
FLEXPOWER INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(UNAUDITED)



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To the Board of Directors and
FlexPower Inc. and Subsidiaries

The accompanying consolidated financial statements of FLEXPOWER INC. AND SUBSIDIARIES as of and for the three months ended March 31, 2017, were not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

/s/ L&L CPAs, PA
L&L CPAs, PA
Plantation, FL
May 15, 2017

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FLEXPOWER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2017 AND DECEMBER 31, 2016
(UNAUDITED)

<u>ASSETS</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 1,069	\$ 12,066
Accounts receivable	1,350	570
Notes receivable	30,000	27,000
Security Deposits	120	120
TOTAL CURRENT ASSETS	32,539	39,756
TOTAL ASSETS	\$ 32,539	\$ 39,756
<u>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</u>		
<u>CURRENT LIABILITIES</u>		
Accrued expenses	\$ 54,597	\$ 24,597
Convertible note payable, net of debt discount of \$0	374,465	311,965
Notes payable	10,000	60,000
Accrued interest payable	110,977	102,805
Derivative liability	360,431	323,234
TOTAL CURRENT LIABILITIES	\$ 910,470	\$ 822,601
<u>STOCKHOLDERS' (DEFICIT)</u>		
Common stock (\$.001 par value, 1,000,000,000 shares authorized; 193,464,531 and 176,464,531 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively).	193,465	176,465
Convertible Class B preferred stock (\$.001 par value, 5,000,000 shares authorized; 3,625,000 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively, each share is convertible into ten common shares.)	3,625	3,625
Common stock to be issued	4,163	4,163
Additional paid in capital	1,869,024	1,256,324
Accumulated deficit	(2,948,208)	(2,223,422)
TOTAL STOCKHOLDERS' (DEFICIT)	(877,931)	(782,845)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	\$ 32,539	\$ 39,756

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

FLEXPOWER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(UNAUDITED)

REVENUES:		
Services	\$	500
Interest income		3,780
Total revenues		4,280
Cost of revenue		-
Gross profit		4,280
EXPENSES:		
General and administrative		23,020
Stock based compensation		623,700
Professional fee		30,977
Total operating expenses		677,697
(Loss) from operations	\$	(673,417)
OTHER (EXPENSE):		
Changes in derivative liability		(37,197)
Interest expense		(14,172)
Total other (expense)	\$	(51,369)
NET (LOSS)	\$	(724,786)
Basic and fully diluted net (loss) per common share		**
Weighted average common shares outstanding		182,231,198

** Less than \$.01

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

FLEXPOWER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)
FOR THE PERIOD FROM JULY 29, 2016 (INCEPTION) THROUGH MARCH 31, 2017
(UNAUDITED)

	Common Stock		Preferred Stock		Common Stock to be Issued		Paid-in Capital	Retained (Deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances, July 29, 2016 (Inception)	113,600,000	\$ 113,600	3,370,000	\$ 3,370	-	\$ -	\$ 1,724,280	\$ -	\$ 1,841,250
Reorganization due to recapitalization	32,864,531	32,865	255,000	255	45,000	4,163	(739,440)	-	(702,157)
Common stocks issued for debt conversion	15,000,000	15,000					36,000		51,000
Common stocks issued for services	15,000,000	15,000					210,000		225,000
Reclassification of derivative liabilities due to debt conversion							45,484		45,484
BCF reversed for debt extinguishment							(20,000)		(20,000)
Net (loss) for the period ended December 31, 2016								(2,223,422)	(2,223,422)
Balances, December 31, 2016	176,464,531	\$ 176,465	3,625,000	\$ 3,625	45,000	\$ 4,163	\$ 1,256,324	\$ (2,223,422)	\$ (782,845)
Common stocks issued for debt conversion	6,000,000	6,000					-		6,000
Common stocks issued for services	11,000,000	11,000					612,700		623,700
Net (loss) for the period ended December 31, 2016								(724,786)	(724,786)
Balances, March 31, 2017	193,464,531	\$ 193,465	3,625,000	\$ 3,625	45,000	\$ 4,163	\$ 1,869,024	\$ (2,948,208)	\$ (877,931)

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

FLEXPOWER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ (724,786)
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:	
Changes in derivative liabilities	37,197
Stock based compensation	623,700
Changes in operating assets and liabilities:	
Accounts receivable	(780)
Accrued expenses	30,000
Accrued interest payable	14,172
NET CASH (USED IN) OPERATING ACTIVITIES	(20,497)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Notes receivable	(3,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(3,000)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from convertible notes payable	12,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,997)
CASH AND CASH EQUIVALENTS:	
Beginning of period	12,066
End of period	\$ 1,069
Supplemental disclosure of cash flow information:	
Cash paid for income taxes	\$ -
Cash paid for interest	\$ -
Supplemental disclosures of non-cash investing and financing activities:	
Stock issued to settle partial accrued interests	\$ 6,000

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

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States (“GAAP”).

