Sky440, Inc.
300 Spectrum Center Drive, Suite 400
Irvine, California 92618

QUARTERLY REPORT

FINANCIAL STATEMENTS

FOR THE QUARTER

ENDED JUNE 30, 2017

Filed October 11, 2017

Sky440, Inc.
300 Spectrum Center Drive, Suite 400
Irvine, California 92618

SKY440, INC.
UNAUDITED
FINANCIAL STATEMENTS & BALANCE SHEET
FOR THE QUARTER ENDED
JUNE 30, 2017

TABLE OF CONTENTS:

Filed October 11, 2017

SKY 440

Sky440, Inc.
300 Spectrum Center Drive, Suite 400
Irvine, California 92618

SKY440, INC.

UNAUDITED

FINANCIAL STATEMENTS & BALANCE SHEET FOR THE QUARTER ENDED JUNE 30, 2017

Filed October 11, 2017

SKY440, Inc.
(A Development Stage Company)
BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash	$ 16	$ 27
Total current assets	12	27
Fixed and intangible assets:		
Trademarks	25,000	25,000
Entertainment properties	20,000	20,000
Total fixed and intangible assets	45,000	45,000
Total other assets	-	-
Total assets	$ 45,016	$ 45,027
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 23,681	$ 16,181
Accrued interest	250,915	236,444
Accrued compensation	1,031,015	906,015
Loans from related party	19,303	19,023
Notes payable		
Convertible promissory notes (net of debt discount of $0 and $0, respectively)	294,262	294,262
Total current liabilities	1,541,800	1,471,925
Long-term liabilities:		
LT Convertible promissory notes (net of debt discount of $124,805 and $148,049, respectively)	107,595	74,351
Long term liability contingency	100,000	100,000
Total long-term liabilities	207,595	174,351
Total liabilities	1,826,771	1,646,276
Commitments and contingencies	-	-
Stockholders’ deficit		
Preferred A stock - $0.001 par value, authorized - 10,000,000 shares; 6,800,000 issued and outstanding, respectively	6,800	6,800
Preferred B stock - $0.001 par value, authorized - 10,000,000 shares; 5,100,000 issued and outstanding, respectively	5,100	5,100
Common stock - $0.0001par value; 6,950,000,000 shares authorize; issued and outstanding 4,587,922,087 and 4,587,922,087 shares, respectively	458,792	458,792
Additional paid-in capital	2,488,345	2,488,345
Accumulated deficit	(4,740,792)	(4,560,286)
Total stockholders' deficit	(1,781,755)	(1,601,249)
Total liabilities and stockholders' deficit	$ 45,016	$ 45,027

See accompanying notes to the financial statements

SKY440, Inc.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended		For the six months ended		From Inception August 22, 1997 thru
	June 30, 2017	June 30, 2016	June 30, 3017	June 30, 2016	June 30, 2017
Revenues	$ -	$ -	$ -	$ 15,000	$ 2,874,138
Cost of Sales					
Cost of goods sold	-	-	-	-	(1,567,779)
Gross profit	-	-	-	15,000	1,306,359
Operating expenses:					
General and administrative	7,636	4,737	17,791	62,855	4,339,195
Payroll expense	62,500	62,500	125,000	92,500	842,500
Total operating expenses	70,136	67,237	142,791	155,355	3,496,695
Loss from operations	(70,136)	(67,237)	(142,791)	(140,355)	(2,190,336)
Other Income / (Expense):					
Interest expense	(7,235)	(942)	(14,471)	(11,274)	(49,259)
Amortization of debt discount	(11,622)	(11,622)	(23,244)	(23,244)	(91,158)
Beneficial conversion feature	-	-	-	-	(516,662)
Total other income / (expense)	(18,857)	(12,564)	(37,715)	(34,518)	(657,079)
Net profit applicable to common stock holders	$ (88,993)	$ (79,801)	$ (180,506)	$ (174,873)	$ (2,847,415)
Per share data					
Basic and diluted loss per Preferred A Share	$ (0.01)	$ (0.01)			
Basic and diluted loss per Preferred B Share	$ (0.01)	$ (0.01)			
Basic and diluted loss per Common Share	$ (0.00)	$ (0.00)			
Weighted average number of Preferred A Shares outstanding	9,800,000	9,800,000	9,800,000	9,800,000	
Weighted average number of Preferred B Shares outstanding	9,100,000	9,100,000	9,100,000	9,100,000	
Weighted average number of Common Shares outstanding	4,587,922,087	3,676,768,241	4,587,922,087	3,503,361,647	

