Preferred Commerce, Inc.

Consolidated Financial Statements

Quarter Ended May 31, 2017

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ACCOUNTANT'S COMPILATION REPORT

To the Stockholders of
Preferred Commerce, Inc.

Management is responsible for the accompanying consolidated financial statements of Preferred Commerce, Inc. (a corporation), which comprise the balance sheets as of May 31, 2017 and November 30, 2016, and the related consolidated statements of operations three and six months ended May 31, 2017 and 2016, the consolidated statement of changes in stockholders' deficit for the six months ended May 31, 2017 and the consolidated statements of cash flows for the six months ended May 31, 2017 and 2016 quarter, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 2017 and 2016 consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

D. Brooks and Associates CPA's, P.A.

D. Brooks and Associates CPA's, P.A.
West Palm Beach, Florida
July 17, 2017

PREFERRED COMMERCE, INC.
CONSOLIDATED BALANCE SHEETS

	May 31, 2017	November 30, 2016
Assets		
Current Assets:		
Cash	$ 2,704	$ 2,753
Accounts receivable	13,361	16,580
Inventory	352,042	359,002
Total current assets	368,107	378,335
Property and Equipment, Net	5,219	21,219
Other Assets	6,267	2,753
Total assets	$ 379,594	$ 402,307
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable and accrued expenses	$ 5,500,517	$ 5,007,363
Note payable	24,000	24,000
Notes payable - stockholders	5,061,481	4,831,985
Total current liabilities	10,585,998	9,863,348
Stockholders' Deficiency:		
Preferred stock, $0.0001 par value; 5,000 shares authorized, 5,000 shares issued and outstanding	1	1
Common stock, $0.0001 par value; 150,000,000 shares authorized, 70,400,919 and 69,507,705 shares issued and outstanding, respectively	7,041	6,951
Common stock to be issued, $0.0001 par value; 421,000 shares	42	42
Treasury stock (85,107 shares)	9	9
Additional paid in capital	22,039,549	22,039,549
Subscription receivable	(70,000)	(70,000)
Accumulated deficit	(32,183,046)	(31,437,593)
Total stockholders' deficiency	(10,206,405)	(9,461,041)
Total liabilities and stockholders' deficiency	$ 379,594	$ 402,307

See accountant’s compilation report.

PREFERRED COMMERCE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2017 AND 2016

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016	Six Months Ended May 31, 2017	Six Months Ended May 31, 2016
Revenues	$ 36,038	$ 68,708	$ 44,858	$ 405,441
Cost of Sales	23,256	57,028	26,192	271,806
Gross profit	12,781	11,680	18,665	133,635
Operating Expenses:				
Personnel costs	136,024	269,489	309,057	516,175
Professional fees	64,733	41,500	70,786	240,845
Advertising and promotions	1,166	18,160	1,915	19,592
Rent	12,457	13,000	24,914	30,032
Other general and administrativ	60,895	120,900	101,365	167,017
Total operating expenses	275,275	463,049	508,037	973,661
Operating loss	(262,494)	(451,369)	(489,372)	(840,026)
Other Income (Expense):				
Interest expense	(130,779)	(142,691)	(256,082)	(261,866)
Gain on settlements	-	357,927	-	362,364
Gain on settlement of debt	-	-	-	943,660
Total other expense, net	(130,779)	215,236	(256,082)	1,044,158
Net Income/(Loss)	$ (393,272)	$ (236,133)	$ (745,453)	$ 204,132

See accountant’s compilation report.

PREFERRED COMMERCE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE QUARTER ENDED MAY 31, 2017

	Common Stock		Common Stock to Be Issued		Preferred Stock		Treasury Stock		Additional Paid in	Subscription	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Receivable	Deficit	Total
Balances, November 30, 2016	69,507,705	$6,951	421,000	$ 42	5,000	$ 1	85,107	$ 9	$ 22,039,549	$ (70,000)	$ (31,437,593)	$ (9,461,041)
Stock issued for services	893,214	90	-	-	-	-	-	-	-	-	-	90
Net loss	-	-	-	-	-	-	-	-	-	-	(745,453)	(745,453)
Balances, May 31, 2017	70,400,919	$7,041	421,000	$ 42	5,000	$ 1	85,107	$ 9	$ 22,039,549	$ (70,000)	$ (32,183,046)	$ (10,206,404)

