

INTERNATIONAL SUSTAINABILITY GROUP, INC.
AND SUBSIDIARIES
Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Table of Contents For the Years Ended December 31, 2014 and 2013

Table of contents	2
Consolidated Balance Sheets – as of December 31, 2014 and 2013	3
Consolidated Statements of Operations – for the years ended December 31, 2014 and 2013	4
Consolidated Statements of Stockholders' Deficiency – for the years ended December 31, 2014 and 2013	5
Consolidated Statements of Cash Flows – for the years ended December 31, 2014 and 2013	6
Notes to Consolidated Financial Statements	7-13

INTERNATIONAL SUSTAINABILITY GROUP, INC.
AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2014 and 2013

	December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash	\$ 9,540	\$ 174
Total Current Assets	9,540	174
Property and equipment, net	1,110,154	-
Other assets	8,121	-
TOTAL ASSETS	\$ 1,127,815	\$ 174
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,151	\$ -
Loans payable	-	5,656
Notes payable	50,000	-
Due to related parties	4,701	-
Total Current Liabilities	55,852	5,656
TOTAL LIABILITIES	55,852	5,656
Commitments and contingencies		
STOCKHOLDERS' DEFICIENCY		
Preferred Series A stock, \$0.001 par value, 50,000,000 shares authorized; 1,000,000 and 1,000,000 shares issued and outstanding, respectively	1,000	1,000
Common stock, \$0.001 par value, 950,000,000 shares authorized; 440,598,400 and 438,986,000 shares issued and outstanding, respectively	440,598	438,986
Additional paid-in capital	1,241,366	104,724
Accumulated deficit	(611,001)	(550,192)
TOTAL STOCKHOLDERS' DEFICIENCY	1,071,963	(5,482)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 1,127,815	\$ 174
The accompanying notes are an integral part of these consolidated financial statements		

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Operations For the Years Ended December 31, 2014 and 2013

	Year Ended December 31,	
	2014	2013
NET REVENUES:		
Revenues, net	\$ -	\$ -
TOTAL NET REVENUES	-	-
OPERATING EXPENSES		
General and administrative expenses	59,658	363
TOTAL OPERATING EXPENSES	59,658	363
LOSS FROM OPERATIONS	(59,658)	(363)
OTHER EXPENSE:		
Interest expense, net	(1,151)	-
TOTAL OTHER EXPENSE	(1,151)	-
NET LOSS	\$ (60,809)	\$ (363)
NET LOSS PER COMMON SHARE:		
Basic and diluted	\$ 0.00	\$ 0.00
NET LOSS PER SHARE - BASIC AND DILUTED	\$ 0.00	\$ 0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic and diluted	439,228,517	438,986,000
The accompanying notes are an integral part of these consolidated financial statements		

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Deficiency

For the Years Ended December 31, 2014 and 2013

	Preferred Stock		Common Stock		Additional		Accumulated	Total
	Shares	Amount	Shares	Amount	Paid in		Deficit	Stockholders'
					Capital			Deficiency
Balances, December 31, 2012	1,000,000	\$ 1,000	438,986,000	\$ 438,986	\$ 104,724	\$	(549,829)	\$ (5,119)
Net loss	-	-	-	-	-		(363)	(363)
Balances, December 31, 2013	1,000,000	1,000	438,986,000	438,986	104,724		(550,192)	(5,482)
Issuance of common stock for equipment	-	-	1,500,000	1,500	1,108,654		-	1,110,154
Issuance of common stock for cash	-	-	112,400	112	27,988		-	28,100
Net loss	-	-	-	-	-		(60,809)	(60,809)
Balances, December 31, 2014	<u>1,000,000</u>	<u>\$ 1,000</u>	<u>440,598,400</u>	<u>\$ 440,598</u>	<u>\$ 1,241,366</u>	<u>\$</u>	<u>(611,001)</u>	<u>\$ 1,071,963</u>
The accompanying notes are an integral part of these consolidated financial statements								

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows For the Years Ended December 31, 2014 and 2013

	Year Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (60,809)	\$ (363)
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	1,151	-
NET CASH USED IN OPERATING ACTIVITIES	(59,658)	(363)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments towards patents	(8,121)	-
NET CASH USED IN INVESTING ACTIVITIES	(8,121)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	23,344	500
Principal payments towards loans payable	(29,000)	-
Proceeds from notes payable	50,000	-
Net advances from related parties	4,701	-
Issuance of common stock for cash	28,100	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	77,145	500
Net increase in cash	9,366	137
Cash, beginning of year	174	37
Cash, end of year	\$ 9,540	\$ 174
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
NON-CASH ACTIVITIES:		
Common stock issued for equipment	\$ 1,110,154	\$ -
The accompanying notes are an integral part of these consolidated financial statements		

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

NOTE 1 – ORGANIZATION

In 1990 Quantum production services was formed as a Louisiana Corp. In 2006, Quantum changed its domicile to Nevada by share exchange and changed its name to Smith Oil Group, Inc. Quantum became a wholly owned subsidiary of Smith Oil and was subsequently spun off.

