

Advanced Visual Systems Inc.
Financial Statements
March 31, 2014 and 2013

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To the Board of Directors and Shareholders
Advanced Visual Systems Inc.
Waltham, MA

I have compiled the accompanying balance sheet of Advanced Visual Systems Inc. (a Nevada Corporation) and the statements of operations, stockholders equity and cash flow as of March 31, 2014 and 2013. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

/s/ Paul E Forsythe III CPA
May 13, 2014

**Advanced Visual Systems Inc.
Balance Sheets**

ASSETS

	March 31, 2014	Consolidatd March 31, 2013
Current Assets		
Cash & Equivalents	\$ 53,977	\$ 96,544
Receivables, net of allowance for bad debts of \$32,014 and \$34,487	982,832	1,085,907
Loans to officers	60,059	128,415
Prepaid Expenses	<u>60,142</u>	<u>69,496</u>
Total Current Assets	<u>1,157,010</u>	<u>1,380,362</u>
Other Assets		
Accounts receivable due after 1 year net of discount	95,660	295,660
Property and equipment - net	30,622	-
Intangibles, net of accumulated amortization	1,577,922	1,515,165
Other Assets	90,184	86,134
Goodwill	<u>1,061,440</u>	<u>5,752,598</u>
Total Other Assets	<u>2,855,828</u>	<u>7,649,557</u>
Total Assets	<u><u>\$ 4,012,838</u></u>	<u><u>\$ 9,029,919</u></u>

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	\$ 84,148	80,783
Accrued Expenses	285,421	555,584
Deferred Maintenance Revenue	180,513	229,225
Notes Payable - due within one year	<u>115,209</u>	<u>172,735</u>
Total Current Liabilities	665,291	1,038,327
Long-term Liabilities		
Notes payable - due in over one year	<u>100,862</u>	<u>-</u>
Total Liabilities	<u>766,153</u>	<u>1,038,327</u>
Stockholders' Equity		
Common Stock, 199,999,000 class A shares authorized, \$.001 par value; 97,279,906 shares issued and outstanding; 1,000 class B shares authorized, \$.001 par value; 1,000 shares issued and outstanding; 10,000,000 preferred shares authorized, \$.001 par value; no shares issued and outstanding.	97,281	93,383
Additional Paid in Capital	3,262,352	7,602,306
Common stock to be issued per agreement	-	592,352
Retained Earnings	(114,843)	(296,449)
Other Comprehensive Income	<u>1,895</u>	<u>-</u>
Total Stockholders' Equity	<u>3,246,685</u>	<u>7,991,592</u>
Total Liabilities & Equity	<u><u>\$ 4,012,838</u></u>	<u><u>\$ 9,029,919</u></u>

See independent accountant's compilation report and accompanying notes

**Advanced Visual Systems Inc.
Statement of Operations**

Consolidated

	For the Nine Months Ended March 31, 2014	For the Three Months Ended March 31, 2014	For the Nine Months Ended March 31, 2013	For the Three Months Ended March 31, 2013
Net Sales	\$ 1,067,182	\$ 398,039	\$ 2,045,623	\$ 553,649
Cost of Goods Sold	<u>183,422</u>	<u>59,862</u>	<u>227,425</u>	<u>62,717</u>
Gross Profit	<u>883,760</u>	<u>338,177</u>	<u>1,818,198</u>	<u>490,932</u>
Operating Expenses				
Selling , general and administrative expenses	<u>1,251,013</u>	<u>453,507</u>	<u>1,912,039</u>	<u>609,099</u>
Total Operating Expenses	<u>1,251,013</u>	<u>453,507</u>	<u>1,912,039</u>	<u>609,099</u>
Income (Loss) from Operations	<u>(367,253)</u>	<u>(115,330)</u>	<u>(93,841)</u>	<u>(118,167)</u>
Other Income (Expense)				
Interest Income (Expense)	(13,544)	(4,868)	(11,883)	(2,097)
Other Income (Expense)	<u>101,011</u>	<u>36</u>	<u>5,744</u>	<u>(5,744)</u>
Total Other Income (Expense)	<u>87,467</u>	<u>(4,832)</u>	<u>(6,139)</u>	<u>(7,841)</u>
Income (Loss) before Provision for Income Taxes and Extraordinary Expenses	<u>(279,786)</u>	<u>(120,162)</u>	<u>(99,980)</u>	<u>(126,008)</u>
Provision for Income Taxes	<u>-</u>	<u>-</u>	<u>27,116</u>	<u>27,116</u>
	<u>-</u>	<u>-</u>	<u>27,116</u>	<u>27,116</u>
Net Income (Loss)	<u>\$ (279,786)</u>	<u>\$ (120,162)</u>	<u>\$ (127,096)</u>	<u>\$ (153,124)</u>
Net income per share, basic	\$ (0.0029)	\$ (0.0012)	\$ (0.0014)	\$ (0.0016)
Net income per share, diluted	\$ (0.0025)	\$ (0.0011)	\$ (0.0013)	\$ (0.0016)
Weighted average number of shares outstanding - Basic	97,591,025	97,779,906	89,292,656	93,055,024
Weighted average number of shares outstanding - Diluted	111,679,906	111,679,906	98,527,475	98,643,128
Comprehensive Income				
Net Income (Loss)	\$ (279,786)	\$ (120,162)	\$ (127,096)	\$ (153,124)
Translation adjustments net of taxes of \$0	<u>358</u>	<u>59,862</u>	<u>29,339</u>	<u>62,717</u>
Comprehensive income (Loss)	<u>\$ (279,428)</u>	<u>\$ (60,300)</u>	<u>\$ (97,757)</u>	<u>\$ (90,407)</u>

