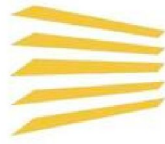


# SolarGaps, Inc.



## ANNUAL REPORT

541 Jefferson Ave

Redwood City, CA 946023

1(415) 801-6726

<https://solargaps.com/>

This Annual Report is dated April 28, 2023.

### BUSINESS

SolarGaps design and produce smart window blinds with solar panels that track the sun to collect energy and convert it to electricity to power your home and office. We also have the software to monitor and control this process. Bottom line - you reduce your utility electricity bills, and air conditioning usage, and eventually reduce your carbon footprint.

Technology is protected by our international patents and this allows us to scale globally and become profitable. SolarGaps is green and carbon neutral. We fight to save our planet, reduce homeowners' utility bill expenses, and help them become more energy efficient and independent. We have 20+ distributors in 20+ countries and more than 300 installations so far.

SolarGaps invented and started mass-producing unique and outstanding products with our core target of 56% of the world's population - people who live in cities. Because our solar blinds can capture energy on the vertical facades of buildings, we offer a way for homeowners to directly power their homes and apartments without an expensive rooftop installation. SolarGaps creates unique value by executing two functions simultaneously: saving cooling costs due to effective shading and generating solar electricity while enhancing life quality for B2C clients and creating a pleasant working environment for B2B customers. We believe traditional rooftop systems do not address the massive energy waste caused by air conditioning. SolarGaps is one of the only solar solutions that shades and generates energy, automatically.

SolarGaps, Inc. was formed in 2016 in the United States. In 2017, the company created a wholly owned subsidiary, SolarGaps LLC, based in Ukraine for European investment opportunities. In 2020, the company closed this subsidiary and moved all business to the United States.

## **Previous Offerings**

Type of security sold: SAFE

Final amount sold: \$886,678.00

Use of proceeds: The funds were used for daily operations and business development.

Date: April 30, 2022

Offering exemption relied upon: Regulation CF

Type of security sold: SAFE

Final amount sold: \$310,000.00

Use of proceeds: Operations and business development.

Date: August 01, 2022

Offering exemption relied upon: 506(b)

Type of security sold: SAFE

Final amount sold: \$500,000.00

Use of proceeds: General operations and business development.

Date: September 01, 2021

Offering exemption relied upon: 506(b)

Type of security sold: SAFE

Final amount sold: \$467,425.00

Use of proceeds: General operations and business development.

Date: October 01, 2020

Offering exemption relied upon: Section 4(a)(2)

Type of security sold: SAFE

Final amount sold: \$39,863.00

Use of proceeds: General operations and business development.

Date: September 01, 2020

Offering exemption relied upon: Section 4(a)(2)

## **REGULATORY INFORMATION**

The company has not previously failed to comply with the requirements of Regulation Crowdfunding;

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**

## **AND RESULTS OF OPERATION**



## **Operating Results – 2022 Compared to 2021**

Year ended December 31, 2022, compared to the year ended December 31, 2021

### **Revenue**

Revenue for the fiscal year 2022 was \$19,853, compared to the fiscal year 2021 revenue of \$17,427. The biggest challenge was continuing influence of Covid-19 and the global economy decrease. In 2022 we keep going on business development in the B2B segment targeting hotels and business centers. Today businesses are getting interested in our products, and we keep moving forward with new orders.

### **Cost of sales**

The Cost of Sales in 2022 was \$19,853, a slight increase of \$2,426, from costs of \$17,427 in fiscal year 2021.

### **Expenses**

The Company's expenses consist of, among other things, compensation and benefits, marketing and sales expenses, fees for professional services, and research and development expenses. Total operating expenses in 2022 were \$552,432, compared to the expenses in 2021 which amounted to \$54,232. This year we invest heavily in marketing, business, and product development.

### **Historical results and cash flows:**

In the past, we performed R&D and operated the business primarily from the funds that were raised in the prior rounds. The Company is currently in the stage of building and expanding the customer base. We are of the opinion the historical cash flows will be indicative of the revenue and cash flows expected for the future as we are undergoing the sales ramp-up.

## **Liquidity and Capital Resources**

At December 31, 2022, the Company had cash of \$62,448.00. [*The Company intends to raise additional funds through an equity financing.*]

### **Debt**

Creditor: Eugene Erik

Amount Owed: \$70,680.00

Interest Rate: 0.0%

## **DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES**

Our directors and executive officers as of the date hereof, are as follows:

Name: Eugene Erik

Eugene Erik's current primary role is with the Issuer.

Positions and offices currently held with the issuer:

Position: CEO

Dates of Service: August 2016 - Present

Responsibilities: Day-to-day management of the business. Currently does not take a salary.

Position: Board Member  
Dates of Service: August 2016 - Present  
Responsibilities: Strategic governance and oversight.

Name: Andrew Koval  
Andrew Koval's current primary role is with the Issuer.  
Positions and offices currently held with the issuer:  
Position: CTO  
Dates of Service: August 2016 - Present  
Responsibilities: In charge of R&D and technology. Currently does not take a salary.

Position: Board Member  
Dates of Service: August, 2016 - Present  
Responsibilities: Strategic governance and oversight.

Name: Oleksandr Krotenko  
Oleksandr Krotenko's current primary role is with the Issuer.  
Positions and offices currently held with the issuer:  
Position: COO  
Dates of Service: August 2016 - Present  
Responsibilities: Business development, partnerships, and sales. Currently does not take a salary.

## **PRINCIPAL SECURITY HOLDERS**

Set forth below is information regarding the beneficial ownership of our Common Stock, our only outstanding class of capital stock, as of December 31, 2022, by (i) each person whom we know owned, beneficially, more than 10% of the outstanding shares of our Common Stock, and (ii) all of the current officers and directors as a group. We believe that, except as noted below, each named beneficial owner has sole voting and investment power with respect to the shares listed. Unless otherwise indicated herein, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares beneficially owned.

Title of class: Common Stock  
Stockholder Name: Eugene Erik  
Amount and nature of Beneficial ownership: 6,300,000  
Percent of class: 63.00

## **RELATED PARTY TRANSACTIONS**

Name of Entity: Eugene Erik  
Relationship to Company: 20%+ Owner  
Nature/amount of interest in the transaction: The Company has a short-term loan from the CEO and founder in the amount of \$70,680. This loan bears no interest and has no specified maturity date.  
Material Terms: This loan bears no interest and has no specified maturity date.

