

**Flower Turbines, LLC**  
**A New York Limited Liability Company**

Financial Statements and Independent Auditor's Report  
December 31, 2018 and 2017

# Flower Turbines, LLC

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To the Members of  
Flower Turbines, LLC  
Lawrence, New York

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Flower Turbines, LLC (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations, changes in members' equity/(deficit), and cash flows for the years then ended, and the related notes to the financial statements.

### **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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flower Turbines, LLC as of December 31, 2018 and 2017 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 3 to the financial statements, the Company has not generated revenues or profits since inception, has sustained net losses of \$133,583 and \$59,262 during the years ended December 31, 2018 and 2017, respectively, and has negative cash flows from operations for the years ended December 31, 2018 and 2017, respectively. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Artesian CPA, LLC*

**Artesian CPA, LLC**

Denver, Colorado

January 15, 2020

## Artesian CPA, LLC

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**FLOWER TURBINES, LLC**  
**BALANCE SHEETS**  
**As of December 31, 2018 and 2017**

|  | <u>2018</u>           | <u>2017</u>         |
|--|-----------------------|---------------------|
| <b>ASSETS</b>  |                       |                     |
| Current Assets:  |                       |                     |
| Cash and cash equivalents  | \$ 74,764             | \$ 1,024            |
| Prepaid expenses   | 780                   | -                   |
| Offering costs   | 19,487                | -                   |
| Funds held in escrow   | 18,247                | -                   |
| Total Current Assets   | <u>113,278</u>        | <u>1,024</u>        |
| <br>TOTAL ASSETS   | <br><u>\$ 113,278</u> | <br><u>\$ 1,024</u> |
| <br><b>LIABILITIES AND MEMBERS' EQUITY/(DEFICIT)</b>   |                       |                     |
| Liabilities:   |                       |                     |
| Current Liabilities:   |                       |                     |
| Accounts payable   | \$ 10,346             | \$ 11,215           |
| Total Current Liabilities  | <u>10,346</u>         | <u>11,215</u>       |
| <br>Members' Equity: 1,000,000 and 750,000 membership units<br>authorized, 773,286 and 750,000 membership units issued<br>and outstanding, as of December 31, 2018 and 2017,<br>both respectively. | <br><u>102,932</u>    | <br><u>(10,191)</u> |
| <br>TOTAL LIABILITIES AND MEMBERS' EQUITY  | <br><u>\$ 113,278</u> | <br><u>\$ 1,024</u> |

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

**FLOWER TURBINES, LLC**  
**STATEMENTS OF OPERATIONS**  
For the years ended December 31, 2018 and 2017

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|                            | <u>2018</u>         | <u>2017</u>        |
|----------------------------|---------------------|--------------------|
| Net revenues               | \$ -                | \$ -               |
| Cost of net revenues       | -                   | -                  |
| Gross profit               | -                   | -                  |
| Operating Expenses:        |                     |                    |
| General & administrative   | 75,921              | 59,188             |
| Sales & marketing          | 57,662              | 74                 |
| Total Operating Expenses   | <u>133,583</u>      | <u>59,262</u>      |
| Loss from operations       | (133,583)           | (59,262)           |
| Provision for income taxes | -                   | -                  |
| Net loss                   | <u>\$ (133,583)</u> | <u>\$ (59,262)</u> |

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

**FLOWER TURBINES, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY/(DEFICIT)**  
**For the years ended December 31, 2018 and 2017**

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|                              | Membership<br>Units   | Members'<br>Equity/(Deficit) |
|------------------------------|-----------------------|------------------------------|
|                              | <u>          </u>     | <u>          </u>            |
| Balance at January 1, 2017   | 750,000               | \$ (36,379)                  |
| Contributions                | -                     | 91,950                       |
| Distributions                | -                     | (6,500)                      |
| Net loss                     | -                     | (59,262)                     |
| Balance at December 31, 2017 | <u>750,000</u>        | <u>(10,191)</u>              |
| Contributions                | -                     | 14,850                       |
| Distributions                | -                     | (1,000)                      |
| Issuance of membership units | 23,286                | 232,856                      |
| Net loss                     | -                     | (133,583)                    |
| Balance at December 31, 2018 | <u><u>773,286</u></u> | <u><u>\$ 102,932</u></u>     |

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

**FLOWER TURBINES, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2018 and 2017

|   | <u>2018</u>      | <u>2017</u>     |
|---|------------------|-----------------|
| <b>Cash Flows From Operating Activities</b>                                 |                  |                 |
| Net loss  | \$ (133,583)     | \$ (59,262)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                  |                 |
| Changes in operating assets and liabilities:                                |                  |                 |
| (Increase)/Decrease in prepaid expenses                                     | (780)            | -               |
| Increase/(Decrease) in accounts payable                                     | (869)            | (1,343)         |
| Net Cash Used In Operating Activities                                       | <u>(135,232)</u> | <u>(60,605)</u> |
| <b>Cash Flows From Financing Activities</b>                                 |                  |                 |
| Proceeds from capital contributions   | 14,850           | 91,950          |
| Distributions   | (1,000)          | (6,500)         |
| Proceeds from issuance of member units                                      | 214,609          | -               |
| Offering costs  | (19,487)         | -               |
| Net Cash Provided By Financing Activities                                   | <u>208,972</u>   | <u>85,450</u>   |
| Net Change In Cash  | 73,740           | 24,845          |
| Cash at Beginning of Period   | 1,024            | (23,821)        |
| Cash at End of Period   | <u>\$ 74,764</u> | <u>\$ 1,024</u> |
| <b>Supplemental Disclosure of Cash Flow Information</b>                     |                  |                 |
| Cash paid for interest  | \$ -             | \$ -            |
| Cash paid for income taxes  | \$ -             | \$ -            |

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

**FLOWER TURBINES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2018 and 2017 and for the years then ended**

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**NOTE 1: NATURE OF OPERATIONS**

Flower Turbines, LLC (the “Company”), is a limited liability company organized September 25, 2013 under the laws of New York. The Company develops unique designs for wind turbines.

