

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GALAXY NEXT GENERATION, INC.

Form: 10-K/A

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Corporate Issuer CIK: 1127993

Form 10-K/A
(Amendment No.1 to Form 10-K)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 2019

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 333-51918

GALAXY NEXT GENERATION, 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.)

286 Big A Road Toccoa, Georgia 30577

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (706) 391-5030

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

(None)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

(None)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

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 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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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 Act). Yes [] No [X]

The number of shares outstanding of the issuer's Common Stock, as of September 18, 2019 was 12,968,219.

The Company has included the XBRL Interactive Data Table 101 Exhibits with this amended filing.

As required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended, new certifications by the Company's principal executive officer and principal financial officer are filed as exhibits 31.1, 31.2, 32.1 and 32.2 to this Amendment.

This Amendment speaks as of the date of the Original Filing and does not reflect any events that may have occurred after that date. Except as specifically noted above, the Amendment does not modify or update the financial results or disclosures in the Original Filing.

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ITEM 1. BUSINESS.**Corporate History, Nature of Business and Merger**

Galaxy Next Generation, Inc. ("Galaxy") is a distributor of interactive learning technology hardware and software that allows the presenter and participant to engage in a fully collaborative instructional environment. Our products include our own private-label interactive touch screen panel as well as numerous other national and international branded peripheral and communication devices. We provide a multitude of services to our customers, including installation, training, and maintenance.

In 2017, Galaxy secured a contract with a large manufacturer of interactive flat panels which would allow for a new panel to be brought to the United States market which far exceeds the current market expectations. These panels are fully connected displays that provide "tablet like" functionality for the classroom. Teachers and students can interact with content, simultaneously write and draw on the surface, or mirror classroom table activities in a fully engaged and collaborative environment. These panels are available in sizes ranging from 55" to 70" in the 1080P high definition range and from 75" to 98" for the 4K ultra high definition panel. The panels can be wall mounted in a static position or offered as either a fixed or mobile height adjustable option, all with built in speakers.

The current distribution channel consists of 30 resellers across the United States who primarily sell our product within the commercial and educational market. While we do not control where our resellers focus their efforts, based on experience, the kindergarten through 12th grade education market is the largest customer base for the product, comprising nearly 90% of all purchases. In addition, Galaxy possesses its own resell channel that sells directly to the Southeast region of the United States.

We believe the market space for interactive technology in the classroom is a perpetual highway of business opportunity. Public and private school systems are in a continuous race to modernize their learning environments. Our goal is to be an early provider of the best and most modern technology available.

We are striving to become the leader in the market for interactive flat panel technology, associated software and peripheral devices for classrooms. Our goal is to provide an intuitive system to enhance the learning environment and create easy to use technology for the teacher, increasing student engagement and achievement. Our products are developed and backed by a management team with more than 30 combined years in the classroom technology space.

On June 22, 2018, Galaxy consummated a reverse triangular merger whereby Galaxy merged with and into FullCircle Registry, Inc.'s (FLCR) newly formed subsidiary, Galaxy MS, Inc. (Galaxy MS or Merger Sub), which was formed specifically for the transaction. Under the terms of the merger, Galaxy's shareholders transferred all their outstanding shares of common stock to Galaxy MS, in return for FLCR's Series C Preferred Shares, which were equivalent to approximately 3,065,000,000 shares of the common stock of FLCR on a pre-reverse stock split basis. This represents approximately 89% of the outstanding common stock of FLCR, with the remaining 11% of common stock distributed as follows: (a) an ownership interest of seven percent (7%) to the holders of common stock, pro rata; and (b) four percent (4%) of the common stock to the holders of convertible debt, pro rata. FLCR is an over-the-counter public company traded under the stock symbol FLCR. FLCR owns Georgetown 14 Cinemas, a fourteen-theater movie complex located on approximately seven acres in Indianapolis, Indiana. Prior to the merger, its sole business and source of revenue was from the operation of the theater, and as part of the merger agreement, the parties have the right to spinout the theater to the prior shareholders of FLCR. Effective February 6, 2019, the Company sold its interest in the theater to focus its resources in its technology operations. This filing presents the full year of operations for the technology segment and approximately eight months of activity for the entertainment segment.

Business environment and trends

The educational technology market is currently experiencing substantial growth due to government mandates for improving the education results in the United States. Education, governments, corporations and individuals are recognizing the growing need to utilize technology for more effective delivery of information to educate end users. Today, most classrooms are equipped with some type of smart board technology but given the ever-changing nature of technology, previous investments are becoming obsolete. It is believed that 96% of United States classrooms have a need to update their technology.

There are approximately 132,000 primary and secondary schools and 7,000 higher education entities in the United States. The industry has several hundred technology resellers, selling a variety of products, already selling into these entities directly. Our goal is to target the resellers to gain market share growth in the education technology market.

Opportunities and plan of operations

We believe that our products, both hardware and software, and the products we intend to develop as part of our extensive product road map, positions us to be one of the leading providers of interactive educational products. We believe that the increase in consumer spending along with the ever-evolving increase in standards for curriculum are two driving focuses for the increase in the demand for interactive educational technology. Some additional factors that we believe will impact our opportunity include:

Significant resources are being devoted to primary and secondary education, both in the United States and abroad. As set forth in the Executive Office of the President, Council of Economic Advisers report, United States education expenditure (primary, secondary and post-secondary) has been estimated at approximately \$1.3 trillion, with primary and secondary education accounting for close to half (\$625 billion) of this spending. Global spending is approximated at roughly triple United States spending for primary and secondary education.

The United States primary and secondary market has always been a point of political debate and scrutiny. With American students ranking far behind other global students in international tests, the United States education system severely impairs the United States' economic, military and diplomatic security as well as broader components of America's global leadership.

The demand for Interactive Flat Panels is on the rise. With traditional interactive whiteboards having been in the market for more than fifteen years, many of these technologies are coming to a refresh period and are being replaced with the newer, more advanced interactive flat panels.

We intend to build upon our proven ability to produce and sell interactive classroom products. We have begun to implement the growth strategies described below and expect to continue to do so over the course of the next couple of upcoming years. In order to implement each goal pertaining to growth, the Company may need additional capital to implement each strategy, particularly in relation to the target acquisition(s) of complementary businesses or technologies.

We intend to grow our business by using the following methodology:

Capitalizing on market trends in the educational industry: We believe our long history of selling into the K-12 education market provides us with the expertise to continue to stay on the cutting edge of new product development and needs of the classroom teacher. We also believe our expertise in customer service and training positions us well for expected growth. We intend to build our core business by leveraging the strengths of our leadership and building out a solid team with experience and expertise in our market.

Expanding our reseller channel sales: The educational technology industry is driven a lot by relationships. We intend to continue to grow and expand our resellers in strategic geographical regions so that we are able to leverage the relationships in the local school systems within those regions.

Growth through acquisitions: We believe that the interactive and collaborative classroom has many components and moving parts. We intend to stay on the cutting edge of new products by building out our product offerings and line card through strategic acquisitions. The acquisition(s) provides us with significant opportunities to grow our business by adding complementary products to provide a whole classroom G2 experience to our customers. We intend to pursue acquisitions that provide services within our current core product offerings, extend our geographic reach and expand our product offerings.

Further developing intellectual property: We intend to build upon our success in developing original software that we own and license to other brands, and distributors globally. When we develop an original software or application, we retain the copyright and patent of that content. We will create additional revenue streams from development fees, brand license fees, distribution license fees and ancillary sources.

Expanding our geographic presence: We believe that by expanding our physical presence into select domestic and international regions, we will be better able to attract and retain clients. With a physical presence in strategic locations around the US, we believe we can provide better customer service and offer local services and training resulting in an increase in revenue for those areas.

Our current products

G2SLIM Interactive Flat Panel Displays – Our G2SLIM series of interactive LED panels are available in six sizes – 55", 65", 70", 75", 86", and 98". Each offers 4K resolution that creates images suitable for a range of classroom sizes. They also include a slot for an optional integrated PC with Windows 10. All also include embedded Android computing capability for control, applications, and annotation. G2Slim Interactive LED panels utilize infrared touch tracking technology, offering 20 points of touch for simultaneous interaction of multiple users.

G2SLIM(a) Interactive Flat Panel Displays – Our G2SLIM(a) series of Interactive LED panels follow all the same feature set as the G2Slim series. The (a) series difference is its embedded audio, G2 Spoke system, which includes an amplifier, teacher microphone, student microphone and speaker bar for front of the room projected audio.

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G2Spoke – Our G2Spoke audio system is a classroom audio amplification system that includes an audio amplifier, microphones, and speakers to enhance the audio in the classroom and improve the student's ability to hear, therefore increasing engagement.

G2Multishare – Our G2Multishare software allows for devices in the classroom to wireless connect and present to the panel. The application will support sharing up to 9 simultaneous client devices to the IFPD. The teacher or student devices can be shared, and multiple platforms are supported including; Android, Chromebook, Windows, Mac, and iOS.

G2Overlay – G2Overlay is a control application that gives the user the ability to annotate on the Interactive Flat Panel no matter the input or source being presented. Overlay acts as a control center for the user to quickly access tools and change between apps on the IFPD screen.

G2Accessories – Our product line also includes an accessory portion. These accessories include optional integrated PCs, mobile stands, height adjustable wall mounts, and other cable and installation products.

Logistics and suppliers

Logistics is currently provided by our Toccoa, Georgia facility and multiple import and freight carriers throughout the US. These partners allow the Company to provide affordable freight routes and shorter delivery times to our customers. The Company's suppliers for ODM and OEM are located in the USA, China, and Korea.

Technical support and service

The Company currently has its technical support and service centers located in Toccoa, Georgia. The Company's technical support division is responsible for the repair and management of customer service cases.

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Sales and marketing

Our sales force consists of two regional account managers in the United States. Our marketing team consists of one Director of Marketing and Brand Strategy. The marketing and sales team drive sales of the entire product line. We also go to market through an indirect channel and use traditional value-added resellers. We support them and train them on the products. We currently have approximately 30 resellers.

Competition

The interactive education industry is highly competitive and has frequent product introductions and quick technological advances. With less barriers on the school technology entry, we face heated competition from other interactive panel developers, manufacturers and distributors. We compete with other developers, manufacturers and distributors of interactive panels and personal computer technologies, tablets, television screens, smart phones, such as Smart Technologies, Promethean, Boxlight Inc, Dell Computers, Samsung, Panasonic and ClearTouch.

Employees

As of June 30, 2019, we had approximately twelve employees, of whom two are executives, three employees are engaged in product development, engineering and research and development, two employees are engaged in sales and marketing, three employees are engaged in administrative and clerical services and two employees are engaged in service and training. In addition, approximately five individuals provide consulting services as independent contractors.

None of our employees are represented by labor organizations. We consider our relationship with our employees to be excellent.

Finances

The Company continues to grow and as such has incurred a financial loss for the year due to operating cost and expenses. We have put a lot of effort into marketing and branding in this past fiscal year in an effort to grow our recognition within the educational technology industry. The Company monitors the financial liabilities very closely.

