

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR AND SIX MONTHS ENDED
DECEMBER 31, 2014
AND JUNE 30, 2015

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
FOR THE PERIODS

	'JUNE 30, 2015	DECEMBER 31, 2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 522,856	\$ 1,005,505
Accounts Receivable (Net)	927,048	756,202
Short Term Loans	229,000	35,500
Total	1,678,904	1,797,207
EQUIPMENT (Net)	725,367	610,408
OTHER LONG TERM ASSETS	1,804	1,804
TOTAL ASSETS	\$ 2,406,075	\$ 2,409,419
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 169,804	\$ 186,133
Accrued Interest	125,429	117,166
Short Term Notes Payable - Related Party	291,107	388,075
Short Term Notes Payable	54,500	54,500
Total	640,840	745,874
STOCKHOLDERS' EQUITY		
Preferred Stock, \$.001 Par Value, 100,000,000 Shares Authorized 500,000 Shares Outstanding	500	-
Common Stock, \$.001 Par Value, 500,000,000 Shares Authorized, 46,425,628 Shares Issued and Outstanding	46,426	45,076
Additional Paid in Capital	3,749,947	3,714,797
Retained Earnings (Deficit)	(2,031,638)	(2,096,328)
Total	1,765,235	1,663,545
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,406,075	\$ 2,409,419

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIODS

	SIX MONTHS ENDED JUNE 30, 2015	SIX MONTHS ENDED JUNE 30, 2014
AD REVENUES	\$ 1,287,482	\$ 1,337,978
COST OF AD REVENUES	<u>408,059</u>	<u>423,647</u>
GROSS PROFIT	879,423	914,331
EXPENSES		
Accounting	1,000	3,500
Cable System Repairs and Maintenance	96,558	71,751
Commissions	134,635	81,220
Computer Software	1,106	948
Consulting	18,500	55,620
Contract Services	7,124	9,905
Fuel	1,468	1,345
Insurance	1,843	3,534
Legal	55,018	73,900
Legal Filings	4,091	1,486
Office	7,878	5,781
Outside Services	139,065	304,623
Payroll & Payroll Taxes	204,813	111,570
Postage and Shipping	3,875	4,373
Publications	995	925
Repair	13,682	3,327
Rent	39,027	17,850
Research & Development	10,000	4,500
Services Charges	3,230	1,468
Telephone	5,232	2,983
Travel	55,228	66,124
Transfer Agent	2,544	675
Utilities	445	-
Total Operating Expenses	<u>807,357</u>	<u>827,408</u>
NET OPERATING INCOME	72,066	86,923
OTHER NON OPERATING INCOME/EXPENSES		
Interest Income	887	-
Interest Expense	<u>(8,263)</u>	<u>(34,327)</u>
Net Non Operating Income/(Expenses)	(7,376)	(34,327)
NET PROFIT/(LOSS) BEFORE TAXES	\$ 64,690	\$ 52,596
TAXES	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS)	\$ 64,690	\$ 52,596
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	<u>\$ 0.0014</u>	<u>\$ 0.0021</u>
BASIC AVERAGE SHARES OUTSTANDING	<u>45,525,628</u>	<u>24,756,579</u>

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS

	SIX MONTHS ENDED JUNE 30, 2015	SIX MONTHS ENDED JUNE 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 64,690	\$ 52,596
Adjustments to Reconcile Net Income		
Depreciation	126,873	107,675
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(170,846)	(145,473)
Short Term Loans	(193,500)	(7,500)
Increase (Decrease) in Liabilities:		
Accounts Payable	16,329	22,749
Accrued Interest	8,263	10,494
Net Cash Provided by Operating Activities	(148,191)	40,541
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment and Other Assets	(243,790)	(76,984)
Net Cash (Used) by Investing Activities	(243,790)	(76,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Stock to Pay Expenses	37,000	23,833
Paydown of Loans Payable	(127,668)	-
Net Cash Provided by Financing Activities	(90,668)	23,833
NET INCREASE (DECREASE) IN CASH	(482,649)	(12,610)
CASH AT BEGINNING OF PERIOD	1,005,505	299,007
CASH AT END OF PERIOD	\$ 522,856	\$ 286,397
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period For:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
For the Period ended June 30, 2015		
Stock Issued to Officer/Director and Employees for Services (1,350,000 Common Shares and 500,000 Preferred Shares)	\$37,000	

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2014 TO JUNE 30, 2015

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT
BALANCE, JANUARY 1, 2014	-	-	462,502	\$ 463	\$ 1,803,398	\$ (3,188,609)
ACQUISITION OF ADAPTIVE MEDIA, INC.	-	-	30,513,126	30,513	674,487	-
CONVERSION OF DEBT WITH INTEREST	-	-	14,100,000	14,100	1,236,912	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	<u>1,092,281</u>
BALANCE, DECEMBER 31, 2014	-	-	45,075,628	45,076	3,714,797	(2,096,328)
COMMON SHARES ISSUED FOR EMPLOYEES	-	-	1,350,000	1,350	25,650	-
PREFERRED SHARES ISSUED FOR OFFICER/DIRECTOR	500,000	500	-	-	9,500	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	<u>64,690</u>
ENDING BALANCE, JUNE 30, 2015	<u>500,000</u>	<u>\$ 500</u>	<u>46,425,628</u>	<u>\$ 46,426</u>	<u>\$ 3,749,947</u>	<u>\$ (2,031,638)</u>

ADAPTIVE AD SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2015

NOTE 1 – CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at June 30, 2015, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2014 unaudited financial statements. The results of operations for the periods ended June 30, 2015 and 2014 are not necessarily indicative of the operating results for the full years.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Company has elected a December 31 fiscal year end.

Use of Estimates

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

Recent Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company's financial position, or statements.

NOTE 3 – SUBSEQUENT EVENTS

In accordance with ASC 855, Company management reviewed all material events through the date of this filing, and there are no material subsequent events to report.