## OUR SECURITIES

### Common Stock

The amount of security authorized is 15,000,000 with a total of 9,000,000 outstanding.

### Voting Rights

One vote per share. Please see the voting rights of securities sold in this offering.

### Material Rights

#### Voting Rights of Securities Sold in this Offering

**Voting Proxy.** Each Subscriber shall appoint the Chief Executive Officer of the Company (the “CEO”), or his or her successor, as the Subscriber’s true and lawful proxy and attorney, with the power to act alone and with the full power of substitution, to, consistent with this instrument and on behalf of the Subscriber, (i) vote all Securities, (ii) give and receive notices and communications, (iii) execute any instrument or document that the CEO determines is necessary or appropriate in the exercise of its authority under this instrument, and (iv) take all actions necessary or appropriate in the judgment of the CEO for the accomplishment of the foregoing. The proxy and power granted by the Subscriber pursuant to this Section are coupled with an interest. Such proxy and power will be irrevocable. The proxy and power, so long as the Subscriber is an individual, will survive the death, incompetency, and disability of the Subscriber and, so long as the Subscriber is an entity, will survive the merger or reorganization of the Subscriber or any other entity holding the Securities. However, the Proxy will terminate upon the closing of a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 covering the offer and sale of Common Stock or the effectiveness of a registration statement under the Securities Exchange Act of 1934 covering the Common Stock.

### **What it means to be a minority holder**

As a minority holder you will have limited ability, if at all, to influence our policies or any other corporate matter, including the election of directors, changes to our company’s governance documents, additional issuances of securities, company repurchases of securities, a sale of the company or of assets of the company or transactions with related parties.

### **Dilution**

Investors should understand the potential for dilution. The investor’s stake in a company could be diluted due to the company issuing additional shares. In other words, when the company issues more shares, the percentage of the company that you own will decrease, even though the value of the company may increase. You will own a smaller piece of a larger company. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round or angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible notes, preferred shares or warrants) into stock.

If we decide to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns

being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if we offer dividends, and most early stage companies are unlikely to offer dividends, preferring to invest any earnings into the company).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a “down round,” meaning at a lower valuation than in earlier offerings.

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it’s important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share.

## **RISK FACTORS**

**Uncertain Risk** An investment in the Company (also referred to as “we”, “us”, “our”, or “Company”) involves a high degree of risk and should only be considered by those who can afford the loss of their entire investment. Furthermore, the purchase of any of the Common Stock should only be undertaken by persons whose financial resources are sufficient to enable them to indefinitely retain an illiquid investment. Each investor in the Company should consider all of the information provided to such potential investor regarding the Company as well as the following risk factors, in addition to the other information listed in the Company’s Form C. The following risk factors are not intended, and shall not be deemed to be, a complete description of the commercial and other risks inherent in the investment in the Company. Our business projections are only projections. There can be no assurance that the Company will meet our projections. There can be no assurance that the Company will be able to find sufficient demand for our product, that people think it’s a better option than a competing product, or that we will be able to provide the service at a level that allows the Company to make a profit and still attract business. Any valuation at this stage is difficult to assess. The valuation for the offering was established by the Company. Unlike listed companies that are valued publicly through market-driven stock prices, the valuation of private companies, especially startups, is difficult to assess and you may risk overpaying for your investment. The transferability of the Securities you are buying is limited. Any Common Stock purchased through this crowdfunding campaign is subject to SEC limitations of transfer. This means that the stock/note that you purchase cannot be resold for a period of one year. The exception to this rule is if you are transferring the stock back to the Company, to an “accredited investor,” as part of an offering registered with the Commission, to a member of your family, the trust created for the benefit of your family, or in connection with your death or divorce. Your investment could be illiquid for a long time. You should be prepared to hold this investment for several years or longer. For the 12 months following your investment, there will be restrictions on how you can resell the securities you receive. More importantly, there is no established market for these securities and there may never be one. As a result, if you decide to sell these securities in the future, you may not be able to find a buyer. The Company may be acquired by an existing player in the educational software development industry. However, that may never happen or it may happen at a price that results in you losing money on this investment. If the Company cannot raise sufficient funds it will not succeed. The Company, is offering Common Stock in this offering, and may close on any investments that are made. Even if the maximum amount is raised, the Company is likely to need additional funds in the future in order to grow, and if it cannot raise those funds for whatever reason, including reasons relating to the Company itself or the broader economy, it may not survive. If the Company manages to raise only the minimum amount of funds, sought, it will have to find other sources of funding for

some of the plans outlined in "Use of Proceeds." We may not have enough capital as needed and may be required to raise more capital. We anticipate needing access to credit in order to support our working capital requirements as we grow. Although interest rates are low, it is still a difficult environment for obtaining credit on favorable terms. If we cannot obtain credit when we need it, we could be forced to raise additional equity capital, modify our growth plans, or take some other action. Issuing more equity may require bringing on additional investors. Securing these additional investors could require pricing our equity below its current price. If so, your investment could lose value as a result of this additional dilution. In addition, even if the equity is not priced lower, your ownership percentage would be decreased with the addition of more investors. If we are unable to find additional investors willing to provide capital, then it is possible that we will choose to cease our sales activity. In that case, the only asset remaining to generate a return on your investment could be our intellectual property. Even if we are not forced to cease our sales activity, the unavailability of credit could result in the Company performing below expectations, which could adversely impact the value of your investment. Terms of subsequent financings may adversely impact your investment We will likely need to engage in common equity, debt, or preferred stock financings in the future, which may reduce the value of your investment in the Common Stock. Interest on debt securities could increase costs and negatively impact operating results. Preferred stock could be issued in series from time to time with such designation, rights, preferences, and limitations as needed to raise capital. The terms of preferred stock could be more advantageous to those investors than to the holders of Common Stock. In addition, if we need to raise more equity capital from the sale of Common Stock, institutional or other investors may negotiate terms that are likely to be more favorable than the terms of your investment, and possibly a lower purchase price per share. Management Discretion as to Use of Proceeds Our success will be substantially dependent upon the discretion and judgment of our management team with respect to the application and allocation of the proceeds of this Offering. The use of proceeds described below is an estimate based on our current business plan. We, however, may find it necessary or advisable to re-allocate portions of the net proceeds reserved for one category to another, and we will have broad discretion in doing so. Projections: Forward-Looking Information Any projections or forward-looking statements regarding our anticipated financial or operational performance are hypothetical and are based on management's best estimate of the probable results of our operations and will not have been reviewed by our independent accountants. These projections will be based on assumptions that management believes are reasonable. Some assumptions invariably will not materialize due to unanticipated events and circumstances beyond management's control. Therefore, actual results of operations will vary from such projections, and such variances may be material. Any projected results cannot be guaranteed. The amount raised in this offering may include investments from company insiders or immediate family members Officers, directors, executives, and existing owners with a controlling stake in the company (or their immediate family members) may make investments in this offering. Any such investments will be included in the raised amount reflected on the campaign page. We are reliant on one main type of service All of our current services are variants of one type of service, providing solar smart window blinds. Our revenues are therefore dependent upon the market for solar smart window blinds. Developing new products and technologies entails significant risks and uncertainties Delays or cost overruns in the development of our solar blinds and failure of the product to meet our performance estimates may be caused by, among other things, unanticipated technological hurdles, difficulties in manufacturing, changes to the design, and regulatory hurdles. Any of these events could materially and adversely affect our operating performance and results of operations. Minority Holder; Securities with Voting Rights The