NOTE 2 – ORGANIZATION AND BUSINESS BACKGROUND

FlexPower, Inc. (the “Company”) was organized under the laws of the State of Nevada on October 11, 2000 as B Com, Inc. In February, 2008, the Company changed its name to Monarc Corporation. The Company was previously administratively abandoned in its former existence and reinstated in March, 2011 through a court appointed guardian - custodian. In April 2014, the Company filed another reinstatement with the Secretary of State of Nevada to bring its status current with the State and changed its corporate name to FlexPower, Inc. in May 2014 to reflect the acquisition of Flex-Power, Inc., its subsidiary organized and existing under the laws of the State of California. The Company’s common shares are quoted on the “Pink Sheets” quotation market under the symbol “FLXP”.

In November of 2016, the Company entered into a Plan of Exchange with IntelliCash LLC, a Limited Liability Company organized and existing under the laws of the State of Florida (“IntelliCash”), pursuant to which the Company acquired 100% of the Capital Shares of IntelliCash in exchange for an issuance by the Company of 113,600,000 shares of Common Stock and 3,370,000 shares of Preferred Stock to IntelliCash Members, and/or their assigns. The above issuance gave IntelliCash Members and/or their assigns a 'controlling interest' in the Company representing approximately 81.74% of the issued and outstanding ownership of the Company on a fully diluted basis. The transaction resulted in a change in control of the Company. The Company and IntelliCash were hereby reorganized, such that the Company acquired 100% of the Capital Shares of IntelliCash, and IntelliCash LLC became a wholly-owned subsidiary of the Company. The 113,600,000 shares of Common Stock and 3,370,000 shares of Preferred Stock were issued to IntelliCash Members and/or their assigns on December 2, 2016, the Closing Date.

Simultaneously upon the closing of the Plan of Exchange, the shareholders representing a majority of the outstanding common shares of the Company voted to remove Rasheen Smith (“Mr. Smith”) from his position as President of the Company and from the Board of Directors, and to remove Bejan Esmali and Francisco Elson from the Board of Directors. Flex-Power, Inc, the California subsidiary was tendered to Mr. Smith or his designee in exchange for the cancellation of 3,115,000 shares of preferred stock and 4,500,000 shares of common stock of the Company held by Mr. Smith.

The reorganization between the Company and IntelliCash has been accounted for as a reverse acquisition and recapitalization of the Company whereby IntelliCash is deemed to be the accounting acquirer (legal acquiree) and the Company to be the accounting acquiree (legal acquirer). The accompanying consolidated financial statements are in substance those of IntelliCash, with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of stock exchange transaction. The Company is deemed to be a continuation of the business of IntelliCash. Accordingly, the accompanying consolidated financial statements include the following:

- (1) The balance sheet consists of the net assets of the accounting acquirer at historical cost and the net assets of the accounting acquiree at historical cost;

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 2 – ORGANIZATION AND BUSINESS BACKGROUND (CONTINUED)

- (2) The financial position, results of operations, and cash flows of the accounting acquirer for all periods presented as if the recapitalization had occurred at the beginning of the earliest period presented and the operations of the accounting acquiree from the date of stock exchange transaction.

During the first quarter of 2017, the Company incorporated another subsidiary in Georgia, US called IntelliCash GA LLC (“IntelliCash GA”)

IntelliCash LLC, IntelliCash GA and FlexPower, Inc. are hereinafter referred to as the “Company”.

The Company, through its subsidiaries, IntelliCash and IntelliCash GA, mainly engages in financial services, namely providing secured collateralized personal, bridge and term loans to individuals and businesses located within the United States of America.

NOTE 3 – GOING CONCERN UNCERTAINTIES

The accompanying condensed consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has accumulated losses through March 31, 2017 of \$2,948,208. The Company’s continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying condensed consolidated financial statements and notes.

