REFINITIV

DELTA REPORT

10-Q

SRM - SRM ENTERTAINMENT, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	622
CHANGES	6
DELETIONS	616
ADDITIONS	0

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2023**

or

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

For the transition period from ____________ to ______________

Commission File Number **001-41768**

SRM ENTERTAINMENT, INC.

(Exact name of registrant as specified in charter)

Nevada	**32-0686534**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1061 E. Indiantown Road, Suite 110 Jupiter, FL	**33477**
(Address of principal executive offices)	(Zip Code)

(407)230-8100

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $.0001 par value per share	SRM	Nasdaq

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 preceding 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 every Interactive Data File required to be 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 such files). ☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒

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 November 8, 2023, there were 9,765,500 shares of the registrant's common stock outstanding.

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PART I - FINANCIAL INFORMATION

This Quarterly Report on Form 10-Q includes the accounts of SRM Entertainment, Inc., a Nevada corporation ("SRM"). References in this Report to "we", "our", "us" or the "Company" refer to SRM Entertainment, Inc. unless the context dictates otherwise.

FORWARD LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as "will," "may," "should," "could," "would," "expects," "plans," "believes," "anticipates," "intends," "estimates," "approximates," "predicts," "forecasts," "potential," "continue," or "projects," or the negative or other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results and the development of our products, are forward-looking statements.

Although forward-looking statements in this Quarterly Report on Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risk Factors" below, as well as those discussed elsewhere in this Quarterly Report on Form 10-Q. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We file reports with the Securities and Exchange Commission ("SEC"). The public can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

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Item 1. Financial Statements

SRM Entertainment, Inc.

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SRM Entertainment Inc.

Condensed Consolidated Balance Sheets

As of September 30, 2023 and December 31, 2022

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Cash	$ 3,334,829	$ 453,516
Account receivable	689,972	621,090
Inventory	249,287	290,200
Prepaid expenses and deposits	610,196	629,897
Loan to affiliate	-	7,699
Other current assets	34,144	67,829
Total current assets	4,918,428	2,070,231
Fixed assets, net of depreciation	48,349	9,333
Total assets	$ 4,966,777	$ 2,079,564
Liabilities		
Accounts Payable	$ 221,323	$ 378,804
Promissory Note from Parent	-	1,482,673
Advances from Parent	-	6,293
Accrued and other liabilities	291,828	214,388
Total Liabilities	513,151	2,082,158
Shareholders' Equity (Deficit)		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized of which none are issued	-	-
Common stock, $0.0001 par value, 100,000,000 shares authorized 9,450,000 and 6,500,000 issues and outstanding at September 30, 2023 and December 31, 2022, respectively	945	650
Additional paid-in capital	4,118,647	(699,207)
Accumulated earnings (deficit)	(600,766)	695,963
Common Stock Payable	934,800	-
Total Shareholders' Equity (Deficit)	4,453,626	(2,594)
Total Liabilities and Shareholders' Equity (Deficit)	$ 4,966,777	$ 2,079,564

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

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SRM Entertainment, Inc.

Condensed ConsolidatedStatements of Operations

For the Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	**2022**	**2023**	**2022**
Revenue				
Sales	$ 1,128,062	$ 1,517,546	$ 4,556,905	$ 5,199,807
Cost of Sales	898,712	1,115,376	3,583,713	4,195,629
Gross profit	229,350	402,170	973,192	1,004,178
Operating expense				
General and administrative expenses	1,717,777	159,375	2,227,433	470,673
Total operating expenses	1,717,777	159,375	2,227,433	470,673
Other income / (expense)				
Interest income	13,045	15	13,359	15
Interest expense	(11,367)	-	(55,847)	-
Other income / (expense)	-	-	-	-
Total other income (expense)	1,678	15	(42,489)	15
Net income (loss)	$ (1,486,749)	$ 242,810	$ (1,296,729)	$ 533,520
Net income (loss) per share:				
Basic	$ (0.19)	$ 0.04	$ (0.19)	$ 0.08
Fully diluted	$ (0.19)	$ 0.04	$ (0.19)	$ 0.08
Weighted average number of shares				
Basic	8,007,065	6,500,000	7,007,875	6,500,000
Fully diluted	8,007,065	6,500,000	7,007,875	6,500,000

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

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SRM Entertainment, Inc.

Condensed Consolidated **Statements of Changes in Shareholders' Equity (Deficit)**

For the Three and Nine Months Ended September 30, 2023 and 2022

	Common Stock		Common Stock	Additional Paid-In	Accumulated	
	Shares	**Amount**	**Payable**	**Capital**	**Deficits**	**Total**
Balance, December 31, 2021	6,500,000	$ 650	$ -	$ (699,207)	$ 367,262	$ (311,295)
Net loss for the three months ended March 31, 2022	-	-	-	-	(4,262)	(4,262)
Balance March 31, 2022	6,500,000	650		(699,207)	363,000	(335,557)
Net income for the three months ended June 30, 2022	-	-	-	-	294,972	294,972
Balance June 30, 2022	6,500,000	650	-	(699,207)	657,972	(40,585)
Net income for the three months ended September 30, 2022	-	-	-	-	242,810	242,810
Balance September 30, 2022	6,500,000	$ 650	$ -	$ (699,207)	$ 900,782	$ 202,225