See accompanying notes to the financial statements

SKY440, Inc.
(A Development Stage Company)
STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Preferred A Stock ($0.001 par value)		Preferred B Stock ($0.001 par value)		Common Stock ($0.001 par value)		Additional Paid In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance, August 22, 1997 (Inception)	6,800,000	$ 6,800	5,100,000	$ 5,100	315,422,087	$ 315,422	$ 656,834	$ -	$ 984,156
Issuance of stock for:									
Net Loss from Inception to the Period ended December 31, 2005								(1,581,186)	(1,581,186)
Net loss								(204,835)	(204,835)
Balance, December 31,2006	6,800,000	6,800	5,100,000	5,100	315,422,087	315,422	656,834	(1,786,021)	(801,865)
Adjustment to Additional Paid in Capital	-	-	-	-	-	-	472,970	-	472,970
Net loss	-	-	-	-	-	-	-	(272,970)	(272,970)
Balance, December 31,2007	6,800,000	6,800	5,100,000	5,100	315,422,087	315,422	1,129,804	(2,058,991)	(601,865)
Shares Issued for Services	-	-	-	-	102,500,000	102,500	273,210	-	375,710
Net loss								(677,924)	(677,924)
Balance, December 31,2008	6,800,000	6,800	5,100,000	5,100	417,922,087	417,922	1,403,014	(2,736,915)	(904,079)
Sale of Stock for Cash	-	-	-	-	1,045,000,00	1,045,000	(987,250)	-	58,250
Shares Issued for Debt	-	-	-	-	1,975,000,000	1,975,000	(1,907,000)	-	68,000
Shares Issued for Services	-	-	-	-	1,360,000,00	1,360,000	(1,261,250)	-	98,750
Stock Value Adjust, August 20,2009	-	-	-	-	-	(4,318,130)	4,318,130	-	-
Net loss	-	-	-	-	-	-	-	(256,668)	(256,668)
Balance, December 31,2009	6,800,000	6,800	5,100,000	5,100	4,797,922,08	479,792	1,565,644	(2,993,583)	(935,747)
Net loss	-	-	-	-	-	-	-	(97,502)	(97,502)
Balance, December 31,2010	6,800,000	6,800	5,100,000	5,100	4,797,922,08	479,792	1,565,644	(3,091,085)	(1,033,749)

Net loss	-	-	-	-	-	-	-	(92,572)	(92,572)
Balance, December 31,2011	6,800,000	6,800	5,100,000	5,100	4,797,922,08	479,792	1,565,644	(3,183,657)	(1,126,321)
Net loss	-	-	-	-	-	-	-	(93,791)	(93,791)
Balance, December 31,2012	6,800,000	6,800	5,100,000	5,100	4,797,922,08	479,792	1,565,644	(3,277,448)	(1,220,112)
Net loss								(94,793)	(94,793)
Balance, December 31,2013	6,800,000	6,800	5,100,000	5,100	4,797,922,08	479,792	1,565,644	(3,372,241)	(1,314,905)
Sale of Stock for Cash					1,300,000,00	130,000	(52,500)		78,000
Net loss								(137,106)	(137,106)
Balance, December 31,2014	6,800,000	6,800	5,100,000	5,100	6,097,922,08	609,792	1,513,144	(3,509,347)	(1,374,011)
Issuance of stock for:									
Stock retirement & cancellation	-	-	-	-	(2,835,000,000)	(283,500)	283,500	-	-
Beneficial conversion		-		-		-	733,125	(2,602)	730,023
Net loss		-		-	-	-		(699,577)	(699,577)
Balance, December 31, 2015	6,800,000	6,800	5,100,000	5,100	3,262,922,08	326,292	2,529,769	(4,211,526)	(1,343,565)
Issuance of stock for:									
Conversion of convertible notes		-		-	1,325,000,00	132,500	(55,925)	-	76,576
Beneficial conversion		-		-		-	14,500	-	14,500
Net loss		-		-	-	-		(348,759)	(348,759)
Balance, December 31, 2016	6,800,000	6,800	5,100,000	5,100	4,587,922,08	458,792	2,488,345	(4,560,286)	(1,601,249)
Net loss		-		-	-	-		(180,506)	(91,513)
Balance, June 30, 2017	6,800,000	$ 6,800	5,100,000	$ 5,100	4,587,922,08	$ 458,792	$2,488,345	$ (4,740,792)	$ (1,692,762)