Use of estimates

In preparing these condensed consolidated financial statements, management makes estimates and assumptions that affect the reported amount of assets and liabilities in the balance sheets and revenues and expenses during the periods reported. Actual results may differ from these estimates.

Basis of consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries, IntelliCash LLC and IntelliCash GA LLC. All significant inter-company balances and transactions within the Company have been eliminated upon consolidation.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

Valuation of long-lived assets

In accordance with the provisions of Accounting Standards Codification (“ASC”) Topic 360-10-5, “*Impairment or Disposal of Long-Lived Assets*”, all long-lived assets such as plant and equipment and construction in progress held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. There has been no impairment charge for the periods presented.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts based on managements’ assessment of the trade receivables collectibles. Judgment is required in assessing the amount of the allowance. The Company considers the historical level of credit losses and applies percentages to different receivables categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the consolidated financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting periods, management establishes the general provisioning policy to make an allowance equivalent to a percentage of the gross amount of trade receivables, if needed. Additional specific provision is made against trade receivables to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by management and no significant additional bad debts have been written off directly to net income. There were no changes in the general provisioning policy in the past since establishment and management considers that the aforementioned general provisioning policy is adequate, not excessive and does not expect to change this established policy in the near future.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

In accordance with ASC Topic 605, “*Revenue Recognition*”, the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectability is reasonably assured. Cost of goods sold consists primarily of material costs which are directly attributable to the manufacture of products.

Income taxes

Income taxes are determined in accordance with ASC Topic 740, “*Income Taxes*” (“ASC 740”). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

For the three months ended March 31, 2017, the Company did not have any interest and penalties associated with tax positions. As of March 31, 2017, the Company did not have any significant unrecognized uncertain tax positions.

Fair value of financial instruments

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB Accounting Standards Codification No. 820, *Fair Value Measurement* (“ASC 820”), which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities. Approaches include, (i) the market approach (comparable market prices), (ii) the income approach (present value of future income or cash flow), and (iii) the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments (continued)

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one more significant inputs or significant value drivers are unobservable.

Our financial instruments include cash, accounts receivable, accrued liabilities, convertible note payable, and derivative liabilities.

The carrying values of the Company's cash, accrued liabilities approximate their fair value due to their short-term nature.

The Company's convertible note payable are measured at amortized cost.

The derivative liabilities are stated at their fair value as a level 3 measurement. The Company used a Black-Scholes model to determine the fair values of these derivative liabilities. See Note 7 for the Company's assumptions used in determining the fair value of these financial instruments.

Convertible note payable

The Company accounts for convertible note payable in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging*, since the conversion feature is not indexed to the Company's stock and can't be classified in equity. The Company allocates the proceeds received from convertible note payable between the liability component and conversion feature component. The conversion feature that is considered embedded derivative liabilities has been recorded at their fair value as its fair value can be separated from the convertible note and its conversion is independent of the underlying note value. The Company has also recorded the resulting discount on debt related to the conversion feature and is amortizing the discount using the effective interest rate method over the life of the debt instruments.

Derivative liabilities

The Company accounts for derivative liabilities in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires companies to recognize all derivative liabilities in the balance sheet at fair value, and marks it to market at each reporting date with the resulting gains or losses shown in the Statement of Operations.

Net income (loss) per 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 and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Convertible debentures and preferred stock conversions are not considered in the calculations, as the impact of the potential common shares would be to decrease the loss per share. Therefore no diluted loss per share figure is presented.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 consolidated or 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.

Advertising

Advertising is expensed as incurred. The Company does not incur any direct-response costs.

Uncertain tax positions

Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 of the FASB Accounting Standards Codification for the three months ended March 31, 2017.

Subsequent events

The Company adopted FASB Accounting Standards Codification 855 “*Subsequent Events*” (“ASC 855”) to establish general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements

In March 2016, the FASB issued ASU 2016-09, Stock Compensation, which is intended to simplify the accounting for share-based payment award transactions. The new standard will modify several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the statements of operations and cash flows of certain tax benefits or deficiencies and employee tax withholdings, as well as the accounting for award forfeitures over the vesting period. The guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within that year, and will be adopted by the Company in the first quarter of fiscal 2017. The Company anticipates the new standard will result in an increase in the number of shares used in the calculation of diluted earnings per share and will add volatility to the Company's effective tax rate and income tax expense. The magnitude of such impacts will depend in part on whether significant employee stock option exercises occur.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest—Imputation of Interest (Topic 83530): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has reclassified debt issuance costs from prepaid expenses and other current assets and other assets as a reduction to debt in the condensed consolidated balance sheets.

