

**Personal Airlines Exchange Inc.** (the “Company”) a Delaware Corporation

Financial Statements (unaudited) and  
Independent Accountant’s Review Report

Year ended December 31, 2022



## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To Management  
Personal Airlines Exchange Inc.

We have reviewed the accompanying financial statements of the Company which comprise the statement of financial position as of December 31, 2022 and the related statement of operations, statement of changes in shareholder equity, and statement of cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter Regarding Going Concern**

As discussed in Note 8, certain conditions indicate substantial doubt that the Company will be able to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs.

On behalf of Mongio and Associates CPAs, LLC

Vince Mongio, CPA, EA, CIA, CFE, MACC  
Miami, FL  
November 9, 2023

*Vincenzo Mongio*

**Statement of Financial Position**

**As of December 31,  
2022**

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	139,582
Deposits	10,000
Total Current Assets	149,582
<b>TOTAL ASSETS</b>	<b>149,582</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	11,642
Total Current Liabilities	11,642
<b>Long-term Liabilities</b>	
Accrued Interest	92,110
Accrued Interest - Related Party	26,208
Convertible Notes	1,211,992
Convertible Note - Related Party	75,000
Total Long-Term Liabilities	1,405,310
<b>TOTAL LIABILITIES</b>	<b>1,416,951</b>
<b>EQUITY</b>	
Additional Paid in Capital	695,259
Accumulated Deficit	(1,962,628)
Total Equity	(1,267,370)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>149,582</b>

**Statement of Changes in Shareholder Equity**

	<b>Common Stock</b>		<b>APIC</b>	<b>Accumulated Deficit</b>	<b>Total Shareholder Equity</b>
	<b># of Shares Amount</b>	<b>\$ Amount</b>			
Beginning Balance at 1/1/2022	3,181,627	-	695,259	(1,261,045)	(565,787)
Issuance of Common Stock	454,533	-	-	-	-
Net Income (Loss)	-	-	-	(701,583)	(701,583)
Ending Balance 12/31/2022	3,636,160	-	695,259	(1,962,628)	(1,267,370)

## Statement of Operations

	Year Ended December 31, 2022
Revenue	143,959
Cost of Revenue	233,281
Gross Profit	(89,322)
Operating Expenses	
Advertising and Marketing	188,105
General and Administrative	369,097
Research and Development	-
Rent and Lease	766
Total Operating Expenses	557,968
Operating Income (loss)	(647,290)
Other Income	
Interest Income	129
Total Other Income	129
Other Expense	
Interest Expense - Related Party	7,306
Interest Expense	47,116
Total Other Expense	54,422
Earnings Before Income Taxes	(701,583)
Provision for Income Tax Expense/(Benefit)	-
Net Income (loss)	(701,583)

## Statement of Cash Flows

	Year Ended December 31, 2022
<b>OPERATING ACTIVITIES</b>	
Net Income (Loss)	(701,583)
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Payable and Accrued Expenses	(23,237)
Accrued Interest	47,116
Accrued Interest - Related Party	7,306
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	31,184
Net Cash provided by (used in) Operating Activities	(670,399)
<b>INVESTING ACTIVITIES</b>	
Security Deposits	(10,000)
Net Cash provided by (used by) Investing Activities	(10,000)
<b>FINANCING ACTIVITIES</b>	
Proceeds from Convertible Notes	121,992
Net Cash provided by (used in) Financing Activities	121,992
Cash at the beginning of period	697,989
Net Cash increase (decrease) for period	(558,407)
Cash at end of period	139,582

**Personal Airlines Exchange Inc.**  
**Notes to the Unaudited Financial Statements**  
**December 31st, 2022**  
**SUSD**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Personal Airline Exchange Inc (“the Company”) was formed in 2008 in Delaware as a C Corp. The Company developed software for a charter company from 2012 through 2015. The Company did charter broker sales from 2015 to present. Revenue is from sales of private charter flights on business aircraft operated by FAA certified operators. The Company is developing software that allows a shared charter model that allows multiple parties to charter seats on an aircraft. The Company will operate their own aircraft for these flights through a subsidiary that is a certified charter operator (air carrier).