Common Stock that an investor is buying has voting rights attached to them. However, you will be part of the minority shareholders of the Company and have agreed to appoint the Chief Executive Officer of the Company (the "CEO"), or his or her successor, as your voting proxy. You are trusting in management discretion in making good business decisions that will grow your investments. Furthermore, in the event of a liquidation of our Company, you will only be paid out if there is any cash remaining after all of the creditors of our Company have been paid out. You are trusting that management will make the best decision for the company. You are trusting in management discretion. You are buying securities as a minority holder and therefore must trust the management of the Company to make good business decisions that grow your investment.

**Insufficient Funds** The company might not sell enough securities in this offering to meet its operating needs and fulfill its plans, in which case it will cease operating and you will get nothing. Even if we sell all the common stock we are offering now, the Company will (possibly) need to raise more funds in the future, and if it can't get them, we will fail. Even if we do make a successful offering in the future, the terms of that offering might result in your investment in the company being worth less, because later investors might get better terms. This offering involves "rolling closings," which may mean that earlier investors may not have the benefit of information that later investors have. Once we meet our target amount for this offering, we may request that StartEngine instruct the escrow agent to disburse offering funds to us. At that point, investors whose subscription agreements have been accepted will become our investors. All early-stage companies are subject to a number of risks and uncertainties, and it is not uncommon for material changes to be made to the offering terms, or to companies' businesses, plans, or prospects, sometimes on short notice. When such changes happen during the course of an offering, we must file an amendment to our Form C with the SEC, and investors whose subscriptions have not yet been accepted will have the right to withdraw their subscriptions and get their money back. Investors whose subscriptions have already been accepted, however, will already be our investors and will have no such right. Our new product could fail to achieve the sales projections we expected. Our growth projections are based on an assumption that with an increased advertising and marketing budget our products will be able to gain traction in the marketplace at a faster rate than our current products have. It is possible that our new products will fail to gain market acceptance for any number of reasons. If the new products fail to achieve significant sales and acceptance in the marketplace, this could materially and adversely impact the value of your investment. We face significant market competition. We will compete with larger, established companies that currently have products on the market and/or various respective product development programs. They may have much better financial means and marketing/sales and human resources than us. They may succeed in developing and marketing competing equivalent products earlier than us, or superior products than those developed by us. There can be no assurance that competitors will render our technology or products obsolete or that the products developed by us will be preferred to any existing or newly developed technologies. It should further be assumed that competition will intensify. We are an early-stage company and have not yet generated any profits. SolarGaps was formed on 08/16/2016. Accordingly, the Company has a limited history upon which an evaluation of its performance and future prospects can be made. Our current and proposed operations are subject to all business risks associated with new enterprises. These include likely fluctuations in operating results as the Company reacts to developments in its market, managing its growth, and the entry of competitors into the market. We will only be able to pay dividends on any shares once our directors determine that we are financially able to do so. SolarGaps has incurred a net loss and has had limited revenues generated since its inception. There is no assurance that we will be profitable in the next 3 years or generate sufficient revenues to pay dividends to the holders of

the shares. We are an early-stage company and have limited revenue and operating history. The Company has a short history, few customers, and effectively no revenue. If you are investing in this company, it's because you think that smart solar blinds are a good idea, that the team will be able to successfully market, and sell the product or service, that we can price them right and sell them to enough people so that the Company will succeed. Further, we have never turned a profit and there is no assurance that we will ever be profitable. We have existing patents that we might not be able to protect properly. One of the Company's most valuable assets is its intellectual property. The Company owns copyrights, Internet domain names, and trade secrets. We believe one of the most valuable components of the Company is our intellectual property portfolio. Due to the value, competitors may misappropriate or violate the rights owned by the Company. The Company intends to continue to protect its intellectual property portfolio from such violations. It is important to note that unforeseeable costs associated with such practices may invade the capital of the Company. Our trademarks, copyrights, and other intellectual property could be unenforceable or ineffective. Intellectual property is a complex field of law in which few things are certain. It is possible that competitors will be able to design around our intellectual property, find prior art to invalidate it, or render the patents unenforceable through some other mechanism. If competitors are able to bypass our trademark and copyright protection without obtaining a sublicense, it is likely that the Company's value will be materially and adversely impacted. This could also impair the Company's ability to compete in the marketplace. Moreover, if our trademarks and copyrights are deemed unenforceable, the Company will almost certainly lose any potential revenue it might be able to raise by entering into sublicenses. This would cut off a significant potential revenue stream for the Company. The cost of enforcing our trademarks and copyrights could prevent us from enforcing them. Trademark and copyright litigation has become extremely expensive. Even if we believe that a competitor is infringing on one or more of our trademarks or copyrights, we might choose not to file suit because we lack the cash to successfully prosecute a multi-year litigation with an uncertain outcome; or because we believe that the cost of enforcing our trademark(s) or copyright(s) outweighs the value of winning the suit in light of the risks and consequences of losing it; or for some other reason. Choosing not to enforce our trademark(s) or copyright(s) could have adverse consequences for the Company, including undermining the credibility of our intellectual property, reducing our ability to enter into sublicenses, and weakening our attempts to prevent competitors from entering the market. As a result, if we are unable to enforce our trademark(s) or copyright(s) because of the cost of enforcement, your investment in the Company could be significantly and adversely affected. The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business. To be successful, the Company requires capable people to run its day-to-day operations. As the Company grows, it will need to attract and hire additional employees in sales, marketing, design, development, operations, finance, legal, human resources, and other areas. Depending on the economic environment and the Company's performance, we may not be able to locate or attract qualified individuals for such positions when we need them. We may also make hiring mistakes, which can be costly in terms of resources spent in recruiting, hiring, and investing in the incorrect individual and in the time delay in locating the right employee fit. If we are unable to attract, hire and retain the right talent or make too many hiring mistakes, it is likely our business will suffer from not having the right employees in the right positions at the right time. This would likely adversely impact the value of your investment. Our ability to sell our product or service is dependent on outside government regulation which can be subject to change at any time. Our ability to sell products is dependent on outside government regulations such as the FDA (Food and Drug Administration), FTC (Federal Trade Commission), and other