See independent accountant's compilation report and accompanying notes

**Advanced Visual Systems Inc.
Statements of Cash Flows**

	For the Nine Months Ended March 31, 2014	Consolidated For the Nine Months Ended March 31, 2013
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net Income	\$ (279,786)	\$ (127,096)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Amortization and depreciation	177,126	225,741
Provision for Bad Debts	(2,225)	8,667
Currency re-measurement gain (loss), net	358	29,339
Closing of Subsidiary	-	(35,909)
(Increase) decrease in:		
Accounts Receivable	110,905	(428,894)
Other Receivables	76,001	56,363
Prepaid Expenses	12,689	57,207
Intangibles & Other Non-current Assets	(51,234)	(74,698)
Increase (decrease) in:		
Accounts Payable	(19,851)	(795)
Accrued Expenses	962	13,543
Deferred maintenance	(45,015)	(67,078)
Net cash provided (used) by operating activities	<u>(20,070)</u>	<u>(343,610)</u>
Cash flows from financing activities:		
Loans issued during the period	102,000	-
Loan indebtedness	(33,008)	118,860
Net cash provided (used) by financing activities	<u>68,992</u>	<u>118,860</u>
Cash flows from investing activities:		
Issuance of common stock	491,552	1,084,950
Value of shares to be issued in payment of long-term debt	(592,352)	(1,071,000)
Net cash provided (used) by investing activities	<u>(100,800)</u>	<u>13,950</u>
Net increase (decrease) in cash	(51,878)	(210,800)
Cash at beginning of period	<u>105,855</u>	<u>307,344</u>
Cash at end of period	<u>\$ 53,977</u>	<u>\$ 96,544</u>
Interest paid	<u>\$ 17,844</u>	<u>\$ 18,526</u>

See independent accountant's compilation report and accompanying notes

**Advanced Visual Systems Inc.
Statement Stockholders' Equity**

	NUMBER OF SHARES	PARVALUE	AMOUNT	PAID IN CAPITAL	VALUE OF SHARES TO BE ISSUED	RETAINED EARNINGS	COMPRENESIVE INCOME (LOSS)	TOTAL
ENDING BALANCE - JUNE 30, 2013	92,131,802	0.001	92,133	2,775,948	592,352	164,943	1,537	3,626,913
Issuance of shares in payment of long-term debt	6,588,104	0.001	6,588	585,764	(592,352)			-
Cancellation of consulting agreement	(1,440,000)	0.001	(1,440)	(99,360)				(100,800)
Net Income (Loss)						(279,786)		(279,786)
Foreign currency translations, net of tax benefit (expense) of \$0	-		-	-	-	-	358	358
ENDING BALANCE - MARCH 31, 2014	<u>97,279,906</u>		<u>\$ 97,281</u>	<u>\$ 3,262,352</u>	<u>\$ -</u>	<u>\$ (114,843)</u>	<u>\$ 1,895</u>	<u>\$ 3,246,685</u>

See independent accountant's compilation report and accompanying notes

Advanced Visual Systems Inc.
Notes to Financial Statements
March 31, 2014 and 2013

