017, the deferred commissions-stockholder is $-0-.

On May 9, 2017, the Company and LLC1 purchased certain real property from an unaffiliated party. The Company and LLC1 have agreed that the Company purchased and owns 49% of the building and LLC1 purchased and owns 51% of the building. The contracted purchase price for the building was $2,420,000 and the total amount paid at closing was $2,501,783 including, fees, insurance, interest and real estate taxes. The Company paid for their building interest by delivering cash at closing of $209,971 and being a co-borrower on a note in the amount of $2,057,000, of which the Company has agreed with LLC1 to pay $1,007,930 (see Note 9).

NOTE 10– INVESTMENT IN UNDIVIDED INTEREST IN REAL ESTATE

On May 9, 2017, the Company and LLC1 purchased certain real property from an unaffiliated party. The Company and LLC1 have agreed that the Company purchased and owns 49% of the building and LLC1 purchased and owns 51% of the building. The contracted purchase price for the building was $2,420,000 and the total amount paid at closing was $2,501,783 including, fees, insurance, interest and real estate taxes. The Company paid for their building interest by delivering cash at closing of $209,971 and being a co-borrower on a note with and initial amount of $2,057,000, of which the Company has agreed with LLC1 to pay $1,007,930 (see Note 10).

The Company accounts for its investment in undivided interest in real estate as an equity method investment and recognizes it's proportionate share of profits and losses. For the years ended December 31, 2018, and 2017, a net gain of $2,060 and loss of $1,378, respectively, is included on the Statements of Operations. As of December 31, 2018, the carrying value of the Company's investment in undivided interest in real estate was $1,226,963.

The consolidated balance sheets as of December 31, 2018, and 2017 and the statement of operations for the years ended December 31, 2018, and 2017, for the real property is as follows:

Current assets:	2018	2017
Cash	$ 2,257	$ 8,331
Due from InnerScope	30,500	2,711
Prepaid expenses and other current assets	72,931	37,471
Total current assets	105,958	48,512
Land and Building, net	2,354,282	2,397,848
Other Assets, net	53,323	54,426
Total assets	$ 2,513,563	$ 2,500,606
Current portion of mortgage payable	$ 40,122	$ 37,792
Other current liabilities	48,551	10,560
Total current liabilities	88,673	48,352
Mortgage payable, long-term	1,969,076	2,004,440
Security deposits	13,064	9,268
Total liabilities	2,070,813	2,062,060
Total equity	442,750	438,546
Total liabilities and equity	$ 2,513,563	$ 2,500,060

	2018	2017
Rental income	$ 285,976	$ 154,454
Expenses:		
Property taxes	26,583	16,752
Depreciation and amortization	43,566	27,229
Insurance	2,033	6,253
Repairs and maintenance	30,128	17,829
Utilities and other	40,066	15,083
Interest expense	139,416	74,120
Total expenses	281,772	157,226
Net income (loss)	$ 4,204	$ (2,812)

NOTE 11– NOTE PAYABLE - UNDIVIDED INTEREST IN REAL ESTATE

On May 9, 2017, the Company and LLC1 purchased certain real property from an unaffiliated party. The Company and LLC1 have agreed that the Company purchased and owns 49% of the building and LLC1 purchased and owns 51% of the building. The contracted purchase price for the building was $2,420,000 and the total amount paid at closing was $2,501,783 including, fees, insurance, interest and real estate taxes. The Company is a co-borrower on a $2,057,000 Small Business Administration Note (the "SBA Note"). The SBA Note carries a 25-year term, with an initial interest rate of 6% per annum, adjustable to the Prime interest rate plus 2% (6.75% as of December 31, 2018), and is secured by a first position Deed of Trust and business assets located at the property. The Company initially recorded a liability of $1,007,930 for its portion of the SBA Note, with the offset being to Investment in undivided interest in real estate on the consolidated balance sheets presented herein. As of December 31, 2018, the Company's current and long-term portion of the SBA Note is $19,660 and $964,847, respectively. Future principal payments for the Company's portion are:

Twelve months ending December 31,		Amount
2019	$	19,660
2020		20,708
2021		22,150
2022		23,516
2023		24,966
Thereafter		873,507
Total	$	984,507

NOTE 12– CONVERTIBLE NOTES PAYABLE

On October 11, 2017, the Company completed the closing of a private placement financing transaction (the "Transaction") with a third-party investor, pursuant to a Securities Purchase Agreement (the "Purchase Agreement") dated October 5, 2017. Pursuant to the Purchase Agreement, the investor purchased a 12% Convertible Promissory Note (the "Note"), dated October 5, 2017, in the principal amount of $48,000. On October 11, 2017, the Company received proceeds of $45,000 which excluded transaction costs, fees, and expenses of $3,000. Principal and interest was due and payable July 15, 2018, and the Note was convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at the average of the two lowest closing bid prices during the ten (10) prior trading days from which a notice of conversion is received by the Company multiplied by sixty-five percent (65%), representing a thirty-five percent (35%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $40,300, and an initial derivative liability of $40,300. For the years ended December 31, 2018, and 2017, amortization of the debt discount of $27,739 and $12,561, respectively, was charged to interest expense. The Company also recorded a discount for debt issuance costs of $3,000 and has amortized $2,065 and $935, respectively, to interest expense for the years ended December 31, 2018, and 2017. During the year ended December 31, 2018, the investor converted $48,000 of principal and $2,880 of accrued interest into 4,330,984 shares of common stock. As of December 31, 2018, and 2017, the note balance is $-0- and $48,000 with a December 31, 2017, carrying value of $18,196, net of unamortized discounts of $29,804, respectively.

On November 10, 2017, the Company issued a convertible promissory note (the "Note"), with a face value of $299,000, maturing on January 12, 2019, and stated interest of 10% to a third-party investor. The note was convertible at any time after ninety (90) days of the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 20 days prior to conversion. The note was funded on November 10, 2017, when the Company received proceeds of $250,000, after disbursements for the lender's transaction costs, fees and expenses. The Note also required daily payments of $700 per day via ACH through January 12, 2019, when all unpaid principal and interest was due. The embedded conversion feature included in the note resulted in an initial debt discount of $250,000, an initial derivative expense of $213,549 and an initial derivative liability of $463,549. For the years ended December 31, 2018, and 2017, amortization of the debt discount of $208,583 and $41,417, respectively, was charged to interest expense. The Company also recorded an original issue discount and debt issue discount of $49,000 and amortized $40,883 and $8,118 to interest expense for the years ended December 31, 2018, and 2017, respectively. During the year ended December 31, 2018, the Company made principal payments of $81,900, and the investor converted $123,250 of principal and $21,843 of interest into 21,887,432 shares of common stock. On August 10, 2018, the investor sold $40,000 of the Note to a third party, and the investor also forgave $35,650 of principal. As of December 31, 2018, and 2017, the note balance is $-0- and $280,800, with a December 31, 2017, carrying value of $31,335, net of unamortized discounts of $249,465, respectively.