relevant government laws and regulations. The laws and regulations concerning the selling of products may be subject to change and if they do then the selling of products may no longer be in the best interest of the Company. At such point, the Company may no longer want to sell the product, and therefore your investment in the Company may be affected. We rely on third parties to provide services essential to the success of our business. We rely on third parties to provide a variety of essential business functions for us, including manufacturing, shipping, accounting, legal work, public relations, advertising, retailing, and distribution. It is possible that some of these third parties will fail to perform their services or will perform them in an unacceptable manner. It is possible that we will experience delays, defects, errors, or other problems with their work that will materially impact our operations and we may have little or no recourse to recover damages for these losses. A disruption in these key or other suppliers' operations could materially and adversely affect our business. As a result, your investment could be adversely impacted by our reliance on third parties and their performance. The Company is vulnerable to hackers and cyber-attacks. As an internet-based business, we may be vulnerable to hackers who may access the data of our investors and the issuer companies that utilize our platform. Further, any significant disruption in service on SolarGaps or in its computer systems could reduce the attractiveness of the platform and result in a loss of investors and companies interested in using our platform. Further, we rely on a third-party technology provider to provide some of our backup technology. Any disruptions of services or cyber-attacks either on our technology provider or on SolarGaps could harm our reputation and materially negatively impact our financial condition and business. The Chief Executive Officer and Executive Team do not currently receive a salary for their roles with the Company. SolarGaps, Inc. is an early-stage company that does not currently generate consistent revenue. Accordingly, the CEO of SolarGaps and the Executive Team does not currently receive a salary for their roles. Although they have been and will continue to be, compensated in sweat equity, there is some level of risk in investing in a company whose day-to-day operations are managed by an individual who does not receive a salary. In order to counterbalance the current absence of monetary incentivization, the company has arranged for the executive team to receive a compensation of up to \$120,000 moving forward dependent on the following company benchmarks being met: (i) the successful completion of this funding offer.

## **RESTRICTIONS ON TRANSFER**

The common stock sold in the Regulation CF offering, may not be transferred by any purchaser, for a period of one-year beginning when the securities were issued, unless such securities are transferred:

- (1) to the Company;
- (2) to an accredited investor;
- (3) as part of an offering registered with the SEC; or
- (4) to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

## **SIGNATURES**



Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100-503), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C and has duly caused this Form to be signed on its behalf by the duly authorized undersigned, on April 28, 2023.

**SolarGaps, Inc.**

By /s/ Eugene Erik

Name: SolarGaps, Inc.

Title: Board Member & CEO

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Exhibit A

**FINANCIAL STATEMENTS**

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# SOLARGAPS INC.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORT

# TABLE OF CONTENTS

<b>Independent Accountant's Review Report .....</b>	<b>2</b>
<b>Balance Sheet .....</b>	<b>3</b>
<b>Statement of Income.....</b>	<b>4</b>
<b>Statement of Equity.....</b>	<b>5</b>
<b>Statement of Cash Flows .....</b>	<b>6</b>
<b>Notes to the Financial Statements .....</b>	<b>7</b>



*Belle Business Services*

*Certified Public Accountants*

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
SolarGaps Inc.  
Redwood City, California

We have reviewed the accompanying financial statements of SolarGaps Inc., which comprise the balance sheet as of December 31, 2022, and the related statement of income, statement of 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 taken 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 the 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 the 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. We are required to be independent of SolarGaps Inc. and to meet our ethical responsibilities, in accordance with relevant ethical requirements related to our review.

***Accountant's Conclusion***

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

***Going Concern***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6, certain conditions raise an uncertainty about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

*Belle Business Services, LLC*

Belle Business Services, LLC

April 15, 2023

275 HILL STREET, SUITE 260 • RENO, NV 89501 • 775.525.ITAX (1829) • WWW.BELLECPA

**SOLARGAPS INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**  
(unaudited)

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 62,450
Inventory	1,781
Prepayments to suppliers	<u>356,179</u>
 TOTAL CURRENT ASSETS	 <u>420,410</u>

**OTHER ASSETS**

Intangible assets	<u>4,713</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 425,123</u></b>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Notes payable - related party	\$ 70,680
Customer advances	52,332
Other current liabilities	<u>1,326</u>
 TOTAL CURRENT LIABILITIES	 <u>124,338</u>

<b>TOTAL LIABILITIES</b>	<b><u>124,338</u></b>
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**SHAREHOLDERS' EQUITY**

Common stock, see note 4	700
Additional paid-in capital	68,400
SAFE obligations	1,052,723
Accumulated deficit	<u>(821,038)</u>
 TOTAL SHAREHOLDERS' EQUITY	 <u>300,785</u>

<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 425,123</u></b>
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See independent accountant's review report and accompanying notes to financial statements.

**SOLARGAPS INC.**  
**STATEMENT OF INCOME**  
**DECEMBER 31, 2022**  
**(unaudited)**

<b>REVENUES</b>	<b>\$ 19,853</b>
<b>COST OF GOODS SOLD</b>	<u><b>19,853</b></u>
<b>GROSS PROFIT</b>	<b>-</b>
<b>OPERATING EXPENSES</b>	
Amortization expense	<b>524</b>
General and administrative	<b>215</b>
Professional fees	<b>430,674</b>
Sales and marketing	<u><b>121,019</b></u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>552,432</b></u>
<b>NET OPERATING INCOME/(LOSS)</b>	<u><b>(552,432)</b></u>
<b>OTHER INCOME/(EXPENSES)</b>	
Cancellation of debt	<u><b>28,417</b></u>
<b>TOTAL OTHER INCOME/(EXPENSES)</b>	<u><b>28,417</b></u>
<b>NET INCOME (LOSS)</b>	<u><u><b>\$ (524,015)</b></u></u>

See independent accountant's review report and accompanying notes to financial statements.