In 2009 Smith Oil Group, Inc. acquired Hawk Solutions Group, Inc., a New York company incorporated October 1999. The Company is engaged in mechanical air quality retrofit, life safety and energy consultant/contracting. Hawk Solutions Group, Inc. had no activity for the year ended December 31, 2014.

On July 20, 2009 85% of the shareholders voted to change the name of the Company to International Sustainability Group, Inc.

On July 17, 2014, the Company appointed new management and directors of the board. On the same day, the former CEO and sole director of the Company resigned.

On August 25, 2014, Bard Ecuador S.A. Ecuabardec (“Bard ESE”) was incorporated in Ecuador to build, manage and market the Company’s technology in Ecuador, and is 100% owned by the Company. No operations have begun to date, thus Bard ESE is not included as a consolidated entity of the Company.

On September 4, 2014, Bard Development, LLP (“Bard DL”) was incorporated in India to build, manage and market the Company’s technology in India, and is 100% owned by the Company. No operations have begun to date, thus Bard DL is not included as a consolidated entity of the Company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of International Sustainability Group, Inc. and its subsidiaries (collectively, the “Company”). Intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the reporting of assets and liabilities as of the dates of the financial statements and revenues and expenses during the reporting period. These estimates primarily relate to the sales recognition, allowance for doubtful accounts, inventory obsolescence and asset valuations. Actual results could differ from these estimates. Management’s estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the periods they are determined to be necessary.

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

CASH AND CASH EQUIVALENTS

The Company considers highly liquid investments with original maturities of three months or less when purchased as cash equivalents. The Company had no cash equivalents as of December 31, 2014 and 2013. At times throughout the year, the Company might maintain bank balances that could exceed Federal Deposit Insurance Corporation insured limits. The Company maintains its cash deposit accounts with high credit quality financial institutions, and therefore believes that its loss exposure is minimal. The Company did not exceed insurable limits for the years ended December 31, 2014 and 2013.

ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At December 31, 2014 and 2013, the Company has established, based on a review of its outstanding balances, that no allowance is necessary.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense when incurred, while renewals and betterments that materially extend the life of an asset are capitalized.

The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized in the results of operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Machinery and equipment	5 years
-------------------------	---------

LONG LIVED ASSETS

On a periodic basis, management assesses whether there are any indicators that the value of the Company's long-lived assets may be impaired. An asset's value may be impaired only if management's estimate of the aggregate future cash flows, on an undiscounted basis, to be generated by the asset are less than the carrying value of the asset.

If impairment has occurred, the loss is measured as the excess of the carrying amount of the asset over its estimated fair value. The Company's estimates of aggregate future cash flows expected to be generated by each long-lived asset are based on a number of assumptions that are subject to economic and market uncertainties. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in their impairment analyses may not be achieved. No impairment was identified during the years ended December 31, 2014 and 2013.

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal, or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs that may be used to measure fair value:

Level 1 – Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

INCOME TAXES

The Company, along with its consolidated subsidiary, is deemed a corporation and thus is a taxable entity. No provision for income taxes was reflected in the accompanying consolidated financial statements as the Company did not have income through December 31, 2014. There were no uncertain tax positions that would require recognition in the consolidated financial statements through December 31, 2014.

Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing, and the current and prior three years remain subject to examination as of December 31, 2014.

The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

The Company accounts for income taxes under Accounting Standards Codification ("ASC") 740-10-30, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

RECOGNITION OF REVENUE

Sales are recorded at the time title of goods sold passes to customers, which based on shipping terms which generally occurs when the product is shipped to the customer and collectability is reasonably assured. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a sale is negotiated. The Company does not grant price adjustments after a sale is complete.

STOCK BASED COMPENSATION

The Company accounts for the grant of stock options and restricted stock awards in accordance with ASC 718, "Compensation-Stock Compensation." ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation. GAAP prescribes that accounting and reporting standards for all stock-based payment awards to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if:

- a) the option to settle by issuing equity instruments lacks commercial substance, or
- b) the present obligation is implied because of an entity's past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

With respect to stock-based compensation issued to non-employees and consultants GAAP requires that the amount of share-based payment transactions be based on the fair value of whichever is more reliably measurable:

- a) the goods or services received or
- b) the equity instruments issued.

The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

NET LOSS PER SHARE

The Company computes basic and diluted earnings per share amounts in accordance with ASC Topic 260, Earnings per Share. Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. Potentially dilutive

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

securities were not included in the calculation of net loss per common share for the years ended December 31, 2014 and 2013 because their effect would be anti-dilutive.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. The Company is currently evaluating the impact of adopting this guidance.

In June 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period*. This ASU provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40)*, which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company has early adopted this new standard for the year ended December 31, 2014.

All other issued accounting pronouncement but not yet effective have been reviewed and are not deemed to have a material financial impact on the Company once adopted.

NOTE 3 – GOING CONCERN

The Company's consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred net losses of \$60,809 and \$363 during the years ended December 31, 2014 and 2013, respectively. Cash on hand will not be sufficient to cover debt repayments, operating expenses and capital expenditure requirements for at least twelve months from the consolidated balance sheet date. As of December 31, 2014 and 2013, the Company had working capital deficits of \$46,312 and \$5,482, respectively. In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to seek equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2014 consisted of the following:

Machinery and equipment	\$ 1,110,154
Totals	<u>1,110,154</u>
Less: accumulated depreciation	<u>-</u>
Property and Equipment, Net	<u>\$ 1,110,154</u>

On November 4, 2014, the Company issued 1,500,000 for equipment valued at \$1,110,154. These assets have not been placed in service to date.

NOTE 5 – OTHER ASSETS

On August 8, 2014, the Company was assigned a patent titled “Process and System for Producing Algal Oil” from the new CEO of the Company. As of December 31, 2014, the value of the patents is \$8,121.

NOTE 6 – LOANS PAYABLE

The Company has received loans from a third party, which will be paid back within the following year. There is no interest on these loans, nor is there a due date for when these loans are to be paid back.

As of December 31, 2014 and 2013, the Company had loans outstanding of \$0 and \$5,656, respectively.

NOTE 7 – NOTES PAYABLE

On October 9, 2014, the Company issued a promissory note for \$50,000 cash. The note bears interest of 10% and is due on October 9, 2015.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Company has received advances from a related party, which will be paid back within the following year. As of December 31, 2014 and 2013, the monies owed to related parties is \$4,701 and \$0, respectively.

NOTE 9 – EQUITY

Preferred Stock

As of December 31, 2014, the Company has 50,000,000 authorized shares of Series A preferred stock, no par value, of which 1,000,000 shares are issued and outstanding. The Series A preferred stock

INTERNATIONAL SUSTAINABILITY GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2014 and 2013

carries super voting rights of 70% of the entire voting common stock eligible, and is convertible into common stock at a 1:1 ratio.

Common Stock

As of December 31, 2014 and 2013, the Company has 950,000,000 authorized shares of common stock, par value \$0.001, of which 440,598,400 and 438,986,000 shares are issued and outstanding, respectively.

On November 4, 2014, the Company issued 1,500,000 shares of common stock for equipment valued at \$1,110,154, or \$0.74 per share.

On November 14, 2014, the Company issued a 52,000 shares of common stock for \$13,000 cash, or \$0.25 per share.

On November 17, 2014, the Company issued a 4,000 shares of common stock for \$1,000 cash, or \$0.25 per share.

On December 3, 2014, the Company issued a 8,000 shares of common stock for \$2,000 cash, or \$0.25 per share.

On December 16, 2014, the Company issued a 2,000 shares of common stock for \$500 cash, or \$0.25 per share.

On December 24, 2014, the Company issued a 10,400 shares of common stock for \$2,600 cash, or \$0.25 per share.

On December 29, 2014, the Company issued a 36,000 shares of common stock for \$9,000 cash, or \$0.25 per share.

NOTE 10 – SUBSEQUENT EVENTS

On January 12, 2015, the Company entered into an asset purchase agreement with Productos Naturales Sri Govinda Sac (“PNSG”) whereby PNSG sold certain assets and all its common stock to the Company in exchange for \$100,000 cash and 250,000 shares of the Company’s common stock.

On January 12, 2015, the Company entered into an asset purchase agreement with Industria de Alimentos Naturales Gopal Sac (“IANG”) whereby IANG sold certain assets and 100% of its common stock to the Company in exchange for \$250,000 cash and 250,000 shares of the Company’s common stock. IANG will also receive 30% of the profits from the operations of IANG on a go forward basis.

On February 2, 2015, ISG Health, LLC was incorporated in Nevada to commercialize the Company’s natural health products, and is 100% owned by the Company.