

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GALAXY NEXT GENERATION, INC.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to ___

Commission file number 333-51918

FULLCIRCLE REGISTRY, INC.

(Exact Name of Registrant as Specified in Its Charter)

NEVADA

(State or Other Jurisdiction of
Incorporation or Organization)

61-1363026

(I.R.S. Employer Identification No.)

1125 Summit Drive, Shelbyville, KY 40065-9540

(Address of Principal Executive Offices) (Zip Code)

(502) 410-4500

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, an emerging growth company or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting
company)

Smaller reporting company

Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:
191,953,084 Class A common shares as of August 19, 2017.

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ITEM 1. FINANCIAL STATEMENTS

FullCircle Registry, Inc.
Consolidated Balance Sheets

	(Unaudited)	
	June 30,	December 31,
	2017	2016
Assets		
Current assets:		
Cash	\$ 5,751	\$ 20,112
Other current assets	34,260	24,796
Total current assets	<u>40,011</u>	<u>44,908</u>
Fixed assets		
Georgetown 14 property	5,292,704	5,258,276
Building, land and equipment held for sale	1,140,000	1,140,000
Accumulated depreciation	(2,082,202)	(1,930,612)
Total fixed assets	<u>4,350,502</u>	<u>4,467,664</u>
Other assets	55,370	39,886
Total assets	<u>\$ 4,445,883</u>	<u>\$ 4,552,458</u>
Liabilities & Stockholders' Deficit		
Current liabilities		
Current portion of long term debt	\$ 44,726	\$ 55,688
Accounts payable	210,041	101,407
Accrued expenses and other current liabilities	89,976	175,343
Accrued interest expense	422,323	470,640
Advances from shareholder	119,000	-
Short term notes payable	115,000	55,000
Short term notes payable - related party	1,285,390	1,159,390
Total current Liabilities	<u>2,286,456</u>	<u>2,017,468</u>
Long term liabilities		
Equipment note payable, less current portion	-	239,525
Mortgage note payable, less current portion	4,543,136	4,320,238
Long term notes payable	30,000	25,000
Long term notes payable - related party	66,942	66,942
Total long term liabilities	<u>4,640,078</u>	<u>4,651,705</u>
Total liabilities	<u>6,926,534</u>	<u>6,669,173</u>
Stockholders' Deficit		
Preferred stock, authorized 10,000,000 shares of \$.001 par value		
Preferred A, issued and outstanding is 10,000	10	10
Preferred B, issued and outstanding is 300,600	300	300
Common stock, authorized 200,000,000 shares of \$.001 par value, issued and outstanding shares of 191,954,084 and 191,954,084 shares, respectively	191,954	191,954
Additional paid-in-capital	9,405,207	9,405,207
Accumulated deficit	(12,078,122)	(11,714,186)
Total stockholders' deficit	<u>(2,480,651)</u>	<u>(2,116,715)</u>
Total Liabilities & Stockholders' Deficit	<u>\$ 4,445,882</u>	<u>\$ 4,552,458</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Operations (Unaudited)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 294,898	\$ 303,015	\$ 614,201	\$ 559,099
Cost of sales	142,324	91,246	230,635	155,280
Gross profit	152,574	211,769	383,566	403,819
Operating Expenses				
Selling, general & administrative	257,399	104,529	544,971	294,151
Income (loss) before depreciation	(104,825)	107,240	(161,405)	109,668
Depreciation expense	75,795	75,126	151,590	150,252
Operating income (loss)	(180,620)	32,114	(312,995)	(40,584)
Other income				
Gain on forgiveness of interest	114,821	-	114,821	-
Other expense				
Interest expense	(128,587)	(90,573)	(165,764)	(177,674)
Total other expense	(128,587)	(90,573)	(165,764)	(177,674)
Net loss before income taxes	(194,386)	(58,460)	(363,938)	(218,258)
Income taxes	-	-	-	-
Net loss	\$ (194,386)	\$ (58,460)	\$ (363,938)	\$ (218,258)
Net basic and fully diluted loss per share	\$ (0.001)	\$ (0.000)	\$ (0.002)	\$ (0.001)
Weighted average common shares outstanding				
Basic	187,252,787	187,443,238	187,252,787	186,598,769
Diluted	218,725,516	216,734,771	218,725,516	215,808,717