**SOLARGAPS INC.**  
**STATEMENT OF EQUITY**  
**DECEMBER 31, 2022**  
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>SAFE Obligations</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>BEGINNING BALANCE, JANUARY 1, 2022</b>	7,000,000	\$ 700	68,400	384,119	\$ (297,023)	\$ 156,196
Issuance of SAFE obligations	-	-	-	727,609	-	\$ 727,609
Equity issuance costs	-	-	-	(59,005)	-	\$ (59,005)
Net loss	-	-	-	-	(524,015)	\$ (524,015)
<b>ENDING BALANCE, DECEMBER 31, 2022</b>	<u><b>7,000,000</b></u>	<u><b>\$ 700</b></u>	<u><b>\$ 68,400</b></u>	<u><b>\$ 1,052,723</b></u>	<u><b>\$ (821,038)</b></u>	<u><b>\$ 300,785</b></u>

See independent accountant's review report and accompanying notes to financial statements.

**SOLARGAPS INC.**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2022**  
**(unaudited)**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income (loss)	\$ (524,015)
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and depreciation expense	524
Cancellation of debt	(28,417)
(Increase) decrease in assets:	
Prepayments to suppliers	(60,479)
Increase (decrease) in liabilities:	
Deferred revenue	5,435
Other current liabilities	493
	<u>          </u>

**CASH USED FOR OPERATING ACTIVITIES** (606,459)

**CASH FLOWS FROM FINANCING ACTIVITIES**

    Issuance of SAFE obligations 668,604

**CASH PROVIDED BY FINANCING ACTIVITIES** 668,604

**NET INCREASE IN CASH** 62,145

**CASH AT BEGINNING OF YEAR** 305

**CASH AT END OF YEAR** \$ 62,450

**CASH PAID DURING THE YEAR FOR:**

**INTEREST** \$ -

**INCOME TAXES** \$ -

See independent accountant's review report and accompanying notes to financial statements.



**SOLARGAPS INC.**  
**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2022**  
**(unaudited)**

**1. Summary of Significant Accounting Policies**

***The Company***

SolarGaps Inc. was incorporated in the state of Delaware on August 15, 2016. The Company's headquarters are located in Redwood City, CA. SolarGaps Inc. is the distributor of window blinds for residential and commercial use with features designed for renters, homeowners and small businesses to affordably reduce energy usage, create renewable energy and transition to energy independence:

**DIY PLUG & PLAY** - With apartment renters in mind, the interior wall brackets are designed as a non-permanent, plug & play solution with additional installation options for homeowners to maximize energy production.

**ENERGY GENERATING** - Built-in solar panels can generate up to 100W-150W of renewable energy per 10 sq. ft. ( $\approx 1 \text{ m}^2$ ) of a window, enough to power 30 LED light bulbs or three MacBooks.

**ENERGY REDUCING** - In addition to generating solar energy, the window blinds also save energy by shading your home interior and reducing air conditioning costs by up to 80%.

**AFFORDABLE** - Energy surplus can either be stored in the battery or can easily be sold to your electricity company as green energy through a two-way meter they provide.

**SMART FEATURES** - Easily integrate with smart devices like Google Home, Echo, Nest Thermostat and more to control by voice, temperature and/or smartphone app.

SolarGaps mission is to make energy free and accessible to all. The Company is pioneering a method of energy distribution that will power the offices, homes, and cities of the future. By exploring innovative concepts and adopting new technologies, the Company can help move every city closer to their net zero goals.

***Going Concern***

Since Inception, the Company has relied on funds from the sale of common stock and issuances of SAFE obligations to fund its operations. As of December 31, 2022, the Company will likely incur losses prior to generating positive working capital. These matters raise substantial concern about the Company's ability to continue as a going concern. As of December 31, 2022, the Company is still mostly in the developmental process, with very limited revenue. The Company's ability to continue as a going concern is dependent on the Company's ability to raise short term capital, as well as the Company's ability to generate funds through revenue producing activities.

***Fiscal Year***

The Company operates on a December 31st year-end.

***Basis of Presentation***

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) requires the use of management's estimates. In the opinion of management, all adjustments considered necessary for the fair presentation of the financial statements for the year presented have been included.

*See independent accountant's review report.*

**SOLARGAPS INC.**  
**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2022**  
**(unaudited)**

**1. Summary of Significant Accounting Policies (continued)**

***Use of Estimates***

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at fiscal year-end. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all highly liquid financial instruments purchased with maturities of three months or less to be cash equivalents. As of December 31, 2022, the Company held no cash equivalents.

***Risks and Uncertainties***

The Company has a limited operating history. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions.

***Accounts Receivable***

The Company's trade receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value.

The Company evaluates the collectability of accounts receivable on a customer-by-customer basis. The Company records a reserve for bad debts against amounts due to reduce the net recognized receivable to an amount the Company believes will be reasonably collected. The reserve is a discretionary amount determined from the analysis of the aging of the accounts receivables, historical experience and knowledge of specific customers. As of December 31, 2022, the Company had no accounts receivable.

***Inventory***

Inventories are stated at the lower of standard cost (which approximates cost determined on a first-in, first-out basis) or market. At December 31, 2022, the balance of inventory related to finished goods was \$1,781.

***Intangible Assets***

The Company has recorded intangible assets at cost. The intangible assets consist of patents. The Company evaluates intangible assets on an annual basis or more frequently if management believes indicators of impairment exist. Such indicators could include but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative impairment test. The first step of the impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair values of its reporting units using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, management performs the second step of the impairment test. The second step of the impairment test involves comparing the implied fair value of the affected reporting unit's asset with the carrying value of that asset. The amount, by which

*See independent accountant's review report.*

**SOLARGAPS INC.**  
**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2022**  
**(unaudited)**

**1. Summary of Significant Accounting Policies (continued)**

***Intangible Assets (continued)***

the carrying value of the asset exceeds its implied fair value, if any, is recognized as an impairment loss. The Company's evaluation of its intangible asset completed during the year resulted in no impairment losses.

The Company amortizes the cost of intangible assets over their estimated useful life on a straight-line basis. Amortization expense amounted to \$524 for the year ended December 31, 2022.

***Income Taxes***

The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States. The Company sustained net operating losses since inception. Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in the financial statements but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

The Company is subject to franchise and income tax filing requirements in the States of Delaware and California.

