



KINECTAIR

KinectAir, Inc.

Financial Statements

December 31, 2019

Mortenson
ACCOUNTING

1160 Oakdale Place

Boulder, CO 80304

908.578.4652

mortensonaccounting.com

Table of Contents

	Page
Independent Accountant's Review Report.....	1
Balance Sheet.....	2
Income Statement.....	3
Statement of Shareholders' Deficit.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-9

Independent Accountant's Review Report

To the Shareholders of KinectAir, Inc.
Vancouver, WA

I have reviewed the accompanying Financial Statements of KinectAir, Inc. ("KinectAir"), which comprise the Balance Sheet as of December 31, 2019, and the related Income Statement, Statement of Stockholders' Deficit, and Statement of Cash Flows for the year then ended, and the related notes to the financial statements comprising a summary of significant accounting policies and other explanatory information. 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, I do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

My responsibility is to conduct the review engagement 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

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

Douglas Mortenson, CPA
Mortenson Accounting PLLC
Boulder, CO
April 28, 2020

KinectAir, Inc.
BALANCE SHEET
As of December 31, 2019

ASSETS	2019
Current Assets	
Cash and Cash Equivalents	\$ 980
Security Deposits	1,400
Total Current Assets	2,380
Non-Current Assets	
Non-Current Assets	-
Total Non-Current Assets	-
TOTAL ASSETS	2,380
LIABILITIES & SHAREHOLDERS' EQUITY	
Current Liabilities	
Accounts Payable	13,868
Interest Payable	89
Total Current Liabilities	13,957
Non-Current Liabilities	
Loans Payable	15,500
Shareholder Loans	53,974
Total Non-Current Liabilities	69,474
TOTAL LIABILITIES	83,431
SHAREHOLDERS' EQUITY	
Common Stock	
100,000,000 sh. Auth. at \$0.00004 par value	
52,708,333 Issued & Outstanding	2,108
Subscription Receivable	(265)
Additional Paid In Capital - SAFEs	63,000
Net Income (Loss)	(145,894)
Retained Earnings (Deficit)	-
TOTAL SHAREHOLDERS' (DEFICIT)	\$ (81,051)

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

KinectAir, Inc.
INCOME STATEMENT
April 29, 2019 - December 31, 2019

INCOME	
Sales	\$ 3,080
<hr/>	
Cost of Services	1,248
<hr/>	
GROSS PROFIT	1,832
<hr/>	
EXPENSE	
Advertising & Marketing	20,735
Bank Charges & Fees	196
Business Meals	607
Contractors	8,400
Flight Expense	13,859
Insurance	690
Interest Expense	89
Office Supplies & Software	7,397
Other Business Expense	64
Payroll Expense	61,033
Postage	7
Professional Fees	50
Rent & Lease	9,850
Taxes & Licenses	743
Training Expense	20,748
Travel Expense	2,938
Utilities	1,145
Total Expenses	148,551
Operating Income	(146,719)
<hr/>	
Other Income	825
Total Other Income	825
Net Income	\$ (145,894)

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

KinectAir, Inc.
STATEMENT OF STOCKHOLDERS' DEFICIT
December 31, 2019

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Subscription</u>	<u>Stockholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Receivable</u>	<u>Deficit</u>
Balance at April 29, 2019	-	-	-	-	-	-
Issuance of Common Stock	59,125,000	2,365	-	-	-	2,365
Stock Repurchase	(6,416,667)	(257)	-	-	-	(257)
Subscription Receivable	-	-	-	-	(265)	(265)
SAFE Agreement Proceeds	-	-	63,000	-	-	63,000
Net Loss	-	-	-	(145,894)	-	(145,894)
Balance at Dec 31, 2019	52,708,333	\$ 2,108	\$ 63,000	\$ (145,894)	\$ (265)	\$ (81,051)

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

KinectAir, Inc.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

OPERATING CASH FLOW	2019
<hr/>	
Operating Cash Flow	
Net Income	\$ (145,894)
Plus: Depreciation & Amortization	-
Less: Changes in Working Capital	<u>(12,557)</u>
Cash from Operations	(133,337)
<hr/>	
INVESTING CASH FLOW	
<hr/>	
Investing Cash Flow	
Investments in PP&E	-
Cash from Investing	<u>-</u>
<hr/>	
FINANCING CASH FLOW	
<hr/>	
Financing Cash Flow	
Issue (Repay) Debt	69,474
Issue (Repay) Equity	1,843
Issue (Repay) APIC - SAFEs	<u>63,000</u>
	134,317
Net Increase (Decrease) Cash	980
Opening Cash Balance	-
Closing Cash Balance	<u><u>\$ 980</u></u>

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

KinectAir, Inc.

Notes to Financial Statements

Note 1: Organization and Nature of Operations

Nature of Business and Management's Plans

KinectAir, Inc. ("KinectAir") was formed as a Delaware Corporation on April 29, 2019 ("Inception"), under the laws of the state of Delaware. KinectAir is headquartered in Vancouver, Washington. KinectAir's primary business activity is short-range, on-demand flight services, using proprietary software to connect airplane owners, pilots, and leased airplanes.

KinectAir plans to continue to grow its offerings of available flights, is developing routes based on an on-demand node system, and is growing operations to short-range flights in Europe.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

KinectAir considers all highly liquid securities with an original maturity of less than three months to be cash equivalents.

