

DECLARATION NETWORKS GROUP, INC.

Statements of Operations

See Accompanying Notes to Financial Statements

For the years ended December 31,

2017

2016

OPERATIONS

Revenue:

Residential broadband services

Equipment and install fees

Grant and consulting revenue

Total revenue

Cost of goods sold:

Marketing and sales expenses

Network operations expense

Interconnection expense

Project management

Depreciation expense

Total cost of goods sold

Gross profit

Expenses:

Human resources expense

Professional fees

General and administrative expenses

Total expenses

Loss from operations

Other income (expense):

Interest income

Interest expense

Net loss before income tax benefit

Income tax benefit - deferred

Net loss

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Statements of Cash Flows

See Accompanying Notes to Financial Statements

For the years ended December 31,

2017

2016

Cash flows from operating activities:

Cash received from customers

Interest received

Cash paid to suppliers and employees

Net cash used in operating activities

Cash flows from investing activities

Acquisition of network assets

Security deposit

Net cash used in investing activities

Cash flows from financing activities:

Proceeds from issuance of common stock

Net cash provided by financing activities

Change in cash

Cash, beginning of year

Cash, end of year

Reconciliation of net loss to net cash used in operating activities:

Net loss

Adjustments to reconcile net loss to net cash used in operating activities:

Decrease (increase) in:

Accounts receivable

Prepaid expenses

Deferred income tax benefit

Increase (decrease) in:

Accounts payable and accrued expenses

Unearned revenue

Depreciation

Accrued interest on convertible debt

Accrued interest on loan from shareholder

Net cash used in operating activities

Supplemental Disclosure of Noncash Investing and Financing Activities:

Convertible debt converted to Class A Common Stock