***Fair Value of Financial Instruments***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- |         |  |
|---------|--|
| Level 1 | - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. |
| Level 2 | - Include other inputs that are directly or indirectly observable in the marketplace.                              |

*See independent accountant's review report.*

**SOLARGAPS INC.**  
**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2022**  
**(unaudited)**

**1. Summary of Significant Accounting Policies (continued)**

***Fair Value of Financial Instruments (continued)***

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of Inception. Fair values were assumed to approximate carrying values because of their short term in nature or they are payable on demand.

***Concentrations of Credit Risk***

From time-to-time cash balances, held at a major financial institution may exceed federally insured limits of \$250,000. Management believes that the financial institution is financially sound, and the risk of loss is low.

***Revenue Recognition***

Effective January 1, 2019, the Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. The Company generates revenues by solar products. The Company's payments are generally collected upfront. For the year ending December 31, 2022, the Company recognized \$19,853 in revenue.

***Research and Development***

In compliance with ASC 730-10-25, all research and development costs are expensed as incurred. As of December 31, 2022, the Company had no research and development costs.

***Advertising Expenses***

The Company expenses advertising costs as they are incurred.

***Organizational Costs***

In accordance with FASB ASC 720, organizational costs, including accounting fees, legal fee, and costs of incorporation, are expensed as incurred.

***New Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, or ASU 2016-02, which supersedes the guidance in ASC 840, *Leases*. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use

*See independent accountant's review report.*

**SOLARGAPS INC.**  
**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2022**  
**(unaudited)**

**1. Summary of Significant Accounting Policies (continued)**

***New Accounting Pronouncements (continued)***

asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. This guidance is effective for annual reporting periods beginning after December 15, 2021 for non-public entities. The adoption of ASU 2016-02 had no material impact on the Company's financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020 – 06, *Debt, Debt with conversion and other options (Subtopic 470-20) and derivatives and hedging – contracts in an entity's own equity (Subtopic 815-40: Accounting for convertible instruments and contracts in an entity's own equity*. ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. ASU 2020 – 06 is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company is still evaluating the effect of ASU-2020 – 06 on their financial statements.

**2. Commitments and Contingencies**

The Company is not currently involved with and does not know of any pending or threatening litigation against the Company or its shareholders.

**3. Notes Payable – Related Party**

Since inception, related parties have provided loans to the Company valued at \$70,680 as of December 31, 2022. Interest is accrued annually at 0% per annum. There are no minimum monthly payments or maturity date.

**4. Equity**

***Common Stock***

Under the Company's articles of incorporation, the total number of shares of common stock that the Corporation has authority to issue is 10,000,000 shares, at a \$0.0001 par value per share. As of December 31, 2022, 7,000,000 shares have been issued and are outstanding.

***SAFE Obligations***

Since inception, the Company issued several Simple Agreements for Future Equity ("SAFE"). The agreements state if there is an equity financing before the termination of the SAFE, on the initial closing of an equity financing, the SAFE will automatically convert into the number of shares of preferred stock equal to the purchase amount divided by the conversion price which is (1) the SAFE price or (2) the discount price, whichever calculation results in a greater number of shares of preferred stock. The agreement states a post-money valuation cap of \$10,000,000 with an 80% discount rate.

The SAFE agreements will expire and terminate upon either (i) the issuance of shares to the investor pursuant to an equity financing event or (ii) the payment, or setting aside for payment, of amounts due to the investor pursuant to a liquidity or dissolution event.

As of December 31, 2022, no SAFE agreements had been converted into equity, nor had any terminated or expired based on the terms of the agreements.

*See independent accountant's review report.*

**SOLARGAPS INC.**  
**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2022**  
**(unaudited)**

**4. Equity (continued)**

***SAFE Obligations (continued)***

As of December 31, 2022, the Company had \$1,111,728 of SAFE obligations outstanding, and recorded a cost of \$59,005 in equity issuance costs, resulting in the net SAFE obligation of \$1,052,723.

The Company accounts for the SAFE agreements under ASC 480 (Distinguishing Liabilities from Equity), which requires that they be recorded at fair value as of the balance sheet date. Any changes in fair value are to be recorded in the statement of income. The Company has determined that the fair value at the date of issuance, and as of December 31, 2022 are consistent with the proceeds received at issuance, and therefore there is no mark-to-market fair value adjustments required, or reflected in income for the years ended December 31, 2022.

**5. Crowdfunding Offering**

In November 2022, the Company launched a Crowdfunding Offering with StartEngine Capital, LLC (the "Intermediary") to raise up to \$4,113,319 in Common Stock sales, at a price of \$1.67 per share. The Company is attempting to raise a minimum amount of \$10,000 in this offering. The Company must receive commitments from investors totaling the minimum amount by the offering deadline listed in the Form C, as amended in order to receive any funds.

The Intermediary is entitled up to a 9% compensation associated with the raise. Additionally, the Intermediary will receive 3% of securities of the total amount of investments raised in the offering, along the same terms as the investors. The campaign has a deadline of February 28, 2023.

**6. Going Concern**

These financial statements are prepared on a going concern basis. The Company was incorporated on August 15, 2016 and has established a presence and operations in the United States. The Company's ability to continue is dependent upon management's plan to raise additional funds and achieve and sustain profitable operations. The financial statements do not include any adjustments that might be necessary if the Company is not able to continue as a going concern.

**7. Subsequent Events**

***Crowdfunding Offering***

The Company successfully closed their crowdfunding campaign with StartEngine Capital, LLC. At the close of the offering, the Company sold a total of 80,864 shares of common stock for proceeds of \$105,036.

***Managements Evaluation***

The Company has evaluated subsequent events through April 15, 2023, the date through which the financial statements were available to be issued. It has been determined that no events require additional disclosure.

*See independent accountant's review report.*

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**SolarGaps, Inc.**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021 AND 2020**

*Audited*

*(Expressed in United States Dollars)*

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## INDEX TO FINANCIAL STATEMENTS

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	Page
INDEPENDENT ACCOUNTANT'S AUDIT REPORT .....	1
FINANCIAL STATEMENTS:	
Balance Sheet .....	3
Statement of Operations .....	4
Statement of Changes in Stockholders' Equity .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7

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## **INDEPENDENT ACCOUNTANT'S AUDIT REPORT**

To the Board of Directors  
SolarGaps Inc.  
Redwood City, California

### **Opinion**

We have audited the financial statements of SolarGaps Inc., which comprise the balance sheets as of December 31, 2021, and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SolarGaps Inc. as of December 31, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SolarGaps Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SolarGaps Inc.'s ability to continue as a going concern for period of twelve months from the end of the year ended December 31, 2021.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SolarGaps Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SolarGaps Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Going Concern**

As discussed in Note 11, certain conditions indicate that the Company may be unable 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.