PREFERRED COMMERCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MAY 31, 2017 AND 2016

	2017	2016
CASH FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (745,453)	$ 204,132
Adjustments to reconcile net income (loss) to cash used in operations:		
Depreciation	5,500	7,250
Stock-based compensation	90	240
Gain on settlement of debt	-	(943,659)
Decrease in accounts receivable	3,220	23,227
Decrease in inventory	6,960	37,305
Increase in prepaid expenses	(3,515)	(9,019)
Decrease in deferred revenue	-	(19,500)
Increase (decrease) in accounts payable and accrued expenses	493,154	(78,989)
Net cash used in operations	(240,044)	(779,014)
CASH FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(28,000)
Write off of Animation Project	10,500	-
Net cash (used)provided in investing activities	10,500	(28,000)
CASH FROM FINANCING ACTIVITIES:		
Repayment of notes payable	-	(133,900)
Stock issued for services	-	-
Advances from stockholders	229,496	918,913
Net cash provided by financing activities	229,496	785,013
NET CHANGE IN CASH	(48)	(22,001)
Cash at Beginning of the Period	2,753	34,513
Cash at End of Period	$ 2,704	$ 12,512
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ -	$ -
Cash Paid for Income Taxes	$ -	$ -

See accountant’s compilation report.

NOTE 1 – ORGANIZATION AND BUSINESS

Preferred Commerce, Inc. (the "Company") was organized as a Delaware corporation on March 19, 1999, under the name of Plantfind.com, Inc. In June 2014, the Company changed its name to Preferred Commerce Inc. and redomiciled in Nevada. The Company develops and sells unique children's education and online gaming products designed to combat childhood obesity and promote nutritious choices. The Company currently sells its products through its website, www.growums.com.

In August 2014, the Company executed a share exchange agreement pursuant to which the stockholders of the Company obtained 99% of the issued and outstanding common stock of Opencell Biomed, Inc. The transaction was accounted for as a reverse capitalization and the accompanying consolidated financial statements include the historical financial statements of the Company and Opencell Biomed, Inc.

OpenCell Biomed, Inc. was incorporated in the State of Nevada on July 7, 2006, and its fiscal year end is November 30. On July 4, 2008, a Share Exchange Agreement (the "Agreement") was entered into between the Company and Biomedical Implant Technologies Ltd. ("BIT"). The fundamental terms of the purchase agreement were for the Company to issue 20,000,000 shares of restricted common stock of the Company for the acquisition of BIT. As a result, BIT became a wholly-owned subsidiary of the Company.

Biomedical Implant Technologies Ltd was incorporated under the laws of the Province of Ontario, Canada on November 27, 2007. BIT is in the business of developing, marketing and selling a proprietary dental implant system known as the "Ti-Foam Dental Implant System".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AN CONSOLIDATION

The accompanying financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Opencell Biomed, Inc. All intercompany balances and transactions are eliminated in consolidation.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original term of three months or less to be cash equivalents.

INVENTORY

Inventory is valued at the lower of cost or market value. Cost is determined using the first in first out (FIFO) method. Provision for potentially obsolete or slow moving inventory is made based on management analysis of inventory levels and future sales forecasts. The Company's inventory consists of components acquired from third-parties that are assembled by the Company in fulfillment of standing customer orders.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is provided by use of straight-line methods over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Office equipment and furniture	5 years
Computer hardware and software	3 years

REVENUE RECOGNITION

The Company recognizes revenue in accordance with FASB ASC 605, Revenue Recognition. ASC 605 requires that four basic criteria are met (1) persuasive evidence of an arrangement exists, (2) delivery of products and services has occurred, (3) the fee is fixed or determinable and (4) collectability is reasonably assured. The Company recognizes revenue during the period in which the product is shipped.

EQUITY-BASED COMPENSATION

Compensation expense for all stock-based employee and director compensation awards granted is based on the grant date fair value estimated in accordance with the provisions of ASC Topic 718, *Stock Compensation* ("ASC Topic 718"). The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. Vesting terms vary based on the individual grant terms.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the Company's notes payable and accounts payable approximate fair value due to their short-term nature.