The Company has recently entered into an agreement with Maxim Group for investment banking services.

The Company knows that additional capital is needed to grow the revenue at the rate the market is trending and hopes to bring additional investors and shareholders into the Company. If we are successful in raising additional capital, those funds will be used for Company expansion using a M&A strategy, as well as, internally by building out the Company's sales force and improving its marketing efforts.

ITEM 1A. RISK FACTORS.

Not applicable

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

As of June 30, 2019, we maintained the following operating facilities:

Location	Description	Owned / Leased	Approx. Sq. Ft.
Toccoa, Georgia	Corporate office	Leased (1)	10,500

(1) The lease on this property is with a family member of the majority shareholder. Refer to the financial statements and notes thereto included elsewhere in this Form 10-K.

In the opinion of management of the Company, its property is adequate for its present needs. We do not anticipate difficulty in renewing the existing lease as it expires or in finding alternative facilities if necessary. We believe all of our assets are adequately covered by insurance.

ITEM 3. LEGAL PROCEEDINGS.

The Company is currently unaware of any pending claims that have arisen in the ordinary course of business. Management believes if any claims were made, they would not have a material adverse effect on the financial position, results of operations, or cash flows if adversely resolved.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

As of June 30, 2019, our common stock trades on the OTCQB under the trading symbol GAXY.

The following table sets forth, for the periods indicated, the high and low closing prices as reported by OTCQB for our common stock for the year ended June 30, 2019 and the three months ended June 30, 2018. The OTCQB quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

<u>Year ended June 30, 2019</u>	<u>High</u>	<u>Low</u>
First Quarter	\$75.874	\$1.0839
Second Quarter	\$5.8400	\$2.0500
Third Quarter	\$3.9900	\$1.3200
Fourth Quarter	\$2.9000	\$0.8809
<u>Three Months Ended June 30, 2018</u>		
Fourth Quarter	\$0.007	\$0.0021

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. The payment of dividends, if any, in the future is within the discretion of our Board of Directors and will depend on our earnings, capital requirements, financial condition, and other relevant facts. We currently intend to retain all future earnings, if any, to finance the development and growth of our business.

The number of record holders of our common stock at June 30, 2019 was approximately 342.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto and the other financial data appearing elsewhere in this Form 10-K.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis discusses our financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates and judgments on historical experience and on various other factors that are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue recognition

Theatre Ticket Sales and Concessions

Revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit card at the point of sale. (See "Sale of FLCE".)

Interactive Panels and Related Products

The Company derives revenue from the sale of interactive panels and other related products. Sales of these panels may also include optional equipment, accessories and services (installation, training and other services, including maintenance services and/or an extended warranty). Product sales and installation revenue are recognized when all of the following criteria have been met: (1) products have been shipped or customers have purchased and accepted title to the goods; service revenue for installation of products sold is recognized as the installation services are performed, (2) persuasive evidence of an arrangement exists, (3) the price to the customer is fixed, and (4) collectability is reasonably assured.

Deferred revenue consists of customer deposits and advance billings of the Company's products where sales have not yet been recognized. Shipping and handling costs billed to customers are included in revenue in the accompanying statements of operations. Costs incurred by the Company associated with shipping and handling are included in cost of sales in the accompanying statements of operations. Sales are recorded net of sales returns and discounts, and sales are presented net of sales-related taxes.

Because of the nature and quality of the Company's products, the Company provides for the estimated costs of warranties at the time revenue is recognized for a period of five years after purchase as a secondary warranty. The manufacturer also provides a warranty against certain manufacturing and other defects. As of the year ended June 30, 2019 and the three months ended June 30, 2018, the Company accrued \$82,350 and \$1,350, respectively, for estimated product warranty claims, which is included in accrued expenses in the accompanying balance sheets. The accrued warranty costs are based primarily on historical experience of actual warranty claims as well as current repair costs. The Company recognized \$87,374 of product warranty expense related to warranty claims during the year ended June 30, 2019 and \$1,350 of warranty expense for the three months ended June 30, 2018.

Product sales resulting from fixed-price contracts involve a signed contract for a fixed price or a binding purchase order to provide the Company's interactive panels and accessories. Contract arrangements exclude a right of return for delivered items. Product sales resulting from fixed-price contracts are generated from multiple-element arrangements that require separate units of accounting and estimates regarding the fair value of individual elements. The Company has determined that its multiple-element arrangements that qualify as separate units of accounting are (1) product sales and (2) installation and related services. There is objective and reliable evidence of fair value for both the product sales and installation services and allocation of arrangement consideration for each of these units is based on their relative fair values. Each of these elements represent individual units of accounting, as the delivered item has value to a customer on a stand-alone basis. The Company's products can be sold on a stand-alone basis to customers which provides objective evidence of the fair value of the product portion of the multi-element contract, and thus represents the Company's best estimate of selling price.

The fair value of installation services is separately calculated using expected costs of installation services. Many times the value of installation services is calculated using price quotations from subcontractors to the Company who perform installation services on a stand-alone basis.

The Company sells equipment with embedded software to its customers. The embedded software is not sold separately, and it is not a significant focus of the Company's marketing effort. The Company does not provide post-contract customer support specific to the software or incur significant costs that are within the scope of Financial Accounting Standards Board ("FASB") guidance on accounting for software to be leased or sold. Additionally, the functionality that the software provides is marketed as part of the overall product. The software embedded in the equipment is incidental to the equipment as a whole.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). This update outlines a new comprehensive revenue recognition model that supersedes most current revenue recognition guidance and requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The FASB has issued several updates and/or practical expedients to ASU 2014-09.

ASU 2014-09 provides two methods of adopting the standard: using either a full retrospective approach or modified retrospective approach. The Company elected the modified retrospective approach of adopting the standard. The standard impacted the timing and classification of revenues and related expenses in the following key areas:

First, under ASU 2014-09, the Company records internet movie ticketing surcharge fees based on the gross transaction price. Previously, the Company recorded such fees net of third-party commission or service fees. This change increased operating revenues and operating expenses, but had no material impact on net income or cash flows from operations.

With respect to other areas impacted by ASC 606 such as the change of accounting for non-redeemed exchange tickets using the proportional method versus the remote method, there was no material impact on net income or cash flows from operations.

Stock Compensation

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718) Scope of Modification Accounting (ASU 2017-09). The ASU provides guidance on the various types of changes which would trigger modification accounting for share-based payment awards. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company adopted this guidance in fiscal year 2019. There was no significant impact on the Company's statements of operations.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets, and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. Determining the fair value of assets acquired and liabilities assumed involves the use of significant estimates and assumptions.

Concurrent with the reverse triangular merger, the Company elected to apply pushdown accounting. Pushdown accounting refers to the use of the acquirer's basis in the preparation of the acquiree's separate financial statements as the new basis of accounting for the acquiree.

Goodwill

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This ASU is effective for interim periods and fiscal years beginning after December 15, 2019, and early adoption is permitted. The Company adopted this guidance in fiscal year 2018. There was no impairment of goodwill at June 30, 2019 and 2018.

Product Warranty

We generally warrant our products against certain manufacturing and other defects. These product warranties are provided for specific periods of time, depending on the nature of the product, the geographic location of its sales and other factors. At June 30, 2019 and 2018, we accrued \$82,350 and \$1,350, respectively, for estimated product warranty claims. The accrued warranty costs are based primarily on historical experience of actual warranty claims as well as current information on repair costs. The Company recognized \$87,374 of product warranty expense for the year ended June 30, 2019 and \$1,350 of warranty expense during the three months ended June 30, 2018.

Derivative Liabilities

The Company generally does not use derivative financial instruments to hedge exposures to cash flow or market risks. However, certain other financial instruments, such as warrants and embedded conversion features on convertible debt, are classified as derivative liabilities due to protection provisions within the agreements. Such financial instruments are initially recorded at fair value using the Monte Carlo model and subsequently adjusted to fair value at the close of each reporting period. The Company accounts for derivative instruments and debt instruments in accordance with ASC 815, ASU 2017-11, and associated pronouncements related to the classification and measurement of warrants and instruments with conversion features.

Recent Accounting Pronouncements Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases. This ASU is intended to improve the reporting of leasing transactions to provide users of financial statements with more decision-useful information. This ASU will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, using a modified retrospective approach. Early adoption is permitted. The Company is evaluating the potential impact that adoption will have on its financial statements and related disclosures.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

Revenue*Technology:*

Revenues recognized were \$1,292,353 for the year ended June 30, 2019. Additionally, deferred revenue amounted to \$247,007 as of June 30, 2019. Revenues increased from the three months ending June 30, 2018, because this was the first complete year of operations.

Theater:

Revenues were \$589,705 for the period from July 1, 2018 through February 6, 2019. Revenues fluctuate based on attendance by customers which fluctuates based on viewing options, however, the increase as compared to the three months ending June 30, 2018 is because this was approximately an eight month period operations. See Sale of FLCE.

Cost of Revenue and Gross Profit Summary

Technology:

Our cost of revenue was \$1,545,093 for the year ended June 30, 2019 consisting primarily of manufacturing, freight, warranty and installation costs. There are no significant overhead costs which impact cost of revenue.

Our gross margin percentage was -19.6% for the year ended June 30, 2019.

Theater:

Our cost of revenue was \$221,238 for the period from July 1, 2018 through February 6, 2019. Cost of revenues represent film rental costs and concession food costs primarily.

Our gross margin percentage was 62.5% for the period from July 1, 2018 through February 6, 2019. See Sale of FLCE.

Operating Expenses Summary

Technology

Sales and Marketing

Sales and marketing expenses were \$42,991 for the year ended June 30, 2019. Such expenses consist primarily of advertising expenses and presentations at technology trade shows and are included in total general and administrative expenses. The Company is making efforts to develop new technology and to market that technology through advertising.

General and Administrative

General and administrative expenses were \$5,408,917 for the year ended June 30, 2019 consisting primarily of salary expense, office rent, insurance premiums, and professional fees. Of this amount, \$2,416,934 of consulting fees and employee compensation were paid through the issue of stock, which did not impact the Company's cash.

Interest Expense

Interest expenses amounted to \$292,391 for the year ended June 30, 2019. During the year ended June 30, 2019, the Company amortized \$89,279 of debt discounts to interest expense. Significant noncash transactions involving interest expense during the year ended June 30, 2019 included prepayment penalty interest of \$134,461 due to the advance repayment of two convertible notes.

During the year ended June 30, 2019, the Company amortized \$644,055 of original issue discount on derivative instruments to interest accretion.

Other Income and Expense

The outstanding warrants and conversion features in convertible notes meet the definition of a derivative liability instrument because the exercise price of the warrants and the conversion rates are variable. As a result, the outstanding warrants and conversion features of the notes are recorded as a derivative liability at fair value and marked-to-market each period with the changes in fair value charged or credited to income. A derivative liability of \$1,025,944 is recorded at June 30, 2019 and a change in fair value of the derivative warrant liability from inception to June 30, 2019 of \$89,198 was incurred. In addition, the initial fair value of the derivative instruments was accreted by \$644,055 during the year ended June 30, 2019. These amounts do not impact cash.