	Common Stock		Common Stock	Additional Paid-In	Accumulated	
	Shares	**Amount**	**Payable**	**Capital**	**Deficits**	**Total**
Balance, December 31, 2022	6,500,000	$ 650	$ -	$ (699,207)	$ 695,963	$ (2,594)
Net loss for the three months ended March 31, 2023	-	-	-	-	(38,002)	(38,002)
Balance March 31, 2023	6,500,000	650		(699,207)	657,961	(40,596)
Net income for the three months ended June 30, 2023	-	-	-	-	228,022	228,022
Balance June 30, 2023	6,500,000	650	-	(699,207)	885,983	187,426
Stock payable for services			934,800			934,800
Net proceeds from public offering	1,250,000	125	-	5,168,325	-	5,168,450
Acquisition of SRM Entertainment Inc.	1,700,000	170	-	(350,471)	-	(350,301)
Net loss for the three months ended September 30, 2023	-	-	-	-	(1,486,749)	(1,486,749)
Balance September 30, 2023	9,450,000	$ 945	$ 934,800	$ 4,118,647	$ (600,766)	$ 4,453,626

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

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SRM Entertainment, Inc.

Condensed Consolidated Statement of Cash Flows

For the Nine Months Ended September 30, 2023 and 2022

(unaudited)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities:		
Net (loss)	$ (1,296,729)	$ 533,520
Adjustment to reconcile net loss to operating activities		
Stock based compensation	934,800	-
Depreciation	3,764	1,750
Changes in operating assets and liabilities:		
Accounts receivable	(68,882)	17,562
Inventory	40,913	-
Prepaid expenses	19,701	77,168
Accounts payable	(157,481)	(378,079)
Accrued expenses	77,440	13,275
Other assets	33,685	27,304
Loans from parent	-	893
Net cash (used in) provided by operating activities	(412,789)	293,393
Cash flows from investing activities:		
Cash paid for fixed assets	(42,780)	(24,685)
Acquisition	(350,301)	-
Cash (used in) investing activities	(393,081)	(24,685)
Financing activities:		
Net cash received from initial IPO	5,168,450	-
Loans to affiliates	7,699	-
Cash payment on promissory note	(1,488,966)	-
Cash flows from financing activities:	3,687,183	-
Net increase in cash and cash equivalents	2,881,313	268,708
Cash and cash equivalents at the beginning of the period	453,516	515,373
Cash and cash equivalents at the end of the period	$ 3,334,829	$ 784,081
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 55,847	$ -
Cash paid for income taxes	$ -	$ -
Non-cash items		

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

SRM Entertainment, Inc.

Notes to Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

(Unaudited)

Note 1 - Organization and Business Operations

SRM. Entertainment Limited ("SRM Ltd"), is a limited company incorporated in the Hong Kong, now a Special Administrative Region of the People's Republic of China, on January 23, 1981. SRM Entertainment, Inc. ("SRM Inc") is a Nevada corporation and was incorporated on April 22, 2022. On August 14, 2023, SRM Inc merged with SRM Ltd. The merger of SRM Inc and SRM Ltd has been accounted for as a Reverse Acquisition (see **Basis of Presentation** below).

The Company's principal business is the design, manufacture, and sale of toys to premier theme parks.

Note 2 - Significant Accounting Policies

Basis of Presentation

On December 9, 2022, we entered into a stock exchange agreement (the "Exchange Agreement") with Jupiter Wellness, Inc. ("Jupiter") to govern the separation of our business from Jupiter. On May 26, 2023, we amended and restated the Exchange Agreement (the "Amended and Restated Exchange Agreement") to include additional information regarding the distribution and the separation of our business from Jupiter. The separation as set forth in the Amended and Restated Exchange Agreement with Jupiter closed August 14, 2023. Pursuant to the Amended and Restated Exchange Agreement, on May 31, 2023, we issued to Jupiter 6,500,000 shares of our Common Stock (representing 79.3% of our outstanding shares of Common Stock) in exchange for 2 ordinary shares of SRM Ltd (representing all of the issued and outstanding ordinary shares of SRM Ltd) (the "Share Exchange"). Pursuant to the Share Exchange, we acquired from Jupiter by operation of law all assets and assumed all liabilities comprising our business, which were owned and held by SRM Ltd.

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of US Securities and Exchange Commission ("SEC"). The merger of SRM Ltd and SRM Inc occurred on August 14, 2023. The financial statements are prepared using Reverse Acquisition Accounting and as such, for legal purposes SRM Inc was the acquiring company and for GAAP accounting, SRM Ltd was the acquiring company. Therefore, the financial statements are presented using the historical financial statements of SRM Ltd and 6,500,000 shares of common stock issued to Jupiter. The combined SRM Inc and SRM Ltd are collectively referred to as the Company.

