# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

# GALAXY NEXT GENERATION, INC.

## Form: 10-Q

## Date Filed: 2018-05-15

Corporate Issuer CIK: 1127993

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

# FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

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 | 61-1363026 |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**417 W Peck Street, Meridian, Idaho 83646**
(Address of Principal Executive Offices) (Zip Code)

**(208) 803-1509**
(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 [X] 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 [X] 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 | [X] |
| | | 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 [X]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 191,954,084 Class A common shares as of May 15, 2018.

FORM 10-Q
FULLCIRCLE REGISTRY, INC.

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## ITEM 1. FINANCIAL STATEMENTS

### FullCircle Registry, Inc.
### Consolidated Balance Sheets

| Assets | | (Unaudited) March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash | $ | 44,786 | $ | 30,711 |
| Other current assets | | 32,221 | | 13,981 |
| Total current assets | | 77,007 | | 44,692 |
| Fixed assets | | | | |
| Georgetown 14 property | | 6,764,981 | | 6,741,407 |
| Accumulated depreciation | | (2,489,670) | | (2,406,378) |
| Total fixed assets | | 4,275,311 | | 4,335,029 |
| Other assets | | 10,870 | | 10,870 |
| Total assets | $ | 4,363,188 | $ | 4,390,591 |
| **Liabilities & Stockholders' Deficit** | | | | |
| Current liabilities | | | | |
| Current portion of long term debt | $ | 116,871 | $ | 64,164 |
| Accounts payable | | 192,034 | | 252,978 |
| Accrued expenses and other current liabilities | | 91,069 | | 95,931 |
| Accrued interest expense | | 537,781 | | 502,481 |
| Advances from shareholder | | 149,000 | | 149,000 |
| Short term notes payable | | 165,000 | | 165,000 |
| Short term notes payable - related party | | 1,387,097 | | 1,376,612 |
| Total current liabilities | | 2,638,852 | | 2,606,166 |
| Long term liabilities | | | | |
| Mortgage note payable, less current portion | | 4,429,283 | | 4,489,205 |
| Long term notes payable | | 75,000 | | - |
| Long term notes payable - related party | | 177,174 | | 181,326 |
| Total long term liabilities | | 4,681,457 | | 4,670,531 |
| Total liabilities | | 7,320,309 | | 7,276,697 |
| 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 | | (12,554,592) | | (12,483,577) |
| Total stockholders' deficit | | (2,957,121) | | (2,886,106) |
| **Total Liabilities & Stockholders' Deficit** | $ | 4,363,188 | $ | 4,390,591 |

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

**FullCircle Registry, Inc.**
**Consolidated Statement of Operations (Unaudited)**

| | For the Three Months Ended March 31, 2018 | For the Three Months Ended March 31, 2017 |
|---|---|---|
| Revenues | $ 321,471 | $ 319,303 |
| Cost of sales | 82,740 | 88,311 |
| Gross profit | 238,731 | 230,992 |
| Operating Expenses | | |
| Selling, general & administrative | 147,236 | 287,572 |
| Income (loss) before depreciation | 91,495 | (56,580) |
| Depreciation expense | 83,292 | 75,795 |
| Operating income (loss) | 8,203 | (132,375) |
| Other expense | | |
| Interest expense | (77,717) | (37,177) |
| Total other expense | (77,717) | (37,177) |
| Net loss before income taxes | (69,514) | (169,552) |
| Net loss | $ (69,514) | $ (169,552) |
| Net basic and fully diluted loss per share | $ (0.000) | $ (0.001) |
| Weighted average common shares outstanding | | |
| Basic | 191,954,084 | 187,252,787 |
| Diluted | 226,835,846 | 218,725,516 |