On December 12, 2017, the Company completed the closing of a private placement financing transaction (the "Transaction") when a third-party investor purchased a convertible note (the "Convertible Note"). The Convertible Note carries a 10% annual interest rate and is in the principal amount of $50,000. Principal and interest is due and payable December 12, 2018, and the Note was convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at a conversion price (the "Conversion Price") equal to seventy-five percent (75%) of the average closing price of the Company's common stock for the ten (10) days immediately preceding the conversion, representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $13,207, and an initial derivative liability of $13,207. For the years ended December 31, 2018, and 2017, amortization of the debt discount of $12,803 and $404, respectively was charged to interest expense. As of December 31, 2018, and 2017, the note balance is $-0- and $50,000 with a carrying value as of December 31, 2017, of $37,197, net of unamortized discounts of $12,803.

On February 1, 2018, the Company completed the closing of a private placement financing transaction (the "Transaction") when a third-party investor purchased a convertible note (the "Convertible Note"). The Convertible Note carries a 10% annual interest rate and is in the principal amount of $35,000. Principal and interest was due and payable February 1, 2019, and the Note was convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at a conversion price (the "Conversion Price") equal to seventy-five percent (75%) of the average closing price of the Company's common stock for the ten (10) days immediately preceding the conversion, representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $9,554, and an initial derivative liability of $9,554. For the year ended December 31, 2018, amortization of the debt discount of $9,554 was charged to interest expense. During the year ended December 31, 2018, the investor converted $35,000 of principal and $1,750 of interest into 2,085,106 shares of common stock. As of December 31, 2018, the note balance is $-0-

On February 8, 2018, the Company completed the closing of a private placement financing transaction (the "Transaction") with a third-party investor, pursuant to a Securities Purchase Agreement (the "Purchase Agreement") dated February 8, 2018. Pursuant to the Purchase Agreement, the investor purchased a 12% Convertible Promissory Note (the "Note"), dated February 8, 2018, in the principal amount of $58,300. On February 8, 2018, the Company received proceeds of $50,000 which excluded transaction costs, fees, and expenses of $8,300. Principal and interest was due and payable November 8, 2018, and the Note was convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at the average of the two lowest closing bid prices during the ten (10) prior trading days from which a notice of conversion is received by the Company multiplied by seventy-five percent (75%), representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $50,000, an initial derivative liability of $65,525 and an initial derivative expense of $15,525. For the year ended December 31, 2018, amortization of the debt discount of $50,000 was charged to interest expense. The Company also recorded a debt issue discount of $8,300 and has amortized $8,300 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the Company made principal payments of $46,121, and the investor converted $12,179 of principal into 2,925,932 shares of common stock. As of December 31, 2018, the note balance is $-0-.

On March 2, 2018, the Company completed the closing of a private placement financing transaction (the "Transaction") when a third-party investor purchased a convertible note (the "Convertible Note"). The Convertible Note carries a 10% annual interest rate and is in the principal amount of $50,000. Principal and interest was due and payable March 2, 2019, and the Note is convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at a conversion price (the "Conversion Price") equal to seventy-five percent (75%) of the average closing price of the Company's common stock for the ten (10) days immediately preceding the conversion, representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $13,399, and an initial derivative liability of $13,399. For the year ended December 31, 2018, amortization of the debt discount of $11,166 was charged to interest expense. As of December 31, 2018, the note balance is $50,000, with a carrying value of $47,767, net of unamortized discounts of $2,233.

On March 26, 2018, the Company completed the closing of a private placement financing transaction (the "Transaction") when a third-party investor purchased a convertible note (the "Convertible Note"). The Convertible Note carries a 10% annual interest rate and is in the principal amount of $50,000. Principal and interest was due and payable March 26, 2019, and the Note was convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at a conversion price (the "Conversion Price") equal to seventy-five percent (75%) of the average closing price of the Company's common stock for the ten (10) days immediately preceding the conversion, representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $13,420, and an initial derivative liability of $13,420. For the year ended December 31, 2018, amortization of the debt discount of $13,420 was charged to interest expense. During the year ended December 31, 2018, the investor converted $50,000 of principal and $1,205 of interest into 844,870 shares of common stock. As of December 31, 2018, the note balance is $-0-.

On March 27, 2018, the Company completed the closing of a private placement financing transaction (the "Transaction") when a third-party investor purchased a convertible note (the "Convertible Note"). The Convertible Note carries a 10% annual interest rate and is in the principal amount of $25,000. Principal and interest was due and payable March 27, 2019, and the Note is convertible into shares of the Company's common stock at any time after one hundred eighty (180) days, at a conversion price (the "Conversion Price") equal to seventy-five percent (75%) of the average closing price of the Company's common stock for the ten (10) days immediately preceding the conversion, representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $6,736, and an initial derivative liability of $6,736. For the year ended December 31, 2018, amortization of the debt discount of $5,108 was charged to interest expense. As of December 31, 2018, the note balance is $25,000, with a carrying value of $23,372, net of unamortized discounts of $1,628.

On April 8, 2018, the Company issued a convertible promissory note (the "Note"), with a face value of $95,450, maturing on July 8, 2019, and stated interest of 10% to a third-party investor. The note was convertible at any time after ninety (90) days of the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 20 days prior to conversion. The note was funded on April 11, 2018, when the Company received proceeds of $75,000, after disbursements for the lender's transaction costs, fees and expenses. The Note also requires daily payments of $375 per day via ACH through July 8, 2019, when all unpaid principal and interest is due. The embedded conversion feature included in the note resulted in an initial debt discount of $75,000, an initial derivative expense of $77,108 and an initial derivative liability of $152,108. For the year ended December 31, 2018, amortization of the debt discount of $75,000 was charged to interest expense. The Company also recorded an original issue discount and debt issue discount of $20,450 and amortized $20,450 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the Company made principal payments of $20,625, the investor converted $76,700 of principal and $3,962 of interest into 2,354,393 shares of common stock and the investor also forgave $1,875 of principal. As of December 31, 2018, the note balance is $-0-.