Emerging Growth Company Status

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act"), as modified by the Jumpstart our Business Startups Act of 2012, (the "JOBS Act"), and it may 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 its 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.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out 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 new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Going Concern

Although the Company reported net income for the year ended December 31, 2022 of $328,701, the Company had a net loss for the nine-months ended September 30, 2023, of $1,296,729 and recurring net losses from operations for periods prior to the year ended December 31, 2022. The Company had a Shareholder's Deficit of $2,594 at December 31, 2022 and current liabilities exceeded current assets by $11,927. These and other conditions raised substantial doubt about the Company's ability to continue as a going concern as noted in the Audit Opinion for the year ended December 31, 2022.

On August 14, 2023, the Company consummated its initial public offering (the "IPO"), pursuant to which it sold 1,250,000 shares of its common stock at a price of $5.00 per share, resulting in gross proceeds to the Company of approximately $6.25 million. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses paid by the Company, were approximately $5.2 million. EF Hutton, division of Benchmark Investments, LLC ("EF Hutton") acted as lead book-running manager for the offering and Dominari Securities LLC acted as co-manager for the offering. The underwriters did not exercise their option to purchase up to an additional 187,500 shares of common stock. It is management's opinion that with the addition of the $5.3 million, the Company has sufficient working capital to cover its operational needs through December 31, 2024 and beyond.

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Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 amounts of expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with a maturity of three months or less when purchased to be cash and equivalents for purposes of the statement of cash flows. There were no cash equivalents as of September 30, 2023 and December 31, 2022.

Accounts Receivable and Credit Risk

Accounts receivable are generated from sales of the Company's products. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. For the nine months ended September 30, 2023 and year ended December 31, 2022, the Company did not recognize any allowance for doubtful collections

Inventory

Inventories will be stated at the lower of cost or market. The Company will periodically review the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. Write-downs and write-offs are charged to cost of goods sold. Inventory is based upon the average cost method of accounting.

Fixed Assets

Fixed assets are stated at cost at the date of purchase. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term.

The Company purchases molds for the manufacture of some of its products and are included in fixed assets at cost. Certain agreements call for the manufacturer to reimburse the Company for the cost of the molds upon first shipment of products produced using the molds. The costs of these molds are removed from fixed assets upon reimbursement. Molds that are not subject to reimbursement are depreciated when the products are in production.

Net Loss Per Share of Common Stock

Net income (loss) per share of Common Stock is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of Common Stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all Common Stock instruments such as options, warrants, convertible securities and preferred stock, unless the effect is to reduce a loss or increase earnings per share. As such, options, warrants, convertible securities, and preferred stock are not considered in the calculations, as the impact of the potential shares of Common Stock would be to decrease the loss per share.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurements and Disclosures," approximates the carrying amounts represented in the accompanying balance sheet, primarily due to their short-term nature.

Revenue Recognition

The Company will generate its revenue from the sale of its products directly to the end user (the "customer").

The Company recognizes revenues by applying the following steps in accordance with FASB Accounting Standards Codification 606 "Revenue from Contracts with Customers" ("ASC 606"). Under ASC 606, revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;

- allocate the transaction price to performance obligations in the contract; and
- recognize revenue as the performance obligation is satisfied.

The Company's performance obligations are satisfied when goods or products are shipped on a FOB shipping point basis as title passes when shipped. Our products are generally paid in advance of shipment or standard net 30 days and we offer no specific right of return, refund or warranty related to our products except for cases of defective products of which there have been none to date.

Foreign Currency Translation

Assets and liabilities in foreign currencies are translated using the exchange rate at the balance sheet date, while revenue and expense accounts are translated at the average exchange rates prevailing during the period. Equity accounts are translated at historical exchange rates.

Stock Based Compensation

The Company recognizes compensation costs to employees under FASB Accounting Standards Codification 718 "Compensation - Stock Compensation" ("ASC 718"). Under ASC 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options and warrants. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

The Company has adopted ASU No. 2018-07 "Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." These amendments expand the scope of Topic 718, Compensation - Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to non-employees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned.

Income Taxes

The Company accounts for income taxes under ASC 740 Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material changes to its financial position. The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income tax expense.

Related parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Recent Accounting Pronouncements

The company evaluated issued pronouncements and did not identify any recent ones that apply to the company.

Note 3 – Inventory

At September 30, 2023 and December 31, 2022, the Company had inventory of finished goods of $249,287 and $290,200, respectively.

Note 4 - Accounts Receivable

At September 30, 2023 and December 31, 2022, the Company had accounts receivable of $689,972 and $621,090, respectively

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Note 5 – Prepaid Expenses

At September 30, 2023, the Company had a total of $610,196 of prepaid expenses, consisting of deposits on orders of $504,398, prepaid insurance of $54,287 and other expenses of $51,511. The balance of prepaid expenses at September 30, 2022 was $518,508 consisting of $455,508 and other expenses of $63,000.

Note 6 – Fixed Assets and Other Assets

At September 30, 2023 and December 31, 2022, the Company had fixed assets totaling $48,349 and $9,333, net of accumulated depreciation of $xxx and $2,333, respectively, as follows:

	2023	2022
Asset		
Molds	$ 43,161	$
Computer equipment and software	11,285	
	54,446	1
Accumulated depreciation	(6,097)	(
	$ 48,349	$

At September 30, 2023, and December 31, 2022 other assets consisting primarily of non-depreciable molds totaled $34,144 and $67,829, respectively.