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

**FullCircle Registry, Inc.**
**Consolidated Statement of Cash Flows (Unaudited)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash flows from operating activities | | |
| Net loss | $ (69,514) | $ (169,552) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation | 83,292 | 75,795 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other assets | - | (15,484) |
| (Increase) decrease in other current assets | (18,240) | (7,992) |
| Increase in accounts payable | (60,944) | 52,495 |
| Increase in accrued interest | 35,300 | 34,623 |
| Decrease in accrued expenses and other current liabilities | (6,363) | (55,898) |
| Net cash used in operating activities | (36,469) | (86,013) |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (23,574) | (26,994) |
| Net cash used in investing activities | (23,574) | (26,994) |
| Cash flows from financing activities | | |
| Payments on mortgage note payable | (7,215) | (11,228) |
| Proceeds on notes payable - related parties | 10,000 | 50,000 |
| Proceeds from notes payable | 75,000 | 60,000 |
| Payments on notes payable – related parties | (3,667) | - |
| Net cash provided by financing activities | 74,118 | 98,772 |
| Net increase (decrease) in cash | 14,075 | (14,235) |
| Cash at beginning of period | 30,711 | 20,112 |
| Cash at end of period | $ 44,786 | $ 5,877 |
| Supplemental cash flow information | | |
| Cash paid for: | | |
| Interest | $ 42,416 | $ 2,554 |

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

**NOTE 1. ORGANIZATION AND BUSINESS DESCRIPTION**

FullCircle Registry, Inc., was originally incorporated as WillRequest.com, Inc. under the laws of the State of Delaware on January 20, 2000. In July 2000, the Company changed its name from WillRequest.com, Inc. to FullCircle Registry, Inc. The Company was formed to provide a digital safe deposit box for vital medical and legal information of its customers.

Excel Publishing, Inc. (Excel) was incorporated on June 7, 2000 in the State of Nevada. On April 10, 2002, Excel merged with FullCircle Registry, Inc., which was a private Delaware corporation. Per the terms of the agreement, Excel agreed to deliver 12,000,000 shares of Excel's common stock to the shareholders of FullCircle Registry, Inc. in exchange for 100% of FullCircle Registry Inc.'s common shares. The merger was treated as a reverse merger with FullCircle Registry, Inc. being the surviving corporation; therefore, all historical financial information prior to the acquisition date is that of FullCircle Registry, Inc. Pursuant to the merger, the Company changed its name from Excel Publishing, Inc. to FullCircle Registry, Inc. (the Company).

In 2008, the Company elected to revise its mission statement that it would become a holding Company for the purpose of acquiring small profitable businesses to provide exit plans for those company's owners.

The Company's 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.

**NOTE 2. 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, 2017 (filed April 17, 2018). Operating results for the three-months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

**NOTE 3. SIGNIFICANT ACCOUNTING POLICIES**

***Accounting Method & Revenue Recognition***

The Company's policy is to use the accrual method of accounting to prepare and present financial statements that conform to generally accepted accounting principles ("GAAP"). Revenue is recognized for the performance of providing goods, services or other rights to customers.

***Principles of Consolidation***

For the period ended March 31, 2018 and for the year ended December 31, 2017, the consolidated financial statements include the books and records of FullCircle Registry, Inc. and FullCircle Entertainment, Inc. All inter-Company transactions and accounts have been eliminated in the consolidation.

***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.

***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 March 31, 2018 and 191,954,084 on December 31, 2017. 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.

***Property and Equipment***

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is provided using the straight-line method over the respective useful lives ranging from 3-20 years. Depreciation expense for the three months ended March 31, 2018 and 2017 totaled $83,292 and $75,795, respectively.

***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.

***Earnings (Loss) Per Share***

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the consolidated financial statements.

| | For the Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Net loss | $ (69,514) | $ (169,552) |
| Net basic and fully diluted loss per share | $ (0.000) | $ (0.001) |
| Weighted average shares outstanding - Basic | 191,954,084 | 187,252,787 |
| Weighted average shares outstanding - Diluted | 226,835,846 | 218,725,516 |

There are no outstanding common stock options and/or warrants.

***Cash and Cash Equivalents***

For the purposes of the Statements of Cash Flows, the Company considers cash and cash equivalents to be cash in all bank accounts, including money market and temporary investments that have an original maturity of three months or less.

***Statements of Financial Accounting Standards***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the existing guidance for lease accounting, *Leases (Topic 840)*. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for all leases. Lessor accounting remains largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Company evaluated this potential impact of adopting this guidance and does not believe that it will have a significant impact on its consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material impact on our present or future financial statements.