On May 11, 2018, the Company issued a convertible promissory note (the "Note"), with a face value of $100,000, maturing on May 11, 2019, and stated interest of 10% to a third-party investor. The note is convertible at any time after the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 62% of the lowest trading price for the 20 days prior to conversion. The note was funded on May 16, 2018, when the Company received proceeds of $75,825, after disbursements to vendors and for the lender's transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $95,000, an initial derivative expense of $60,635 and an initial derivative liability of $155,635. For the year ended December 31, 2018, amortization of the debt discount of $77,980 was charged to interest expense. The Company also recorded a debt issue discount of $5,000 and amortized $4,105 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the investor converted $50,000 of principal and $1,831 of interest into 5,184,572 shares of common stock. As of December 31, 2018, the note balance is $50,000, with a carrying value of $32,085, net of unamortized discounts of $17,915.

On May 23, 2018, the Company issued a convertible promissory note (the "Note"), with a face value of $60,000, maturing on February 22, 2019, and stated interest of 12% to a third-party investor. The note is convertible at any time after the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 20 days prior to conversion. The note was funded on May 30, 2018, when the Company received proceeds of $57,000, after the lender's transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $57,000, an initial derivative expense of $48,033 and an initial derivative liability of $105,033. For the year ended December 31, 2018, amortization of the debt discount of $45,708 was charged to interest expense. The Company also recorded a debt issue discount of $3,000 and amortized $2,406 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the investor converted $14,750 of principal into 1,500,000 shares of common stock. As of December 31, 2018, the note balance is $51,275, with a carrying value of $39,389, net of unamortized discounts of $11,886.

On June 12, 2018, the Company issued a convertible promissory note (the "Note"), with a face value of $88,000, maturing on March 12, 2019, and stated interest of 10% to a third-party investor. The note was convertible at any time after the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 25 days prior to conversion. The note was funded on June 14, 2018, when the Company received proceeds of $80,250, after the lender's transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $80,250, an initial derivative expense of $93,150 and an initial derivative liability of $173,400. For the year ended December 31, 2018, amortization of the debt discount of $80,250 was charged to interest expense. The Company also recorded a debt issue discount of $7,750 and amortized $7,750 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the Company made principal payments of $45,817, and the investor converted $42,183 of principal and $3,134 of interest into 2,618,122 shares of common stock. As of December 31, 2018, the note balance is $-0-.

On June 26, 2018, the Company issued a convertible promissory note (the “Note”), with a face value of $92,000, maturing on September 26, 2019, and stated interest of 10% to a third-party investor. The note is convertible at any time after ninety (90) days of the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 20 days prior to conversion. The Company recorded an initial note balance of $42,000 on June 27, 2018, when the Company received proceeds of $25,000 (the initial funding), after disbursements for the lender’s transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $25,000, an initial derivative expense of $31,685 and an initial derivative liability of $56,685. For the year ended December 31, 2018, amortization of the debt discount of $25,000 was charged to interest expense. The Company also recorded an original issue discount and debt issue discount of $17,000 and amortized $17,000 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the Company made principal payments of $900 and the investor converted $41,100 of principal and $1,354 of interest into 1,239,161 shares of common stock. As of December 31, 2018, the note balance of the initial funding is $-0-.

On June 26, 2018, the Company completed the closing of a private placement financing transaction (the “Transaction”) with a third-party investor, pursuant to a Securities Purchase Agreement (the “Purchase Agreement”). Pursuant to the Purchase Agreement, the investor purchased a 12% Convertible Promissory Note (the “Note”), in the principal amount of $58,300, maturing on April 15, 2019. On June 29, 2018, the Company received proceeds of $50,000 which excluded transaction costs, fees, and expenses of $8,300. The Note was convertible into shares of the Company’s common stock at any time after one hundred eighty (180) days, at the average of the two lowest closing bid prices during the twenty (20) prior trading days from which a notice of conversion is received by the Company multiplied by seventy-five percent (75%), representing a twenty-five percent (25%) discount. The embedded conversion feature included in the note resulted in an initial debt discount of $50,000, an initial derivative liability of $116,550 and an initial derivative expense of $66,550. For the year ended December 31, 2018, amortization of the debt discount of $50,000 was charged to interest expense. The Company also recorded an original issue discount and debt issue discount of $8,300 and amortized $8,300 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the Company paid the principal of $58,300 and interest of $3,840. As of December 31, 2018, the note balance is $-0-.

On August 7, 2018, the Company issued a convertible promissory note (the “Note”), with a face value of $88,250, maturing on November 7, 2019, and stated interest of 10% to a third-party investor. The note was convertible at any time after ninety (90) days of the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 20 days prior to conversion. The note was funded on August 7, 2018, when the Company received proceeds of $80,250, after disbursements for the lender’s transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $80,250, an initial derivative expense of $86,207 and an initial derivative liability of $166,457. For the year ended December 31, 2018, amortization of the debt discount of $80,250 was charged to interest expense. The Company also recorded a debt issue discount of $8,000 and amortized $8,000 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the investor converted $88,250 of principal and $1,910 of interest into 2,631,647 shares of common stock. As of December 31, 2018, the note balance is $-0-.

On August 10, 2018, the Company issued a convertible promissory note (the “Note”), with a face value of $110,000, maturing on November 10, 2019, and stated interest of 10% to a third-party investor. The note was convertible at any time after ninety (90) days of the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 65% of the lowest trading price for the 20 days prior to conversion. The note was funded on August 10, 2018, when the Company received proceeds of $100,000, after disbursements for the lender’s transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $100,000, an initial derivative expense of $113,173 and an initial derivative liability of $213,173. For the year ended December 31, 2018, amortization of the debt discount of $100,000 was charged to interest expense. The Company also recorded a debt issue discount of $10,000 and amortized $10,000 to interest expense for the year ended December 31, 2018. During the year ended December 31, 2018, the investor converted $110,000 of principal and $2,290 of interest into 3,277,595 shares of common stock. As of December 31, 2018, the note balance is $-0-.

On August 10, 2018, an investor purchased a $40,000 portion of a convertible promissory note issued on November 10, 2017. During the year ended December 31, 2018, the investor converted $40,000 of the face value into 3,209,283 shares of common stock. As of December 31, 2018, the outstanding principal amount of the purchased note was $-0-.

