

**Flagship Fitness, Inc.**  
A Minnesota Corporation

Financial Statements (Unaudited) and Independent Accountant's Review Report  
December 31, 2017 and 2016

# Flagship Fitness, Inc.

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To the Stockholders of  
Flagship Fitness, Inc.  
Eden Prairie, Minnesota

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

We have reviewed the accompanying financial statements of Flagship Fitness, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### **Going Concern**

As discussed in Note 3, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

*Artesian CPA LLC*

### **Artesian CPA, LLC**

Denver, Colorado  
August 24, 2018

### **Artesian CPA, LLC**

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**FLAGSHIP FITNESS, INC.**  
**BALANCE SHEETS (UNAUDITED)**  
**As of December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 5,000	\$ -
Total Current Assets	5,000	-
<b>TOTAL ASSETS</b>	<u>\$ 5,000</u>	<u>\$ -</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ -	\$ -
Total Liabilities	-	-
Stockholders' Equity:		
Common Stock, no par, 100,000,000 shares authorized, 15,000,000 and 10,000 shares issued and outstanding, as of December 31, 2017 and 2016, respectively.	-	-
Additional paid-in capital	15,797	-
Accumulated deficit	(10,797)	-
Total Stockholders' Equity	<u>5,000</u>	<u>-</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 5,000</u>	<u>\$ -</u>

See Independent Accountant's Review Report and accompanying notes, which are an integral part of these financial statements.

**FLAGSHIP FITNES, INC.**  
**STATEMENTS OF OPERATIONS (UNAUDITED)**  
**For the years ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Net revenues	\$ -	\$ -
Costs of net revenues	-	-
Gross income/(loss)	-	-
Operating Expenses:		
General & administrative	10,797	-
Total Operating Expenses	10,797	-
Loss from operations	(10,797)	-
Other Income/(Expense):		
Interest expense	-	-
Total Other Income/(Expense)	-	-
Provision for income taxes	-	-
Net loss	<u>\$ (10,797)</u>	<u>\$ -</u>

See Independent Accountant's Review Report and accompanying notes, which are an integral part of these financial statements.

**FLAGSHIP FITNESS, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
For the years ended December 31, 2017 and 2016

	Common Stock		Additional Paid- In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2016	10,000	\$ -	\$ -	\$ -	\$ -
Net income (loss)	-	-	-	-	-
Balance at December 31, 2016	<u>10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Issuance of common stock	14,990,000	\$ -	\$ 15,797	\$ -	15,797
Net loss	-	-	-	(10,797)	(10,797)
Balance at December 31, 2017	<u>15,000,000</u>	<u>\$ -</u>	<u>\$ 15,797</u>	<u>\$ (10,797)</u>	<u>\$ 5,000</u>

See Independent Accountant's Review Report and accompanying notes, which are an integral part of these financial statements.

**FLAGSHIP FITNESS, INC.**  
**STATEMENTS OF CASH FLOWS (UNAUDITED)**  
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Net Loss	\$ (10,797)	\$ -
Net Cash Used In Operating Activities	<u>(10,797)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of common stock	15,797	-
Net Cash Provided By Financing Activities	<u>15,797</u>	<u>-</u>
Net Change In Cash	5,000	-
Cash at Beginning of Period	-	-
Cash at End of Period	<u>\$ 5,000</u>	<u>\$ -</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See Independent Accountant's Review Report and accompanying notes, which are an integral part of these financial statements.

**FLAGSHIP FITNESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
**As of December 31, 2017 and 2016 and for the years then ended**

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**NOTE 1: NATURE OF OPERATIONS**

Flagship Fitness, Inc. (the “Company”) is a corporation organized August 20, 2007 under the laws of Minnesota. The Company is a multi-user functional fitness facility.

The Company is dependent upon additional capital resources for its planned principle operations and is subject to significant risks and uncertainties; including failing to secure funding to continue to operationalize the Company’s plans or failing to profitably operate the business.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP).

The Company adopted the calendar year as its basis of reporting.

Use of Estimates

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

Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less.

Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

**FLAGSHIP FITNESS, INC.**  
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Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheets approximate their fair value.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of its cash. The Company will place its cash and cash equivalents with financial institutions of high credit-worthiness and has a policy to not carry a balance in excess of FDIC insurance limits. The Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited. As of December 31, 2017 and 2016, the Company held no funds in excess of FDIC insurance limits.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will be realized.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements. The Company has determined that there are no material uncertain tax positions.

The Company accounts for income taxes with the recognition of estimated income taxes payable or refundable on income tax returns for the current period and for the estimated future tax effect attributable to temporary differences and carryforwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized in the immediate future. The Company estimates it will have net operating loss carryforwards of \$10,797 and \$0, as of December 31, 2017 and 2016, respectively. The Company pays federal and Minnesota income taxes at a combined effective rate of approximately 29% and has used this effective rate to derive net tax assets of \$3,103 and \$0 as of December 31, 2017 and 2016, respectively, resulting from its net operating loss carryforwards. Due to uncertainty as to the Company's ability to generate sufficient taxable income in the future to utilize the net operating loss carryforwards before they begin to expire in 2037, the Company has recorded a full valuation allowance to reduce the net deferred tax asset to zero.

The Company files U.S. federal and state income tax returns. All tax periods since inception remain open to examination by the taxing jurisdictions to which the Company is subject.

See accompanying Independent Accountant's Review Report

**FLAGSHIP FITNESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
**As of December 31, 2017 and 2016 and for the years then ended**

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**NOTE 3: GOING CONCERN**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has sustained a net loss of \$10,797 and negative cash flows during the year ended December 31, 2017, has an accumulated deficit of \$10,797 as of December 31, 2017, and has limited liquid assets with just \$5,000 of cash as of December 31, 2017.

The Company's ability to continue as a going concern in the next twelve months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts.

These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 4: STOCKHOLDERS' EQUITY**

Capital Structure

At inception, the Company authorized 10,000 shares of common stock with no par value. In June of 2017, the Company amended and restated the certificate of incorporation to increase the number of authorized shares of common stock from 10,000 to 100,000,000. As of December 31, 2017 and 2016, 15,000,000 and 10,000 shares of common stock were issued and outstanding, respectively.

Stock Issuances

At inception, the Company issued 10,000 shares of common stock to its founder. In 2017, the Company issued a total of 14,900,000 shares of common stock to its founder at a price of \$0.001 per share, resulting in proceeds of \$15,797.

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

The Company may be subject to pending legal proceedings and government regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations.

**NOTE 6: RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606). This ASU supersedes the previous revenue recognition requirements in ASC Topic 605—Revenue Recognition and most industry-specific guidance throughout the ASC. The core principle

See accompanying Independent Accountant's Review Report

**FLAGSHIP FITNESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
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within this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services.

In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers", which deferred the effective date for ASU 2014-09 by one year to fiscal years beginning after December 15, 2017, while providing the option to early adopt for fiscal years beginning after December 15, 2016. Transition methods under ASU 2014-09 must be through either (i) retrospective application to each prior reporting period presented, or (ii) retrospective application with a cumulative effect adjustment at the date of initial application. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures, including but not limited to a review of accounting policies, internal controls and processes. We have adopted the new standard effective January 1, 2018.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows" (Topic 230). This ASU is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017. We do not believe the adoption of ASU 2016-15 will have a material impact on our financial position, results of operations or cash flows.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

**NOTE 7: SUBSEQUENT EVENTS**

Management's Evaluation

Management has evaluated subsequent events through August 24, 2018, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in these financial statements.