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (“ASU 2015-11”), which applies guidance on the subsequent measurement of inventory. ASU 2015-11 states that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. The guidance excludes inventory measured using last-in, first-out or the retail inventory method. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is not planning to early adopt ASU 2015-11 and is currently evaluating ASU 2015-11 to determine the potential impact to its condensed consolidated financial statements and related disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

NOTE 5 – NOTES RECEIVABLE

On March 14, 2017, the Company made a loan of \$30,000 to an unrelated third party with the interest rate of 18% per annum (the “Loan”). The Loan will be due on June 14, 2017 and secured by all the assets of the borrower. The borrower agreed to repay the principal, plus interest of \$1,350 when due.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

NOTE 6 – NOTES PAYABLE

As of December 31, 2016, the Company had notes payable of \$60,000 due to an unrelated third party with the interest rate of 18% per annum. The notes are due 180 days from the effective date. The interest of \$5,400 was deducted from the proceeds on the effective date.

\$50,000 of such notes was replaced by a convertible promissory note on March 31, 2017 (the “Effective Date”) with the conversion ratio of \$.05 per share or 50% of the lowest closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. However, the new Note is not convertible after 6 months of the Effective Date, which is October 1, 2017. Therefore, no change in fair value between the old note and the new note was recognized at the Effective Date (see Note 7 for further discussion).

NOTE 7 – CONVERTIBLE NOTES PAYABLE

At March 31, 2017, the total carrying value of the Company’s convertible notes payable was \$374,465 and the debt discount was \$0. No collateral exists on any of the note instruments. The breakdown of the convertible notes payable was set forth in the table below, followed by the detailed discussion for each note.

	March 31, 2017
Convertible notes, dated November 15, 2013 ⁽¹⁾	\$ 225,000
Convertible notes, dated June 1, 2010 ⁽²⁾	49,465
Convertible notes, dated September 17, 2014 ⁽³⁾	25,000
Convertible notes, dated December 15, 2016 ⁽⁴⁾	12,500
Convertible notes, dated January 10, 2017 ⁽⁵⁾	12,500
Convertible notes, dated March 31, 2017 ⁽⁶⁾	50,000
	374,465
Less: unamortized debt discount	(0)
Convertible notes payable, net	\$ 374,465

(1) On November 15, 2013, the Company entered into an 8% convertible promissory note with an unrelated entity in the amount of \$225,000 (“Note 1”). Note 1 is due on November 15, 2014. This note was subsequently partially assigned to two other unrelated entities in addition to this note holder subject to a signed Loan Participation and Servicing Agreement. As of March 31, 2017, \$175,000 of Note 1 was held by Collision Capital LLC and \$50,000 of Note 1 was held by Greentree Financial Group Inc. pursuant to a series of debt purchase agreements. The holders of Note 1 collectively may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion ratio of 60% or a 40% discount of the then current bid price for an average of five days. Note 1 was restructured on December 6, 2016, pursuant to which the conversion rate was changed to \$.015 per share or 50% of the average closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. Since the fair value of Note 1 increased more than 10% under the new conversion terms, the changes in fair value of Note 1 in amount of \$103,595 was recognized as loss on debt extinguishment in 2016.

FLEXPOWER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(Unaudited)

NOTE 7 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

The Company considered derivative liability accounting for Note 1 since the conversion ratio is floorless.

Under Financial Accounting Standard Board (“FASB”), U.S. GAAP, Accounting Standards Codification, “Derivatives and Hedging”, ASC Topic 815 (“ASC 815”) requires that all derivative financial instruments be recorded on the balance sheet at fair value. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company’s convertible notes have been evaluated with respect to the terms and conditions of the conversion features contained in the notes to determine whether they represent embedded or freestanding derivative instruments under the provisions of ASC 815. The Company determined that the conversion features contained in this Note for \$225,000 carrying value represents a freestanding derivative instrument that meets the requirements for liability classification under ASC 815. As a result, the fair value of the derivative financial instrument in the note is reflected in the Company’s balance sheet as a liability. The fair value of the derivative financial instrument of the convertible note was measured using the Black-Scholes valuation model at the inception date of the Note and will do so again on each subsequent balance sheet date. Any changes in the fair value of the derivative financial instruments are recorded as non-operating, non-cash income or expense at each balance sheet date. The derivative liabilities will be reclassified into additional paid in capital upon conversion.