On November 2, 2018, the Company issued a convertible redeemable note with a face value of $280,500 and a back-end convertible redeemable note for $280,500 (the "Notes"), maturing on November 2, 2019, and a stated interest of 8% to a third-party investor. The notes are convertible at any time after funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The first note was funded on November 2, 2018, when the Company received proceeds of $255,000, after disbursements for the lender's transaction costs, fees and expenses. The embedded conversion feature included in the first note resulted in an initial debt discount of $250,000, an initial derivative expense of $148,544 and an initial derivative liability of $398,544. For the year ended December 31, 2018, amortization of the debt discount of $41,667 was charged to interest expense. The Company also recorded a debt issue discount of $30,500 and amortized $5,083 to interest expense for the year ended December 31, 2018. As of December 31, 2018, the first note balance is $280,500, with a carrying value of $46,750, net of unamortized discounts of $233,750. On December 26, 2018, the investor partially funded $187,000 of the back-end note, when the Company received proceeds of $166,667, after disbursements for the lender's transaction costs, fees and expenses. The embedded conversion feature included in the partial funding of the back-end note resulted in an initial debt discount of $166,667, an initial derivative expense of $100,081 and an initial derivative liability of $266,748. For the year ended December 31, 2018, amortization of the debt discount of $2,608 was charged to interest expense. The Company also recorded a debt issue discount of $20,333 and amortized $318 to interest expense for the year ended December 31, 2018. As of December 31, 2018, the back-end note balance is $187,000, with a carrying value of $2,926, net of unamortized discounts of $184,074.

On December 4, 2018, the Company issued a convertible redeemable note (the "Note") with a face value of $158,333 maturing on December 4, 2019, and a stated interest of 8% to a third-party investor. The note is convertible at any time after funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on December 4, 2018, when the Company received proceeds of $137,250, after disbursements for the lender's transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $137,500, an initial derivative expense of $87,293 and an initial derivative liability of $224,793. For the year ended December 31, 2018, amortization of the debt discount of $11,458 was charged to interest expense. The Company also recorded a debt issue discount of $20,833 and amortized $1,736 to interest expense for the year ended December 31, 2018. As of December 31, 2018, the note balance is $158,333, with a carrying value of $13,194, net of unamortized discounts of $145,139.

On December 4, 2018, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $230,000 and a back-end convertible redeemable note for $230,000. The notes mature on December 4, 2019, have a stated interest of 8% and each note is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on December 4, 2018, when the Company received proceeds of $210,000, after disbursements for the lender's transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $210,000, an initial derivative expense of $108,922 and an initial derivative liability of $318,292. For the year ended December 31, 2018, amortization of the debt discount of $17,500 was charged to interest expense. The Company also recorded a debt issue discount of $20,000 and amortized $1,667 to interest expense for the year ended December 31, 2018. As of December 31, 2018, the note balance is $230,000, with a carrying value of $19,167, net of unamortized discounts of $210,833.

On December 24, 2018, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $195,000 and a back-end convertible redeemable note for $195,000. The notes mature on December 24, 2019, have a stated interest of 8% and each note is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on December 26, 2018, when the Company received proceeds of $177,000, after disbursements for the lender's transaction costs, fees and expenses. The embedded conversion feature included in the note resulted in an initial debt discount of $177,000, an initial derivative expense of $92,464 and an initial derivative liability of $269,464. For the year ended December 31, 2018, amortization of the debt discount of $2,360 was charged to interest expense. The Company also recorded a debt issue discount of $18,000 and amortized $240 to interest expense for the year ended December 31, 2018. As of December 31, 2018, the note balance is $195,000, with a carrying value of $2,600, net of unamortized discounts of $192,400.

A summary of the convertible note balances as of December 31, 2018, and 2017, is as follows:

	December 31, 2018	December 31, 2017
Principal balance	$ 1,277,108	$ 378,800
Unamortized discounts	(1,125,942)	(292,073)
Ending balance, net	$ 151,166	$ 86,727

A summary of the balance sheet classification of the short-term and long-term portions of convertible note balances as of December 31, 2017, is as follows:

	Current portion	Long-term portion	Total
Principal balance	$ 266,000	$ 112,800	$ 378,800
Unamortized discount	(191,860)	(100,213)	(292,073)
Ending balance, net	$ 74,140	$ 12,587	$ 86,727

The following is a roll-forward of the Company's convertible notes and related discounts for the years ended December 31, 2018, and 2017:

	Principal Balance	Debt Discounts	Total
Balances January 1, 2017	$ —	$ —	$ —
New issuances	397,000	(355,507)	41,493
Cash payments	(18,200)	—	(18,200)
Amortization	—	63,434	63,434
Balance at December 31, 2017	378,800	$ (292,073)	$ 86,727
New issuances	1,961,133	(1,943,459)	17,674
Liquidated damages added to note	6,025	—	6,025
Conversions	(781,412)	—	(781,412)
Cash payments	(253,633)	—	(253,663
Debt forgiveness	(33,775)	—	(33,775)
Amortization	—	1,109,590	1,109,590
Balance at December 31, 2018	$ 1,277,108	$ (1,125,942)	$ 151,166

NOTE 13 – DERIVATIVE LIABILITES

The Company determined that the conversion features of the convertible notes represented embedded derivatives since the Notes are convertible into a variable number of shares upon conversion. Accordingly, the notes are not considered to be conventional debt under EITF 00-19 and the embedded conversion feature is bifurcated from the debt host and accounted for as a derivative liability. Accordingly, the fair value of these derivative instruments is recorded as liabilities on the consolidated balance sheet with the corresponding amount recorded as a discount to each Note, with any excess of the fair value of the derivative component over the face amount of the note recorded as an expense on the issue date. Such discounts are amortized from the date of issuance to the maturity dates of the Notes. The change in the fair value of the derivative liabilities are recorded in other income or expenses in the condensed consolidated statements of operations at the end of each period, with the offset to the derivative liabilities on the balance sheet. See Note 12.

The Company valued the derivative liabilities at issuance, December 31, 2018, and December 31, 2017, at $1,807,404 and $540,965, respectively. The Company used the Monte Carlo simulation valuation model with the following assumptions for new notes issued during the nine months ended December 31, 2018, risk-free interest rates from 1.82% to 2.71% and volatility of 303% to 432%, and as of December 31, 2018, risk-free interest rates from 2.56% to 2.62% and volatility of 355% to 391%.