**NOTE 4. 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 $12,554,592 and $12,483,577 as of March 31, 2018 and December 31, 2017, 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 and introducing concession items with higher gross profit.
>
> Achieving on-going breakeven revenue and expenses by the middle of 2018 based on: 1) current management assumptions, 2) Hollywood film release performance, and 3) increased attendance resulting from marketing and physical theater improvements.

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 5. STOCKHOLDERS' EQUITY**

During the three-month ended March 31, 2018, the Company did not issue any capital stock.

**NOTE 6. 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 $40,118 and $40,119 for the three months ended March 31, 2018 and 2017, 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.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*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;
- Focusing on increasing traditional movie sales and concession items with higher gross profit;
- 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, and Telugu and Tamil community;
- 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.

***Movie Theater Entertainment***

The motion picture exhibition industry is fragmented and highly competitive. Our theater competes against regional and independent operators as well as the larger theater 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.

***Company Operations***

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.

***Theater Operations***

Our General Manager is responsible for overseeing day-to-day operations staff, including cash management and deposits, film scheduling, technical projection operations, employee scheduling and training, food and beverage inventory management, supply and repair vendor management, IT systems, security, and grounds keeping. The Company is currently analyzing changes to the organizational structure that will strengthen theater management.

In the beginning of the fourth quarter of 2017, changes were made to the structure of theater management. The Company General Manager is represented by three Assistant General Managers, who report directly to the General Manager/CEO. Thus, the CEO has more control, visibility, and direct affect in the day to day operations. The CEO engages in movie booking process with booking agent and oversees and participates in all other duties of General Management.

Typically, movie studios release films with the highest expected revenues during the summer and the holiday period between Thanksgiving and Christmas, causing seasonal fluctuations in revenues. Traditionally, our slow season is January through March, usually because of weather, and the period August through October.

We obtain licenses to exhibit films by using a booking agent to negotiate directly with film distributors. Prior to negotiating for a film license, the booking agent evaluates the prospects for upcoming films, applying criteria such as cast, director, plot, and performance of similar films, estimated film rental costs and expected revenues, as well as the demographics of our market area. Because we only license a portion of newly released first-run films, our success in licensing depends greatly upon the availability of commercially popular motion pictures, and the preferences of patrons in our market and insight into trends in those preferences. In 2016, we changed booking agents in order to improve access to first-run releases as well as to schedule Spanish language films.

Theater revenues come from the sale of movie tickets and concessions, as well as special events. Most of the tickets we sell are sold at our theater box offices immediately before the start of a film. Patrons can also buy tickets in advance on our website and Fandango. In 2018, we are planning to target certain markets such as documentary movies. Since the first quarter of 2018, we raised the evening prices from $8 to $9.49, which is still at a competitive price among the neighboring theaters. We cut unprofitable concession items and simplified the sizes of popcorn and soda to regular and large size only. This makes choices faster and easier. Revenue from movie ticket and concessions were improved in the first quarter of 2018 compared to the same period in 2017. In the second quarter of 2018, we intend to make continued improvement in the areas above while paying down debt and making capital improvements.

Our theater business depends on consumers voluntarily spending discretionary funds on leisure activities. Movie theater attendance and concessions sales may be affected by any prolonged negative trends in the general economy that adversely affect consumer spending. During these negative economic conditions, our customers may have less money for discretionary purchases because of job losses, foreclosures, bankruptcies and other matters. This could result in a decrease in general consumer spending or cause consumers to shift their spending to alternative forms of entertainment. Such factors could affect the demand for movies or severely impact the motion picture production industry, such that our business and operations could be adversely affected.

In the past, our concession stand was built around a limited menu, primarily focused on higher margin items such as popcorn, soft drinks, flavored popcorn, candy, frozen drinks, hot dogs and pretzels. In 2017 the Company implemented a new food service which was an upgrade of food choices in an effort to increase food sales as a percentage of total revenue. Concession inventory was purchased from a local supplier. The Company's culinary chef also provided food supplies for the expanded menu. However, this effort in the first three quarters of 2017 resulted in loss of internal controls, and thus higher waste and food costs.