The Company will conduct a crowdfunding campaign under regulation CF in 2023 to raise operating capital.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Our fiscal year ends on December 31. The Company has no interest in variable interest entities and no predecessor entities.

Basis of Consolidation

The financials of the Company include its wholly-owned subsidiary, Mackinac Air LLC a Delaware entity formed in 2022. All significant intercompany transactions are eliminated

Use of Estimates and Assumptions

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 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Fair Value of Financial Instruments

ASC 820 “*Fair Value Measurements and Disclosures*” establishes a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

These tiers include:

Level 1: defined as observable inputs such as quoted prices in active markets;

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3: defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

### Concentrations of Credit Risks

The Company's financial instruments that are exposed to concentrations of credit risk primarily consist of its cash and cash equivalents. The Company places its cash and cash equivalents with financial institutions of high credit worthiness. The Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited.

### Revenue Recognition

The Company recognizes revenue from the sale of products and services in accordance with ASC 606, "Revenue Recognition" following the five steps procedure:

- Step 1: Identify the contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations
- Step 5: Recognize revenue when or as performance obligations are satisfied

The Company books flights typically one week to one month in advance of the flight occurring. The Company recognizes revenue once the flight has been completed, at which time the payment is no longer refundable. The Company's primary performance obligation is to ensure that customers, for whom they brokered chartered flights, both take off and arrive at the agreed upon destinations. It is possible that a client cancels the flight, which would require the Company to make a partial or full refund to the client. Management has evaluated the need to defer revenue and determined that any amounts would be immaterial.

### Accounts Receivable

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Payments are generally collected upfront, but some of the merchants that products are sold through have a delay between collecting from the customer and sending to the Company.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change.

### Advertising Costs

Advertising costs associated with marketing the Company's products and services are generally expensed as costs are incurred.

### General and Administrative

General and administrative expenses consist of payroll and related expenses for employees and independent contractors involved in general corporate functions, including accounting, finance, tax, legal, business development, and other miscellaneous expenses.

### Equity Based Compensation

The Company accounts for stock options issued to employees under ASC 718 (Stock Compensation). Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as an item of expense ratably over the employee's requisite vesting period. The Company has elected early adoption of ASU 2018-07, which permits measurement of stock options at their intrinsic value, instead of their fair value. An option's intrinsic value is defined as the amount by which the fair value of the underlying

stock exceeds the exercise price of an option. In certain cases, this means that option compensation granted by the Company may have an intrinsic value of \$0.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505 (Equity). The fair value of the option issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to expense and credited to additional paid-in capital.

There is not a viable market for the Company's common stock to determine its fair value, therefore management is required to estimate the fair value to be utilized in determining stock-based compensation costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors, placement agents' assessments of the underlying common shares relating to our sale of preferred stock and validation by independent fair value experts. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates. Management has concluded that the estimated fair value of the Company's stock and corresponding expense is negligible.

The following is an analysis of options to purchase shares of the Company's stock issued and outstanding:

	<b>Total Options</b>	<b>Weighted Average Exercise Price</b>
Total options outstanding, January 1, 2022	106,000	\$-
Granted	-	\$-
Exercised	-	\$-
Expired/cancelled	-	\$-
Total options outstanding, December 31, 2022	106,000	\$2.75
Options exercisable, December 31, 2022	103,916	\$2.75

  

	<b>Nonvested Options</b>	<b>Weighted Average Fair Value</b>
Nonvested options, January 1, 2022	5,418	\$-
Granted	-	\$-
Vested	(3,334)	\$-
Forfeited	-	\$-
Nonvested options, December 31, 2022	2,084	\$-

#### Income Taxes

The Company is subject to corporate income and state income taxes in the state it does business. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and

negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not have any uncertain tax provisions. The Company's primary tax jurisdiction is the United States. The Company's primary deferred tax assets are its net operating loss (NOL) carryforwards which approximates its retained earnings as of the date of these financials. A deferred tax asset as a result of NOLs have not been recognized due to the uncertainty of future positive taxable income to utilize the NOL. The Company is no longer subject to U.S. federal, state and local, tax examinations by tax authorities for years before 2019.

#### Recent Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

#### **NOTE 3 – RELATED PARTY TRANSACTIONS**

The Company follows ASC 850, "Related Party Disclosures," for the identification of related parties and disclosure of related party transactions. No transactions require disclosure.