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (Unaudited)

	For the Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net loss	\$ (363,938)	\$ (218,258)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation	151,590	150,252
Stock issued for services	-	4,245
Gain on forgiveness of interest	(114,821)	-
Changes in assets and liabilities		
Increase (decrease) in other assets	(15,484)	-
Increase in other current assets	9,464	2,920
Increase in accounts payable	108,636	4,376
Increase in accrued interest	72,576	126,811
Increase (decrease) in accrued expenses and other current liabilities	(85,367)	(67,656)
Net cash (used in) provided by operating activities	<u>(237,344)</u>	<u>2,690</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(34,428)</u>	-
Net cash used in investing activities	<u>(34,428)</u>	-
Cash flows from financing activities		
Payments on mortgage note payable	(27,589)	-
Payments on equipment note payable	-	(59,864)
Proceeds on notes payable - related parties	120,000	39,620
Proceeds from advances - related parties	119,000	-
Proceeds from notes payable	72,000	-
Payments on notes payable - related parties	(14,000)	-
Payments on notes payable	(12,000)	-
Proceeds from sale of common stock	-	5,000
Net cash provided by (used in) financing activities	<u>257,411</u>	<u>(15,244)</u>
Net increase (decrease) in cash	(14,361)	(12,554)
Cash at beginning of period	20,112	17,313
Cash at end of period	<u>\$ 5,751</u>	<u>\$ 4,759</u>
Supplemental cash flow information		
Cash paid for:		
Interest	\$ 70,731	\$ 50,863
Non-cash transactions		
Stock issued for services	\$ -	\$ 4,245

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments, which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

The accompanying un-audited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2016 (filed April 24, 2017). Operating results for the three-months and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

NOTE 2. GOING CONCERN

The accompanying Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has suffered recurring losses, negative working capital and is dependent upon raising capital to continue operations. The Company has incurred losses resulting in an accumulated deficit of \$12,078,122 and \$11,714,186 as of June 30, 2017 and December 31, 2016, respectively.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to generate additional working capital by increasing revenue as a result of new sales and marketing initiatives and by raising additional capital from investors.

Management's plans with regards to these issues are as follows:

Raising new investment capital in the form of loans and the sale of shares of the company's stock, sufficient to invest in theater operations improvements that will result in continual quarterly revenue growth until revenues are sufficient to meet operating expenses on an ongoing basis.

Maintaining the Company mission of focusing on net profits by increasing ticket sales through promotion, increasing food sales by the introduction of new menu items, and reducing expenses through close oversight of theater operations.

Achieving on-going breakeven revenue and expenses by the middle of 2018 based on: 1) current management assumptions, 2) Hollywood film release performance, 3) increased attendance resulting from marketing and physical theater improvements, and 4) future growth driven by implementation of our Dine-In Cinema LITE strategy as updated based on evaluation of early stage implementation.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually attain profitable operations.

The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3. STOCKHOLDERS' EQUITY

During the six-month period ended June 30, 2017, the Company did not issue any capital stock.

Capital Structure

In accordance with ASC 505, "Equity," the Company's capital structure is as follows:

Preferred stock, authorized 10,000,000 shares of \$.001 par value. Class A issued and outstanding is 10,000. Class A preferred shares have no voting rights. Class B issued and outstanding is 300,600 shares. The Class B shares have voting rights of 10 votes for 1 Preferred B share. There is no publicly traded market for our preferred shares.

Common stock, authorized 200,000,000 shares of \$.001 par value, issued and outstanding 191,954,084 on June 30, 2017 and 191,954,084 on December 31, 2016. The common stock has one vote per share. The common stock is traded on the OTCBB (now "OTC Pink") under the symbol FLCR.