Having subcontracted culinary chefs also severely compressed our concession profit margins and was cannibalizing our higher profit margin concession items. The fourth quarter of 2017 saw concession margins rebound as the change to in-house menu resumed. Plans for expanded in-house high margin items for 2018 are underway.

***Marketing***

The Georgetown 14 Digital Cinemas website is www.georgetowncinemas.com, which features up-to-date listings of all movie show times and the ability to pre-purchase tickets online. In October 2016, the theater purchased approximately 19,000 emails for African-American households and approximately 7,000 emails for Latino households within a 10-mile radius of the theater. Since that time, we have sent a weekly email in both English and Spanish with news on theater improvements, special promotions, movie trailer links and links to purchasing tickets on the website. The theater also has a Facebook page with 2,000 likes which is used for special event marketing. The Company is reviewing additional marketing plans focused on social media, including Short Text Messaging to mobile phones.

However, as stated earlier these costly efforts outweighed revenues. High cost internet marketing expenses were cut in favor of marketing to demographics for specific upcoming movies. These efforts saw the fourth quarter of 2017 marketing costs drop and attendance in varied demographics accelerate. Not only did the efforts increase attendance and decrease expenses, in the fourth quarter of 2017, increased attendance and decreased expenses continued in the first quarter of 2018 as evidenced in the most recent financial reports.

We believe that it is important to build patron loyalty through enhancing the benefits received by attending our theater. We are finalizing our loyalty program where members earn points based on admissions and concessions purchases. Upon achieving designated point thresholds, members are eligible for specified awards, such as reduced price admission tickets and discounts on concession items.

***Implementing New Operational and Strategic Plans***

At the close of 2017, the Company was prioritizing the implementation of several strategies:

New organizational structure to add senior staff positions as well as concession personnel. The theater has been running very lean during times of poor performance. The pace of increased ticket sales toward the end of 2017 has shown the need to add employees in order to assure quality of service.

Increased presentation of films from India as well as Spanish language versions of popular Hollywood films. Offering multi-language films and hosting multi-cultural events to target the local demographic is a key part of our future strategy.

At the close of the first quarter March 31, 2018, these changes continued to provide less waste, decreased expenses, increased attendance, and increased revenue per head.

Better utilization of the staff

In the fourth quarter of 2017, we marketed directly to local conventions, schools, daycare centers, churches & senior living facilities, targeting them with specific upcoming movies. We removed those marketing ventures that did not prove profitable and began to streamline procedures. In 2018, we plan to increase revenue per head by:

- Increasing concession prices to cover sales tax on those items, which is standard in the industry
- Competitively pricing tickets and concession items with the local Indianapolis metropolitan area
- Upgrading our inventory process by integrating it into the current POS.
- Increase safety and security by adding cameras, video screens, and security guards during peak times.
- As of the end of the first quarter, March 31, 2018, most of the above changes have been implemented with the exception of integrated inventory with the POS.
- In the second quarter of 2018 we will complete implementation of inventory integration with POS to further control waste and potential theft.

***Present Sources of Funding***

Previously, when FullCircle Entertainment experienced revenue shortfalls, the Company's issued stock to pay certain vendors for services in lieu of cash payments. Management has determined that using stock in lieu of cash for vendor services is a practice which needlessly dilutes current shareholder interests.

Instead, management sought other sources of funding. Initially, the funding burden fell solely on the Company's founders and Board members, who provided funding in the form of loans represented by promissory notes. The Board has also assisted in presenting FullCircle Entertainment's "Round One" investment proposal to individual promissory note investors, principally from Kentucky where the Company is headquartered. These promissory note investors receive 6.25% to 15% interest, compounded annually with interest to be paid quarterly. Payment of the interest on these promissory notes is a line item in FullCircle Entertainment's budget, which is prioritized to provide timely interest payments to our investors. During the three months ended March 31, 2018, FullCircle Entertainment received $10,000 in funding promissory notes and advances from our shareholders and founders and $75,000 from other individual investors located in Kentucky.

***Future Sources of Funding***

The Company plans to use anticipated increased rising theater profits to both supplement planned improvements and to ensure that we meet our payment obligations to our note holders.

FullCircle Entertainment is now preparing an updated investment proposal for additional individual promissory note investors.