In 2019, the Company entered into a convertible note agreement for the purposes of funding operations totaling \$75,000. The interest on the note was 7%. The amount is to be repaid at the demand of the holder prior to conversion with a maturity on December 31<sup>st</sup>, 2025. The note is convertible into shares of the Company's common stock at a 60% discount during a change of control or qualified financing event. The accrued interest through 2022 is \$26,208.

#### **NOTE 4 – COMMITMENTS, CONTINGENCIES, COMPLIANCE WITH LAWS AND REGULATIONS**

We are currently not involved with or know of any pending or threatening litigation against the Company or any of its officers. Further, the Company is currently complying with all relevant laws and regulations.

#### Rent and Lease

The Company leases office space in Temecula California to support the certification of the charter operator company, Mackinac Air LLC. The lease requires monthly payments of \$396 and ends in March of 2024.

#### **NOTE 5 – LIABILITIES AND DEBT**

In 2016, the Company entered into a convertible note agreement for the purposes of funding operations totaling \$5,000. The interest on the note was 5%. The amount is to be repaid at the demand of the holder prior to conversion with a maturity on December 31<sup>st</sup>, 2025. The note is convertible into shares of the Company's common stock at a 15% discount during a change of control or qualified financing event. The convertible note had a valuation cap of \$5,000,000. Accrued interest through 2022 is \$1,924.

In 2021, the Company has entered into several convertible note agreements for the purposes of funding operations totaling \$1,085,000. The interest on the notes were 4%. The amounts are to be repaid at the demand of the holder prior to conversion with a maturity on December 31<sup>st</sup>, 2025. The notes are convertible into shares of the Company's common stock at a 20% discount during a change of control or qualified financing event. The convertible note had a valuation cap of \$10,000,000. Accrued interest through 2022 is \$88,536.

In 2022, the Company has entered into several convertible note agreements for the purposes of funding operations totaling \$121,992. The interest on the notes were 4%. The amounts are to be repaid at the demand of the holder prior to conversion with a maturity on December 31<sup>st</sup>, 2025. The notes are convertible into shares of the Company's common stock at a 20% discount during a change of control or qualified financing event. The convertible note had a valuation cap of \$20,000,000. Accrued interest through 2022 is \$1,650.

**Debt Principal Maturities 5  
Years Subsequent to 2022**

Year	Amount
2023	-
2024	-
2025	1,286,992
2026	-
2027	-
Thereafter	-

**NOTE 6 – EQUITY**

The Company has authorized 5,000,000 common shares with a par value of \$0.002 per share. 3,636,160 shares were issued and outstanding as of 2022.

**Voting:** Common stockholders are entitled to one vote per share

**Dividends:** The holders of common stock are entitled to receive dividends when and if declared by the Board of Directors.

**NOTE 7 – SUBSEQUENT EVENTS**

The Company has evaluated events subsequent to December 31, 2022 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through November 9, 2023, the date these financial statements were available to be issued.

The Company has entered into a convertible note agreement for the purposes of funding operations. The interest on the note was 9%. The amount is to be repaid at the demand of the holder prior to conversion with maturity in 2028. The note is convertible into shares of the Company's common stock at a 20% discount during a change of control or qualified financing event. The convertible note has a valuation cap of \$10M.

The FAA contacted the Company to start the charter certification process for Mackinac Air LLC in September of 2023. The Company is submitting the documents package on the 10th of November and expects an answer back by the 25th of December. The certification is targeted to be completed January 25th, 2024. Prior to the FAA reaching out, the Company had agreed to acquire a separate company, which is a charter operator, in exchange for 145,455 common shares. As such, the Company intends, once the charter certification process is complete, to sell Mackinac Air LLC

The Company applied for Employee Retention Credits totaling \$75,000. The Company has received \$50,000 and are awaiting the remaining \$25,000 still to be received.

**NOTE 8 – GOING CONCERN**

The accompanying balance sheet has been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The entity has realized losses every year since inception, incurred negative cash flows from operations, and may continue to generate losses.

During the next twelve months, the Company intends to finance its operations with funds from a crowdfunding campaign and revenue producing activities. The Company's ability to continue as a going concern in the next twelve

months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities.