



ORBITAL ASSEMBLY CORPORATION

A California Corporation

Financial Statements (Unaudited) and
Independent Accountants' Review Report

December 31, 2019

ORBITAL ASSEMBLY CORPORATION

Period Ended December 31, 2019

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To Management and Stockholders of Orbital Assembly Corporation
Alta Loma, California

We have reviewed the accompanying financial statements of Orbital Assembly Corporation ("the Company"), which comprise the balance sheet as of December 31, 2019, and the related statements of operations, changes in stockholders' equity, and cash flows for the period from inception (August 21, 2019) through December 31, 2019, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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.

Accountants' 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

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has limited operational activity, has no reliable source of cash flow, and primarily relies on outside funding to maintain its operations, indicating that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Fruci & Associates II, PLLC

Spokane, Washington

January 20, 2021

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ORBITAL ASSEMBLY CORPORATION

BALANCE SHEET

December 31, 2019

(unaudited)

	<u>2019</u>
Assets	
Current assets	
Cash and cash equivalents	<u>\$ 497</u>
Total assets	<u><u>\$ 497</u></u>
Liabilities and stockholders' equity	
Current liabilities	
Accounts payable and accrued expenses	<u>\$ -</u>
Total liabilities	<u>\$ -</u>
Commitments and contingencies	-
Stockholders' equity	
Common stock, 100,000,000 shares authorized; 77,000,000 shares issued and outstanding as of 12/31/19	7,700
Additional paid-in capital	500
Accumulated deficit	<u>(7,703)</u>
Total stockholders' equity	<u>497</u>
Total liabilities and stockholders' equity	<u><u>\$ 497</u></u>

See independent accountants' review report and accompanying notes to the financial statements.

ORBITAL ASSEMBLY CORPORATION**STATEMENT OF OPERATIONS**

For the Period From August 21, 2019 (inception) to December 31, 2019
(unaudited)

	For the Period From August 21, 2019 (inception) to December 31, 2019
	<hr/>
Revenue	<hr/> \$ - <hr/>
Operating expenses	
General and administrative	3
Stock compensation	<hr/> 7,700 <hr/>
Loss from operations and before income taxes	(7,703)
Provision for income taxes	<hr/> - <hr/>
Net loss	<hr/> \$ (7,703) <hr/> <hr/>

See independent accountants' review report and accompanying notes to the financial statements.

ORBITAL ASSEMBLY CORPORATION

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Period From August 21, 2019 (inception) to December 31, 2019

(unaudited)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Equity
Balance on August 21, 2019 (inception)	-	-	-	-	-
Issuance of founder shares	77,000,000	7,700			7,700
Shareholder contribution			500		500
Net loss				(7,703)	(7,703)
Balance on December 31, 2019	77,000,000	\$ 7,700	\$ 500	\$ (7,703)	\$ 497

See accountants' review report and accompanying notes to the financial statements.

ORBITAL ASSEMBLY CORPORATION**STATEMENT OF CASH FLOWS**

For the Period From August 21, 2019 (inception) to December 31, 2019

(unaudited)

	For the Period From August 21, 2019 (inception) to December 31, 2019
Cash flows from operating activities	
Net loss	\$ (7,703)
Adjustments to reconcile net loss to net cash used by operating activities:	
Shares issued for services to founders	7,700
Net cash used by operating activities	(3)
Cash flows from financing activities	
Proceeds from shareholder contributions	500
Net cash provided by financing activities	500
Net increase in cash and cash equivalents	497
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	\$ 497
Supplemental cash flow information:	
Cash paid during the period for:	
Interest	\$ -
Income taxes	\$ -

ORBITAL ASSEMBLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the period from August 21, 2019 (inception) through December 31, 2019
(unaudited)

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Orbital Assembly Corporation (“the Company”) is a corporation formed on August 21, 2019 under the laws of the State of California, and is headquartered in Alta Loma, CA. The Company specializes in turn-key construction services in low-earth and cislunar orbit. Additionally, the company provides construction support services and tools to other private space companies and government space agencies.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are normal and recurring in nature. The Company’s fiscal year-end is December 31.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

During the year ended December 31, 2019, the Company adopted Accounting Standards Update (ASU) 2014-01, “Revenue from Contracts with Customers” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers (ASC Topic 606) and supersedes most current revenue recognition guidance (ASC Topic 605). ASC Topic 606 outlines the following five-step process for revenue recognition:

- Identification of the contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies the performance obligations.

The Company primarily records revenue from its long-term construction projects and service contracts over time as various performance obligations are fulfilled. As of the date of these financial statements, the Company has not yet generated or recognized any revenue, nor has executed any revenue-producing contracts.