SKY440, Inc.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the six months ended June 30, 2017	For the six months ended June 30, 2016	From Inception August 22, 1997 thru June 30, 2017
Cash flows from operating activities:			
Net profit	$ (180,506)	$ (174,873)	$ (2,847,415)
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock issued for services	-	-	98,750
Amortization of debt discount	23,244	23,244	44,670
Changes in operating asset and liability account balances:			
Accrued compensation	125,000	30,000	468,515
Accrued expenses	7,500	75,871	7,500
Accrued interest	15,031	34,788	251,464
Accounts payable and accrued expenses	-	(103,079)	(16,181)
Total adjustments	170,775	102,250	949,580
Net cash used in operating activities	(9,731)	(72,623)	(1,897,835)
Net cash used in investing activities	-	-	-
Cash flows from financing activities:			
Proceeds from affiliate loans	-	29,749	19,583
Payments of affiliate loans	(280)	-	(280)
Proceeds from sale of stock	-	-	1,341,886
Proceeds from convertible notes	10,000	23,115	536,662
Net cash provided by financing activities	9,720	52,864	1,897,851
Net increase (decrease) in cash	(11)	(19,759)	16
Cash at beginning of period	27	19,760	-
Cash at end of period	$ 16	$ 1	$ 16
Supplemental Schedule of Cash Flow Information:			
Cash paid for interest	$ -	$ -	$ -
Cash paid for income taxes	$ -	$ -	$ -
Supplemental Schedules of Noncash Investing and Financing Activities:			
Conversion of notes payable and accrued interest into common stock	$ -	$ -	$ -
Common stock cancellation and retirement	$ -	$ -	$ -

See accompanying notes to the financial statements

SKY440, Inc.
Footnotes to the Unaudited Statements
for the Quarterly Period Ending June 30, 2017

Accounting Principles and Basis of Presentation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and are expressed in U.S. dollars. All inter-company accounts and transactions, if any, have been eliminated. The Company's fiscal year end is December 31.

These statements should be read in conjunction with our Annual Report

The significant accounting policies followed are:

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 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. Included in these estimates are assumptions about collection of accounts receivable, impairment of intangibles, useful life of property and equipment, stock based compensation, beneficial conversion of convertible notes payable, deferred income tax asset valuation allowances, and valuation of derivative liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes demand deposits, saving accounts and money market accounts. The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. All our non-interest-bearing cash balances were fully insured at June 30, 2017 and December 31, 2016. At June 30, 2017, there were no amounts held in excess of federally insured limits.

Accounts receivable and concentration of credit risk

The Company does not currently have any trade accounts receivable as all sales are either cash or credit card for services or products and collected contemporaneously with the sale. Therefore, the Company has not recorded an allowance for doubtful accounts.

The Company does not have any single customer that constitutes more than a fraction of a percent of total sales or accounts receivable. As such, the Company does not believe that it has any concentration of credit risk in its operations.

Related Party Transactions

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to the related party.

The Company considers all officers, directors, senior management personnel, and senior level consultants to be related parties to the Company.