Net Loss for the Period

As a result of the foregoing, net loss incurred for the period ended June 30, 2019 was \$6,629,669.

General and Administrative

General and administrative expenses for the period from July 1, 2018 through February 6, 2019 was \$427,620 and was made up primarily of salary expense, general overhead, depreciation and professional fees.

Interest Expense

Interest expense was \$41,460 for the period from July 1, 2018 through February 6, 2019 and is primarily related to the mortgage on the theater building.

Net Loss for the Period

As a result of the foregoing, net loss for the period from July 1, 2018 through February 6, 2019 was \$33,448.

Liquidity and Capital Resources

Consolidated and Combined

The Company's cash totaled \$169,430 at June 30, 2019, as compared with \$184,255 at June 30, 2018, a decrease of \$14,825. Net cash of \$3,907,348 was used by operations for the year ended June 30, 2019. Net cash of \$3,892,523 was provided from financing activities which was primarily derived from proceeds from convertible notes payable and the issuance of common stock as part of the private placement.

Total current liabilities were \$6,395,904 which primarily consists of a line of credit, convertible notes payable, derivative liability, accrued expenses and accounts payable.

To implement our business plan, we may require additional financing. Additional financing may come from future equity or debt offerings that could result in dilution to our stockholders. Further, current adverse capital and credit market conditions could limit our access to capital. We may be unable to raise capital or bear an unattractive cost of capital that could reduce our financial flexibility.

Our long-term liquidity requirements will depend on many factors, including the rate at which we grow our business and footprint in the industries. To the extent that the funds generated from operations are insufficient to fund our activities in the long term, we may be required to raise additional funds through public or private financing. No assurance can be given that additional financing will be available or that, if it is available, it will be on terms acceptable to us.

Off-Balance Sheet Arrangements

Other than office lease commitments discussed in Note 6 and commitments discussed in Note 7 to our financial statements, we do not have any off-balance sheet arrangements.

Sale of FLCE

On February 6, 2019 the Company sold its wholly owned subsidiary FullCircle Entertainment, Inc. ("FLCE"). FLCE operated a movie theater in Indianapolis, Indiana. The operations of FLCE were accounted for as a separate segment from the other operations of the Company as described herein. As a result of the sale, the Company no longer has separate segments to account for.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

Consolidated Financial Statements
June 30, 2019 and 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Galaxy Next Generation, Inc.
Toccoa, Georgia

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Galaxy Next Generation, Inc. (the "Company") as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the year ended June 30, 2019 and three month period ended June 30, 2018 and the related consolidated notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2019 and June 30, 2018, and the results of their operations and their cash flows for the year ended June 30, 2019 and three month period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 15 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2018.

Somerset CPAs PC
Indianapolis, Indiana
September 30, 2019

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GALAXY NEXT GENERATION, INC.
Consolidated Balance Sheets
June 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash	\$ 169,430	\$ 184,255
Accounts receivable, net	15,297	341,726
Accounts receivable - unbilled	247,007	-
Inventories, net	648,715	586,764
Prepaid and other current assets	20,898	2,764
Total Current Assets	1,101,347	1,115,509
Property and Equipment, net (Note 2)	26,765	4,254,451
Other Assets		
Goodwill (Note 11)	834,220	892,312
Other assets (Note 11)	-	1,522,714
Total Other Assets	834,220	2,415,026
Total Assets	\$ 1,962,332	\$ 7,784,986
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Line of credit (Note 3)	\$ 1,230,550	\$ 547,603
Convertible notes payable, net of discount (Note 4)	2,124,824	-
Derivative liability, convertible debt features and warrants	1,025,944	-
Current portion of long term notes payable (Note 4)	279,346	362,181
Accounts payable	690,882	771,080
Accrued expenses	597,351	146,978
Advances from stockholders (Note 5)	-	260,173
Deferred revenue	247,007	219,820
Short term notes payable - (Note 4)	-	165,000
Short term notes payable - related party (Note 5)	200,000	485,534
Total Current Liabilities	6,395,904	2,958,369
Noncurrent Liabilities		
Noncurrent portion of accounts payable	174,703	-
Notes payable, less current portion (Note 4)	1,607	4,524,347
Total Liabilities	6,572,214	7,482,716
Stockholders' Equity (Deficit) (Notes 1, 7, and 11)		
Common stock	1,072	965
Additional paid-in capital	4,859,731	3,108,873
Accumulated deficit	(9,470,685)	(2,807,568)
Total Stockholders' Equity (Deficit)	(4,609,882)	302,270
Total Liabilities and Stockholders' Equity (Deficit)	\$ 1,962,332	\$ 7,784,986

See accompanying notes to the consolidated financial statements

GALAXY NEXT GENERATION, INC.
Consolidated Statements of Operations
For the Year Ended June 30, 2019 and Three Months Ended June 30, 2018

	2019	2018
Revenues		
Technology interactive panels and related products	\$ 1,265,786	\$ 161,927
Entertainment theater ticket sales and concessions	589,705	34,946
Technology office supplies	26,567	10,827
 Total Revenues	 1,882,058	 207,700
Cost of Sales		
Technology interactive panels and related products	1,545,093	171,304
Entertainment theater ticket sales and concessions	221,238	6,804
 Total Cost of Sales	 1,766,331	 178,108
Gross Profit	115,727	29,592
General and Administrative Expenses		
Stock compensation and stock issued for services	2,416,934	645,200
General and administrative	3,421,336	726,328
 Loss from Operations	 (5,722,543)	 (1,341,936)
Other Income (Expense)		
Other income	126,530	4,937
Expenses related to convertible notes payable:		
Change in fair value of derivative liability	(89,198)	-
Interest accretion	(644,055)	-
Interest expense	(333,851)	(33,124)
 Total Other Income (Expense)	 (940,574)	 (28,187)
Net Loss before Income Taxes	(6,663,117)	(1,370,123)
Income taxes (Note 8)	-	-
 Net Loss	 <u>\$(6,663,117)</u>	 <u>\$(1,370,123)</u>
 Net Basic and Fully Diluted Loss Per Share	 <u>\$ (0.658)</u>	 <u>\$ (0.155)</u>
Weighted average common shares outstanding		
Basic and fully diluted	<u>10,128,435</u>	<u>8,864,480</u>
 Fully diluted	<u>10,518,750</u>	<u>8,864,480</u>

See accompanying notes to the consolidated financial statements

GALAXY NEXT GENERATION, INC.
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
For the Year Ended June 30, 2019 and Three Months Ended June 30, 2018

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity (Deficit)
Balance, March 31, 2018	8,572,233	\$ 600	\$ 104,226	\$ (1,437,445)	\$ (1,332,619)
Common stock issued for services in April and May 2018 (Notes 7 and 10)	100	-	70,000	-	70,000
Common stock issued as part of the private placement from April to June 2018 (Note 7)	1,954	-	1,367,500	-	1,367,500
Common stock issued for employee services in May 2018 (Note 7)	822	-	575,200	-	575,200
Common stock issued in exchange for debt reduction in June 2018 (Note 7)	143	-	100,000	-	100,000
Issuance of common stock to FullCircle Registry, Inc. common stockholders in connection with acquisition in June 2018 (Note 11)	687,630	232	567,603	-	567,835
Issuance of common stock to FullCircle Registry, Inc. convertible debt holders in connection with acquisition in June 2018 (Note 11)	392,931	133	324,344	-	324,477
Consolidated net loss	-	-	-	(1,370,123)	(1,370,123)
Balance, June 30, 2018	9,655,813	965	3,108,873	(2,807,568)	302,270
Common stock issued as part of the private placement in September 2018	182,255	-	637,000	-	637,000
Common stock issued for warrants for services and convertible debt in January 2019	242,271	24	591,859	-	591,883
Common stock issued for warrants for services and convertible debt in February 2019	150,000	15	370,485	-	370,500
Non-cash consideration for net assets of Entertainment in February 2019	-	(4)	(92,696)	-	(92,700)
Sale of net assets to FCLR in February 2019	-	-	(1,511,844)	-	(1,511,844)
Common stock issued for warrants for services in March 2019	100,000	10	219,990	-	220,000
Common stock issued for services in May 2019	62,790	7	128,085	-	128,092
Common stock issued for cashless exercise of warrant in May 2019	381,944	-	-	-	-
Settlement of conversion features and warrants in April and May 2019	-	-	301,575	-	301,575
Common Stock issued under Stock Plan in May 2019	450,000	45	854,955	-	855,000
Common stock issued for services in June 2019	33,828	4	90,655	-	90,659
Common stock issued under Stock Plan in June 2019	60,000	6	160,794	-	160,800
Consolidated net loss	-	-	-	(6,663,117)	(6,663,117)
Balance, June 30, 2019	<u>11,318,901</u>	<u>\$ 1,072</u>	<u>\$ 4,859,731</u>	<u>\$ (9,470,685)</u>	<u>\$ (4,609,882)</u>

See accompanying notes to the consolidated financial statements

GALAXY NEXT GENERATION, INC.
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2019 and Three Months Ended June 30, 2018

	2019	2018
Cash Flows from Operating Activities		
Net loss	\$ (6,663,117)	\$ (1,370,123)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	221,260	5,222
Amortization of convertible debt discounts	89,279	-
Accretion and settlement of financing instruments and change in fair value of derivative liability	733,258	-
Gain on sale of Entertainment (Note 11)	(60,688)	-
Stock compensation and stock issued for services	2,417,041	645,200
Changes in assets and liabilities:		
Accounts receivable	74,922	(290,402)
Inventories	(67,561)	(225,398)
Prepaid expenses and other assets (Note 11)	(1,566,268)	11,545
Accounts payable	175,021	(100,880)
Accrued expenses	712,318	(38,902)
Deferred revenue	27,187	219,820
Net cash used in operating activities	(3,907,348)	(1,143,918)
Cash Flows from Investing Activities		
Acquisition of net assets (Note 11)	-	22,205
Cash Flows from Financing Activities		
Proceeds from line of credit, net	682,947	19,000
Proceeds from convertible notes payable	2,495,235	-
Principal payments on capital lease obligations	(11,486)	(8,722)
Payments on advances from shareholders, net	(111,173)	(88,436)
Proceeds from issuance of common stock (Note 7)	637,000	1,367,500
Proceeds from notes payable	-	6,150
Proceeds from notes payable - related parties	200,000	-
Net cash provided by financing activities	3,892,523	1,295,492
Net (Decrease) Increase in Cash and Cash Equivalents	(14,825)	173,779
Cash, Beginning of Period	184,255	10,476
Cash, End of Period	\$ 169,430	\$ 184,255
Supplemental and Non Cash Disclosures		
Non-cash consideration for sale of Entertainment	<u>\$ 92,700</u>	<u>\$ -</u>
Non-cash payments from proceeds of convertible debt for interest and fees	<u>\$ 134,461</u>	<u>\$ -</u>
Non-cash principal payments from proceeds of convertible debt	<u>\$ 602,024</u>	<u>\$ -</u>
Accretion of discount on convertible notes payable	<u>\$ 644,055</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 402,903</u>	<u>\$ 33,124</u>
Reduction of note payable in exchange for common stock (Note 4)	<u>\$ -</u>	<u>\$ 100,000</u>
Sale of Entertainment	<u>\$ 1,511,844</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements

Corporate History, Nature of Business and Mergers

Galaxy Next Generation LTD CO. ("Galaxy CO") was organized in the state of Georgia in February 2017 while R & G Sales, Inc. ("R&G") was organized in the state of Georgia in August 2004. Galaxy CO merged with R&G ("common controlled merger") on March 16, 2018, with R&G becoming the surviving company. R&G subsequently changed its name to Galaxy Next Generation, Inc. ("Galaxy").