A summary of the activity related to derivative liabilities for the years ended December 31, 2018, and 2017, is as follows:

	December 31, 2018	December 31, 2017
Beginning Balance	$ 540,965	$ —
Initial derivative liability	2,821,437	517,046
Fair value change	1,262,290	52,125
Reclassification for principal payments and conversions	(2,817,288)	(28,216)
Ending Balance	$ 1,807,404	$ 540,965

Derivative liability expense of $2,436,951 for the year ended December 31, 2018, consisted of the initial derivative expense of $1,174,661 and the above fair value change of $1,262,290.

NOTE 14– COMMITMENTS AND CONTINGENCIES

Lease Agreements

On June 14, 2017, the company entered into a five-year lease with LLC1 for approximately 6,944 square feet and a monthly rent of $12,000.

On September 10, 2018, pursuant to the Amos Audiology acquisition, the Company assumed a lease dated December 1, 2017 and expiring April 30, 2023, in Walnut Creek, California. Lease payments in the first year of the lease are $3, 988 per month and increase by 3% on December 1 each new lease year. As of December 31, 2018, the Company was in arrears of $25,182 (including late fees) in lease payments and has agreed with the landlord to pay the arrears in seven monthly payments of $3,597 in addition to the monthly lease payments for January 2019 through July 2019.

On October 15, 2018, the Company entered into lease to operate a retail hearing aid clinic in Roseville, California expiring December 31, 2023. Initial lease payments of $3,102 begin on January 1, 2019, and increase by 3% on January 1 each new lease year.

On December 1, 2018, the Company entered into lease to operate a retail hearing aid clinic in Sacramento, California expiring March 31, 2024. Initial lease payments of $3,002 begin on April 1, 2019, and increase by 3.33% on April 1, 2020 and 2021, and by 3% on April 1, 2022.

On February 1, 2019, the Company entered into lease to operate a retail hearing aid clinic in Elk Grove, California expiring January 31, 2024. Initial lease payments of $2,307 begin on February 1, 2019, and increase by an average of 2.6% on February 1, each new lease year.

On February 1, 2019, the Company entered into lease to operate a retail hearing aid clinic in Fremont, California expiring February 28, 2021. Initial lease payments of $2,019 begin on March 1, 2019, and increases by 3% on March 1, 2020.

Future principal payments for the Company’s portion are:

For the twelve months ending December 31,	Amount
2019	$ 326,089
2020	320,805
2021	304,064
2022	232,774
2023	127,261
Thereafter	12,423
Total	$ 1,323,816

The Company is using the straight line method for expensing monthly rent based on the total monthly payments due under each lease divided by the number of months of each lease, and accordingly, rent expense for the year ended December 31, 2018, was $186,700 ($144,000 related) and $111,377 ($109,500 related) for the year ended December 31, 2017.

Consulting Agreements

On August 5, 2016, the Company along with Mark Moore ("Mark", the Company's chairman), Matthew Moore ("Matthew", the Company's Chief Executive Officer) and Kim Moore ("Kim", the Company's Chief Financial Officer) entered into a Store Expansion Consulting Agreement (the "Expansion Agreement") Mark, Matthew and Kim are herein referred to collectively as the Moores. Pursuant to the Expansion Agreement, the Company and the Moores were responsible for all physical plant and marketing details for new store openings during the initial term of six-months. The Expansion Agreement was cancelled on January 6, 2017. The Company's client has decided to do their own marketing in-house and eliminate this out-sourced contract and has decided to delay the opening of any new stores. For the year ending December 31, 2017, the Company has received and recognized $400,000 in other income for payments received for the cancellation of the Expansion Agreement.

Also, on August 5, 2016, the Company and the Moores entered into a Consulting Agreement (the "Consulting Agreement") with the same party as the store Expansion Agreement. Under the Consulting Agreement, including the Non-Compete provision covering a ten- mile radius of any retail store, the Company and the Moores were to provide unlimited licensing of the Intela-Hear brand name, exclusive access to the Aware Aural Rehab Program within 10 miles of retail stores, exclusive territory of all services within 10 miles of retail stores and 40 hours per month of various consulting services. The Consulting Agreement was to continue until January 31, 2019, unless terminated for cause, as defined in the Consulting Agreement. On May 2, 2017, the Company received a demand letter threatening litigation unless all monies paid pursuant to the Consulting Agreement are returned. On May 26, 2017, a complaint (the "Complaint") was filed against the Company and the Moores, which includes a request for rescission of the Consulting Agreement. The Company filed a countersuit against this third party for breach of contract so that it may recover the amounts owed under the Consulting Agreement, however, effective January 1, 2017, the Company had not recognized revenue from the Consulting Agreement, and accordingly, $847,223 was classified as deferred revenue on the December 31, 2017, consolidated balance sheets presented herein. On August 13, 2018, Helix, the Company and the Moores signed a Settlement Agreement, whereby, the Company received $450,000 and all parties dismissed all claims against the other party with prejudice. Accordingly, the Company recognized Other income of $1,297,223 for the year ended December 31, 2018, comprised of the deferred revenues for amounts previously received and the $450,000 settlement amount.

Effective December 1, 2017, the Company entered into a one-year Marketing Services Agreement (the "MSA"). Pursuant to the terms of the MSA, the Company will receive consulting and advisory services regarding the implementation of marketing programs, including the design and creation of commercial websites and commercialization of products through social media or other marketing methods. The Company will pay consideration for the services of $5,000 cash and $5,000 of common stock each month. The Company will issue the number of shares of common stock equal to a twenty-five percent (25%) discount to the lowest closing price of the common stock for the five (5) last trading days of the common stock for that month. The parties agreed to terminate the services and contract effective June 30, 2018. For the year ended December 31, 2018, the Company recorded $30,000 of consulting expense and recorded $38,512 of stock-based compensation expense (pursuant to the terms of the MSA) from the issuance of 925,130 shares of common stock. On February 27, 2018, the Company issued 102,564 shares of common stock that were previously recorded as common stock to be issued.as of December 31, 2017.

On August 9, 2018, the Company entered into a monthly Consulting Services Master Agreement (the "CSMA"). The CSMA requires a two- month minimum and a 30- day termination notice. Pursuant to the CSMA, the Company is to compensate the consultant $12,500 per month by the issuance of restricted shares of common stock, based on the average closing trading prices for the three days prior to each monthly payment.