Security Deposits

Security deposits consist of cash on deposit with office leasing agent. Per management, it is uncertain that the current one-year lease will be renewed. Accordingly, security deposit is listed as a current asset.

Capital Contribution Receivable

KinectAir records stock issuance at the effective date. If the contribution is not funded upon issuance, KinectAir records a Capital Contribution Receivable as an asset on the balance sheet. When contributed capital receivables are not received prior to the issuance of the financial statements at a reporting date in satisfaction of the requirements under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 505-10-45-2, the Contributed Capital Receivable is reclassified as Subscription Receivable, a contra account to Common Stock on the balance sheet.

Accounting Method

KinectAir’s financial statements are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Revenue Recognition

KinectAir recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) the products or services have been delivered; (3) the prices are fixed and determinable and not subject to refund or adjustment; and (4) collection of the amounts due are reasonably assured.

Cost of Services

Cost of services consists of flight leases and direct operating costs, including fuel and pilot costs.

Advertising & Marketing

Advertising and marketing expenses are recorded when they are incurred.

Income Taxes

KinectAir is subject to tax filing requirements in the federal jurisdiction of the United States. KinectAir anticipates a net operating loss in 2019. Due to management’s uncertainty as to the valuation or timing of benefits associated with the loss, no amount has been recognized in the statements to account for it. The net operating loss carryforward associated with 2019 will expire if unused after tax-year 2039. KinectAir’s 2019 federal tax filing will be subject to inspection by the Internal Revenue Service until 2023. KinectAir is subject to Franchise tax requirements in the State of Delaware.

Note 3: Related Party Transactions

In December 2019, KinectAir created promissory notes with KinectAir officers' and a separate entity controlled by an officer. Principal payments on the note will not occur until KinectAir achieves liquidity. Interest is compounded and accrued annually at the lowest rate allowed under the Internal Revenue Code.

Note 4: Restricted Common Stock

In 2019, KinectAir issued 58,125,000 shares of restricted common stock to employee co-founders and certain non-employee consultants, pursuant to standalone restricted stock purchase agreements ("RSPAs"). Per the RSPAs, the shares of restricted stock carried a purchase price of \$0.00004. Cash proceeds were received equivalent to the number of shares purchased by the RSPAs. Capital contributions pursuant to the RSPAs not received prior to the issuance of the financial statements are classified as Subscription Receivable on the balance sheet. See Note 2.

Under the terms of the RSPAs, KinectAir has a repurchase option whereby it has the right to repurchase any unvested shares upon termination at a price per share equal to the lower of \$0.00004 or the fair market value per share as of the date of repurchase. The shares of restricted common stock issued to both KinectAir's co-founders and non-employee consultants vest ratably over a period of 36 months, as determined by the acceptance and grant date of the RSPAs.

As of December 31, 2019, KinectAir repurchased 6,416,666 shares of non-vested restricted stock at a price of \$0.00004 per share.

The following table summarizes the restricted stock activity during the year ended December 31, 2019.

	Number of Shares	Grant Date Value
Unvested at April 29, 2019	-	-
Granted	58,125,000	\$0.00004
Vested	(8,472,222)	\$0.00004
Repurchased	(6,416,666)	\$0.00004
Unvested at December 31, 2019	43,236,112	\$0.00004

Note 5: Simple Agreement for Future Equity

In December 2019, KinectAir entered into several Simple Agreement for Future Equity (“SAFEs”) with employee co-founders and certain non-employee consultants (“Investors”), and received total cash and services proceeds of \$63,000 (“Purchase Amount”), which are reflected within stockholders’ equity in the accompanying balance sheet. The SAFEs have no maturity date and bear no interest.

In consideration, KinectAir granted to the Investors the right to certain shares of KinectAir’s capital stock, subject to the terms defined by the SAFEs, which are summarized as follows:

Equity Financing

If there is an equity financing event where KinectAir sells equity securities before the termination of the SAFEs, the SAFEs will convert to Standard Preferred Stock in this transaction equal to the Purchase Amount divided by either the lowest price per share of the Standard Preferred Stock, or the lowest price per share of the Standard Preferred Stock discounted 20%, based on specific terms of the converting SAFEs.

Liquidity Event / Dissolution Event / Liquidity Priority

If a liquidity event occurs before the termination of the SAFEs, Investors will be entitled to a portion of proceeds equal to the greater of the Purchase Amount (“Cash-Out Amount”) or the amount payable on the number of shares of Common Stock equal to the Purchase Amount divided by the Liquidity Price (“Conversion Amount”). If a Dissolution event occurs before the termination of the SAFEs, Investors will be entitled to receive a portion of the proceeds equal to the Cash-Out Amount. In a Liquidity or Dissolution event, SAFEs will operate like standard non-participating Preferred Stock.

Note 6: Subsequent Events

In 2020, during the period ending on the issue date of this report, KinectAir issued 34,258,000 shares of restricted common stock to employee co-founders and certain non-employee consultants, pursuant to standalone restricted stock purchase agreements (“RSPAs”). KinectAir is in process on issuing an additional 36,600,000 shares of restricted common stock, pursuant to standalone RSPAs, pending board approval.