FullCircle Registry, Inc., ("FLCR") is a holding company created for the purpose of acquiring small profitable businesses to provide exit plans for those company's owners. FLCR's subsidiary, FullCircle Entertainment, Inc. ("Entertainment" or "FLCE"), owns and operates Georgetown 14 Cinemas, a fourteen-theater movie complex located in Indianapolis, Indiana.

On June 22, 2018, Galaxy consummated a reverse triangular merger whereby Galaxy merged with and into Full Circle Registry, Inc.'s (FLCR) newly formed subsidiary - formed specifically for the transaction (Galaxy MS). The merger resulted in Galaxy MS becoming a wholly-owned subsidiary of FLCR. For accounting purposes, the acquisition of Galaxy by FLCR is considered a reverse acquisition, an acquisition transaction where the acquired company, Galaxy, is considered the acquirer for accounting purposes, notwithstanding the form of the transaction. The primary reason the transaction is being treated as a purchase by Galaxy rather than a purchase by FLCR is that FLCR is a public reporting company, and Galaxy's stockholders gained majority control of the outstanding voting power of FLCR's equity securities. Consequently, the assets and liabilities and the operations that are reflected in the historical financial statements of the Company prior to the merger are those of Galaxy. The financial statements after the completion of the merger include the combined assets and liabilities of the combined company (collectively Galaxy Next Generation, Inc., Full Circle Registry, Inc. and FullCircle Entertainment, Inc., or "the Company").

In recognition of Galaxy's merger with FLCR, several things occurred: (1) FLCR amended its articles of incorporation to change its name from FullCircle Registry, Inc. to Galaxy Next Generation, Inc.; (2) Galaxy and FLCR changed its fiscal year end to June 30, effective June 2018; (3) FLCR authorized shares of preferred stock were increased to 200,000,000 and authorized shares of common stock were increased to 4,000,000,000, (prior to the Reverse Stock Split) both with a par value of \$0.0001; and (4) the Board of Directors and Executive Officers approved Gary LeCroy, President and Director; Magen McGahee, Secretary and Director; and Carl Austin, Director; and (5) the primary business operated by the combined company became the business that was operated by Galaxy.

Corporate History, Nature of Business and Mergers (Continued)

Galaxy is a manufacturer and U.S. distributor of interactive learning technology hardware and software that allows the presenter and participant to engage in a fully collaborative instructional environment. Galaxy's products include Galaxy's own private-label interactive touch screen panel as well as numerous other national and international branded peripheral and communication devices. New technologies like Galaxy's own touchscreen panels are sold along with renowned brands such as Google Chromebooks, Microsoft Surface Tablets, Lenovo & Acer computers, Verizon WiFi and more. Galaxy's distribution channel consists of approximately 30 resellers across the U.S. who primarily sell its products within the commercial and educational market. Galaxy does not control where the resellers focus their resell efforts; however, the K-12 education market is the largest customer base for Galaxy products comprising nearly 90% of Galaxy's sales. In addition, Galaxy also possesses its own reseller channel where it sells directly to the K-12 market, primarily throughout the Southeast region of the United States.

As disclosed in Note 11, the Entertainment segment was sold on February 6, 2019 in exchange for 38,625 Galaxy common shares.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Any reference in these footnotes to applicable guidance is meant to refer to the authoritative U.S. generally accepted accounting principles ("GAAP") as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

Due to the change in year-end, the Company's fiscal year 2018 was shortened from 12 months to 3 months and ended on June 30, 2018. Further, the financial statements as of June 30, 2019 and 2018 represent the financial information of the Company subsequent to the acquisition. All intercompany transactions and accounts have been eliminated in the consolidation.

The Company's financial reporting segments are Technology (reflecting the operations of Galaxy) and Entertainment (reflecting the operations of the movie theater). The Company is an over-the-counter public company traded under the stock symbol listing GAXY (formerly FLCR).

Segment Reporting

With the reverse merger between Galaxy and FLCR on June 22, 2018, the Company identified two reportable segments: Technology and Entertainment. Segment determination is based on the internal organization structure, management of operations and performance evaluation by management and the Company's Board of Directors. Separate management of each segment is required because each business unit is subject to different operational issues and strategies.

The Technology segment sells interactive learning technology hardware and software that allows the presenter and participant to engage in a fully collaborative instructional environment. Galaxy's products include Galaxy's own private-label interactive touch screen panel as well as numerous other national and international branded peripheral and communication devices.

The Entertainment segment owns and operates Georgetown 14 Cinemas, a fourteen-theater movie complex located in Indianapolis, Indiana. Entertainment generates revenues from movie ticket sales and concessions. As part of the merger agreement, the parties have the right to spinout the Entertainment segment to the prior shareholders of FLCR. Management plans to focus on its primary business plan, which is Galaxy. As disclosed in Note 11, the Entertainment segment was sold to an entity with a common board member on February 6, 2019.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing the consolidated financial statements include those assumed in computing the allowance for doubtful accounts, inventory reserves, product warranty liabilities, valuation of goodwill, valuation of convertible notes payable and related warrants, and the valuation of deferred tax assets. It is reasonably possible that the significant estimates used will change within the next year.

Note 1 - Summary of Significant Accounting Policies (Continued)**Capital Structure**

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

	June 30, 2019			
	Authorized	Issued	Outstanding	
Common stock	4,000,000,000	11,318,901	11,280,276	\$.0001 par value, one vote per share
Preferred stock	200,000,000	-	-	\$.0001 par value, one vote per share
Preferred stock - Class A	750,000	-	-	\$.0001 par value; no voting rights
Preferred stock - Class B	1,000,000	-	-	Voting rights of 10 votes for 1 Preferred B share; 2% preferred dividend payable annually
Preferred stock - Class C	9,000,000	-	-	\$.0001 par value; 500 votes per share, convertible to common stock
	June 30, 2018			
	Authorized	Issued	Outstanding	
Common stock	4,000,000,000	9,655,813	9,655,813	\$.0001 par value, one vote per share
Preferred stock	200,000,000	-	-	\$.0001 par value, one vote per share
Preferred stock - Class A	750,000	-	-	\$.0001 par value; no voting rights
Preferred stock - Class B	1,000,000	-	-	Voting rights of 10 votes for 1 Preferred B share; 2% preferred dividend payable annually
Preferred stock - Class C	9,000,000	-	-	\$.0001 par value; 500 votes per share, convertible to common stock

There is no publicly traded market for the preferred shares.

There are 102,023,065 common shares reserved at June 30, 2019 under terms of the convertible debt agreements and Stock Plan (see Notes 4 and 13).

There are 8,945,393 issued common shares that are restricted as of June 30, 2019. The shares will become free-trading upon satisfaction of certain terms within the convertible debt agreements.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets, and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. Determining the fair value of assets acquired and liabilities assumed involves the use of significant estimates and assumptions.

Concurrent with the reverse triangular merger, the Company applied pushdown accounting. Pushdown accounting refers to the use of the acquirer's basis in the preparation of the acquiree's separate financial statements as the new basis of accounting for the acquiree. See Note 11 for a discussion of the merger and the related impact on the Company's consolidated financial statements.

Revenue Recognition

Technology Interactive Panels and Related Products

The Company derives revenue from the sale of interactive panels and other related products. Sales of these panels may also include optional equipment, accessories and services (installation, training and other services, maintenance and warranty services). Product sales and installation revenue are recognized when all of the following criteria have been met: (1) products have been shipped or customers have purchased and accepted title to the goods; service revenue for installation of products sold is recognized as the installation services are performed, (2) persuasive evidence of an arrangement exists, (3) the price to the customer is fixed, and (4) collectability is reasonably assured.

Deferred revenue consists of customer deposits and advance billings of the Company's products where sales have not yet been recognized. Shipping and handling costs billed to customers are included in revenue in the accompanying statements of operations. Costs incurred by the Company associated with shipping and handling are included in cost of sales in the accompanying statements of operations. Sales are recorded net of sales returns and discounts, and sales are presented net of sales-related taxes.

Because of the nature and quality of the Company's products, the Company provides for the estimated costs of warranties at the time revenue is recognized for a period of five years after purchase as a secondary warranty. The manufacturer also provides a warranty against certain manufacturing and other defects. As of June 30, 2019 and 2018, the Company accrued \$82,350 and \$1,350, respectively, for estimated product warranty claims, which is included in accrued expenses in the accompanying consolidated balance sheets. The accrued warranty costs are based primarily on historical warranty claims as well as current repair costs. There was \$87,374 and \$1,350 of warranty expenses for the year ended June 30, 2019 and the three months ended June 30, 2018, respectively.

Revenue Recognition (Continued)

The Company is negotiating a warranty settlement with one of its manufacturers. At June 30, 2019, the Company accrued \$209,316 payable to this manufacturer to be paid over 24 months.

Product sales resulting from fixed-price contracts involve a signed contract for a fixed price or a binding purchase order to provide the Company's interactive panels and accessories. Contract arrangements exclude a right of return for delivered items. Product sales resulting from fixed-price contracts are generated from multiple-element arrangements that require separate units of accounting and estimates regarding the fair value of individual elements. The Company has determined that its multiple-element arrangements that qualify as separate units of accounting are (1) product sales and (2) installation and related services. There is objective and reliable evidence of fair value for both the product sales and installation services and allocation of arrangement consideration for each of these units is based on their relative fair values. Each of these elements represent individual units of accounting, as the delivered item has value to a customer on a stand-alone basis. The Company's products can be sold on a stand-alone basis to customers which provides objective evidence of the fair value of the product portion of the multi-element contract, and thus represents the Company's best estimate of selling price.

The fair value of installation services is separately calculated using expected costs of installation services. Many times, the value of installation services is calculated using price quotations from subcontractors to the Company who perform installation services on a stand-alone basis.

The Company sells equipment with embedded software to its customers. The embedded software is not sold separately, and it is not a significant focus of the Company's marketing efforts. The Company does not provide post-contract customer support specific to the software or incur significant costs that are within the scope of FASB guidance on accounting for software to be leased or sold. Additionally, the functionality that the software provides is marketed as part of the overall product. The software embedded in the equipment is incidental to the equipment as a whole.

Entertainment Theater Ticket Sales and Concessions

Revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit card at the point of sale.

Cash and Cash Equivalents

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.