In the future, the Company may also consider sales of Company stock if the market value of the Company's shares supports this strategy.

At this time, we have no contracts, agreements, or understandings for additional funding, nor can any assurance be given that we will be able to obtain this capital on acceptable terms. In such an event, this may have a materially adverse effect on our business, operating results and financial condition.

***Debt***

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business. As of March 31, 2018, we have approximately $240,000 in unsecured notes payable, $149,000 of unsecured advances from a related party and $1,564,271 of unsecured notes payable from related parties. 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 $4,546,154, 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.

**RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017**

Revenues during the three months ended March 31, 2018 were $321,471 with a cost of sales of $82,740, yielding a gross profit of $238,731 or 74.3%. This compares to $319,303 in revenues for the same period in 2017, with a cost of sales of $88,311, yielding a gross profit of $230,992 or 72.3%.

Selling, general, and administrative expenses during the current three-month period ended March 31, 2018 were $147,236 compared to selling, general and administrative expenses during the three-month period ended March 31, 2017 of $287,572. The decrease of selling, general, and administrative expenses is primarily due to decrease in contract labor, employees, and management.

Depreciation expense totaled $83,292 for the three-month period ended March 31, 2018. Depreciation expense in the same period in 2017 was $75,795. The increase of depreciation expenses are primarily due to the building improvement from the third quarter of 2017.

Interest expense for the three months ended March 31, 2018 was $77,717 compared to interest expense of $37,177, during the same period in 2017. The increase of interest expense is due to the increase of interest expenses incurred by new debt.

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 March 31, 2018, the Company had total assets of $4,363,188 compared to $4,390,591 on December 31, 2017. The Company had total assets consisting of $44,786 in cash, $32,221 of other current assets, and $4,275,311 of net fixed assets in Georgetown 14, which includes accumulated depreciation of $2,489,670. Total assets of $4,390,591 as of December 31, 2017 consisted of $30,711 in cash, $13,981 of other current assets and $4,335,029 of net fixed assets in Georgetown 14, which includes accumulated depreciation of $2,406,378.

At March 31, 2018, the Company had $7,320,309 in total liabilities. Total liabilities include $192,034 in accounts payable, $91,069 in accrued expenses, $537,781 in accrued interest, $149,000 in advances from shareholder, $240,000 in notes payable, $1,564,271 of notes payable-related party, $116,871 of current portion of long-term debt and $4,429,283 of the long-term portion of our long-term debt.

Total liabilities at December 31, 2017 were $7,276,697, which was comprised of $252,978 in accounts payable, $95,931 in accrued expenses, $502,481 in accrued interest, $149,000 in advances from shareholder, $165,000 in notes payable, $1,557,938 of notes payable-related party, $64,164 of current portion of long-term debt and $4,489,205 of the long-term portion of our long-term debt.

Net cash used by operating activities ending March 31, 2018 was $36,469 compared to net cash used by operating activities for the three months ended March 31, 2017 of $86,013. During the three months ended March 31, 2018, $23,574 was used on investing activities, and $74,118 was provided by financing activities. For the same period in 2017, $26,994 was used in investing activities and $98,772 was provided 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 March 31, 2018. As of March 31, 2018, the stockholder's deficit is $2,957,121 compared to a deficit of $2,886,106 on December 31, 2017. 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 operations of the company demands that significant financial resources be raised to fund capital expenditures, working capital needs, and debt service. Current cash balances and the realization of accounts receivable will probably 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 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 strives to access the necessary capital to continue to run and grow the business and that these efforts will produce financing to further the growth of the Company. However 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 three-month period ending March 31, 2018 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**

| Exhibit Number | Title | Location |
|---|---|---|
| 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: May 15, 2018

*/s/ James Leigh Friedman*
James Leigh Friedman
Chief Executive Officer

**Exhibit 31.1**

# CERTIFICATION

I, James Leigh Friedman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2018 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: May 15, 2018

/s/ *James Leigh Friedman*
James Leigh Friedman
Chief Executive Officer

**Exhibit 32.1**

**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 March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Leigh Friedman, 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/ James Leigh Friedman*
James Leigh Friedman
Chief Executive Officer

May 15, 2018