Note 7 – Loans -Note from Jupiter Wellness

At December 31, 2022, the Company had an outstanding unsecured, non-interest bearing loan balance of $1,482,673 to Jupiter Wellness, Inc., its Parent. On September 1, 2022, the loan was converted to a six percent (6%) interest-bearing promissory note (the “Note”) due on the earlier of: (i) September 30, 2023 or (ii) the date on which the Company consummates an initial public offering of its securities. During 2022, the Company paid $50,000 to Jupiter related to the Note consisting of $19,948 principal reduction and $30,052 interest. During the nine months ended September 30, 2023, the Company accrued $55,847 interest expense on the Note. The total balance of $1,538,520 ($1,482,673 note and $55,847 interest) due Jupiter was paid from proceeds of the Company’s Initial Public Offering (“IPO”) on August 14, 2023 (see IPO included in Note 8 below).

During the year ended December 31, 2022, Jupiter Wellness paid $6,293 toward expenses attributable to the Company and recorded a receivable from the Company of $6,293. No additional expenses were paid in the nine months ended September 30 2023. The balance was repaid from proceeds of the IPO.

Note 8 - Capital Structure

Reverse Merger - On December 9, 2022, The Company entered into a stock exchange agreement (the “Exchange Agreement”) with Jupiter Wellness, Inc. (“Jupiter”) to govern the separation of our business from Jupiter. On May 26, 2023, we amended and restated the Exchange Agreement (the “Amended and Restated Exchange Agreement”) to include additional information regarding the distribution and the separation of our business from Jupiter. The separation as set forth in the Amended and Restated Exchange Agreement with Jupiter closed August 14, 2023. Pursuant to the Amended and Restated Exchange Agreement, on May 31, 2023, we issued to Jupiter 6,500,000 shares of our Common Stock (representing 79.3% of our outstanding shares of Common Stock) in exchange for 2 ordinary shares of SRM Ltd (representing all of the issued and outstanding ordinary shares of SRM Ltd) (the “Share Exchange”). Pursuant to the Share Exchange, we acquired from Jupiter by operation of law all assets and assumed all liabilities comprising our business, which were owned and held by SRM Ltd. Jupiter distributed 2,000,000 shares of the Company’s common stock to Jupiter’s stockholders and certain warrant holders (out of the 6.5 million shares issued in May 2023) and this occurred on the effective date of the Registration Statement but prior to the closing of the IPO. Following such distribution, Jupiter Wellness owns 4.5 million of the 9,450,000 shares of common stock outstanding and SRM Limited is a wholly owned subsidiary of the Company.

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of US Securities and Exchange Commission (“SEC”). The merger of SRM Ltd and SRM Inc occurred on August 14, 2023. The financial statements are prepared using Reverse Acquisition Accounting and as such, for legal purposes SRM Inc was the acquiring company and for GAAP accounting, SRM Ltd was the acquiring company. Therefore, the financial statements are presented using the historical financial statements of SRM Ltd including the 6,500,000 shares of common stock issued to Jupiter.

Initial Public Offering - On August 14, 2023, the Company consummated its IPO, pursuant to which it sold 1,250,000 shares of its common stock at a price of $5.00 per share, resulting in gross proceeds to the Company of approximately $6.25 million. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses paid by the Company, were approximately $5.3 million. All shares sold in our IPO were registered pursuant to a registration statement on Form S-1 (File No. 333-272250), as amended (the "Registration Statement"), declared effective by the SEC on August 14, 2023. EF Hutton acted as lead book-running manager for the offering and Dominari Securities LLC acted as co-manager for the offering. The underwriters did not exercise their option to purchase up to an additional 187,500 shares of common stock. The Company paid the underwriters an underwriting discount of eight percent (8%) of the amount raised in the offering. Additionally, as partial consideration for services rendered in connection with the offering, the Company issued EF Hutton warrants to purchase an aggregate of 57,500 shares of Company common stock, representing 4.0% of the aggregate shares sold in the offering. The warrants are exercisable at $6.00 per share, which represents 120% of the initial public offering price per share in the IPO, at any time and from time to time, in whole or in part, commencing on February 10, 2024, 180 days from the effective date of the Registration Statement, and expiring on August 14, 2028.

Common Stock – The Company has 100,000,000 shares of Common Stock, par value $0.0001 authorized As a result of the above merger and IPO, at September 30, 2023, the Company had 9,450,000 shares of its common stock issued and outstanding comprised of 1,700,000 founder shares issued at par, 4,500,000 shares held by Jupiter, 2,000,000 shares dividended to Jupiter shareholders and 1,250,000 shares issued to the public in connection with the IPO.

Common Stock Payable – During the three months ended September 30, the Company entered into four agreements for services to be provided to the Company pursuant to which, the Company will issue a total of 515,000 shares of its common stock valued at $934,800. The Company recognized a total of expense of $934,800 in stock-based compensation for services related to these agreements. At September 30, 2023, the shares had not been issued and Common Stock Payable of $934,800 is recorded in the equity section of the financial statements.