The table below sets forth the assumptions for Black-Scholes valuation model on December 31, 2016 and March 31, 2017, respectively. For the three months ended March 31, 2017, the Company increased the derivative liability in connection with Note 1 by \$7,541. As a result, derivative liability in connection with Note 1 was \$294,811 at March 31, 2017.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
12/31/2016	\$287,270	0.003	\$ 0.028	\$0.057	784%	0.0044
3/31/2017	\$294,811	0.003	\$ 0.0139	\$0.028	598%	0.0074

As of March 31, 2017, the carrying values of Note 1 were \$225,000 and the debt discount was \$0. The Company recorded interest expense related to Note 1 in amount of \$9,986 during the three months ended March 31, 2017. The accrued interest of Note 1 was \$69,201 as of March 31, 2017.

The Notes

Proceeds	\$ 225,000
Less derivative liabilities on initial recognition	(203,157)
Value of the Notes on initial recognition	21,843
Add accumulated accretion expense	203,157
Balance as of March 31, 2017	<u>\$ 225,000</u>

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NOTE 7 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Note 1 was in default and due on demand since November 15, 2014. In accordance with the terms and conditions in Note 1, if the Company defaults in the payment of principal or interest due on Note 1 or subject to other conditions occurring with the Company, the holders of Note 1 shall be entitled to receive and the Company agreed to pay the default interest at a rate of 18% per annum, plus all reasonable costs of collection incurred by holder, including, without limitation, reasonable attorney's fees for consultation and suit. In the event of default hereunder, the entire unpaid balance hereof shall become due and payable upon demand and automatically convert into common shares of the Company at the effective conversion rate previously discussed. All costs and fees (including reasonable fees and disbursements of legal counsel) incurred by the holders as the result of any default by anyone liable hereunder or as the result of any collection effort by the holders shall also be due and owing to the holders. Failure to exercise any right shall not be deemed a waiver of the right to exercise the same at any subsequent date, or event.

(2) The Company also entered into an 18% convertible promissory note originally dated June 1, 2010 with an unrelated entity in the amount of \$82,000 ("Note 2"). Note 2 was originally due on December 31, 2012. On March 25, 2014, Note 2 was partially assigned in the amount of \$49,465 to three unrelated entities subject to a signed Debt Purchase Agreement dated March 25, 2014. As of March 31, 2017, Note 2 was held by Collision Capital LLC pursuant to a series of debt purchase agreements. The holder of Note 2 may, at its option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion price of \$.001 per common share. This does not give rise to derivative liability accounting related to Note 2 since the conversion ratio is not considered floorless. In addition, the Company had nominal trading volume for its stock on the date of issuance and no beneficial conversion was recorded.

Note 2 was restructured on August 22, 2016, pursuant to which the conversion rate was changed to \$.001 per share or 50% of the average closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. The market price of the Company's common stock has not been lower than \$.002 per share in the past 2 years. Therefore, \$.001 per share should be the conversion price for Note 2. This does not give rise to derivative liability accounting related to Note 2 since the conversion ratio is not considered floorless.

During the first quarter of 2017, a portion of accrued interest of Note 2 in amount of \$6,000 were converted into 6,000,000 shares of common stock of the Company at the conversion price of \$0.001 per share.

The Company recorded interest expense related to Note 2 in amount of \$2,196 during the three months ended March 31, 2017. The accrued interest of Note 2 was \$29,138 as of March 31, 2017.

(3) The Company also entered into a 10% convertible promissory note originally dated September 17, 2014 and funded November 25, 2014, with an unrelated entity in the amount of \$25,000 ("Note 3"). The note is due on September 17, 2015. The holder of this note may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion price of \$0.10 per common share. This does not give rise to derivative liability accounting related to this Note since the conversion ratio is not considered floorless. However, the Company has determined that there is a beneficial conversion feature since the conversion price was lower than the market price at the note issuance date. As a result, the Note was discounted in the amount of \$20,000 due to the intrinsic value of the beneficial conversion option, which was amortized in full by the end of 2015.