On August 10, 2018, the Company entered into a one- year Consulting, Public Relations and Marketing Agreement (the "CPRM Agreement"), which can be cancelled by either party with a 30- day notice to the other party. Pursuant to the terms of the CPTM Agreement the Company is to issue 100,000 shares of restricted common stock each month. The parties agreed to terminate the CPRM Agreement on October 23, 2018.

On August 15, 2018, the Company entered into a six-month Consulting Agreement (the "CA"). Pursuant to the CA, the Company agreed to issue 2,500,000 shares of restricted common stock to the consultant.

On October 3, 2018, the Company entered into a Manufacturing Design and Marketing Agreement (the "Agreement") with Zounds, whereby, Zounds will provide design, technology, manufacturing and supply chain services to the Company, to enable the Company to manufacture comparable hearing aids and related components and accessories to be sold under the Company's exclusive brand names (the "Manufacturer's Products") through the Company's various marketing and distribution channels. The Company will pay Zounds One Million ($1,000,000) (the "Technology Access Fee"). The Technology Access Fee, as amended will be paid in eight (8) installments of $75,000 each, in four-week intervals until $600,000 is paid and $400,000 is to be paid as Product Surcharges based on $200 per unit manufactured for up to the first 2,000 units. Once $400,000 of Product Surcharges are paid said per unit surcharge will be discontinued. As of December 31, 2018, the Company has paid $183,200 towards the Technology Access Fee and as of December 31, 2018, $816,800 is included in accounts payable and accrued expenses.

On October 10, 2018, the Company executed an engagement letter with The Crone Law Group ("Crone"). Crone will provide certain SEC filing services for a fee of $2,500 per month. Additionally, the Company has agreed to issue Crone 500,000 shares of common stock. The Company valued the shares at $36,400, based on the market price of the common stock on the date of the agreement, and is included in professional fees, as stock- based compensation for the year ended December 31, 2108.

On October 31, 2018, the Company entered into a three-year Joint Development Agreement (the "JD Agreement") and an Exclusive Distribution Agreement (the "ED Agreement") with Erchonia Corporation ("Erchonia"). As part of the JD Agreement, the Company and Erchonia will conduct FDA clinical research and trials for the purposes of obtaining 510k FDA Clearances for devices, technologies, methods and techniques used in the treatment of hearing relating conditions and disorders such as Tinnitus, Sensorineural hearing Loss, dizziness and other disorders. The agreements give the Company the exclusive worldwide rights for all designs and any newly developed Erchonia 3LT lasers and related technologies and gives the Company the rights to license and distribute such products worldwide. Pursuant to the JD Agreement, the Company has agreed to issue 1,000,000 shares of common stock. The Company valued the common stock to be issued at $60,000, based on the market price of the common stock on the date of the JD Agreement, to be amortized over the three-year term.. As of December 31, 2018, there remains $60,000 of deferred stock compensation on the consolidated balance sheet, to be amortized over the three-year contract term.

On December 7, 2018, the Company entered into a one- year consulting agreement (the "Media Consulting Agreement") with a third- party consultant (the "Consultant"). The Consultant will provide communication and broadcast services, as well as strategic planning services. Pursuant to the Media Consulting Agreement, the Company has agreed to issue the Consultant 3,125,000 shares of restricted common stock. On December 7, 2018, the Company recorded 3,125,000 shares of common stock to be issued. The company valued the common stock to be issued at $125,000 based on the market price of the common stock on the date of the Media Consulting Agreement, to be amortized over the term of the agreement. The Company amortized $7,639 for the year ended December 31, 2018, and is included in Professional fees on the consolidated Statement of operations. As of December 31, 2018, there remains $117,361 of deferred stock compensation on the consolidated balance sheet, to be amortized in 2019.

Legal Matters

On May 26, 2017, Helix Hearing Care (California), Inc. a California corporation ("Helix"), filed a complaint (the "Complaint") against the InnerScope and the Moores, in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida, that includes a rescission of the Consulting Agreement and a demand that all monies paid pursuant to the Consulting Agreement be returned, on the basis that an injunction against certain Officers and Directors renders the Consulting Agreement impossible to perform. The Company had previously received $1,250,000 under the Consulting Agreement. InnerScope was not named as an enjoined party in such previous litigation, and the services contemplated under the Consulting Agreement are not within the scope of the injunction, thus InnerScope believes the accusation by the third party is frivolous and without merit, as well as not providing sufficient cause for the Agreement to be terminated. InnerScope and the Moores filed their Answer and Affirmative Defenses to the Complaint on June 27, 2017. On the same date, InnerScope, the Moores, and MFHC filed a counterclaim. On February 27, 2018, the Counterclaim was amended to include four claims for breach of contract, one claim for anticipatory breach of contract, one claim for negligent misrepresentation, and one claim for account stated. On August 13, 2018, Helix, the Company and the Moores signed a Settlement Agreement, whereby, the Company received $450,000, all parties dismissed all claims against the other party with prejudice and Matthew, Mark and Kimberly have been released from their covenant not to compete agreement signed in August 2016 with Helix.

NOTE 15 – INCOME TAXES

The Company has deferred tax assets and liabilities as shown in the following:

	2018	2017
Deferred Tax Assets:		
Stock based compensation	$ 369,560	$ 102,400
Net operating losses	555,279	575,408
Deferred Tax Liabilities		
Derivative liabilities	(257,716)	(101,000)
Net deferred tax assets	667,123	576,808
Valuation Allowance	(667,123)	(576,808)
	$ —	$ —

A valuation allowance has been recognized to offset the deferred tax assets because realization of such assets is uncertain.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income statutory tax rates to pretax income (loss) from continuing operations as follows:

	2018	2017
Statutory federal income tax rate	-21.00%	-34.00%
State taxes, net of federal income tax	-8.84%	-8.84%
Effect of change in valuation allowance	1.97%	28.48%
Non deductible expenses and other	27.87%	14.36%
	0.00%	0.00%

As of December 31, 2018, the Company has approximately $2,016,000 net operating loss carryforwards to reduce future taxable income.The NOL deduction for a tax year is equal to the lesser of (1) the aggregate of the NOL carryovers to such year, plus the NOL carry-backs to such year, or (2) 80% of taxable income (determined without regard to the deduction). Generally, NOLs can no longer be carried back but are allowed to be carried forward indefinitely. The special extended carryback provisions are generally repealed, except for certain farming and insurance company losses. The amendments incorporating the 80% limitation apply to losses arising in tax years beginning after Dec. 31, 2017.It is more likely than not that the deferred tax assets cannot be utilized in the future because there will not be significant future earnings from the entity which generated the net operating loss. Therefore, the Company recorded a full valuation allowance on its deferred tax assets.