Preferred Stock – The Company has 10,000,000 shares of preferred stock, par value $0.0001 authorized and has issued no preferred shares.

Note 9 - Commitments and Contingencies

Legal Proceedings

The Company may be subject to legal proceedings and claims arising from contracts or other matters from time to time in the ordinary course of business. Management is not aware of any pending or threatened litigation where the ultimate disposition or resolution could have a material adverse effect on its financial position, results of operations or liquidity.

Note 10 – Subsequent Events

Subsequent to September 30 ,2023, the Company issued 315,000 shares of its common stock recorded as Common Stock Payable valued at $612,800 for services. The Company evaluated subsequent events through the date of this filing and has no additional material events subsequent to September 30, 2023.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward- looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report and unless otherwise indicated, the terms "we", "us", "our", "SRM" and the "Company" mean SRM Entertainment, Inc.

General Overview

SRM. Entertainment Limited ("SRM Ltd"), is a limited company incorporated in the Hong Kong, now a Special Administrative Region of the People's Republic of China, on January 23, 1981. SRM Entertainment, Inc. ("SRM Inc") is a Nevada corporation and was incorporated on April 22, 2022. On August 14, 2023, SRM Inc merged with SRM Ltd. The merger of SRM Inc and SRM Ltd has been accounted for as a Reverse Acquisition (see **Basis of Presentation** below). The combined SRM Inc and SRM Ltd are collectively referred to as the Company.

On December 9, 2022, we entered into a stock exchange agreement (the "Exchange Agreement") with Jupiter Wellness, Inc. ("Jupiter") to govern the separation of our business from Jupiter. On May 26, 2023, we amended and restated the Exchange Agreement (the "Amended and Restated Exchange Agreement") to include additional information regarding the distribution and the separation of our business from Jupiter. The separation as set forth in the Amended and Restated Exchange Agreement with Jupiter closed August 14, 2023. Pursuant to the Amended and Restated Exchange Agreement, on May 31, 2023, we issued to Jupiter 6,500,000 shares of our Common Stock (representing 79.3% of our outstanding shares of Common Stock) in exchange for 2 ordinary shares of SRM Ltd (representing all of the issued and outstanding ordinary shares of SRM Ltd) (the "Share Exchange"). Pursuant to the Share Exchange, we acquired from Jupiter by operation of law all assets and assumed all liabilities comprising our business, which were owned and held by SRM Ltd.

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of US Securities and Exchange Commission ("SEC"). The merger of SRM Ltd and SRM Inc occurred on August 14, 2023. The financial statements are prepared using Reverse Acquisition Accounting and as such, for legal purposes SRM Inc was the acquiring company and for GAAP accounting, SRM Ltd was the acquiring company. Therefore, the financial statements are presented using the historical financial statements of SRM Ltd and 6,500,000 shares of common stock owned by Jupiter. The combined SRM Inc and SRM Ltd are collectively referred to as the Company.

Business

The Company is a trusted toy and souvenir designer and developer, selling into the world's largest theme parks and entertainment venues.

Our business is built on the principle that almost everyone is a fan of something and the evolution of pop culture is leading to increasing opportunities for fan loyalty. We create whimsical, fun and unique products that enable fans to express their affinity for their favorite "something"—whether it is a movie, TV show, favorite celebrity, or favorite restaurant. We infuse our distinct designs and aesthetic sensibility into a wide variety of product categories, including figures, plush, accessories, apparel, and homewares. With our unique style, expertise in pop culture, broad product distribution and highly accessible price points, we have developed a passionate following for our products that has underpinned our growth. We believe we sit at the nexus of pop culture—content providers value us for our broad network of retail customers, retailers value us for our portfolio of pop culture products and pop culture insights, and consumers value us for our distinct, stylized products and the content they represent.

Pop culture pervades modern life and almost everyone is a fan of something. Today, more quality content is available and technology innovation has made content accessible anytime, anywhere. As a result, the breadth and depth of pop culture fandom resembles, and in many cases exceeds, the type of fandom previously associated only with sports. Everyday interactions at home, work or with friends are increasingly influenced by pop culture.

We have invested strategically in our relationships with key constituents in pop culture. Content providers value us for our broad network of retail customers and retailers value us for our pop culture products, pop culture insights and ability to drive consumer traffic. Consumers, who value us for our distinct, stylized products, remain at the center of everything we do.

Content Providers: We have licensing relationships with many established content providers, and our products appear in venues such as Walt Disney Parks and Resorts, Universal Studios, SeaWorld, Six Flags, Great Wolf Lodge, Dollywood and Merlin Entertainment. We currently have licenses with Smurfs and Zoonicorn LLC, from which we can create multiple products based on each character within. Content providers trust us to create unique, stylized extensions of their intellectual property that extend the relevance of their content with consumers through ongoing engagement, helping to maximize the lifetime value of their content.