As of December 31, 2018, the Company has not commenced planned principal operations nor generated revenue. The Company’s activities since inception have consisted of development activities and preparations to raise capital. Once the Company commences its planned principal operations, it will incur significant additional expenses. The Company is dependent upon additional capital resources for the commencement of its planned principal operations and is subject to significant risks and uncertainties; including failing to secure funding to operationalize the Company’s planned operations 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 has 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 certain reported amounts and disclosures. Accordingly, 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.

Subscription Receivable

The Company records unit issuances at the effective date. If the subscription is not funded upon issuance, the Company records a subscription receivable as an asset on the balance sheet. When subscription receivables are not received prior to the issuance of financial statements at a reporting date in satisfaction of the requirements under FASB ASC 505-10-45-2, the subscription receivable is reclassified as a contra account to members’ equity/(deficit) on the balance sheet.

Property and Equipment

The Company has a policy to capitalize expenditures with useful lives in excess of one year and costs exceeding \$1,000 as property and equipment and depreciates such assets on a straight-line basis over estimated useful lives.

**FLOWER TURBINES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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Deferred Offering Costs

The Company complies with the requirement of FASB ASC 340-10-S99-1. Prior to the completion of the offering these costs are capitalized as deferred offering costs on the balance sheet. The deferred offering costs are charged to members' equity upon the completion of the offering. Deferred offerings costs of \$19,487 and \$0 are capitalized to the balance sheet as of December 31, 2018 and 2017, respectively.

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).

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, 2018 and 2017, the Company held no funds in excess of FDIC insurance limits.

Income Taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the members. As such, no recognition of federal or state income taxes for the Company have been provided for in the accompanying financial statements.

See accompanying Independent Auditor's Report

**FLOWER TURBINES, LLC**  
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**As of December 31, 2018 and 2017 and for the years then ended**

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The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in an enterprise's financial statements, which 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. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, 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 would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company may in the future become subject to federal, state and local income taxation though it has not been since its inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

**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 is a business that has not yet generated revenues or profits since inception, has sustained net losses of \$133,583 and \$59,262 during the years ended December 31, 2018 and 2017, respectively, and has negative cash flows from operations during the years ended December 31, 2018 and 2017, respectively.

The Company's ability to continue as a going concern in the next twelve months is dependent upon its ability to obtain capital financing from investors sufficient to meet current and future obligations and deploy such capital to produce profitable operating results. Management has evaluated these conditions and plans to raise capital as needed to satisfy its liquidity needs through a Regulation Crowdfunding offering of membership units in 2019 and 2020 and has commenced taking deposits on orders of its products during 2019 to fund operations. 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 balance sheet does 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: MEMBERS' EQUITY/(DEFICIT)**

Membership Units

In 2018, the Company increased the number of authorized units from 750,000 to 1,000,000. As of December 31, 2018 and 2017, the Company has 773,286 and 750,000 membership units issued and outstanding, respectively.

In 2018, the Company has raised \$232,856 through issuance of its units pursuant to an offering under Regulation Crowdfunding, where 23,286 units were issued at \$10.00 per unit. As of December

**FLOWER TURBINES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2018 and 2017 and for the years then ended**

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31, 2018 and 2017, there was \$18,257 and \$0 of funds held in escrow, respectively, related to this issuance.

The founding member and manager contributed \$14,850 and \$91,950 and was distributed \$1,000 and \$6,500 during the years ended December 31, 2018 and 2017, respectively.

The debts, obligations, and liabilities of the Company, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Company, and no member of the Company is obligated personally for any such debt, obligation, or liability.

**NOTE 5: OPERATING LEASES**

Effective August 2014, the Company entered into a lease agreement for a vehicle. The lease term commenced in August 2014 and expired after 36 months, in July 2017. Monthly lease obligations under the lease were \$445 per month. Effective July 2017, the Company entered into another lease agreement for a car. The lease term commenced July 2017 and is scheduled to expire after 60 months, in June 2022. Monthly lease obligations under the lease are \$271 per month. Lease expense for the years ended December 31, 2018 and 2017 totaled \$3,252 and \$4,296, respectively.

Future Minimum Lease Payments

Future minimum lease payments under the Company's outstanding lease is as follows as of December 31, 2018:

|      |                  |
|------|------------------|
| 2019 | \$ 3,252         |
| 2020 | 3,252            |
| 2021 | 3,252            |
| 2022 | 1,626            |
|      | <u>\$ 11,382</u> |

**NOTE 6: RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures.

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

**FLOWER TURBINES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2018 and 2017 and for the years then ended**

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**NOTE 7: COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS**

The Company may be subject to pending legal proceedings and 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 8: SUBSEQUENT EVENTS**

Members' Equity/(Deficit)

From January 1, 2019 through January 15, 2020, \$828,329 was committed pursuant to an offering under Regulation Crowdfunding.

Subsidiary

On March 27, 2019 Flower Turbines B.V. (comparable to private limited liability company) was formed in the Netherlands. Flower Turbines B.V. is a subsidiary of the Company and was formed for the sale, installation, and development of sustainable energy solutions, inside and outside of the Netherlands and the northern region of Europe.

Management's Evaluation

The Company has evaluated subsequent events through January 15, 2020, the date the financial statements were available to be issued. Based on the evaluation, no additional material events were identified which require adjustment or disclosure.