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Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheets approximate their fair value.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. At December 31, 2019, the Company had no items, other than bank deposits, that would be considered cash equivalents. The Company maintains its cash in bank deposit accounts that may, at times, exceed federal insured limits.

Accounts Receivable and Allowance for Uncollectible Accounts

The Company recognizes an allowance for losses on accounts receivable deemed to be uncollectible. The allowance is based on an analysis of historical bad debt experience as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company also considers changes any changes to the financial condition of its customers and any other external market factors that could impact the collectability of the receivables in the determination of the allowance for uncollectible accounts. Based on management’s assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and credit to the allowance. At December 31, 2019, the Company had no outstanding accounts receivable balances, thus has not recognized any further allowance for uncollectible accounts.

ORBITAL ASSEMBLY CORPORATION
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For the period from August 21, 2019 (inception) through December 31, 2019
(unaudited)

Inventory

Inventory is stated at the lower of cost or net realizable value and is accounted for using the first-in-first-out method ("FIFO"). The Company analyzes inventory per any potential obsolescence, and records impairment and obsolescence reserve against inventory as deemed necessary. During the period ended December 31, 2019, the Company had no on-hand inventory, thus determined that no such impairment charges were necessary.

Advertising costs

The Company's advertising costs are expensed as incurred. During the period ended December 31, 2019, the Company recognized no advertising costs.

Research and Development Costs

Research and development costs, including salaries, research material, and administrative costs are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred.

Income Taxes

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements. The Company has determined that there are no material uncertain tax positions.

The Company accounts for income taxes based on the provisions promulgated by both the Internal Revenue Service ("IRS"), which has a statute of limitation of three years from the due date of the return, and the State of California, which has similar statutes. As such, all tax years are open since the Company's inception.

ORBITAL ASSEMBLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the period from August 21, 2019 (inception) through December 31, 2019
(unaudited)

The following table outlines the estimated deferred tax assets of the Company at December 31, assuming an estimated blended tax rate of 29.84%:

	<u>2019</u>
Deferred tax asset:	
Net operating loss carryforward	\$ (2,299)
Temporary differences - stock comp	2,298
Total deferred tax asset	(1)
Valuation allowance	<u>1</u>
Deferred tax asset, net	<u>\$ -</u>

Recent Accounting Pronouncements

The Financial Accounting Standards Board periodically issues updated guidance or new accounting standards updates (ASUs) that impact financial reporting requirements. Other than various technical corrections issued recently, the Company is not aware of any recently issued accounting pronouncements that are expected to have a significant and material impact on the Company's financial statements.

NOTE 2 – GOING CONCERN & UNCERTAINTIES

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred losses from inception of approximately \$7,700, has not yet commenced its principal operations, and primarily relies on outside sources to fund operations which, among other factors, raises substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon management's plans to raise additional capital from the issuance of debt or sale or equity, its ability to commence profitable sales of its flagship products and services, and its ability to generate positive operational cash flow.

The Company also intends to conduct an offering under Regulation CF with a registered funding portal in the first quarter of 2021 in order to raise funds. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to continue as a going concern.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

From time to time, during the normal course of business, the Company may be subject to various claims or lawsuits from customers, vendors, or competitors. The Company is not currently involved with and has no current knowledge of any pending or threatened litigation against the Company.

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For the period from August 21, 2019 (inception) through December 31, 2019
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A novel strain of coronavirus, or COVID-19, has spread throughout Asia, Europe, and the United States, and has been declared to be a global pandemic by the World Health Organization. The Company's business plans have not been significantly impacted by the COVID-19 outbreak given the limited overall activity, however, the Company cannot accurately predict the specific extent, duration, or full impact that the COVID-19 outbreak will have on its financial condition, operations, and business plans for 2021 and in future years.

NOTE 4 – SHAREHOLDER'S EQUITY

The Company has 100,000,000 shares of common stock authorized, par value \$.0001. During 2019, the Company issued an aggregate 77,000,000 shares to its founding shareholders and management in exchange for services provided, valued at an aggregate amount of \$7,700.

The Company has further reserved the remaining 23,000,000 shares for issuance or sale to other third parties.

During 2019, the Company's CEO contributed an aggregate \$500 to the Company upon the opening of the corporate bank account, recognized as additional paid-in capital during the period.

NOTE 5 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through January 20, 2021, the date these financial statements were available to be issued. The following transactions occurred subsequent to December 31, 2019:

- Between June 2020 and November 2020, the Company issued SAFEs (Simple Agreements for Future Equity) to four of its founding officers in an aggregate amount of \$239,000. Of these amounts, approximately \$159,000 has been received through cash or services as of December 31, 2020 and the remaining \$80,000 remains to be funded by the investors. The SAFEs are automatically converted into the number of preferred shares equal to the purchase amount divided by the lower price per share of preferred stock issued in a qualified equity financing.