Retail Channels: We can provide our retail customers a customized product mix designed to appeal to their particular customer bases. Theme parks and the entertainment industry recognize the opportunity presented by the demand for pop culture products and are continuing to dedicate space to our products and the pop culture category. We believe meaningful traffic to our products will continue because our products have their own built-in fan base, are refreshed regularly creating a “treasure hunt” shopping experience for consumers and are often supplemented with exclusive products that are at the forefront of pop culture.

Consumers: Fans are increasingly looking for ways to express their affinity for and engage with their favorite pop culture content. Over time, many of our consumers evolve from occasional buyers to more frequent purchasers, whom we categorize as enthusiasts or collectors. We create products to appeal to a broad array of fans across consumer demographic groups—men, women, boys and girls—not a single, narrow demographic. We currently offer an array of products that sell across several categories. Our products are generally priced between $2.50 and $50.00, which allows our diverse consumer base to express their fandom frequently and impulsively. We continue to introduce innovative products designed to facilitate fan engagement at different price points and styles.

We have developed a nimble and low-fixed cost production model. The strength of our management team and relationships with content providers, retailers and third-party manufacturers allows us to move from product concept to a new product tactfully. As a result, we can dynamically manage our business to balance current content releases and pop culture trends with timeless content based on classic movies, such as Harry Potter or Star Wars. This has allowed us to deliver significant growth while lessening our dependence on individual content releases.

Recent Developments

On December 8, 2022, the Company entered into the Exchange Agreement with Jupiter Wellness, Inc. ("Jupiter") to govern the separation of the Company's business from Jupiter. On May 26, 2023, the parties entered into the Amended and Restated Exchange Agreement to include additional information regarding the distribution and separation of our business from Jupiter under the terms of which, Jupiter acquired 6,500,000 shares of common stock on May 31, 2023, in exchange for all of the issued and outstanding ordinary shares of SRM Limited, an entity formed in Hong Kong in 1981 and acquired by Jupiter in 2020. The 6.5 million newly-issued shares of the common stock represented approximately 79.3% of the outstanding shares post-issuance. Jupiter distributed 2,000,000 shares of the Company's common stock to Jupiter's stockholders and certain warrant holders (out of the 6.5 million shares issued in May 2023) and this occurred on the effective date of the Registration Statement but prior to the closing of the IPO. Following such distribution, Jupiter owns 4.5 million of the 9,450,000 shares of common stock outstanding and SRM Limited is a wholly owned subsidiary of the Company.

Pursuant to the IPO, the Company sold 1,250,000 shares of its common stock at a price of $5.00 per share, resulting in gross proceeds to the Company of approximately $6.25 million. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses paid by the Company, were approximately $5.3 million. All shares sold in our IPO were registered pursuant to the Registration Statement, declared effective by the SEC on August 14, 2023. EF Hutton acted as lead book-running manager for the offering and Dominari Securities LLC acted as co-manager for the offering. The underwriters did not exercise their option to purchase up to an additional 187,500 shares of common stock. The Company paid the underwriters an underwriting discount of eight percent (8%) of the amount raised in the offering. Additionally, as partial consideration for services rendered in connection with the offering, the Company issued EF Hutton warrants to purchase an aggregate of 57,500 shares of Company common stock, representing 4.0% of the aggregate shares sold in the offering. The warrants are exercisable at $6.00 per share, which represents 120% of the initial public offering price per share in the IPO, at any time and from time to time, in whole or in part, commencing on February 10, 2024, 180 days from the effective date of the Registration Statement, and expiring on August 14, 2028.

The Company has applied the net proceeds from the IPO for the development of licensed goods, expansion of SRM products, increased deposits, accounts receivable and inventory, marketing, advertising, and trade shows, general administrative expenses, repayment of a $1,544,814 promissory note payable to Jupiter Wellness, and general corporate purposes.

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of US Securities and Exchange Commission ("SEC"). The merger of SRM Ltd and SRM Inc occurred on August 14, 2023. The financial statements are prepared using Reverse Acquisition Accounting and as such, for legal purposes SRM Inc was the acquiring company and for GAAP accounting, SRM Ltd was the acquiring company. Therefore, the financial statements are presented using the historical financial statements of SRM Ltd and 6,500,000 shares of common stock issued to Jupiter. The combined SRM Inc and SRM Ltd are collectively referred to as the Company.

Emerging Growth Company Status

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, (the "Securities Act"), as modified by the Jumpstart our Business Startups Act of 2012, (the "JOBS Act"), and we may 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 its 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.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out 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, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

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Significant Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited financial statements for the Nine months ended September 30, 2023 and 2022 and audited financial statements for the year ended December 31, 2022, which have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP, and the rules and regulations of the Securities and Exchange Commission. The preparation of the financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported revenue generated, and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with a maturity of three months or less when purchased to be cash and equivalents for purposes of the statement of cash flows. There were no cash equivalents as of September 30, 2023 or December 31, 2022.

Net Loss per Common Share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants, convertible securities and preferred stock, unless the effect is to reduce a loss or increase earnings per share. As such, options, warrants, convertible securities and preferred stock are not considered in the calculations, as the impact of the potential common shares would be to decrease the loss per share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	20223	2022
Numerator:				
Net income (loss)	$ (1,486,749)	$ 242,810	$ (1,296,729)	$ 533,520
Denominator:				
Denominator for basic earnings per share - Weighted- average common shares issued and outstanding during the period	8,007,065	6,500,000	7,007,875	6,500,000
Denominator for diluted earnings per share	8,007,065	6,500,000	7,007,875	6,500,000
Basic (loss) per share	$ (0.19)	$ 0.04	$ (0.19)	$ 0.08
Diluted (loss) per share	$ (0.19)	$ 0.04	$ (0.19)	$ 0.08

Revenue Recognition

The Company generates its revenue from the sale of its products directly to the end user or distributor (collectively the "customer").

The Company recognizes revenues by applying the following steps in accordance with FASB Accounting Standards Codification 606 "Revenue from Contracts with Customers" ("ASC 606"). Under ASC 606, revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations in the contract; and
- recognize revenue as the performance obligation is satisfied.

The Company's performance obligations are satisfied when goods or products are shipped on an FOB shipping point basis as title passes when shipped. Our product is generally paid in advance of shipment or standard net 30 days and we offer no specific right of return, refund or warranty related to our products except for cases of defective products of which there have been none to date.

Inventory

Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. Write-downs and write-offs are charged to cost of goods sold. Inventory is based upon the average cost method of accounting.

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Income Taxes

We account for income taxes under ASC 740 Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition. Based on our evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in our financial statements. Since we were incorporated on October 24, 2018, the evaluation was performed for 2018 tax year, which would be the only period subject to examination. We believe that our income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material changes to our financial position. Our policy for recording interest and penalties associated with audits is to record such items as a component of income tax expense.

At December 31, 2022 the Company had no deferred tax asset.

Related parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Loans from Affiliates

At December 31, 2022, the Company had an outstanding unsecured, non-interest bearing loan balance of $1,482,673 to Jupiter Wellness, Inc., its Parent for loans used for general working capital. On September 1, 2022, the loan was converted to a six percent (6%) interest-bearing promissory note (the "Note") due on the earlier of: (i) September 30, 2023 or (ii) the date on which the Company consummates an initial public offering of its securities. During 2022, the Company paid $50,000 to Jupiter related to the Note consisting of $19,948 principal reduction and $30,052 interest. During the nine months ended September 30, 2023, the Company accrued $55,847 interest expense on the Note. The total balance of $1,538,520 ($1,482,673 note and $55,847 interest) due Jupiter was paid from proceeds of the Company's Initial Public Offering ("IPO") on August 14, 2023 (see IPO included in Note 8 below).

During the year ended December 31, 2022, Jupiter Wellness paid $6,293 toward expenses attributable to the Company and recorded a receivable from the Company of $6,293. No additional expenses were paid in the nine months ended September 30 2023. The $6,293 balance was paid in full using proceeds of the IPO.

Recent Accounting Pronouncements

The company evaluated issued pronouncements and did not identify any recent ones that apply to the company.

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Results of Operations

For the three months ended September 30, 2023 and 2022

The following table provides selected financial data about us for the three months ended September 30, 2023 and 2022, respectively.

	Three Months ended September 30,	
	2023	2022
Sales	$ 1,128,062	$ 1,517,546
Cost of Sales	898,712	1,115,376
Gross Profit	229,350	402,170
Total operating expenses	1,717,777	159,375
Other income (expense)	1,678	15
Net Income (Loss)	$ (1,486,749)	$ 242,810

Revenues and Cost of Sales

The Company had sales of $1,128,062 and $1,517,546 for the three months ended September 30, 2023 and 2022. The decrease in sales can be attributed to certain theme parks rebalancing and adjusting inventory balances post covid. Cost of goods sold varies directly with sales with only a difference in margins. Due to a 2022 one-time adjustment in VAT tax for goods sold in Beijing our overall gross margins were increased to approximately 26%. Our normalized gross margins of approximately 20% were reflected for the quarter ended September 30, 2023.

Operating Expenses and Other Income (Expense)

Operating expenses for the three months ended September 30, 2023 and 2022 were $1,717,777 and $159,375, respectively. The increase was due to new expenses primarily related to the Company's IPO including legal fees, audit and accounting fees, insurance, investor and public relations, regulatory and exchange fees.

The Company had net interest income of $1,678 and $15 for the three months ended September 30, 2023 and 2022.

Income/Losses

Net losses were $1,486,749 for the three months September 30, 2023 and net income of $242,810 for the three months ended September 30, 2022.

For the Nine months ended September 30, 2023 and 2022

The following table provides selected financial data about us for the Nine months ended September 30, 2023 and 2022.

	Nine Months ended September 30,	
	2023	2022
Sales	$ 4,556,905	$ 5,199,807
Cost of Sales	3,583,713	4,195,629
Gross Profit (Loss)	973,192	1,004,178
Total operating expenses	2,227,433	470,673
Other income (expense)	(42,488)	15
Net Income (Loss)	$ (1,296,729)	$ 533,520

Revenues and Cost of Sales

The Company had sales of $4,556,905 and $5,199,807 for the nine months ended September 30, 2023 and 2023. The decrease in sales can be attributed to certain theme parks rebalancing and adjusting inventory balances post covid. Cost of goods sold varies directly with sales with only a difference in margins. Our margins can be affected due to costs associated with developing new products. The costs within this period our within our normal gross margins of approximately 19% to 21%.