The Company has not paid, nor declared, any dividends since its inception and does not intend to declare any dividends in the foreseeable future. The Company's ability to pay dividends is subject to limitations imposed by Nevada law. Under Nevada law, dividends may be paid to the extent that the corporation's assets exceed its liabilities and the Company can to pay its debts as they become due in the usual course of business.

Class B Preferred shares have a 2% preferred dividend, payable annually.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and expenses during the reporting period. In these Consolidated Financial Statements, assets, liabilities and expenses involve extensive reliance on management's estimates. Actual results could differ from those estimates.

NOTE 5: IMPAIRMENT OF LONG-LIVED ASSETS

The Company assesses whether certain relevant factors limit the period over which acquired assets are expected to contribute directly or indirectly to future cash flows for amortization purposes. Under certain conditions the Company may assess the recoverability of the unamortized balance of its long-lived assets based on undiscounted expected future cash flows. Should the review indicate that the carrying value is not fully recoverable; the excess of the carrying value over the fair value of any intangible asset is recognized as an impairment loss.

The Company recorded an impairment charge from continuing operations of \$487,562 for the year ended, December 31, 2016. The estimated aggregate fair value of the long-lived assets impaired during the year ended December 31, 2016 was \$3,990,000 and consisted of the Company's land and building. The Company's fair value estimate was derived primarily from estimated future cash flows of the Save-A-Lot portion of the building and land associated with a planned sale of the property by the Company during the year ending December 31, 2017 as well as a third-party appraisal on both the Save-A-Lot portion and movie theater portion of the Company's building and land. There was no additional impairment during the six months ended June 30, 2017.

NOTE 6. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, a related party advanced the Company \$30,000 for partial payment of a roof replacement project and a non-related party entered into a note payable agreement in the amount of \$25,000 for working capital.

NOTE 7. LEASES – LESSORS

The Company leases space to a Save-A-Lot grocery store at our Indianapolis location. Save-A-Lot corporate assumed the lease in March 2014 for seven years with three five-year options. Monthly rent charged to the tenant is \$13,373 per month. Total rental income relating to this lease was \$80,235 and \$80,235 for the six months ended June 30, 2017 and 2016, respectively.

The initial lease term ends September 30, 2021. Save-A-Lot reserves the right to exercise three five-year options, which would extend the maturity date to September 30, 2036. The Company intends to sell the leased property during the year ended December 31, 2017. This will result in the loss of a portion of projected rental income in 2017 once the sale is completed, as well as all other years under the lease agreement in effect. Proceeds from the sale of the property may be used to pay down the mortgage principal on the retained real estate property which includes our theater building.

General:

Where this Form 10-Q includes "forward-looking" statements within the meaning of Section 27A of the Securities Act, we desire to take advantage of the "safe harbor" provisions thereof. Therefore, FullCircle Registry, Inc., is including this statement for the express purpose of availing itself of the protections of such safe harbor provisions with respect to all such forward-looking statements. The forward-looking statements in this Form 10-Q reflect our current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ from those anticipated. In this Form 10-Q, the words "anticipates," "believes," "expects," "intends," "future" and similar expressions identify forward-looking statements. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that may arise after the date hereof. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this section. We have based these forward-looking statements on our current expectations and projections about future events, including, among other things:

- Attracting new financing to fund theater operations improvements and investments in new business development targeted at increasing revenue;
- Creating a more competitive position by accelerating transition to our new Dine-In Lite business model;
- Increased revenue from food and beverage sales related to our new food menu;
- Closely managing operational costs, balancing these new revenues to achieve and exceed ongoing breakeven operation;
- Better serving our target market through scheduling of Spanish language Hollywood movies, Indian films for our Hindi, Telugu and Tamil community and special events such as live comedy;
- Improving the number of new Hollywood releases the theater receives by operating all 14 theaters at full capacity and through the increased success of our film booking agency; and
- Improving the overall attractiveness and service of the theater to better deliver on customer expectations;

Current Mission Statement

Our mission is to build shareholder value through new business development within the parent Company and by maximizing the potential of the Company's movie theater holdings. The CEO and Board are presently evaluating new business and investment concepts which may allow FullCircle Registry to add another dimension to the Company in addition to its theater business.