From time to time, the Company has on deposit, in institutions whose accounts are insured by the Federal Deposit Insurance Corporation, funds in excess of the insured maximum. The at-risk amount is subject to significant fluctuation daily throughout the year. The Company has never experienced any losses related to these balances, and as such, the Company does not believe it is exposed to any significant risk.

Accounts Receivable

The Company reports accounts receivable at invoiced amounts less an allowance for doubtful accounts. Interest is not charged on past due accounts. Management reviews each receivable balance and estimates that portion, if any, of the balance that will not be collected. The carrying amount of the accounts receivable is then reduced by an allowance based on management's estimate. Management deemed no allowance for doubtful accounts was necessary at June 30, 2019 and 2018. At June 30, 2019, \$247,007 of total accounts receivable were considered unbilled and recorded as deferred revenue. There were no amounts considered unbilled at June 30, 2018.

Inventories

Inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) method of accounting. All inventory at June 30, 2019 and 2018, represents goods available for sale. Galaxy inventory is mostly comprised of interactive panels and accessories while FLCE inventory consists of concession inventory such as popcorn, soft drinks, and candy. Management estimates \$20,000 and \$0 of obsolete or slow-moving inventory reserves at June 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Property and Equipment (Continued)

Property and equipment at June 30, 2019 and the estimated useful lives used in computing depreciation, are as follows:

Furniture and fixtures	5 years
Equipment	5 years
Vehicles	5 years

Property and equipment at June 30, 2018, and the estimated useful lives used in computing depreciation, are as follows:

Building	40 years
Building improvements	8 years
Vehicles	5 years
Equipment	5 – 8 years
Furniture and fixtures	5 years

Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was \$221,260 and \$5,222 for the year ended June 30, 2019 and the three months ended June 30, 2018, respectively.

Long-lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

Goodwill

Goodwill is not amortized, but is reviewed for impairment at least annually, or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding indicators of potential impairment are based on market conditions and operational performance of the business.

At each fiscal year-end, the Company performs an impairment analysis of goodwill. The Company may assess its goodwill for impairment initially using a qualitative approach to determine whether conditions exist to indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. If management concludes, based on its assessment of relevant events, facts and circumstances that it is more likely than not that a reporting unit's carrying value is greater than its fair value, then a goodwill impairment charge is recognized for the amount in excess, not to exceed the total amount of goodwill allocated to that reporting unit.

Goodwill (Continued)

If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and no further testing is required. If determined to be impaired, an impairment charge is recorded as a general and administrative expense within the Company's consolidated statement of operations.

Distinguishing Liabilities from Equity

The Company relies on the guidance provided by ASC Topic 480, Distinguishing Liabilities from Equity, to classify certain convertible instruments. The Company first determines whether a financial instrument should be classified as a liability. The Company determines a liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

If the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company determines temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Initial Measurement

The Company records financial instruments classified as liability, temporary equity or permanent equity at issuance at the fair value, or cash received.

Subsequent Measurement – Financial Instruments Classified as Liabilities

The Company records the fair value of financial instruments classified as liabilities at each subsequent measurement date.

The changes in fair value of financial instruments classified as liabilities are recorded as other income (expense).

Income Taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss from the current year and any adjustment to income taxes payable related to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or subsequently enacted by the year-end date.

Income Taxes (Continued)

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be utilized.

Research and Development

The Company accounts for research and development (R&D) costs in accordance with the Research and Development topic of the ASC. Under the Research and Development topic of the ASC, all R&D costs must be charged to expense as incurred. Accordingly, internal R&D costs are expensed as incurred. Third-party R&D costs are expensed when the contracted work has been performed.

Stock-based Compensation

The Company records stock-based compensation in accordance with the provisions set forth in ASC 718, Stock Compensation, using the modified prospective method. ASC 718 requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards. The Company, from time to time, may issue common stock to acquire services or goods from non-employees. Common stock issued to persons other than employees or directors are recorded on the basis of their fair value.

Earnings (Loss) per Share

Basic and diluted earnings (loss) per common share is calculated using the weighted average number of common shares outstanding during the period. The Company's convertible notes and warrants are excluded from the computation of diluted earnings per share as they are anti-dilutive due to the Company's losses during those periods.

Share capital was restated as of the beginning of the three month period ended June 30, 2018, consistent with the accounting presentation requirement to retroactively adjust the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree in a reverse acquisition.

Fair Value of Financial Instruments

The Company categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2019 and 2018, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. All such assets and liabilities are considered to be Level 3 in the fair value hierarchy defined above.

Derivative Liabilities

The Company generally does not use derivative financial instruments to hedge exposures to cash flow or market risks. However, certain other financial instruments, such as warrants and embedded conversion features on the convertible debt, are classified as derivative liabilities due to protection provisions within the agreements. Such financial instruments are initially recorded at fair value using the Monte Carlo model and subsequently adjusted to fair value at the close of each reporting period. The Company accounts for derivative instruments and debt instruments in accordance with the interpretive guidance of ASC 815, ASU 2017-11, and associated pronouncements related to the classification and measurement of warrants and instruments with conversion features.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is effective for public entities for annual reporting periods beginning after December 15, 2018. Under ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The Company does not expect any material impact of ASU 2016-02 on the consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable non-controlling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company adopted ASU 2017-11 in its consolidated financial statements and related disclosures on January 1, 2019, the first interim period after the effective date of the ASU.

Recent Accounting Pronouncements

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted the final rule under SEC Release No. 33-10532 Disclosure Update and Simplification, to eliminate or modify certain disclosure rules that are redundant, outdated, or duplicative of U.S. GAAP or other regulatory requirements. Among other changes, the amendments eliminated the annual requirement to disclose the high and low trading prices of our common stock. In addition, the amendments provide that disclosure requirements related to the analysis of shareholders' equity are expanded for interim financial statements. An analysis of the changes in each caption of shareholders' equity presented in the balance sheet must be provided in a note or separate statement, as well as the amount of dividends per share for each class of shares. This rule was effective on November 5, 2018; and adopted during the year ended June 30, 2019 with little impact on the consolidated financial statements.

Note 2 - Property and Equipment

Property and equipment are comprised of the following at:

	June 30, 2019	June 30, 2018
Land and buildings	\$-	\$ 4,937,069
Building improvements	-	363,083
Vehicles	74,755	92,353
Equipment	5,000	1,470,709
Furniture and fixtures	12,598	12,598
	92,353	6,875,812
Accumulated depreciation	(65,588)	(2,621,361)
Property and equipment, net	<u>\$26,765</u>	<u>\$ 4,254,451</u>

As disclosed in Note 11, the net assets of the Entertainment segment were sold on February 6, 2019. The property and equipment related to this segment are zero at June 30, 2019.

Note 3 - Line of Credit

The Company has a \$1,250,000 line of credit at June 30, 2019 bearing interest at prime plus 0.05% (6.0% at June 30, 2019) which expires December 2019. The current terms of the line of credit were renegotiated from maximum borrowings of \$750,000 at June 30, 2018 with interest at prime plus 1% (5.5% as of June 30, 2018). The line of credit is collateralized by certain real estate owned by a family member of a stockholder, 850,000 shares of the Company's common stock owned by two stockholders, personal guarantees of two stockholders, and a key man life insurance policy. A minimum average bank balance of \$50,000 is required as part of the line of credit agreement. In addition, a 20% curtailment of the outstanding balance may occur during 2019. The outstanding balance was \$1,230,550 and \$547,603 at June 30, 2019 and 2018, respectively.

Long Term Notes Payable

The Company's long term notes payable obligations to unrelated parties are as follows at:

	June 30, 2019	June 30, 2018
The Company has a note payable with a bank. Previous terms had maturity set at December 2018 and accrued interest at 2.10% annually. The note agreement was amended and now bears interest at 3.10% and matures in December 2019. The note is guaranteed by a stockholder and collateralized by a certificate of deposit owned by a related party. In May 2018, 50,000 shares of stock were issued to the related party in exchange for a \$100,000 reduction in the short-term note balance.	\$ 274,900	\$ 275,000
Note payable to an individual executed March 2018 in which the note accrues interest on the original principal balance at a rate of 6.25% annually. Interest payments are due annually with principal due March 2021.	-	75,000
Mortgage payable with interest at 4.75%, and monthly payments of \$34,435 through December 31, 2016. The note was modified during 2017. After the modification, the interest rate was 2.5% annually with monthly payments of \$15,223 through July 15, 2020, and a balloon payment due at maturity. The mortgage payable is secured by the building and land and guaranteed by related parties.	-	4,512,710
Note payable to a financial institution for a vehicle with monthly installments of \$153 maturing June 2022.	-	6,150
Capital leases with a related party for 3 delivery vehicles with monthly installments ranging from \$253 to \$461, including 4% to 4.75% interest, maturing over 5-year terms expiring between July 2019 and July 2020. One of the capital leases was paid in full in April 2019 leaving 2 delivery vehicle capital leases remaining.	6,053	17,668
Total Non-Related Party Notes Payable	280,953	4,886,528
Current Portion of Non-Related Party Notes Payable	279,346	362,181
Long-term Portion of Non-Related Party Notes Payable	<u>\$ 1,607</u>	<u>\$ 4,524,347</u>

As disclosed in Note 11, the Entertainment segment was sold effective February 6, 2019. The notes payable related to this segment are zero at June 30, 2019.

Note 4 - Notes Payable (Continued)Long Term Notes Payable (Continued)

Future minimum principal payments on the non-related party long term notes payable are as follows:

<u>Year ending June 30,</u>	
2020	\$ 279,346
2021	1,607
	<u>\$ 280,953</u>

Short Term Notes Payable

The Company's short term notes payable obligations to unrelated parties assumed in the acquisition (Note 11) are as follows:

	June 30, 2019	June 30, 2018
Note payable to individual and bears interest at a rate of 8% annually and is due on demand.	\$ -	\$ 20,000
Note payable to individual and bears interest at a rate of 8% annually and is due on demand.	-	10,000
Notes payable to individuals in which the notes accrue interest on the original principal balance at a rate of 6.25% annually and are due on demand.	-	60,000
Note payable to an individual in which the note accrues interest on the original principal balance at a rate of 6.25% annually and whose original maturity of August 2018 was extended to August 2019.	-	25,000
Note payable to an individual in which the note accrues interest on the original principal balance at a rate of 6.25% annually and is due on demand.	-	25,000
Note payable to an individual in which the note accrues interest on the original principal balance at a rate of 10% annually and is due on demand.	-	25,000
Total Short Term Non-Related Party Notes Payable	<u>\$ -</u>	<u>\$ 165,000</u>

As disclosed in Note 11, the Entertainment segment was sold effective February 6, 2019. The short term notes payable obligations to unrelated parties related to this segment are zero at June 30, 2019.