INCOME TAXES

The Company uses the asset and liability method in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on difference between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company applies the provisions of ASC Topic 740-10-25, *Income Taxes – Overall – Recognition* ("ASC Topic 740-10-25") with respect to the accounting for uncertainty of income tax positions. ASC Topic 740-10-25 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-25 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of November 30, 2016, tax years since 2013 remain open for IRS audit. The Company has received no notice of audit from the Internal Revenue Service for any of the open tax years.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements issued by the FASB and the SEC did not have, or are not believed by management to have, a material impact on the Company's present or future consolidated financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

The Company's property and equipment consists of the following as of May 31, 2017 and November 30, 2016:

	May 31, 2017	November 30, 2016
Computer equipment and software	$208,562	$208,562
Furniture, fixtures and office equipment	57,664	57,664
Animation project	-	10,500
Accumulated depreciation	(261,007)	(255,507)
Total	$ 5,219	$ 21,219

Depreciation expense totaled $5,500 and $7,250 for the six months ended May 31, 2017 and 2016, respectively.

NOTE 4 – NOTE PAYABLE

In November 2011, the Company issued a convertible note payable in the amount of $25,000 for services rendered. The convertible note is due on demand and convertible into common stock of the Company at a rate of $0.01 per share. The balance of the note was $24,000 as of May 31, 2017 and November 30, 2016, and accrued interest included in accounts payable and accrued expenses totaled $10,504 and $7,504, respectively.

NOTE 5 – NOTES PAYABLE, STOCKHOLDERS

Notes payable to stockholders as of May 31, 2017 and November 30, 2016 consist of the following:

	2017	2016
Notes payable to stockholders for investments in 2007 totaling $250,000. The notes are due on demand and accrue interest at an annual rate of 18%. Accrued interest on the notes totaled $1,035,092 and $964,262 as of May 31, 2017 and November 30, 2016, respectively.	$250,000	$250,000
Notes payable to stockholders for investments in 2008 and 2009 totaling $150,000. The notes are due on demand and accrue interest at an annual rate of 10%. Accrued interest on the notes totaled $326,490 and $304,118 as of May 31, 2017 and November 30, 2016, respectively.	150,000	150,000
Loans from stockholders, accruing interest at annual rates ranging from 8% to 12% and due on demand.	4,330,424	4,099,305
Loans from employees, stockholders and officers. Due on demand and non-interest bearing.	319,060	320,680
Loan from a bank, accrued interest at an annual rate of 10.75%, due on demand.	12,000	12,000
	$ 5,061,481	$ 4,831,985

NOTE 7 – INCOME TAXES

The Company's income tax benefit for the six months ended May 31, 2017 is as follows:

Current:	
Federal	$ -
State	-
Deferred:	
Federal	(253,454)
State	(27,805)
Change in Valuation Allowance	281,260
	$ -

Reconciliation of the Company's effective tax rate to statutory rates for the six months ended May 31, 2017 is as follows:

Federal	34%
State	4%
Permanent difference	0%
Change in Valuation Allowance	(38)%
	-

The Company's tax assets (liabilities) consist of the following as of May 31, 2017:

Net operating losses	4,690,306
Fixed assets	$ (1,969)
Accounts receivable	(5,041)
Valuation Allowance	(4,683,295)
	$ -

As of May 31, 2017, the Company has net operating losses totaling approximately $12,431,237 available to offset future taxable income through 2027.

NOTE 8 – COMMON STOCK

During the six months ended May 31, 2017 the Company issued 90 shares of common stock for services. The shares are not registered and carry a Rule 144 Restriction on Trade. Share certificates have been issued stating the shares have not been registered under the Securities Act and setting forth the restrictions on transferability and sales of shares under the Securities Act.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Company leases office and warehouse space, as well as a call center pursuant to month to month leases. Rent expense including common area maintenance and operating expenses totaled $24,914 for the quarter ended May 31, 2017.

Charitable Contributions

The Company has made non-binding commitments to make charitable contributions totaling $48,952 as of May 31, 2017.

NOTE 10 – GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As of May 31, 2017, the Company had a working capital deficit of $10,206,404. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management plans to seek additional debt or equity financing while expanding its retail presence to ultimately generate cash from operations. There can be no assurance that debt or equity financing will be available on acceptable terms.

NOTE 11 – SUBSEQUENT EVENTS

The Company has performed an evaluation of subsequent events through July 12, 2017, which is the date these consolidated financial statements were available to be issued.