SetApart FS

August 15, 2022  
Los Angeles, California

**SolarGaps Inc.**  
**BALANCE SHEET**

<b>As of December 31,</b>	<b>2021</b>	<b>2020</b>
(USD \$ in Dollars)		
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash & cash equivalents	\$ 305	\$ -
Inventories	1,781	1,781
Prepayments to suppliers	295,700	157,920
<b>Total current assets</b>	<b>297,786</b>	<b>159,701</b>
Intangible assets, net	5,237	5,761
<b>Total assets</b>	<b>\$ 303,023</b>	<b>\$ 165,462</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Current portion of Promissory Note and Loans		
Short term loan payable	70,680	70,680
Other current liabilities	76,147	93,473
<b>Total current liabilities</b>	<b>146,827</b>	<b>164,153</b>
<b>Total liabilities</b>	<b>146,827</b>	<b>164,153</b>
<b>STOCKHOLDERS EQUITY</b>		
Common Stock	700	700
Additional Paid in Capital	68,400	68,400
SAFE's	384,119	225,000
Retained earnings/(Accumulated Deficit)	(297,023)	(292,791)
<b>Total stockholders' equity</b>	<b>156,196</b>	<b>1,309</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 303,023</b>	<b>\$ 165,462</b>

*See accompanying notes to financial statements.*

**SolarGaps Inc.**  
**STATEMENTS OF OPERATIONS**

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<b>For Fiscal Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
(USD \$ in Dollars)		
Net revenue	\$ 17,427	\$ 49,878
Cost of goods sold	17,427	49,878
Gross profit/(loss)	-	-
Operating expenses		
General and administrative	4,103	4,872
Sales and marketing	129	-
Total operating expenses	4,232	4,872
Operating income/(loss)	(4,232)	(4,872)
Interest expense	-	-
Other Loss/(Income)	-	-
Income/(Loss) before provision for income taxes	(4,232)	(4,872)
Provision/(Benefit) for income taxes	-	-
<b>Net loss</b>	<b>\$ (4,232)</b>	<b>\$ (4,872)</b>

*See accompanying notes to financial statements.*

**SolarGaps Inc.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

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(in , \$US)	Common Stock		SAFE's	Additional Paid In Capital	Retained earnings/ (Accumulated Deficit)	Total Shareholder Equity
	Shares	Amount				
<b>Balance—December 31, 2019</b>	<b>7,000,000</b>	<b>\$ 700</b>	<b>\$ 225,000</b>	<b>\$ 68,400</b>	<b>\$ (287,919)</b>	<b>\$ 6,181</b>
Net income/(loss)	-	-	-	-	(4,872)	(4,872)
<b>Balance—December 31, 2020</b>	<b>7,000,000</b>	<b>\$ 700</b>	<b>225,000</b>	<b>\$ 68,400</b>	<b>\$ (292,791)</b>	<b>\$ 1,309</b>
Issuance of Simple Agreement Finance Equity	-	-	159,119	-	-	159,119
Net income/(loss)	-	-	-	-	(4,232)	(4,232)
<b>Balance—December 31, 2021</b>	<b>7,000,000</b>	<b>\$ 700</b>	<b>384,119</b>	<b>\$ 68,400</b>	<b>\$ (297,023)</b>	<b>\$ 156,196</b>

*See accompanying notes to financial statements.*

**SolarGaps Inc.**  
**STATEMENTS OF CASH FLOWS**

<b>For Fiscal Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
(USD \$ in Dollars)		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income/(loss)	\$ (4,232)	\$ (4,872)
Adjustments to reconcile net income to net cash provided/(used) by operating activities:		
Amortization of intangible assets	524	524
Changes in operating assets and liabilities:		
Prepayments to suppliers	(137,780)	5,553
Other current liabilities	(17,326)	(19,303)
<b>Net cash provided/(used) by operating activities</b>	<b>(158,814)</b>	<b>(18,098)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowing on convertible notes and loans	159,119	880
<b>Net cash provided/(used) by financing activities</b>	<b>159,119</b>	<b>880</b>
Change in cash	305	(17,218)
Cash—beginning of year	-	17,218
<b>Cash—end of year</b>	<b>\$ 305</b>	<b>\$ -</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES</b>		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Issuance of equity in return for note	\$ -	\$ -
Issuance of equity in return for accrued payroll and other liabilities	\$ -	\$ -

*See accompanying notes to financial statements.*

## **1. NATURE OF OPERATIONS**

SolarGaps Inc. was incorporated in the state of Delaware on August 15, 2016. The financial statements of SolarGaps Inc. (which may be referred to as “SolarGaps”, “Company”, “we”, “us”, or “our”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company’s headquarters are located in Redwood City, CA.

SolarGaps is the distributor of window blinds for residential and commercial use with features designed for renters, homeowners and small businesses to affordably reduce energy usage, create renewable energy and transition to energy independence:

**DIY PLUG & PLAY** - With apartment renters in mind, the interior wall brackets are designed as a non-permanent, plug & play solution with additional installation options for homeowners to maximize energy production.

**ENERGY GENERATING** - Built-in solar panels can generate up to 100W-150W of renewable energy per 10 sq. ft. ( $\approx 1 \text{ m}^2$ ) of a window, enough to power 30 LED light bulbs or three MacBooks.

**ENERGY REDUCING** - In addition to generating solar energy, the window blinds also save energy by shading your home interior and reducing air condition cost by up to 80%.

**AFFORDABLE** - Energy surplus can either be stored in the battery or can easily be sold to your electricity company as green energy through a two-way meter they provide.

**SMART FEATURES** - Easily integrate with smart devices like Google Home, Echo, Nest Thermostat and more to control by voice, temperature and/or smartphone app.

SolarGaps mission is to make energy free and accessible to all. We are pioneering a method of energy distribution that will power the offices, homes, and cities of the future. By exploring innovative concepts and adopting new technologies, we can help move every city closer to their net zero goals.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The Company has adopted the calendar year as its basis of reporting.

### **Use of Estimates**

The preparation of financial statements in conformity with United States 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.

**SolarGaps Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**Cash and Cash Equivalents**

Cash and cash equivalents include all cash in banks. The Company's cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The Company's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at net realizable value or the amount that the Company expects to collect on gross customer trade receivables. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As of December 31, 2021, and the Company determined that no reserve was necessary.