Convertible Notes Payable

	June 30, 2019	June 30, 2018
<p>On January 16, 2019, the Company signed a convertible promissory note with an investor. The \$382,000 note was issued at a discount of \$38,200 and bears interest at 12% per year. The Company issued 92,271 common shares to the investor. The note principal and interest are convertible into shares of common stock at the lower of (a) 70% of the lowest traded price of the common stock during the 20 trading days immediately preceding the notice of conversion or (b) \$3 per share, beginning in June 2019. The note matures in July 2019 (Note 16). The note has prepayment penalties ranging from 110% to 125% of the principal and interest outstanding if repaid within 60 to 180 days from issuance.</p>	\$ 382,000	\$ -
<p>On February 22, 2019, the Company signed a convertible promissory note with an investor. The \$200,000 note was issued at a discount of \$20,000 and bears interest at 5% per year. The note principal and interest are convertible into shares of common stock at the lower of (a) 70% of the lowest traded price of the common stock during the 20 trading days immediately preceding the notice of conversion or (b) \$3 per share, beginning in August 2019. The note matures in November 2019. The note has prepayment penalties ranging from 110% to 125% of the principal and interest outstanding if repaid within 60 to 180 days from issuance.</p>	200,000	-
<p>On March 28, 2019, the Company signed a convertible promissory note with an investor. The \$225,000 note was issued at a discount of \$20,000 and bears interest at 10% per year. The Company issued 25,000 common shares to the investor. Two draws of \$112,500 and \$56,250 were borrowed under this note. The note principal and interest are convertible into shares of common stock at the lower of (a) 70% of the lowest traded price of the common stock during the 20 trading days immediately preceding the notice of conversion or (b) \$3 per share, beginning in September 2019. The note has prepayment penalties ranging from 110% to 125% of the principal and interest outstanding if repaid within 60 to 180 days from issuance. The note matures in March 2020. The Company has \$56,250 of available borrowings under this note on June 30, 2019.</p>	168,750	-
<p>On April 1, 2019, the Company signed a convertible promissory note with an investor. The \$225,000 note was issued at a discount of \$25,000 and bears interest at 10% per year. The Company issued 25,000 shares to the investor. An initial draw of \$100,000 was borrowed under this note. The note principal and interest are convertible into shares of common stock at the lower of (a) 70% of the lowest traded price of the common stock during the 20 trading days immediately preceding the notice of conversion. The note matures in April 2020. The note has prepayment penalties ranging from 110% to 125% of the principal and interest outstanding if repaid within 60 to 180 days from issuance. The Company has \$112,500 of available borrowings under this note at June 30, 2019.</p>	112,500	-
-38-		
<p>On April 29, 2019, the Company signed a convertible promissory note with an investor. The \$1,325,000 note was issued at a discount of \$92,750 and bears interest at 8% per year. The note principal and interest are convertible into shares of common stock at the lower of (a) 75% of the lowest traded price of the common stock during the 10 trading days immediately preceding the notice of conversion or (b) \$2.75 per share. The note matures in April 2020. The note has prepayment penalties of 120% of the sum of the outstanding principal, plus accrued interest, plus defaulted interest, plus any additional principal, plus at the holder's option, any amounts owed to the holder pursuant to any other provision of the note.</p>	1,325,000	-
<p>On May 28, 2019, the Company signed a convertible promissory note with an investor. The \$322,580 note was issued at a discount of \$22,580 and bears interest at 8% per year. The note principal and interest are convertible into shares of common stock at the lower of (a) 75% of the lowest traded price of the common stock during the 10 trading days immediately preceding the notice of conversion or (b) \$2.75 per share beginning in November 2019. The note matures in May 2020. The note has prepayment penalties of 120% of the principal and interest outstanding if repaid before 180 days from issuance.</p>	322,580	-
<p>On June 18, 2019, the Company signed a convertible promissory note with an investor. The \$366,120 note was issued at a discount of \$27,120 and bears interest at 8% per year. The note principal and interest are convertible into shares of common stock at 75% of the lowest traded price of the common stock during the 10 trading days immediately preceding the notice of conversion. The note matures in May 2020. The note has prepayment penalties of 120% of the principal and interest outstanding if repaid before 180 days from issuance.</p>	366,120	-

Total Convertible Notes Payable	2,876,950	-
Less: Unamortized original issue discounts	752,126	-
Current Portion of Convertible Notes Payable	2,124,824	-
Long-term Portion of Convertible Notes Payable	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Notes Payable (Continued)

Convertible Notes Payable (Continued)

The original issue discount is being amortized over the terms of the convertible notes using the effective interest method. During the year ended June 30, 2019, the Company amortized \$89,279 of debt discounts to interest expense and \$644,055 to interest accretion. There was no amortization of debt discounts during the three months ended June 30, 2018.

Two convertible promissory notes were entered into during the year ended June 30, 2019, and subsequently repaid in advance of maturity prior to June 30, 2019. Significant noncash transactions involving interest expense during the year ended June 30, 2019 included prepayment penalty interest of \$134,461 due to the advance repayment of two convertible notes.

Convertible notes are subordinate to the bank debt of the Company.

Accrued but unpaid interest on the notes is convertible by the lender into, and payable by the Company in common shares at a price per common share equal to the most recent closing price of the Company's common shares prior to the delivery to the Company of a request to convert interest, or the due date of interest, as applicable. Interest, when due, is payable either in cash or common shares.

The conversion features meets the definition of a derivative liability instrument because the conversion rate is variable and therefore does not meet the "fixed-for-fixed" criteria outlined in ASC 815-40-15. As a result, the conversion features of the notes are recorded as a derivative liability at fair value and marked-to-market each period with the changes in fair value each period charged or credited to other income (expense).

Warrants

The Company issued common stock and warrants as consideration for the convertible notes. The warrants contain certain anti-dilutive clauses that are accounted for as financial derivatives. See Note 8 for common stock issued. Unexercised warrants of \$277,342 are outstanding at June 30, 2019. All outstanding warrants have an original exercise prices of \$4 per share, contain anti-dilution protection clauses, and expire 36 months from issue date. The anti-dilution clause was triggered for outstanding warrants, which now have an exercise price of \$1.325 per share. As of June 30, 2019, outstanding warrants expire between November 29, 2021 and April 17, 2022.

The warrants meet the definition of a derivative liability instrument because the exercise price is variable and therefore does not meet the "fixed-for-fixed" criteria outlined in ASC 815-40-15. As a result, the value of the unexercised warrants are recorded as a derivative liability at fair value and marked-to-market each period with the changes in fair value each period charged or credited to other income (expense).

Note 5 – Fair Value Measurements

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition.

The Company measures the fair value of financial assets and liabilities based on U.S. GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The following table presents information about the assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical instruments. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the financial instrument, and included situations where there is little, if any, market activity for the instrument:

Liabilities:	Total	Level 1	Level 2	Level 3
Original issue discount, convertible debt	\$ 979,569	\$ -	\$ -	\$ 979,569
Derivative liability, warrants	46,375	-	-	46,375
Total:	<u>\$ 1,025,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,944</u>

There were no assets or liabilities that required fair value measurement at June 30, 2018.

The Company measures the fair market value of the Level 3 components using the Monte Carlo model and projected discounted cash flows, as appropriate. These models were initially prepared by an independent third party and take into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible note.

The significant unobservable valuation inputs for the convertible notes include an expected rate of return of 0%, a risk free rate of 2.61% and volatility of 180%.

The derivative liability was valued using the Monte Carlo pricing model with the following inputs at June 30, 2019:

Risk-free interest rate:	1.72 -2.83%
Expected dividend yield:	0.00%
Expected stock price volatility:	180.00%
Expected option life in years:	2.80 -3.00 years

Note 5 – Fair Value Measurements (Continued)

The following table sets forth a reconciliation of changes in the fair value of the Company's convertible debt components classified as Level 3 in the fair value hierarchy at June 30, 2019:

Beginning balance	\$	-
Convertible Securities at inception		1,238,359
Settlement of conversion features and warrants		(301,613)
Realized		(83,487)
Unrealized		<u>172,685</u>
Ending balance	\$	<u><u>1,025,944</u></u>

Note 6 - Related Party TransactionsNotes Payable

The Company's notes payable obligations to related parties are as follows:

	June 30, 2019	June 30, 2018
Note payable to a related party in which the notes accrues interest on the original principal balance at a rate of 8% annually and is due on demand.	-	\$15,000
Note payable to a stockholder in which the note principal plus interest of \$10,000 is payable in December 2019.	200,000	-
Various notes payable to a related party in which the note accrues interest on the original principal balance at a rate of 6.25% annually and is due on demand.	-	91,000
Note payable to a related party in which the note accrues interest on the original principal balance at a rate of 6.25% annually and is due in August 2019.	-	8,000
Notes payable to a related party in which the note bears no interest and is due on demand.	-	25,000
Note payable to a related party in which the note accrues interest on the original principal balance at a rate of 9% annually and matures in October 2019.	-	125,000
Note payable to an individual executed February 2018 in which the note accrues interest on the original principal balance at a rate of 18% annually and is due on demand.	-	10,000
Various notes payable to a related party in which the note accrues interest on the original principal balance at a rate of 10% annually through December 31, 2016 at which time the interest rate was reduced to 6.25% interest annually. The notes are scheduled to mature at various dates through July 2021.	-	211,534
Total Related Party Notes Payable	200,000	485,534
Current Portion of Related Party Notes Payable	200,000	485,534
Long-term Portion of Related Party Notes Payable	<u>\$ -</u>	<u>\$ -</u>

Note 6 - Related Party Transactions (Continued)

As disclosed in Note 11, the Entertainment segment was sold effective February 6, 2019. The notes payable obligations to related parties for this segment are zero at June 30, 2019.

Advances

In support of the Company's efforts and cash requirements, it may rely on advances from related parties until such time that it can support its operations or attain adequate financing through sales of its equity or traditional debt financing. There is no formal written commitment for continued support by officers, directors or shareholders. Amounts represent advances or amounts paid in satisfaction of liabilities. The advances are unsecured, due on demand, and the amounts outstanding at June 30, 2019 and 2018 are \$0 and \$260,173, respectively.

Leases

The Company leases property used in operations from a related party under terms of an operating lease. The term of the lease expires on December 31, 2021. The monthly lease payment is \$1,500 plus maintenance and property taxes, as defined in the lease agreement. Rent expense for this lease, as well as other operating leases, totaled \$18,000 and \$5,150 for the year ended June 30, 2019 and three months ended June 30, 2018, respectively.

The Company leases two vehicles from related parties under capital leases. The Company is paying the lease payments directly to the creditors, rather than the lessor. The leased vehicles are used in operations for deliveries and installations.

Other Agreements

A related party collateralizes the Company's short-term note with a CD in the amount of \$274,900, held at the same bank. The related party will receive a \$7,500 collateral fee for this service (see Note 4). In May 2018, 50,000 shares of stock were issued to the related party in exchange for a \$100,000 reduction in the short-term note balance.

Notes Payable Converted to Common Stock

On June 22, 2018, various board members and executives of FLCR exchanged their outstanding related party debt and accrued interest for 4% of the Company's common stock as described in Note 11.

Note 7 - Lease Agreements

Capital Lease Agreements

Capital lease agreements for vehicles (disclosed in Note 4) require monthly payments totaling \$813 (ranging from \$263 to \$461), including interest (ranging from 4.5% to 4.75%), over 5-year terms expiring between July 2019 and July 2020.