Operating Expenses and Other Income (Expense)

Operating expenses for the nine months ended September 30, 2023 and 2022 were $2,227,433 and $470,673, respectively. The increase was due to expenses primarily related to the Company's IPO including legal fees, audit and accounting fees, insurance, investor and public relations, regulatory and exchange fees.

The Company had net interest expense of $42,488 for the nine months ended September 30, 2023 related to a Note payable to Jupiter Wellness, Inc. which was repaid from the proceeds of the Company's IPO.

Income/Losses

Net losses were $1,296,729 for the nine months September 30, 2023 and net income of $533,520 for the nine months ended September 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time communicated to the Company's management, including its Chief Executive Officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching the Company's desired disclosure control objectives. In designing periods specified in the SEC's rules and forms, and that such information is accumulated and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company's certifying officers have concluded that the Company's disclosure controls and procedures are effective in reaching that level of assurance.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) that occurred during the three and nine months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management has confidence in its internal controls and procedures. The Company's management believes that a control system, no matter how well designed and operated can provide only reasonable assurance and cannot provide absolute assurance that the objectives of the internal control system are met, and no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitation in all internal control systems, no evaluation of controls can provide absolute assurance that all control issuers and instances of fraud, if any, within the Company have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

As a “smaller reporting company”, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Stock Exchange Agreement and Initial Public Offering

Effective August 14, 2023, pursuant to a Stock Exchange Agreement (the “Exchange Agreement’) with Jupiter Wellness, Inc. as amended and restated on May 26, 2023 under the terms of which Jupiter Wellness acquired 6,500,000 shares of the Company’s common stock in exchange for all of the issued and outstanding ordinary shares of SRM Entertainment, Limited. The closing of the transactions contemplated by the Amended and Restated Exchange Agreement occurred immediately prior to the effective time of the Company’s Form S-1 Registration Statement for the IPO and the distribution of 2,000,000 shares of the Company’s common stock to Jupiter Wellness’s stockholders and certain warrant holders were paid on the effective date of the Company’s Form S-1 Registration Statement for the IPO but prior to the closing of the IPO.

On August 14, 2023, the Company consummated its IPO, pursuant to which it sold 1,250,000 shares of its common stock at a price of $5.00 per share, resulting in gross proceeds to the Company of approximately $6.25 million. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses paid by the Company, were $5,326,064. EF Hutton acted as lead book-running manager for the offering and Dominari Securities LLC acted as co-manager for the offering. The underwriters did not exercise their option to purchase up to an additional 187,500 shares of common stock.

All shares sold in our IPO were registered pursuant to the Registration Statement, declared effective by the SEC on August 14, 2023. The offering terminated after the sale of all securities registered pursuant to the Registration Statement.

Use of Proceeds

The Company has applied the net proceeds from the IPO for the development of licensed goods, expansion of SRM products, increased deposits, accounts receivable and inventory, marketing, advertising, and trade shows, general administrative expenses, repayment of a $1,544,814 promissory note payable to Jupiter Wellness, and general corporate purposes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
(31)	**Rule 13a-14 (d)/15d-14d) Certifications**
31.1	Section 302 Certification by the Principal Executive Officer
31.2	Section 302 Certification by the Principal Financial Officer and Principal Accounting Officer
(32)	**Section 1350 Certifications**
32.1 *	Section 906 Certification by the Principal Executive Officer
32.2 *	Section 906 Certification by the Principal Financial Officer and Principal Accounting Officer
101*	**Interactive Data File**
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

** The certifications attached as Exhibits 32.1 and 32.2 accompany this quarterly report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.*

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SIGNATURES

Pursuant to the requirements 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.

	SRM Entertainment, Inc.
	/s/ Richard Miller
	Richard Miller
Dated: November 13, 2023	Chief Executive Officer
	(Principal Executive Officer)

Exhibit 31.1

CERTIFICATIONS PURSUANT TO

18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SRM Entertainment, Inc.;

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 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: November 13, 2023 May 10, 2024

/s/ Richard Miller

Richard Miller
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS PURSUANT TO

18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas O. McKinnon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SRM Entertainment, Inc.;

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 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: November 13, 2023 May 10, 2024

/s/ Douglas O. McKinnon

Douglas O. McKinnon
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Miller, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of SRM Entertainment, Inc. for the period ended September 30, 2023 March 31, 2024 (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 SRM Entertainment, Inc.

Dated: November 13, 2023 May 10, 2024

/s/ Richard Miller

Richard Miller
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATIONS PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas O. McKinnon, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of SRM Entertainment, Inc. for the period ended September 30, 2023 March 31, 2024 (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 SRM Entertainment, Inc.

Dated: November 13, 2023 May 10, 2024

/s/ Douglas O. McKinnon

Douglas O. McKinnon
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)
SRM Entertainment, Inc.

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