History

Our initial business began in 2000 with the formation of FullCircle Registry, Inc ("FullCircle" or the "Company"). At that time, FullCircle was a technology-based business that provided emergency document and health record retrieval services.

The Company's records retrieval technology was sound, but our marketing strategy targeted individuals as our potential customers, not health-based companies. As the records and documents retrieval business model emerged, competitors seized upon the opportunity to provide retrieval services to businesses. Because of these industry trends, the Company's individual-based records retrieval solution became unmarketable.

The Company then initiated a series of new business models intended to provide value for the Company's shareholders. Since 2008, the Company has created four subsidiaries to focus on additional business opportunities in the distribution of insurance agency, prescription assistance services, medical supplies, and movie theater entertainment.

FullCircle Entertainment, Inc.

The Company's entertainment subsidiary, FullCircle Entertainment, Inc. ("FullCircle Entertainment"), was established in 2010 for acquiring movie theaters and other entertainment venues. On December 31, 2010, FullCircle Entertainment purchased Georgetown 14 Cinemas, a fourteen-theater movie complex located on eight acres at 3898 Lafayette Road, Indianapolis, IN 46254 for a purchase price of \$5.5 million. Currently, the operation of this theater (and the lease of a grocery store within the structure) is the Company's sole business and source of revenue.

Progress on "Dine-In Cinema LITE" Business Model

The theater is approximately halfway through our transitional strategy called "Dine-In Cinema LITE." The key elements of this strategy which differentiate the Company from other in-theater dining concepts include:

Smaller Kitchen. Construction of a smaller kitchen in existing space adjacent to the theater lobby, resulting in retention of the theater which had been planned to be taken out of service for the full-service restaurant kitchen envisioned as part of the initial plan. Our LITE model reduces capital funding requirements and maintains revenue from the retained theater.

Smaller and More Affordable Food Menu. Many dine-in cinemas have opted to present a full-service restaurant menu with higher-priced fare. Our LITE model focuses on providing a more limited “comfort food” offering that is priced within a more acceptable range for our urban customers.

Carry-In vs. In-Theater Service. Many dine-in cinemas have wait staff to take orders from customers inside the theater. Our LITE model reduces the high labor cost of having staff service customers in the same manner as a restaurant. Instead, our plan is like professional sports stadium food service, in which customers carry-in their own food items. We will also explore a modified plan to deliver food items to a central pickup location within each theater.

Alcohol Service. The Dine-In Cinema LITE model eliminates the separate bar area that many theaters have opted to build, which are largely unoccupied. Instead, our emphasis will be serving alcoholic beverages to our customers as part of their initial food and beverage order at the time tickets are purchased. We have implemented limited alcohol service on Friday and Saturday evenings using a liquor catering service, since the theater does not have its own liquor license. This approach does not provide revenue to the theater, as all revenue is retained by the liquor caterer, who secures separate event permits for each weekend and also pays all state liquor taxes. However, we are able to monitor revenues to assist us in developing projections to analyze and plan future liquor service expansion.

Recliner Seating Rows. Instead of converting all theaters to luxury recliner seating, we will only convert a limited number of rows of our traditional stadium seating to recliners. Initially, recliner seating rows will only be added to our larger auditoriums. Once we achieve consistent sellout of these rows, we will add some additional rows of recliners. Our LITE model greatly reduces the cost of luxury recliner seating in two ways: 1) far fewer recliner chairs required to equip rows instead of full auditoriums, and 2) leasing instead of purchasing the recliner chairs. We plan to wait to add recliner seating until both food and alcoholic services are well established.