Operating Lease Agreements

The Company leases office, retail shop and warehouse facilities under operating leases from a related party (Note 5) which requires monthly payments of \$1,500 and expires on December 31, 2021. Rent expense for this lease totaled \$9,000 and \$4,500 for the year ended June 30, 2019 and three months ended June 30, 2018, respectively.

Note 8 - Equity

Certain equity transactions related to the reverse triangular merger occurred in September 2018, but have been reflected as of June 30, 2018, in the consolidated financial statements due to FLCR effectively transferring control to Galaxy as of June 22, 2018 (see Note 11). The following equity transactions occurred simultaneously, and are treated in these consolidated financial statements as being effective on that date:

- Galaxy shareholders transferred all the outstanding shares of common stock to the Merger Sub;
- Preferred Class C shares were converted into common stock in an amount equivalent to 89% ownership in the outstanding shares of the merged company;
- Common shares were issued to common stockholders in an amount equivalent to 7% ownership in the outstanding shares of the merged company;
- Common shares were issued to convertible debt holders in an amount equivalent to 4% ownership in the outstanding shares of the merged company (See Note 5).
- A reverse stock split was approved at a ratio of one new share for every 350 shares of common stock outstanding (1:350 Reverse Stock Split).

Private Placement

In March 2018, the Company offered 1,500,000 common shares to qualified investors at \$2 per share in a private placement memorandum ("PPM"). The private placement offering period expired in September 2018. Proceeds were raised to purchase inventory, pay merger costs and provide working capital. As a result of the PPM, the Company issued 910 and 3,018 shares (post-Reverse Stock Split) to new investors resulting in proceeds of \$637,000 and \$1,367,500 during the years ended June 30, 2019 and three months ended June 30, 2018, respectively.

In May 2018, 143 shares of stock (post-Reverse Stock Split) were issued to the related party in exchange for a \$100,000 reduction in the short-term note balance (see Note 4).

Note 8 – Equity (Continued)

In May and June 2019, a total of 510,000 shares were awarded under the Stock Plan (see Note 13).

During the year ended June 30, 2019, the Company issued 302,271 common shares as consideration for convertible notes. During May 2019, 60,000 shares were returned and cancelled upon repayment of a convertible note prior to maturity. There were no shares issued as consideration for convertible notes during the three months ended June 30, 2018.

During the year ended June 30, 2019 and three months ended June 30, 2018, the Company issued 346,618 shares and 100 shares for professional consulting services, respectively. The shares were valued at \$800,751 and \$70,000 upon issuance, for the year ended June 30, 2019 and three months ended June 30, 2018, respectively.

On February 6, 2019, the Company repurchased 38,625 shares from an entity with a common board member under a Share Purchase Agreement related to the sale of Entertainment. These shares are issued but not outstanding at June 30, 2019.

In May 2019, an investor exercised a warrant and was issued 381,944 shares in a cashless transaction.

See the capital structure section in Note 1 for disclosure of the equity components included in the Company's consolidated financial statements.

Note 9 - Income Taxes

The Company's effective tax rate differed from the federal statutory income tax rate for the year ended June 30, 2019 and the three months ended June 30, 2018 as follows:

Federal statutory rate	21%
State tax, net of federal tax effect	5.75%
Valuation allowance	-27%
Effective tax rate	0%

Note 9 - Income Taxes (Continued)

The Company had no federal or state income tax (benefit) for the year ended June 30, 2019 and three months ended June 30, 2018.

The Company's deferred tax assets and liabilities as of June 30, 2019 and 2018, are summarized as follows:

	June 30, 2019	June 30, 2018
Federal		
Deferred tax assets	\$ 2,980,100	\$ 2,205,200
Less valuation allowance	(2,980,100)	(2,205,200)
Deferred tax liabilities	-	-
	-	-
State		
Deferred tax assets	866,300	595,600
Less valuation allowance	(866,300)	(595,600)
Deferred tax liabilities	-	-
	-	-
Net Deferred Tax Assets	<u>\$ -</u>	<u>\$ -</u>

Note 9 - Income Taxes (Continued)

The Company's policy is to provide for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse. The U.S. Tax Cuts and Jobs Act (TCJA) legislation reduces the U.S. federal corporate income tax rate from 35.0% to 21.0% and is effective June 22, 2018 for the Company. The Company is recognizing the effect of the Tax Cuts and Job Acts on the Company's deferred income tax assets and liabilities. The Company has not generated any taxable income and has not recorded any current income tax expense at June 30, 2019. Consequently, the tax rate change has had no impact on the Company's current tax expense but impacts the deferred tax assets and liabilities and will impact future deferred tax assets and liabilities to be recognized.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred taxes is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment.

The Company's deferred tax assets are primarily comprised of net operating losses ("NOL") that give rise to deferred tax assets. The net operating loss carryforwards expire over a range from 2020 to 2038, with certain that have no expiration. There is no tax benefit for goodwill impairment, which is permanently non-deductible for tax purposes. Additionally, due to the uncertainty of the utilization of net operating loss carry forwards, a valuation allowance equal to the net deferred tax assets has been recorded.

The significant components of deferred tax assets as of June 30, 2019 and 2018, are as follows:

	June 30, 2019	June 30, 2018
Net operating loss carryforwards	\$ 3,811,900	\$ 2,727,900
Valuation allowance	(3,846,400)	(2,800,800)
Property and equipment	7,100	72,500
Inventory allowance	5,400	-
Warranty accrual	22,000	400
Net Deferred Tax Assets	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2019, the Company does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. As of June 30, 2019, the Company's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

Note 10 - Commitments, Contingencies, and Concentrations

Contingencies

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Concentrations

Galaxy contracts the manufacturer of its products with overseas suppliers. The Company's sales could be adversely impacted by a supplier's inability to provide Galaxy with an adequate supply of inventory.

Galaxy has one customer that accounted for approximately 86% of accounts receivable at June 30, 2019 and three customers that accounted for approximately 87% of accounts receivable at June 30, 2018. Galaxy has four customers that accounted for approximately 79% of total revenue for the year ended June 30, 2019 and three customers that accounted for 61% of revenues for the three months ended June 30, 2018, respectively.

Manufacturing and Distributorship Agreement

In December 2016, Galaxy executed an agreement with a company in South Korea. Pursuant to the agreement, the manufacturer agreed to manufacture, and the Company agreed to be the sole distributor of the interactive panels in the United States for a term of one year, with automatic annual renewals. The Company submits a three-month rolling sales forecast (which acts as a purchase order) to the manufacturer, updated monthly. Upon acceptance of the order by the manufacturer, the Company pays 105% of the cost shown on the purchase order, 10% at the time the order is accepted and the remaining 95% within 120 days if the Company has sold the panels and been paid by the end customer. The manufacturer also provides a warranty for any defects in material and workmanship for a period of 26 months from the date of shipment to the Company.

There is a minimum annual purchase commitment under the agreement. The minimum purchase was not met; therefore, the manufacturer can require the Company to establish a performance improvement plan, and the manufacturer has the right to terminate the agreement. The agreement expired December 31, 2018.

Consulting Agreement

Galaxy entered into a 26 month consulting agreement in May 2017 for advisory services. In exchange for services provided, the consultants receive consulting fees of \$15,000 per month and a 5.5% equity interest in Galaxy. The 5.5% equity interest was converted to common stock upon the Common Controlled Merger of R&G and Galaxy CO (as described in Note 1). The consulting agreement was renewed in May 2019 with monthly payment terms of \$15,000 and 450,000 share of common stock upon execution of the renewal. In addition, it was noted that the Company owed the consultant 210,000 shares under the May 2017 consulting agreement due to an anti-dilution clause in the agreement. The Company paid the consultants \$261,000 and \$95,000 in fees and expenses for consulting services provided during the year ended June 30, 2019 and the three months ended June 30, 2018. The 450,000 shares were issued under the Company's Stock Plan in May 2019. The Company issued 210,000 shares for services in July 2019 (Note 15) in satisfaction of the \$400,000 accrued liability for the consulting services per the anti-dilution provision of the agreement recorded at June 30, 2019.

Consulting Agreement

The Company entered into a consulting agreement in May 2018 for advisory services such as maintaining ongoing stock market support such as drafting and delivering press releases and handling investor requests. The program will be predicated on accurate, deliberate and direct disclosure and information flow from the Company and dissemination to the appropriate investor audiences. In exchange for these consulting services provided, the advisor received \$15,000 at contract inception, 10,000 shares of common stock and \$4,000 monthly through April 2019. The contract renews automatically each year. The Company paid the consultants \$222,500 and \$27,000 in fees and expenses for consulting services provided during the year ended June 30, 2019 and the three months ended June 30, 2018. The Company issued 10,000 shares of common stock for consulting services provided during the three months ended June 30, 2018.

Note 11 - Material Agreements (Continued)

Consulting Agreement

The Company entered into a consulting agreement in April 2018 for a period of six months for investor relations services such as blogs and newsletters, introduction to investment banks and online CEO quarterly conferences. In exchange for these consulting services provided, the advisor received \$25,000 per month for four months and 25,000 shares of common stock. The Company paid the consultants \$60,000 and \$100,000 for the year ended June 30, 2019 and the three months ended June 30, 2018. The Company issued 25,000 shares of common stock for consulting services provided during the three months ended June 30, 2018. The agreement expired in October 2018.

Manufacturer and Distributorship Agreement

On September 15, 2018, the Company signed an agreement with a company in China for the manufacture of Galaxy's SLIM series of interactive panels, a new Galaxy product. The manufacturer agreed to manufacture, and the Company agreed to be the sole distributor of the interactive panels in the United States for a term of two years. The agreement includes a commitment by Galaxy to purchase \$2 million of product during the first year beginning September 2018. If the minimum purchase is not met, the manufacturer can require the Company to establish a performance improvement plan, and the manufacturer has the right to terminate the agreement. The payment terms are 20% in advance, 30% after the product is ready to ship, and the remaining 50% 45 days after receipt. The manufacturer provides Galaxy with the product, including a three-year manufacturer's warranty from the date of shipment. The agreement renews automatically in two-year increments unless three months' notice is given by either party.

Agency Agreement

Effective December 11, 2018, the Company entered into a 12 month contract with an agent to raise capital. The agent receives a finder's fee ranging from 4 to 8% relative to the amount of capital raised, plus restricted shares in an amount equal to 4% of capital raised, if successful. The Agreement contains an option to extend the contract term for an additional six months. The Company paid \$98,400 in fees and issued 46,618 shares of common stock during the year ended June 30, 2019. No fees were paid under this agreement during the three months ended June 30, 2018.

Master Service Agreement

Effective January 2, 2019, the Company entered into a 3 month contract with a business for advisory services including among other services, presenting and introducing the Company to the financial community of investors. The Company paid \$300,000 and issued 300,000 common stock shares under this agreement during the year ended June 30, 2019. No advisory fees were paid under this agreement during the three months ended June 30, 2018. The relationship with this advisor is continuing on an as-needed basis.