Inventory

The Company follows FASB ASC 330, *"Inventory"*. Inventories are stated at the lower of cost or market. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include raw materials and direct labor and fixed and variable production overheads, taking into account the stage of completion and the normal capacity of production facilities. The cost of inventories is determined using the first-in, first-out (FIFO) method.

The Company did not hold any inventory during the six months ended June 30, 2017 and 2016 respectively.

Furniture, equipment, and long-lived assets

Furniture and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, principally three to five years. Accelerated methods are used for tax depreciation. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When furniture and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

The Company evaluates the recoverability of its long-lived assets or asset groups whenever adverse events or changes in business climate indicate that the expected undiscounted future cash flows from the related assets may be less than previously anticipated. If the net book value of the related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the present value of their expected future cash flows and an impairment loss would be recognized.

Revenue recognition

The Company records amounts billed to customers for delivery of products as costs of sales revenue. Costs incurred by the Company for shipping and handlings are included in cost of sales.

In accordance with ASC 605, *Revenue Recognition*, the Company recognizes revenue when persuasive evidence of an arrangement exists, product delivery has occurred or the services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is generated when products or services, are delivered to the customer. Revenue is recognized net of sales returns and allowances. Provisions for discounts and rebates to customers, estimated returns, allowances, and other adjustments are provided for in the same period the related sales are recorded.

Contingencies

The Company follows ASC 450-20*, Loss Contingencies*, to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. There were no commitments or contingencies as of June 30, 2017 and December 31, 2016, respectively.

Share Based Compensation

The Company recognizes all share-based payments to employees, including grants of employee stock options, as compensation expense in the financial statements based on their fair value. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). There were no grants awarded in 2017 to date or in 2016.

The Company issues common stock and common stock options and warrants to consultants for various services. For these transactions, the Company follows the guidance in FASB ASC Topic 505. Costs for these transactions are measured at the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instrument is reached or (ii) the date at which the counterparty's performance is complete.

Financial Instruments

Pursuant to ASC 820, Fair Value Measurements and Disclosures, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

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

Level 2 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.

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.

The Company's financial instruments consist principally of cash, accounts receivable, inventory, accounts payable and accrued liabilities notes payable, convertible promissory notes, and amounts due to related parties. Pursuant to ASC 820, the fair value of our cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities".

Professional standards generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments.

These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument".

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to Convertible Debentures for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of December 31, 2016, which consist of convertible instruments and rights to shares of the Company's common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

Long Lived Assets

The Company follows Accounting Standards Codification subtopic 360-10, Property, Plant and Equipment ("ASC 360-10"). ASC 360-10 requires those long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Advertising

Advertising is expensed as incurred and is included in selling costs on the accompanying consolidated statements of operations.

Intangible Assets

The Company accounts for business combinations in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations, which requires that the purchase method of accounting be used for all business combinations. ASC 805 requires intangible assets acquired in a business combination to be recognized and reported separately from goodwill. The Company evaluates both goodwill and intangible assets on an annual basis.

Convertible Debt

On March 31, 2017 the company entered a $10,000 convertible note that carries interest at a rate of 8% per annum in exchange for legal services rendered. The above note is in addition to all other notes as detailed in our annual report for December 31, 2016 which is incorporated herein by reference.

Subsequent Events

<u>Debt transactions:</u>

From July 1, 2017 to the date of this report the only significant events are:

- The Company filed for current reporting status on the OTC Markets.
- During the third quarter, the Company secured the services of XBRL Associates for the purpose of providing accounting and filing services in connection with the Company's accounting, audit preparation and filing requirements for OTC Markets. In connection thereto, the Company incurred debt for the following items:
    - Accounting and Filing Services provided by XBRL Associates for:
        - Accounting and filing preparation $7,000
        - Filing annual list with the State of Nevada $9,310
        - OTC Markets Annual Fees $6,000
        - Florida Corporate Registered Agent Services $375
        - Nevada Corporate Registered Agent Reinstatement Fees $328
        - First American Stock Transfer $2,058.90
        - Florida Satellite Office $140.61
    - Legal services provided by Christopher Flannery, Esq. $1,936.58