Nature of Operations

The Company was incorporated in the State of Nevada on December 10, 2001. The Company was previously an Exploration Stage Company, as defined by the FASB Accounting Standard Codification (ASC). The Company's principal business was the acquisition and exploration of oil and gas properties located in North America. On August 27, 2009, the Company changed its name to Advanced Visual Systems Inc. and consummated a merger agreement with Advanced Visual Systems Inc., a Delaware corporation, effective as of September 15, 2009. Following the merger, the Company operates as the developer and primary distributor of software products and solutions that are used in multiple sectors of industry to present diverse forms of information as computer-based graphics commonly known as data visualizations.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. The financial statements include the accounts of the Company. Prior year's financial statements included the accounts of a wholly owned subsidiary which was closed on February 15, 2013. The financial statements for March 31, 2013 are presented on a consolidated basis. All significant inter-company balances and transactions have been eliminated upon consolidation.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. 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. The Company regularly evaluates estimates and assumptions related to the valuation of oil and gas properties, stock-based compensation and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

c. Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

d. Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives of our property and equipment are generally as follows: computer software developed or acquired for internal use, three years; computer equipment, two to three years; buildings and improvements, five to 15 years; leasehold improvements, two to 10 years; and furniture and equipment, one to five years. Land is not depreciated.

e. Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and the market participants are independent, knowledgeable, able and willing to transact an exchange.

A hierarchy for measuring fair value consists of Levels 1 through 3.

Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; other inputs that may be considered in fair value determinations of the assets or liabilities, such as interest rates and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

See independent accountant's compilation report

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Summary of Significant Accounting Policies (continued)

Level 3 – Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities. Level 3 applies to assets or liabilities for which there are inputs other than quoted prices 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.

Pursuant to FASB Accounting Standards Codification, fair value of assets and liabilities measured on a recurring basis include cash equivalents determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

f. Revenue Recognition

The Company recognizes revenue when products are sold at a fixed or determinable price. Maintenance income is recognized over the life of the contract for the services rendered.

g. Earnings Per Share

The Company computes earnings (loss) per share in accordance with FASB Accounting Standards Codification (ASC). ASC requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing earnings (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

h. Comprehensive Income

The Company follows ASC, "Reporting Comprehensive Income" for the reporting and display of comprehensive income. March 31, 2014 and 2013 the Company had foreign exchange difference for items on the balance that represent a comprehensive loss. The Company has presented the net comprehensive loss as a function of stockholders' equity and, therefore, has not included a separate schedule of comprehensive loss in the financial statements.

i. Foreign Currency Translation

Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into US dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized as other comprehensive income.

The Company's integrated foreign subsidiary is financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into US dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

j. Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with FSC, "Accounting for Income Taxes". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Advanced Visual Systems Inc.
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Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

On January 1, 2007, the Company adopted the provision of the FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 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. The interpretation requires the Company recognize the impact of a tax position in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, and accounting in interim periods and disclosure. In accordance with the provisions of FIN 48, any cumulative effect resulting from a change in accounting principle is recorded as an adjustment to the opening deficit balance. As of March 31, 2014, the Company did not have any amounts recorded pertaining to uncertain tax positions. The adoption of FIN No. 48 did not impact the Company's tax provision or the amounts recorded in the consolidated financial statements.

The Company files federal, state and local income tax returns in the U.S., as applicable. The open taxation years range from 2006 to 2008. In certain circumstances, the US federal statute of limitations can reach beyond the standard three year period. US state statutes of limitations for income tax assessment vary from state to state. Tax authorities of the U.S. have not audited any of the Company's, or its subsidiaries', income tax returns for the open taxation years noted above. The Company recognizes interest and penalties related to uncertain tax positions in tax expense.

k. Recently Issued Accounting Standards

Recently Adopted Accounting Guidance

On July 1, 2010, the Company adopted guidance issued by the Financial Accounting Standards Board ("FASB") on revenue recognition. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product are no longer within the scope of the software revenue recognition guidance, and software-enabled products are now subject to other relevant revenue recognition guidance. Additionally, the FASB issued guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. Adoption of the new guidance did not have a material impact on our financial statements.

On July 1, 2010, the Company adopted new guidance issued by the FASB on the consolidation of variable interest entities. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. Adoption of the new guidance did not have a material impact on our financial statements.

In June 2011, the FASB issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The new guidance will be effective for years beginning July 1, 2012 and will have presentation changes only.

