Pacific Ventures Group, Inc.
Form 10-Q
August 20, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2018**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from -___________ to _____________

Commission File Number **000-54584**

PACIFIC VENTURES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**75-2100622** (I.R.S. Employer Identification No.)

117 West 9th Street Suite 316 Los Angeles California **90015**
(Address of principal executive offices) (Zip Code)

310-392-5606

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or, an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company", in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
(Do not check if 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 Exchange Act). Yes No

As of June 30, 2018, there were 82,626,293 shares of the registrant's common stock, $0.001 par value per share, issued and outstanding.

PACIFIC VENTURES GROUP, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

PACIFIC VENTURES GROUP, INC.

Condensed Consolidated Balance Sheets

	For the six months ended June 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 146,583	$ 69
Accounts receivable	220,263	6,589
Inventory, net	65,896	-
Other current assets	6,259	-
Deposits	1,500	1,500
Total Current Assets	440,501	8,158
Fixed Assets		
Fixed assets, net	128,821	27,843
Total Fixed Assets	128,821	27,843
Other Assets		
Intangible Assets	950,000	-
Rent Deposit	6,000	-
	956,000	-
TOTAL ASSETS	$ 1,525,322	$ 36,001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	477,612	171,085
Accrued expenses	385,801	332,503
Deferred revenue		
Current portion, notes payable	557,193	456,914
Current portion, notes payable - related party	283,343	353,759
Current portion, leases payable	88,896	
Total Current Liabilities	1,792,844	1,314,261
Long-Term Liabilities:		
Notes payable	1,790,279	311,821
Notes payable - related party	42,000	42,000
Total Long-Term Liabilities	1,832,279	353,821
Total Liabilities	$ 3,625,123	$ 1,668,082

STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $.001 par value, 10,000,000 shares authorized, 1,000,000 Series E, issued and outstanding	$1,000	$1,000
Common stock, $.001 par value, 100,000,000 shares authorized, 82,626,293 and 36,430,248 issued and outstanding, respectively	82,627	36,430
Additional paid in capital	4,530,065	4,300,514
Accumulated deficit	(6,713,491)	(5,970,024)
Total Stockholders' Equity (Deficit)	(2,099,800)	(1,632,080)
Total Liabilities and Stockholders' Equity (Deficit)	$1,525,322	$36,001

The accompanying notes are an integral part of these condensed consolidated financial statements.

PACIFIC VENTURES GROUP, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Sales, net of discounts	$690,135	$-	$690,135	$-
Cost of Goods Sold	481,673	-	481,673	-
Gross Profit	208,462	-	208,462	-
Operating Expenses				
Selling, general and administrative	198,515	101,028	370,071	205,725
Marketing and Advertising	6,208		54,895	
Penalty on Payroll Taxes		12,807		12,807
Depreciation expense	531	998	1,598	1,997
Financing Cost				22,500
Professional fees	72,508		265,369	-
Salaries and wages		6,437		6,437
Operating Expenses/(Loss)	277,762	121,270	691,933	249,466
Loss from Operations	(277,762)	(121,270)	(483,471)	(249,466)
Other Non-Operating Income and Expenses				
Gain on shares issued for services	-	-	-	-
Interest expense	(189,148)	(9,898)	(255,113)	(16,439)
Forgiveness of Debt		2,449		6,849
Extraordinary Items		-		15,042
Net Income/(Loss) before Income Taxes	(258,448)	(128,719)	(738,584)	(244,014)
Provision for income taxes	-	-	-	-
Net Income/(Loss)	$(258,448)	(128,719)	$(738,584)	(244,014)
Basic and Diluted Loss per Share - Common Stock	$0.00313	$(0.00374)	$0.00894	$(0.00709)
Weighted Average Number of Shares Outstanding:				
Basic and Diluted Class A Common Stock	82,626,293	34,437,000	82,626,293	34,437,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PACIFIC VENTURES GROUP, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the six months ended June 30, 2018	2017
OPERATING ACTIVITIES		
Net loss	$(738,584)	$(244,014)
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares issued for services	58,051	
Accumulated Depreciation	(34,628)	1,997
Changes in operating assets and liabilities		
Accounts receivable	(220,074)	(5,406)
Inventory	(70,412)	
Trucks	88,896	
Deposits	(6,000)	
Accounts payable	209,841	(16,373)
Accrued expenses	53,299	38,517
Repayment of notes payable	(208,500)	88,047
Retirement of fixed assets	85,488	
Net Cash Used in Operating Activities	(782,622)	(137,231)
INVESTING ACTIVITIES		
Loan Receivable	(1,600)	
Computers	(10,426)	
Purchase of equipment, building & improvements	(141,413)	-
Goodwill and Intangible Assets	(950,000)	
Net Cash Provided By (Used In) Investing Activities	(1,103,439)	-
FINANCING ACTIVITIES		
Proceeds from notes payable	2,058,778	10,000
Proceeds from notes payable - Related		
Repayment of notes payable	(175,000)	(352,333)
Repayment of notes payable - Related	(70,416)	
Shares issued for debt conversion	224,096	412,333
Common stocks issued for cash		41,863
Prior period adjustment to retained earnings	(4,884)	
Net Cash Provided by Financing Activities	2,032,575	111,863
NET INCREASE (DECREASE) IN CASH	146,514	(25,369)
CASH AT BEGINNING OF PERIOD	69	25,284

CASH AT END OF PERIOD	$146,583	$(85)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$29,563	$-
NON CASH FINANCING ACTIVITIES:		
Issuance of shares for debt conversion	$224,096	$-

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Pacific Ventures Group, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Unaudited)

1. NATURE OF OPERATIONS

The Company and Nature of Business

Pacific Ventures Group, Inc. (the "Company," "we," "us" or "our") was incorporated under the laws of the state of Delaware on October 3, 1986, under the name AOA Corporation. On November 12, 1991, the Company changed its name to American Eagle Group, Inc. On October22, 2012, the Company changed its name to "Pacific Ventures Group, Inc.".