We believe our Dine-In Cinema LITE strategy is particularly well-suited to our urban location and the customers we serve. The Company is focused on proving that these new approaches to the movie theater industry’s current in-theater dining models can be implemented in a manner which controls costs while still upgrading our revenue potential.

Movie Theater Entertainment

The motion picture exhibition industry is fragmented and highly competitive. Our theaters compete against regional and independent operators as well as the larger theatre circuit operators.

Our operations are subject to varying degrees of competition with respect to film licensing, attracting customers, and obtaining new theater sites. In those areas where real estate is readily available, there are few barriers preventing competing companies from opening theaters near our existing theater, which may have a material adverse effect on our revenues. Demographic changes and competitive pressures can also lead to a theater location becoming impaired.

In addition to competition with other motion picture exhibitors, our theaters face competition from several alternative motion picture exhibition delivery systems, such as cable television, satellite and pay-per-view services and home video systems. The expansion of such delivery systems could have a material adverse effect upon our business and results of operations. We also compete for the public’s leisure time and disposable income with all forms of entertainment, including sporting events, concerts, live theatre and restaurants.

The movie theater industry is dependent upon the timely release of first run movies. Ticket sales and concession sales are influenced by the availability of top producing movies. At times, our revenues are impacted by the shortage of first run movies. Through each year, we experience fewer hit film releases from the movie companies, especially between January through March and then again during the late summer between August and October.

Generally, however, the theater is seeing periodic growth in ticket sales – again, tied directly to the strength and appeal of the films we schedule. Certain films that appeal to our target African-American and Hispanic markets have been doing extremely well. Capitalizing on this growth trend, the Company’s new “Dine-In Lite” business model should fine-tune the proven dine-in cinema success model that is the future of movie theater entertainment – greater comfort with greater food selection.

Mortgage Debt Payment Reduction

In late 2016, the Company's CEO, Jon Findley, began negotiations with Kirkland Financial, holder of the real estate mortgage and the equipment note to combine the property mortgage and the equipment note into a more affordable single monthly payment. Prior to the end of December, Kirkland Financial responded with a restructured finance agreement which reduced the combined property and equipment note monthly payment from \$46,094 to \$15,223. As of June 30, 2017, the Company's new capital commitments on the combined property and equipment loan to FullCircle Entertainment, Inc are \$4,587,862. As a result of this loan modification, the Company recorded a \$114,821 gain on forgiveness of prior accrued interest associated with the former mortgage and equipment note. The new mortgage has a balloon payment of all unpaid principal and interest on July 15, 2020. Finally, after the theater is again cash flowing to expectations, the Company plans to refinance the mortgage to maintain an acceptable monthly payment.

Potential Sale of Property

In conjunction with the debt restructuring plan, a property appraisal of both the leased property and the theater property was obtained. The appraisal estimated the value of our 40,910 square-foot theater building at \$2,850,000 and the 18,000 square-foot leased property at \$1,450,000. The Company has completed a survey in preparation for the sale of the leased property and is discussing terms of sale with several potential buyers.

It is the Company's intent to sell the 18,000-square foot leased property, with a target sales price of \$1,200,000, which is currently classified as an asset held for sale, net of estimated selling costs.

Other Debt

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business. As of June 30, 2017, we have approximately \$1,447,332 in unsecured notes payable and \$119,000 of unsecured advances from a related party. Most unsecured notes and advances are with shareholders of the company and does not require any debt maintenance now, as interest is accrued.

We have a combined property mortgage and equipment note of approximately \$4,587,862, which is secured.

Our amount of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to adverse economic, industry or competitive developments;
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our mortgage indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- increase our cost of borrowing;
- restrict us from making strategic acquisitions;
- limit our ability to service our indebtedness;
- limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions or general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate, placing us at a competitive disadvantage to less highly leveraged competitors who may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Employees

FullCircle Registry, Inc., and its subsidiaries have employee levels generally ranging between 18 and 28 employees/officers depending on seasonal needs. We have never experienced employment-related work stoppages and focus on good relations with our personnel and are continuing to attract stronger talent.