As of December 31, 2018, and 2017, the Company has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods, and does not believe that there will be any significant increases or decreases of unrecognized tax benefits within the next twelve months. No interest or penalties relating to income tax matters have been imposed on the Company during the years ended December 31, 2018 and 2017, and no provision for interest and penalties is deemed necessary as of December 31, 2018, and 2017.

The U.S. Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively. The Tax Act requires the Company to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets and 8% on the remaining earnings. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company has not recorded any adjustments according to Tax Act. As the Company collects and prepares necessary data, and interprets the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, the Company may make adjustments to the provisional amounts. The accounting for the tax effects of the Tax Act will be completed in 2019.

NOTE 16 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company has 25,000,000 authorized shares of $0.0001 preferred stock.

Series A Preferred Stock

On June 4, 2018, the Company filed in the State of Nevada a Certificate of Designation of a series of preferred stock, the Series A Preferred Stock. 9,510,000 shares were designated as Series A Preferred Stock. The Series A Preferred Stock has mandatory conversion rights, whereby each share of Series A Preferred Stock will convert two (2) shares of common stock upon the Company filing Amended and Restated Articles of Incorporation with the Secretary of State of Nevada, increasing the authorized shares of common stock. The Series A Preferred Stock has voting rights on an is if converted basis. The Series A Preferred Stock does not have any right to dividends. On June 4, 2018 the Company issued 3,170,000 shares of Series A Preferred Stock each to Matthew, Mark and Kimberly, in exchange for each of them cancelling and returning to treasury 6,340,000 shares of common stock. The issuances were made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, and Rule 506(b) promulgated thereunder, as the 1shareholders are accredited investors, there was no general solicitation, and the transaction did not involve a public offering. On August 8, 2018, Matthew, Mark and Kim each converted 3,170,000 shares of Series A Preferred Stock for 6,340,000 shares of common stock each. The common stock issued replaced the 19,020,000 shares in the aggregate that the Moore's cancelled in June 2018. As of December 31, 2018, there were no shares of Series A Preferred Stock issued and outstanding.

Series B Preferred Stock

On June 4, 2018, the Company also filed in the State of Nevada a Certificate of Designat1ion of a series of preferred stock, the Series B Preferred Stock. 900,000 shares were designated as Series B Preferred Stock. The Series B Preferred Stock is not convertible into common stock, nor does the Series B Preferred Stock have any right to dividends and any liquidation preference. The Series B Preferred Stock entitles its holder to a number of votes per share equal to 1,000 votes. On June 4, 2018, the Company issued 300,000 shares of its Series B Preferred Stock each to Matthew, Mark and Kimberly, in consideration of $45,000 of accrued expenses, the Company's failure to timely pay current and past salaries, and the willingness to accrue unpaid payroll and non-reimbursement of business expenses without penalty or action for all amounts. The issuances were made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, and Rule 506(b) promulgated thereunder, as the shareholders are accredited investors, there was no general solicitation, and the transaction did not involve a public offering. The Company determined that fair value of the Series B Preferred Stock issued to the Company's CEO was $817,600. The fair value was determined as set forth in the Statement of Financial Accounting Standard ASC 820-10-35-37, Fair Value in Financial Instruments. As of December 31, 2018, there were 900,000 shares of Series B Preferred Stock issued and outstanding.

Common Stock

The Company has 490,000,000 authorized shares of $0.0001 common stock. As of December 31, 2018, and December 31, 2017, there are 120,425,344 and 61,539,334, respectively, shares of common stock outstanding.

During the year ended December 31, 2018, the Company issued 925,131 shares of common stock to a marketing consultant (see Note 14) and recorded $38,512 of stock-based compensation, based on the market price of the common stock on the date the Company agreed to issue the shares.

On February 23, 2018, the Company issued 10,397 shares of common stock to an employee. The shares were valued at $728, based on the market price of the common stock on January 31, 2018, the date the Company agreed to issue the shares.

On February 27, 2018, the Company issued 102,564 shares of common stock that were classified as common stock to be issued as of December 31, 2017.

On June 4, 2018, Matthew, Mark and Kimberly, each cancelled and returned to treasury 6,340,000 shares of common stock, in exchange for the issuance of 3,170,000 shares of Series A Preferred Stock to each. On August 8, 2018, Matthew, Mark and Kim each converted 3,170,000 shares of Series A Preferred Stock for 6,340,000 shares of common stock. The common stock issued replaced the 19,020,000 shares in the aggregate that the Moore's cancelled in June 2018.

During the year ended December 31, 2018, the Company issued 200,000 shares of restricted common stock to a consultant pursuant to the CPRM Agreement (See Note 14). The shares were valued at $15,430 of stock-based compensation expense (based on the market price of the common stock on that date of issuance). This agreement was terminated in October 2018.

During the year ended December 31, 2018, the Company issued 770,601 shares of restricted common stock pursuant to the CSMA (See Note 14). The shares were valued at $50,000 based on the average closing price for the three days prior to the month of service, pursuant to the CSMA.

On August 27, 2018, the Company issued 2,500,000 shares of restricted common stock pursuant to the CA (See Note 14). The shares were valued at $175,000 based on the market price of the common stock, and were recorded as deferred stock compensation on the consolidated balance sheet presented herein, and will be amortized to stock compensation expense over the term of the CA. For the year ended December 31, 2018, the Company amortized $116,167 to stock compensation expense.

On September 5, 2018, the Company recorded 340,352 shares of common stock to be issued pursuant to the APA related to Amos Audiology (See Note 2). The shares were issued on November 27, 2018.

Effective October 10, 2018, the Company issued 500,000 shares of common stock to MEC Consulting, pursuant to the Crone Law Group engagement (see Note 14). The shares were valued at $36,400, based on the market price of the common stock on the date of the engagement.

During the year ended December 31, 2018,, the Company issued 42,937 shares of common stock each to two employees as part of their compensation. The Company agreed to issue $20,000 of stock over a six- month period starting November 2018 based on continual employment, to each, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $6,697, included in Compensation and benefits in the consolidated statement of operations, included herein.