The current structure of the Company resulted from a share exchange with Snöbar Holdings, Inc. ("Snöbar Holdings"), which was treated as a reverse merger for accounting purposes. On August 14, 2015, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Snöbar Holdings, pursuant to which the Company acquired 100% of the issued and outstanding shares of Snöbar Holdings' Class A and Class B common stock in exchange for 22,500,000 restricted shares of the Company's common stock, while simultaneously issuing 2,500,000 restricted shares of the Company's common stock to certain other persons, including for services provided and to a former officer of the Company (the "Share Exchange").

As the result of the Share Exchange, Snöbar Holdings became the Company's wholly owned operating subsidiary and the business of Snöbar Holdings became the Company's sole business operations and MAS Global Distributors, Inc., a California corporation ("MGD"), became an indirect subsidiary of the Company.

Prior to the Share Exchange, the Company operated as an insurance holding company and through its subsidiaries, which marketed and underwrote specialized property and casualty coverage in the general aviation insurance marketplace. However, in 1997, after selling several of its divisions, the Company's remaining insurance operations were placed into receivership and the Company ceased operating its insurance business.

Since the Share Exchange represents a change in control of the Company and a change in business operations, the business operations changed to that of Snöbar Holdings and the discussions of business operations accompanying this filing are solely that of Snöbar Holdings and its affiliates and subsidiaries comprising of Snöbar Trust, International Production Impex Corporation, a California corporation ("IPIC"), and MGD.

Snöbar Holdings was formed under the laws of the State of Delaware on January 7, 2013. Snöbar Holdings is the trustor and sole beneficiary of Snöbar Trust, a California trust ("Trust"), which was formed in June 1, 2013. The current trustee that holds legal title to the Trust is Azita Davidiyan. The Trust owns 100% of the shares of IPIC, which was formed on August 2, 2001. IPIC is in the business of selling alcohol-infused ice cream and ice-pops, and holds all of the rights to the liquor licenses to sell such products and trade names "Snöbar". As such, the Trust holds all ownership interest of IPIC and its liquor licenses, permitting IPIC to sell its product to distributors, with all income, expense, gains and losses rolling up to the Trust, of which Snöbar Holdings is the sole beneficiary. Snöbar Holdings also owns 99.9% of the shares of MGD. MGD is in the business of selling and leasing freezers and providing marketing services. As a result of the foregoing, Snöbar Holdings is the primary beneficiary of all assets, liabilities and any income received from the business of the Trust and IPIC through the Trust and is the parent company of MGD.

The Trust and IPIC are considered variable interest entities ("VIEs") and Snöbar Holdings is identified as the primary beneficiary of the Trust and IPIC. Under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Snöbar Holdings performs ongoing reassessments of whether it is the primary beneficiary of a VIE. As the assessment of Snöbar Holdings' management is that Snöbar Holdings has the power to direct the activities of a VIE that most significantly impact the VIE's activities (it is responsible for establishing and operating IPIC), and the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE's economic performance, it was therefore concluded by management that Snöbar Holdings is the primary beneficiary of the Trust and IPIC. As such, the Trust and IPIC were consolidated in the financial statements of Snöbar Holdings since the inception of the Trust, in the case of the Trust, and since the inception of Snöbar Holdings, in the case of IPIC.

Pacific Ventures Group, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Unaudited)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, Snöbar Holdings and its subsidiaries, in which Snöbar Holdings has a controlling voting interest and entities consolidated under the variable interest entities (“VIE”) provisions of ASC 810, “Consolidation” (“ASC 810”). Inter-company balances and transactions have been eliminated upon consolidation.

The Company applies the provisions of ASC 810 which provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that is unable to make significant decisions about its activities, (3) has a group of equity owners that does not have the obligation to absorb losses or the right to receive returns generated by its operations or (4) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity’s activities (for example, providing financing or buying assets) either involve or are conducted on behalf of an investor that has disproportionately fewer voting rights.

ASC 810 requires a VIE to be consolidated by the party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) that has both of the following characteristics: a) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE, or the right to receive benefits from the VIE that could potentially be significant to the VIE.

A variable interest holder that consolidates the VIE is called the primary beneficiary. If the primary beneficiary of a variable interest entity (VIE) and the VIE are under common control, the primary beneficiary shall initially measure the assets, liabilities, and non-controlling interests of the VIE at amounts at which they are carried in the accounts of the reporting entity that controls the VIE (or would be carried if the reporting entity issued financial statements prepared in conformity with generally accepted accounting principles). ASC 810 also requires disclosures about VIEs in which the variable interest holder is not required to consolidate but in which it has a significant variable interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the Company, Snöbar Holdings, MGD, IPIC, and the Trust, which was established to hold IPIC, which in turn holds liquor licenses. All inter-company accounts have been eliminated during consolidation. See the discussion in Note 1 above for variable interest entity treatment of the Trust and IPIC.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Sales revenues are generally recognized in accordance with the SAB 104 Public Company Guidance, when an agreement exists and price is determinable, the products are shipped to the customers or services are rendered, net of discounts, returns and allowance and collectability is reasonably assured. We are often entitled to bill our customers and receive payment from our customers in advance of recognizing the revenue. In the instances in which we have received payment from our customers in advance of recognizing revenue, we include the amounts in deferred or unearned revenue on our consolidated balance sheet.