Our Corporate Information

Our principal executive offices are located at 1125 Summit Drive, Shelbyville, Kentucky, 40065, and our telephone number is (502) 410-4500. The FullCircle Registry website is www.fullcirccleregistry.com, which has links to all SEC filings, updates on the theaters continued conversion to our new Dine-In Cinema LITE business model and information on the Company's other business developments. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this report.

Revenues during the three months ended June 30, 2017 were \$294,898 with a cost of sales of \$142,324, yielding a gross profit of \$152,574 or 51.7%. This compares to \$303,015 in revenues for the same period in 2016, with a cost of sales of \$91,246, yielding a gross profit of \$211,769 or 70.0%. The increased cost of sales in the three months ended June 30, 2017 included additional food costs associated with the theater's Dine-In Cinema LITE food service, while sales from the new food service menu items failed to cover the food expense. The theater also incurred additional film rental costs from Hollywood studios, including advances on certain new releases, while these films did not increase attendance commensurate to the advanced expense.

Revenues during the six months ended June 30, 2017 were \$614,201 with a cost of sales of \$230,635, yielding a gross profit of \$383,566 or 62.4%. This compares to \$559,099 in revenues for the same period in 2016, with a cost of sales of \$155,280, yielding a gross profit of \$403,819 or 72%.

Selling, general, and administrative expenses during the current three-month period ended June 30, 2017 were \$257,399, resulting in loss before depreciation of 104,825, compared to selling, general and administrative expenses during the three-month period ended June 30, 2016 of \$104,529, resulting in an operating income before depreciation of \$107,240. Operating expenses have increased in 2017 due to marketing efforts, launch of Dine-In Cinema LITE food services, Funny Friday's Comedy Shows, increases in contract labor, increase in the number of employees, pay increases for management and staff, HVAC repairs, projector repairs & parts, roofing repairs, etc.

Depreciation expense totaled \$75,795 resulting in operating loss of \$180,620 for the three-month period ended June 30, 2017. Depreciation expense in the same period in 2016 was \$75,126 resulting in an operating income of \$32,114. Depreciation expense during the six-month period ended June 30, 2017 was \$151,590, resulting in an operating loss of \$312,995. Depreciation expense in the same period in 2016 was \$150,252, resulting in an operating loss of \$40,584.

Interest expense for the three months ended June 30, 2017 was \$128,587, producing a net loss for the period of \$194,386, compared to interest expense of \$90,573, resulting in a net loss of \$58,460 during the same period in 2016. Interest expense during the six months ended June 30, 2017 was \$165,764, producing a net loss for the period of \$363,938 compared to interest expense of \$177,674, resulting in a net loss of \$218,258 during the same period in 2016.

Outside the direct theater operation expenses of FullCircle Entertainment, Inc., depreciation, interest expense, SEC compliance cost for auditors, accountants, consultants and attorneys continue to be the major part of our expenses.

The theater industry typically does well during the May and June months because local schools are out during these months. The month of July is considered our high season. However, April and May of this year, Hollywood films had a disappointing box office performance nationally, which impacted the theater's ticket sales in our market as well.

Liquidity and Capital Resources

At June 30, 2017, the Company had total assets of \$4,445,883 compared to \$4,552,458 on December 31, 2016. The Company had total assets consisting of \$5,751 in cash, \$34,260 of other current assets, \$55,370 in utility and roofing repair deposits and \$4,350,502 of net fixed assets in Georgetown 14, which includes accumulated depreciation of \$2,082,202. Total assets of \$4,552,458 as of December 31, 2016 consisted of \$20,112 in cash, \$24,796 of other current assets and \$4,467,664 of net fixed assets in Georgetown 14, which includes accumulated depreciation of \$1,930,612.