**Inventories**

Inventories are stated at lower cost using the first-in, first-out method or net realizable value.

**Impairment of Long-lived Assets**

Long-lived assets, such as property, equipment, and identifiable intangibles with finite useful lives, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We look for indicators of a trigger event for asset impairment and pay special attention to any adverse change in the extent or manner in which the asset is being used or in its physical condition. Assets are grouped and evaluated for impairment at the lowest level of which there are identifiable cash flows, which is generally at a location level. Assets are reviewed using factors including, but not limited to, our future operating plans and projected cash flows. The determination of whether impairment has occurred is based on an estimate of undiscounted future cash flows directly related to the assets, compared to the carrying value of the assets. If the sum of the undiscounted future cash flows of the assets does not exceed the carrying value of the assets, full or partial impairment may exist. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined using an income approach, which requires discounting the estimated future cash flows associated with the asset.

**Income Taxes**

SolarGaps Inc. is a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken, or expected to be taken, in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.



**SolarGaps Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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*Concentration of Credit Risk*

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

**Revenue Recognition**

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to performance obligations in the contract; and
- 5) Recognize revenue as the performance obligation is satisfied.

The Company derives all revenues from the sale of window blinds for residential and commercial use online, and through licensed distributors.

**Cost of Sales**

The Company expenses incremental costs that directly relate to the sales of our products immediately under the available practical expedient as the amortization period would be less than one year.

**Advertising and Promotion**

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2021, and December 31, 2020, amounted to \$129 and \$0, which is included in sales and marketing expenses.

**Research and Development Costs**

Costs incurred in the research and development of the Company's products are expensed as incurred.

**SolarGaps Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**Fair Value of Financial Instruments**

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

**Level 1**—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2**—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

**Level 3**—Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

**Subsequent Events**

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through August 15, 2022, which is the date the financial statements were issued.

**Recently Issued and Adopted Accounting Pronouncements**

In February 2019, FASB issued ASU No. 2019-02, leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, and early application is permitted. The standard implementation did not have a material impact.

In June 2019, FASB amended ASU No. 2019-07, Compensation – Stock Compensation, to expand the scope of Topic 718, Compensation – Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, and early application is permitted. The standard implementation did not have a material impact.

In August 2019, amendments to existing accounting guidance were issued through Accounting Standards Update 2019-15 to clarify the accounting for implementation costs for cloud computing arrangements. The amendments specify that existing guidance for capitalizing implementation costs incurred to develop or obtain internal-use software also applies to implementation costs incurred in a hosting arrangement that is a service contract. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, and early application is permitted. The standard implementation did not have a material impact.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide

**SolarGaps Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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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.

### **3. INVENTORY**

Inventory consists of the following items:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Finished Goods	\$ 1,781	1,781
<b>Total Inventories</b>	<b>\$ 1,781</b>	<b>\$ 1,781</b>

### **4. DETAILS OF CERTAIN ASSETS AND LIABILITIES**

Account receivables consist primarily of trade receivables and accounts payable consist primarily of trade payables.

Other current liabilities consist of the following items:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Customer Advances	\$ 75,314	\$ 93,164
Sales Tax Payable	\$ 833	\$ 309
<b>Total other current liabilities</b>	<b>\$ 76,147</b>	<b>\$ 93,473</b>

### **5. DEBT**

The company has a short-term loan from the CEO and founder in the amount of \$70.680 as of December 31, 2021 and 2020. This loan bears no interest and has no specified maturity date.

### **6. CAPITALIZATION AND EQUITY TRANSACTIONS**

#### **Common Stock**

The Company is authorized to issue 10,000,000 Common Shares with a par value of \$0.0001. As of December 31, 2021, and December 31, 2020, 7,000,000 Common Shares have been issued and are outstanding.

**SolarGaps Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**7. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2021, and December 31, 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Net operating loss	\$ (1,106)	\$ (1,297)
Valuation allowance	1,106	1,297
Total	<u>\$ -</u>	<u>\$ -</u>

Significant components of the Company's deferred tax assets and liabilities on December 31, 2021, and December 31, 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Net operating loss	\$ (87,850)	\$ (86,744)
Valuation allowance	87,850	86,744
Total	<u>\$ -</u>	<u>\$ -</u>

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, full valuation allowance has been set against its net deferred tax assets as of December 31, 2021, and December 31, 2020. The amount of the deferred tax asset to be realized could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

For the fiscal year ending December 31, 2021, the Company had federal cumulative net operating loss ("NOL") carryforwards of \$294,404, and the Company had state net operating loss ("NOL") carryforwards of approximately \$294,404. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. The federal net operating loss carryforward is subject to an 80% limitation on taxable income, does not expire, and will carry on indefinitely.

The Company recognizes the impact of a tax position in the financial statements if that position is more likely than not to be sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2021, and 2020, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2021, and December 31, 2020, the Company had no accrued interest and penalties related to uncertain tax positions.

**8. RELATED PARTY**

The Company has a short-term loan from the CEO and founder in the amount of \$70.680 as of December 31, 2021 and 2020. This loan bears no interest and has no specified maturity date.

## **9. COMMITMENTS AND CONTINGENCIES**

### **Operating Leases**

The Company enters various operating leases for facilities.

Rent expenses were in the amount of \$0 and \$284, for the fiscal years ended December 31, 2021, and December 31, 2020, respectively.

### **Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

### **Litigation and Claims**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

## **10. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events for the period from December 31, 2021, through August 15, 2022, which is the date the financial statements were available to be issued.

There have been no other events or transactions during this time which would have a material effect on these financial statements.

## **11. GOING CONCERN**

The accompanying financial statements have 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 Company has a net operating loss of \$4,232, an operating cash flow loss of \$158.814, and liquid assets in cash of \$305, which less than a year's worth of cash reserves as of December 31, 2021. These factors normally raise doubt about the Company's ability to continue as a going concern.

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. During the next twelve months, the Company intends to fund its operations through debt and/or equity financing.

There are no assurances that management will be able to raise capital on terms acceptable to the Company. If it is unable to obtain sufficient amounts of additional capital, it may be required to reduce the scope of its planned

development, which could harm its business, financial condition, and operating results. The accompanying financial statements do not include any adjustments that might result from these uncertainties.

## CERTIFICATION

I, Eugene Erik, Principal Executive Officer of SolarGaps, Inc., hereby certify that the financial statements of SolarGaps, Inc. included in this Report are true and complete in all material respects.

Eugene Erik

Board Member & CEO