In May 2011, the FASB issued guidance to amend the accounting and disclosure requirements on fair value measurements. The new guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the new guidance expands the disclosures on Level 3 inputs by requiring quantitative disclosure of the unobservable inputs and assumptions, as well as description of the valuation processes and the sensitivity of the fair value to changes in unobservable inputs. The new guidance will be effective for us beginning January 1, 2012. Other than requiring additional disclosures, we do not anticipate material impacts on our financial statements upon adoption.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to fair value measurements. The guidance requires the disclosure of roll forward activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance will become effective for us with the reporting period beginning July 1, 2011. Other than requiring additional disclosures, the adoption of this new guidance will not have a material impact on our financial statements.

Advanced Visual Systems Inc.
Notes to Financial Statements
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Issued Accounting Standards - Continued

Recently Issued Accounting Standards - Continued

In September 2011, the FASB issued guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit (if any). If an entity determines that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. The new guidance will be effective for us beginning July 1, 2012.

Recent Accounting Guidance Not Yet Adopted

In December 2011, the FASB issued guidance enhancing disclosure requirements about the nature of an entity's right to offset and related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed, and the related net exposure. The new guidance will be effective for us beginning July 1, 2013. Other than requiring additional disclosures, we do not anticipate material impacts on our financial statements upon adoption.

2. Property and Equipment

Property and equipment consist of:

Furniture and fixtures	\$	21,279
Leasehold improvements		<u>17,438</u>
		38,717
Accumulated depreciation		<u>(8,095)</u>
Net fixed assets	\$	<u><u>30,622</u></u>

Repairs and maintenance, if any, is charged in the year incurred. Improvements and additions are recorded as assets in the year that the purchases are made.

3. Related Party Transactions

The company, from time to time, will make loans to officers and employees. These loans are interest free if paid in one year. If not paid within the one year, interest is accrued at 5%, from date of original loan. At March 31, 2014 and 2013 \$60,059 and \$128,415 is due from the officers', including interest.

Advanced Visual Systems Inc.
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Income Taxes

The Company has net operating loss carried forwards (NOLs) of \$1,567,000 available to offset taxable income in future years which commence expiring in fiscal 2015. Following the merger with Advanced Visual Systems Inc. (Delaware) (see Note 5), the Company acquired net operating loss carry forwards (NOLs) of approximately \$2,275,000 which expire in 2013 through 2018. In accordance with IRC Code Section 382, the use of "pre-change" NOLs is limited, in general, to a percentage of the change in entity value of the corporation at the date of change.

The Company is subject to United States federal and state income taxes at an approximate rate of 34%. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	Pre-acquisition Income	Post- acquisition Loss
Income tax recovery at statutory rate	\$ (88,500)	\$ -
Timing differences	-	
Permanent differences	59,800	\$ -
Valuation allowance change	<u>28,700</u>	<u>-</u>
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>

See independent accountant's compilation report

Advanced Visual Systems Inc.
Notes to Financial Statements
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4. Notes Payable

The details of short and long-term notes are as follows:

	March 31, 2014	March 31, 2013
Short-term Debt		
The Company has secured a loan from the Small Business Administration (SBA) in the total amount of \$102,000. The loan is guaranteed by the chief executive officer, president and president of the major stockholder. The loan has an interest rate of 4% and a term of 20years. The first payment of \$634 begins nine (9) months after the signing of the original date with extensions.	\$ 104,361	\$ -
A beneficial shareholder secured a line of credit in its name for the by the Company to meet cash flow needs. Repayment, including interest, is made by the Company in accordance with the terms set by the bank.	9,404	30,254
The Company finances the payment of the insurance premiums. The Company has a monthly payment of \$1,983.92 including interest at the rate of 9.319%	17,968	12,506
The Company has entered into a financing arrangement with a financing company. The arrangement allows the Company to borrow against accounts receivables. The Company may borrow up to \$200,000 based on 80% of the face amount of receivables pledged. A finance fee of 1.8% per month is charge at the end of each month on the outstanding balance. The financing company has allowed the Company to exceed the borrowing limit for a short time. The balance is currently below the limit.	84,338	129,975
	216,071	172,735
Long-term Debt		
Small Business Administration (SBA) loan - see above.	100,862	-
Long-term debt	\$ 100,862	\$ -

See independent accountant's compilation report

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5. Commitments and Contingencies

The company leases its office space under a non-cancellable lease agreement. The lease expired on June 30, 2013. The Company is currently in discussion on an extension of this lease. No extension has been agreed to.