At June 30, 2017, the Company had \$6,926,534 in total liabilities. Total liabilities include \$210,041 in accounts payable, \$89,976 in accrued expenses, \$422,323 in accrued interest, \$145,000 in notes payable, \$1,352,332 of notes payable-related party, \$44,726 of current portion of long-term debt and \$4,543,136 of the long-term portion of our long-term debt.

Total liabilities at December 31, 2016 were \$6,669,173, which was comprised of \$101,407 in accounts payable, \$175,343 in accrued expenses, \$470,640 in accrued interest, \$80,000 in notes payable, \$1,226,332 of notes payable-related party, \$55,688 of current portion of long-term debt and \$4,320,238 of the long-term portion of our long-term debt.

Net cash used by operating activities ending June 30, 2017 was \$(237,344) compared to net cash provided by operating activities for the six months ended June 30, 2016 of \$2,690. During the six months ended June 30, 2017, \$(34,428) was used on investing activities, and \$257,411 was provided by financing activities. For the same period in 2016, \$0 was used in investing activities and \$(15,244) was used by financing activities.

Our auditors have expressed concern that the Company has experienced losses from operations and negative cash flows from operations since inception. We have negative working capital and a capital deficiency at June 30, 2017. As of June 30, 2017, the stockholder's deficit is \$2,480,651 compared to a deficit of \$2,116,715 on December 31, 2016. These conditions raise substantial doubt about our ability to continue as a going concern.

We are currently focused on increasing revenues from our operations and reducing debt through converting notes payable to common stock. We may also seek funding from securities purchases or from lenders offering favorable terms. No assurance can be given that we will be able to obtain the total capital necessary to fund our new business plans. In such an event, this may have a materially adverse effect on our business, operating results and financial condition.

Factors That May Impact Future Results

At the time of this report, we had insufficient cash reserves and receivables necessary to meet forecasted operating requirements for FullCircle Registry, Inc.

The current expansion of the Company's business demands that significant financial resources be raised to fund capital expenditures, working capital needs, conversion of the theater into a restaurant with entertainment and debt service. Current cash balances and the realization of accounts receivable will not be sufficient to fund the Company's current business plan for the next twelve months. Consequently, the Company is currently seeking funds to provide the necessary capital to meet the Company's expansion needs. Management continues to negotiate with existing shareholders, financial institutions, new investors, and other accredited investors to obtain working capital necessary to meet current and future obligations and commitments.

Management is confident that these efforts will produce financing to further the growth of the Company. Nevertheless, there can be no assurance that the Company will be able to raise additional capital on satisfactory terms or at all.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements may have required the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures. On an ongoing basis, the Company evaluates estimates, including those related to bad debts, inventories, fixed assets, income taxes, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances; the results of which form the basis of the Company's judgments on the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's President and Chief Financial Officer have concluded, based on an evaluation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15(d)-15(e)), which such disclosure controls and procedures were not effective as of the end of the period covered by this report. Management is addressing these concerns internally and with the Company's financial professionals.

ITEM 1. LEGAL PROCEEDINGS.

There are no pending legal proceedings.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the six-month period ending June 30, 2017 the company issued no shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Title</u>	<u>Location</u>
31.1	Certification of Chief Executive Officer/Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.1	Certification of Chief Executive Officer/Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002*	Attached

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FULLCIRCLE REGISTRY, INC.

Date: August 19, 2017

/s/ Jon R. Findley

Jon R. Findley
Chief Executive Officer

/s/ Matthew T. Long

Matthew T. Long
Chief Financial Officer

CERTIFICATION

I, Jon R. Findley, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2017 of FullCircle Registry, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 19, 2017

/s/ Jon R. Findley
Jon R. Findley,
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Report of FullCircle Registry, Inc., (the "Company") on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon R. Findley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- ~~(1)~~ The Report fully complies with the requirements of Section 3(a) or 15(d) of the Securities Exchange Act of 1934; and
- ~~(2)~~ The information contained in the Report fairly presents, in all material respects the financial condition and result of operations of the company.

/s/ Jon R. Findley
Jon R. Findley,
Chief Executive Officer

August 19, 2017