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NOTE 7 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Note 3 was restructured on December 15, 2016, pursuant to which the conversion rate was changed to \$.01 per share or 50% of the lowest closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. The restructure of Note 3 triggered derivative liability accounting related to Note 3 since the conversion ratio is considered floorless. Notes that are convertible at a discount to market are considered embedded derivatives. In addition, the restructure of Note 3 was considered as extinguishment of Note 3, resulting in loss on debt extinguishment in amount of \$15,734 in 2016.

Under Financial Accounting Standard Board (“FASB”), U.S. GAAP, Accounting Standards Codification, “Derivatives and Hedging”, ASC Topic 815 (“ASC 815”) requires that all derivative financial instruments be recorded on the balance sheet at fair value. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company’s convertible notes have been evaluated with respect to the terms and conditions of the conversion features contained in the notes to determine whether they represent embedded or freestanding derivative instruments under the provisions of ASC 815. The Company determined that the conversion features contained in this Note for \$25,000 carrying value represents a freestanding derivative instrument that meets the requirements for liability classification under ASC 815. As a result, the fair value of the derivative financial instrument in the note is reflected in the Company’s balance sheet as a liability. The fair value of the derivative financial instrument of the convertible note was measured using the Black-Scholes valuation model at the inception date of the Note and will do so again on each subsequent balance sheet date. Any changes in the fair value of the derivative financial instruments are recorded as non-operating, non-cash income or expense at each balance sheet date.

The table below sets forth the assumptions for Black-Scholes valuation model on December 31, 2016 and March 31, 2017, respectively. For the three months ended March 31, 2017, the Company increased the derivative liability in connection with Note 3 by \$29,656. As a result, derivative liability in connection with Note 3 was \$65,620 at March 31, 2017.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
12/31/2016	\$35,964	0.003	\$ 0.028	\$0.057	784%	0.0044
3/31/2017	\$65,620	0.003	\$ 0.010	\$0.028	598%	0.0074

As of March 31, 2017, the carrying values of Note 3 were \$25,000 and the debt discount was \$0. The Company recorded interest expense related to Note 3 in amount of \$1,282 during the three months ended March 31, 2017. The accrued interest of Note 3 was \$11,863 as of March 31, 2017.

The Notes

Proceeds	\$ 25,000
Less intrinsic value due to BCF	(20,000)
Value of the Notes on initial recognition	5,000
Add accumulated accretion expense	20,000
Balance as of March 31, 2017	<u>\$ 25,000</u>

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NOTE 7 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Note 3 was in default and due on demand since September 17, 2015. In accordance with the terms and conditions in Note 3, if the Company defaults in the payment of principal or interest due on Note 3 or subject to other conditions occurring with the Company, the holders of Note 3 shall be entitled to receive and the Company agreed to pay the default interest at a rate of 18% per annum and a late charge equal to 5% of the amount of any unpaid principal plus any interest accrued as of the due date, plus all reasonable costs of collection incurred by holder, including, without limitation, reasonable attorney's fees for consultation and suit. In the event of default hereunder, the entire unpaid balance hereof shall become due and payable upon demand and automatically convert into common shares of the Company at the effective conversion rate previously discussed. All costs and fees (including reasonable fees and disbursements of legal counsel) incurred by the holders as the result of any default by anyone liable hereunder or as the result of any collection effort by the holders shall also be due and owing to the holders. Failure to exercise any right shall not be deemed a waiver of the right to exercise the same at any subsequent date, or event.

(4) On December 15, 2016, the Company entered into a 12% convertible promissory note with an unrelated entity in the principal of \$12,500 ("Note 4"). Note 4 is matured on December 15, 2017, and unsecured. This Note is convertible into common shares of the Company at the conversion ratio of \$.05 per share or 50% of the lowest closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. However, Note 4 is not convertible after 6 months of the effective date of this Note, which is June 15, 2017. Neither derivative liability accounting nor beneficial conversion feature will be considered before Note 4 is entitled for conversion. During the three months ended March 31, 2017, the Company recorded interest expense related to Note 4 in amount of \$375. The accrued interest of Note 4 was \$442 as of March 31, 2017.