During the year ended December 31, 2018, the Company issued 25,176 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period starting November 2018 based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $1,490, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 12, 2018, the Company issued 34,722 shares of common stock to an employee as part of their compensation. The Company agreed to issue $20,000 of stock, over a six- month period based on continual employment, based on the highest closing price of the Company's common stock for the 5 days prior to employment, and accordingly recorded stock-based compensation of $1,250, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 26, 2018, the Company issued 12,588 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $745, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 26, 2018, the Company issued 28,090 shares of common stock to an employee as part of their compensation. The Company agreed to issue $10,000 of stock, over a six- month period based on continual employment, based on the average closing price of the Company's common stock for the 3 days prior to employment, and accordingly recorded stock-based compensation of $1,685, included in Compensation and benefits in the consolidated statement of operations, included herein.

On December 26, 2018, the Company issued 37,879 shares of common stock to an employee as part of their compensation. The Company agreed to issue $20,000 of stock, over a six- month period based on continual employment, based on the highest closing price of the Company's common stock for the 5 days prior to employment, and accordingly recorded stock-based compensation of $1,250, included in Compensation and benefits in the consolidated statement of operations, included herein.

During the year ended December 31, 2018, the Company issued 53,325,227 shares of common stock for conversion of $681,412 of principal and $40,954 of accrued interest, for a total of $722,366.

Common Stock to be issued

As of December 31, 2018, the Company recorded 1,838,564 shares of common stock to be issued for the conversion of $100,000 of principal and $2,456 of accrued interest, for a total of $102,456.

On October 13, 2018, the Company recorded 1,000,000 shares of restricted common stock to be issued to Erchonia (see Note 14).

On December 7, 2018, the Company recorded 3,125,000 shares of common stock to be issued pursuant to the Media Consulting Agreement (see Note 14).

On December 31, 2018, the Company recorded 410,284 shares of common stock to be issued pursuant to the CSMA (see Note 14).

As of December 31, 2018, there are 6,373,848 share s of common stock to be issued.

NOTE 17 – SUBSEQUENT EVENTS

From January 1, 2019, through April 15, 2019, the Company received conversion notices for the issuance of 24,010,637 shares of common stock for conversion of $235,675 of principal and $17,864 of accrued interest on convertible notes. The Company also issued 870,826 to employees and consultants as well as 730,863 shares for additional consideration for notes previously converted.

From January 1, 2019, through April 15, 2019, the Company issued 3,550,893 shares from the common stock to be issued as of December 31, 2018.

On January 22, 2019, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $122,500 and a back-end convertible redeemable note for $122,500. The notes mature on January 22, 2020, have a stated interest of 8% and each note is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The notes were funded on January 22, 2019, when the Company received proceeds of $220,000, after disbursements for the lender's transaction costs, fees and expenses.

On January 29, 2019, the Company received proceeds of $83,333, after disbursements for the lender's transaction costs, fees and expenses of the remaining balance due of the $280,500 back-end note dated December 24, 2018

On both February 12, 2019, and March 1, 2019, the Company received proceeds of $105,000, after disbursements for the lender's transaction costs, fees and expenses of the $230,000 back-end note dated December 4, 2018

On February 22, 2019, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $116,667. The note matures on February 22, 2020, has a stated interest of 8% and is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on February 22, 2019, when the Company received proceeds of $100,000, after disbursements for the lender's transaction costs, fees and expenses.

On March 8, 2019, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $133,333. The notes mature on March 8, 2020, have a stated interest of 8% and each note is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on March 8, 2019, when the Company received proceeds of $114,000, after disbursements for the lender's transaction costs, fees and expenses.

On March 20, 2019, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $89,085 and a back-end convertible redeemable note for $89,085. The notes mature on March 20, 2020, have a stated interest of 8% and each note is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on March 20, 2019, when the Company received proceeds of $79,875, after disbursements for the lender's transaction costs, fees and expenses.

In addition, on March 20, 2019, the Company issued to a third-party investor a convertible redeemable note (the "Note") with a face value of $89,085 and a back-end convertible redeemable note for $89,085. The notes mature on March 20, 2020, have a stated interest of 8% and each note is convertible at any time following the funding of such note into a variable number of the Company's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The note was funded on March 20, 2019, when the Company received proceeds of $79,875, after disbursements for the lender's transaction costs, fees and expenses.

The Notes issued by the Company accrue interest at a rate of 8% per annum with an increase to 24% in the event of a default and, mature on the one year anniversary of their respective issue date, subject to acceleration in the event of default. Principal and interest on the Notes are convertible into Common Stock of the Company at a price of 70% of the lowest closing bid price of the common stock as reported on the OTCQB exchange or any exchange upon which the Common Stock may be traded in the future, as calculated during the 15- trading day period just prior to the date of notice of conversion.

On March 29, 2019, the Company issued 625,000 shares of restricted common stock in settlement of $25,000 of accounts payable owed.

On April 3, 2019, the Company entered into a Consulting Agreement for marketing services pertaining to strategic marketing and public relations campaigns. Pursuant to the agreement the Company ahs agreed to issue 1,000,000 shares of restricted common stock.

On April 12, 2019, the Company issued to third party investors, two convertible redeemable notes, each with a face value of $208,000. The notes mature on April 12, 2020, have a stated interest rate of 8% and each note is convertible at any time following the funding of such note into a variable number of shares of the Compnay's common stock, based on a conversion ratio of 70% of the lowest closing bid price for the 15 days prior to conversion. The notes were funded on April 12, 2019, when the Company received proceeds of $350,000 in the aggregate, after disbursements for the lender's transaction costs, fees and expenses.

The Company has evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. The Company has determined that there are no other such events that warrant disclosure or recognition in the financial statements, except as stated herein.

Exhibit 31.1

CERTIFICATION

I, Matthew Moore, Chief Executive Officer of INNERSCOPE HEARING TECHNOLOGIES, INC. (the "registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant for the period ended December 31, 2018;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 16, 2019

/s/ Matthew Moore

Matthew Moore
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Kimberly Moore, Chief Financial Officer of INNERSCOPE HEARING TECHNOLOGIES, INC. (the “registrant”), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant for the period ended December 31, 2018;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 16, 2019

/s/ Kimberly Moore

Kimberly Moore
(principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in his capacity as an officer of INNERSCOPE HEARING TECHNOLOGIES, INC. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Company's Annual Report on Form 10-K for the period ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 16, 2019

/s/ Matthew Moore

Matthew Moore
Chief Executive Officer
(principal executive officer)

/s/ Kimberly Moore

Kimberly Moore
Chief Financial Officer
(principal financial and accounting officer)