On October 2, 2012, the Company entered into a lease agreement for office space in New York City. The lease is jointly held with an unrelated third party that pays 100% of the monthly rent. The lease expires on September 30, 2020.

Under the terms of the agreements, future rents are as follows:

2014	\$	173,034
2015		180,982
2016		195,442
2017		200,932
2018		206,586
After 5 years		<u>375,048</u>
	\$	<u>1,332,024</u>

The Company is also responsible for its share of real estate taxes and common charges.

The Company has from time to time exceeded the Federal Depository Insurance Corporation's (FDIC) insured limit of \$250,000.

6. Consulting agreements

On July 1, 2011, the Company entered into a consulting agreement. The agreement is for a term of twelve (12) months and is to be paid by the issuance of Class A common shares of the Company. On execution of the agreements, the Company issued 2,000,000 shares to the consultant. The agreement can be cancelled by either party with a seven (7) days written notice. If the agreement is terminated, a pro-rata number of shares will be returned to the Company.

On April 25, 2012, the Company entered into a consulting agreement. The agreement is for a term of twelve (12) months and is to be paid by the issuance of Class A common shares of the Company. On execution of the agreements, the Company issued 1,000,000 shares to the consultant. The agreement can be cancelled by either party with a seven (7) days written notice. If the agreement is terminated, a pro-rata number of shares will be returned to the Company. This agreement has been terminated and the shares have been returned.

In accordance with ASC 505, a charge for \$235,000 has been made to common stock and additional paid in capital in association with the consulting agreements. This amount has been calculated based on the average share price of \$.08 on July 1, 2011 and \$.075 on April 25, 2012. The expense is being shown over the term of the agreement which expires on June 30, 2012 and April 25, 2013.

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Consulting agreements - continued

On March 1, 2013, the Company entered into two consulting agreements. The agreements are for a term of twelve (12) months and six (6) months and are to be paid by the issuance of Class A common shares of the Company and six (6) monthly payments of \$2,500. On execution of the agreements, the Company issued 500,000 shares to the consultants. One agreement can be cancelled by either party within one (1) year. If the agreement is terminated, a pro-rata number of shares will be returned to the Company.

The Company cancelled a consulting agreement which issued 1,440,000 shares. These shares were originally issued at a cost of \$.07. The cancellation is being shown as a reduction of common stock and additional paid in capital and a increase of other income of \$108,000.

7. Stock Option Plan

On November 9, 2010, the Company adopted a stock option plan for certain employees and other service providers. The plan sets aside 19,990,999 shares for future grants at the current fair market price of the stock being offered to the public. The price set on that date was \$.10. The options expire within five or ten years based the grantees affiliation with the Company. The price is determined at 100% or 110% of the current market value per share based on the grantees affiliation with the Company.

The Company granted an option for 100,000 shares to a service provider on March 29, 2011 at a price of \$.10 per share and on June 30, 2012, 6,400,000 options were granted to employees in accordance with the Stock Option Plan at a price of \$.06. The total value of the shares granted has been recorded in Other Expenses (Income) – Stock Options Granted.

The Company on June 30, 2013 revalued the price of the options to \$.01. The original strike prices are higher than the current price of the shares being sold. The cumulative effect on earnings is \$329,000.

8. Subsidiaries

On February 15, 2013, the Company elected to close its subsidiary, AVS Europe Ltd. Management determined that the deficit spending by AVS Europe would be detrimental to AVS. On March 26, 2013 a creditors meeting was held and the major vendors of which the largest was AVS, agreed to the liquidation of the Subsidiary within the laws of the United Kingdom that are in effect at this time. The Company has eliminated all intercompany accounts, written off debts to vendors that were discharged.

9. Goodwill Impairment

Goodwill was originally valued at the date of acquisition based on the stock price at that time. Originally, the stock price was \$.40 per share and was revalued at June 30, 2010 at the stock value of \$.06. Management tests goodwill for impairment annually on June 30, at the reporting unit level using the stock value at that date. Management believes use of the stock price is the most reliable indicator of the fair values of the business.

At June 30, 2013, the stock price was \$.01. Upon completion of the fiscal year 2013 test, goodwill was determined to be impaired. Goodwill has been reduced by \$4,691,000. This charge was recorded as a reduction to *Additional Paid in Capital*.