(5) On December 15, 2016, the Company entered into a 12% convertible promissory note with an unrelated entity in the principal of \$12,500 ("Note 5"), which was funded on January 10, 2017. Note 5 is matured on January 10, 2018, and unsecured. This Note is convertible into common shares of the Company at the conversion ratio of \$.05 per share or 50% of the lowest closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. However, Note 5 is not convertible after 6 months of the effective date of this Note, which is July 10, 2017. Neither derivative liability accounting nor beneficial conversion feature will be considered before Note 5 is entitled for conversion. During the three months ended March 31, 2017, the Company recorded interest expense related to Note 5 in amount of \$333, which was accrued in the liabilities as of March 31, 2017.

(6) On March 31, 2017, \$50,000 of a conventional note with an unrelated entity was replaced by a 12% convertible promissory note ("Note 6"). Note 6 is matured on March 31, 2018, and unsecured. This Note is convertible into common shares of the Company at the conversion ratio of \$.05 per share or 50% of the lowest closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower. However, Note 6 is not convertible after 6 months of the effective date of this Note, which is October 1, 2017. Neither derivative liability accounting nor beneficial conversion feature will be considered before Note 6 is entitled for conversion. Therefore, no change in fair value between the old note and the new note was recognized, and neither interest expenses nor accrued interest related Note 6 was recorded during the three months ended March 31, 2017.

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NOTE 8 – DERIVATIVE LIABILITIES

As of March 31, 2017, the Company's derivative liabilities are embedded derivatives associated with the Company's convertible note payable (see Note 7). Due to the Notes' conversion feature, the actual number of shares of common stock that would be required if a conversion of the note as described in Note 7 was made through the issuance of the Company's common stock cannot be predicted. As a result, the conversion feature requires derivative accounting treatment and will be bifurcated from the note and "marked to market" each reporting period through the statement of operations.

The Company measured the fair value of the derivative liabilities as \$374,465 on March 31, 2017, and remeasured the fair value at the end of each reporting period, and recorded the change of fair value in the statements of operations for the period presented.

NOTE 9 – CAPITAL STOCK

As of March 31, 2017, the Company was authorized to issue 1,000,000,000 shares of common stock, par value \$.001 per share, and 5,000,000 shares of convertible Class B preferred stock, par value \$.001 per share. As of March 31, 2017, there were 3,625,000 shares of preferred stock and 193,464,531 shares of common stock issued and outstanding.

Simultaneously upon the closing of the Plan of Exchange in December 2016, Rasheen Smith agreed to return to Treasury his 3,115,000 shares of preferred stock and 4,500,000 shares of common stock of the Company for cancellation. The cancellation of 4,500,000 shares of common stock is not completed as of the date of this report.

Subsequent to the closing of the Plan of Exchange in December 2016, the holder of 1,000,000 shares of Common Stock of the Company agreed to voluntarily return its common shares to Treasury for cancellation. The cancellation of 1,000,000 shares of common stock is not completed as of the date of this report.

NOTE 10 – STOCK BASED COMPENSATION

On January 1, 2017, the Company issued total 11,000,000 shares of Common Stock to two consultants for consulting services related to marketing and business development. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately \$0.0567 per share. Accordingly, the Company recognized stock based compensation of \$623,700 to the consolidated statements of operations for the three months ended March 31, 2017.

NOTE 11 – COMMITMENTS

Operating lease

The Company currently operates one office in Tampa, Florida on month to month basis. The Company made a security deposit of \$120 for this office and paid rental expenses of \$1,447 during the three months ended March 31, 2017.

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NOTE 12 – CONTINGENCIES

The Company had no contingencies existing at March 31, 2017.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company had no material related party transactions carried out with its related parties during the three months ended March 31, 2017.

NOTE 14 – SEGMENTS

The Company determined that it did not operate in any material, separately reportable operating segments as of March 31, 2017.

NOTE 15 – SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to March 31, 2017 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements other than the following.

On April 19, 2017, the Company entered into a 12% convertible promissory note with Collision Capital in amount of \$20,000, of which \$10,000 replacing the convention note of \$10,000 issued on December 6, 2016. This Note is convertible into common shares of the Company at the conversion ratio of \$.05 per share or 50% of the lowest closing bid price of the last five trading days upon receiving Conversion Notice, whichever is lower.

On May 1, 2017, IntelliCash GA executed a lease for office space in Valdosta GA.

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I, John W. Parker III certify that:

1. I have reviewed the unaudited Consolidated Financial Statements for the three months ended March 31, 2017 of FlexPower, Inc and subsidiaries.

2. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference hereto, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented hereto.

Date: May 12, 2017

/s/ John W. Parker III
John W. Parker III
President