Note 11 - Material Agreements (Continued)

Financial Advisory Engagement

Effective June 4, 2019, the Company engaged a financial advisor to act as the Company's exclusive financial advisor, lead managing underwriter and sole book running manager and investment banker in connection with a proposed offering. The engagement period of the agreement is June 4, 2019 to May 31, 2020. The Company is proposing a follow-on public offering of securities. The Company paid \$0 in fees during the year ended June 30, 2019. No fees were paid under this agreement during the three months ended June 30, 2018. The Company issued 250,000 shares to the financial advisor for services in July 2019 (Note 15).

Business Development and Marketing Agreement

Effective June 10, 2019, the Company entered into a three-month contract for certain advisory and consulting services. The Company will issue 15,000 shares and pay \$20,000 per month under the terms of the agreement. The Company paid \$35,000 in fees during the year ended June 30, 2019. No fees were paid under this agreement during the three months ended June 30, 2018. The Company issued 60,000 shares to the consultant for consulting services in July and September 2019 (Note 15).

Capital Transaction Services Agreement

Effective June 28, 2019, the Company entered into a three-month contract for capital raise advisory and consulting services. The Company pays \$3,500 per month under the terms of this agreement, which is payable upon the successful closing of a capital raise. The Company paid \$3,500 upon signing of the agreement. The agreement renews automatically unless either party provided notice of cancellation. The Company paid \$3,500 in fees during the year ended June 30, 2019. No fees were paid under this agreement during the three months ended June 30, 2018.

Note 12 - Reverse Acquisition

On June 22, 2018, Galaxy consummated a reverse triangular merger whereby Galaxy merged with and into FLCR's newly formed subsidiary, Galaxy MS, Inc. which was formed specifically for the transaction. Under the terms of the merger, Galaxy's shareholders transferred all their outstanding shares of common stock to Galaxy MS, in return for FLCR's Series C Preferred Shares, which were equivalent to approximately 3,065,000,000 shares of the common stock of FLCR on a pre-reverse stock split basis. This represents approximately 89% of the outstanding common stock of FLCR, with the remaining 11% of common stock distributed as follows: (a) an ownership interest of seven percent (7%) to the holders of common stock, pro rata; and (b) four percent (4%) of the common stock to the holders of convertible debt, pro rata.

Concurrent with the reverse triangular merger, the Company applied pushdown accounting; therefore, the consolidated financial statements after completion of the reverse merger include the assets, liabilities, and results of operations of the combined company from and after the closing date of the reverse merger, with only certain aspects of pre-consummation stockholders' equity remaining in the consolidated financial statements.

There was no cash consideration paid by Galaxy to FLCR on the date of the reverse triangular merger. Instead, shares of stock were issued and exchanged, and the Company acquired \$1,511,844 of net assets of FLCR. At the closing of the merger, all of FLCR's convertible promissory notes were converted into FLCR's common shares. The merger agreement contains potential future tax advantages of the net operating loss carryforward available to offset future taxable income of the combined company, up to a maximum of \$150,000, over a 5-year period beginning June 22, 2018. There is a valuation allowance reducing this tax benefit to zero at June 30, 2019 and 2018.

Note 12 - Reverse Acquisition (Continued)

The following table summarizes the preliminary allocation of the fair value of the assets and liabilities as of the merger date through pushdown accounting. The preliminary allocation to certain assets and/or liabilities may be adjusted by material amounts as the Company finalizes fair value estimates.

Assets	
Cash	\$ 22,205
Property and equipment	4,209,995
Other	20,716
Other assets	1,511,844
Goodwill	892,312
Total Assets	6,657,072
Liabilities	
Accounts payable	208,763
Long-term debt	4,593,851
Short-term debt	799,534
Accrued interest	78,948
Other	83,664
Total Liabilities	5,764,760
Net Assets	<u>\$ 892,312</u>
Consideration	\$ 58,092
Fair value of noncontrolling Interest	834,220
	<u>892,312</u>

As a result of the Company pushing down the effects of the acquisition, certain accounting adjustments are reflected in the consolidated financial statements, such as goodwill recognized of \$834,220 and reflected in the balance sheet. Goodwill recognized is primarily attributable to the acquisition of the fair value of the public company structure and other intangible assets that do not qualify for separate recognition.

Other assets noted in the table above consist of the differences between the acquired assets and liabilities of Full Circle Entertainment to be distributed to pre-acquisition FLOR shareholders. The Company sold the Entertainment subsidiary on February 6, 2019 to focus on its primary business plan. As a result, the Company did not receive any economic benefit from the related assets in the table above, nor incur any obligations from the corresponding liabilities.

Note 12 - Reverse Acquisition (Continued)

The consideration received for the sale of Entertainment was 38,625 shares of Galaxy common stock at the fair value on the date of the transaction, or \$92,700. The fair value of the Galaxy common shares received offset the assets and liabilities of Entertainment, with the difference recorded as a gain on the sale for the year ended June 30, 2019. The gain on the sale has been recorded in other expense in the Consolidated Statement of Operations.

The following table presents a summary of Entertainment's identifiable assets and liabilities at February 6, 2019, the date of the sale:

Assets	
Cash	\$ 36,290
Property and equipment, net	4,006,426
Receivables	4,500
Inventories	5,610
Other assets	1,522,714
Total Assets	5,575,540
Liabilities	
Accounts payable	22,424
Debt	5,393,623
Accrued expenses	127,481
Total Liabilities	<u>5,543,528</u>
Net Assets	32,012
Noncash consideration for net assets of Entertainment	92,700
Gain on Sale	<u>\$ 60,668</u>

Note 13 – Stock Plan

An Employee, Directors, and Consultants Stock Plan for the Year 2019 (“Plan”) was established by the Company. The Plan is intended to attract and retain employees, directors and consultants by aligning the economic interest of such individuals more closely with the Company’s stockholders, by paying fees or salaries in the form of shares of the Company’s common stock. The Plan is effective December 28, 2018, and expires December 31, 2019. Common shares of 1,000,000 are reserved for stock awards under the Plan. There were 510,000 shares awarded under the Plan as of June 30, 2019.

Note 14 - Segment Reporting

The Company has identified two reportable segments due to the merger that occurred on June 22, 2018: Technology and Entertainment.

The Technology segment sells interactive learning technology hardware and software that allows the presenter and participant to engage in a fully collaborative instructional environment. Galaxy’s products include Galaxy’s own private-label interactive touch screen panel as well as numerous other national and international branded peripheral and communication devices.

The Entertainment segment owns and operates Georgetown 14 Cinemas, a fourteen-theater movie complex located in Indianapolis, Indiana. Entertainment generates revenues from movie ticket sales and concessions. As contemplated in the merger agreement, the parties have the right to spinout the Entertainment segment so that management can focus on its primary business plan, which is Galaxy. As disclosed in Note 11, the Entertainment segment was sold effective February 6, 2019 to an entity owned by former majority shareholders of FLCR.

The following table summarizes operating results for the year ended June 30, 2019 for Technology and the period from July 1, 2018 to February 6, 2019 for Entertainment:

	Technology	Entertainment
Revenues		
Technology	\$ 1,292,353	\$ -
Entertainment	-	589,705
Cost of Sales		
Technology	1,545,093	-
Entertainment	-	221,238
Gross Profit	(252,740)	368,467
General and Administrative Expenses		
Technology	5,410,650	-
Entertainment	-	427,620
Other Income (Expense)		
Technology	(966,279)	-
Entertainment	-	25,705
Net Loss	<u>\$ (6,629,669)</u>	<u>\$ (33,448)</u>

Note 15 - Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As reflected in the accompanying consolidated financial statements, the Company had negative working capital of approximately \$4,600,000, an accumulated deficit of approximately \$9,500,000, and cash used in operations of approximately \$3,900,000 at June 30, 2019.

The Company's operational activities has primarily been funded through issuance of common stock for services, related party advances, debt financing, a private placement offering of common stock and through the deferral of accounts payable and other expenses. The Company intends to raise additional capital through the sale of equity securities or borrowings from financial institutions and possibly from related and nonrelated parties who may in fact lend to the Company on reasonable terms. Management believes that its actions to secure additional funding will allow the Company to continue as a going concern. There is no guarantee the Company will be successful in achieving any of these objectives. These sources of working capital are not assured, and consequently do not sufficiently mitigate the risks and uncertainties disclosed above. The ability of the Company to continue as a going concern is dependent upon management's ability to raise capital from the sale of its equity and, ultimately, the achievement of operating revenues. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 16 - Subsequent Events

The Company has evaluated subsequent events through the date on which the consolidated financial statements were available to be issued.

On July 1, 2019, the Company signed a lease agreement for certain property. The lease expires in June 2021 and requires a deposit of \$10,000 and monthly installments of \$3,000. Future lease payments are \$36,000 for the years ended June 30, 2020 and 2021.

On July 3, 2019, the Company entered into a new \$165,000 convertible note with an investor.

The Company issued 250,000 shares to a financial advisor for services in July 2019, under terms of a Financial Advisory Agreement dated June 4, 2019.

The Company issued 60,000 shares to a consultant for services in July and September 2019, under terms of a Business Development and Marketing Agreement dated June 10, 2019.

On July 22, 2019, the Company issued 210,000 common shares for services. The shares were issued in satisfaction of an accrued expense at June 30, 2019 for consulting services under an anti-dilution provision in the May 2017 Consulting Agreement (Note 10). The shares were issued to a related party of the consultant.

Note 16 - Subsequent Events (Continued)

On August 8, 2019, the Company entered into a new \$200,000 convertible note with an investor and issued 50,000 shares to the investor under terms of the convertible note.

On August 20, 2019, the Company entered into a new \$225,000 convertible note with an investor.

During August and September 2019, the Company issued 527,632 common shares to an investor in full satisfaction of a \$382,000 convertible note.

During August and September 2019, convertible note holders converted \$70,000 of principal on the February 22, 2018 \$200,000 convertible note in exchange for 96,200 shares. The outstanding principal balance of the convertible note is \$130,000 after the conversions. The remaining balance of the note was assumed by a different investor who invested an additional \$145,000 and combined the assumed note and additional investment into a new \$234,000 convertible note.

On September 3, 2019, the Company acquired 100% of the stock of Interlock Concepts, Inc. and Ehlert Solutions, Inc.. The purchase price for the acquisition was 1,350,000 shares of common stock and a 2 year note payable to the seller for \$3,000,000. The purchase price is subject to adjustment based on the achievement of certain earnings goals.

On September 4, 2019, a warrant holder exercised warrants and received 375,975 shares in a cashless transaction.

On September 10, 2019, the Company issued 35,000 shares to a software developer as compensation for a research and development project.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Operating Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this Form 10-K. The Disclosure Controls evaluation was conducted under the supervision and with the participation of management, including our Chief Operating Officer and Chief Financial Officer. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Operating Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The evaluation of our Disclosure Controls included a review of the controls' objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this Form 10-K. Throughout the course of our evaluation of our internal control over financial reporting, we advised our Board of Directors that we had identified a material weakness as defined under standards established by the Public Company Accounting Oversight Board (United States). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness we identified is discussed in "Management's Report on Internal Control Over Financial Reporting" below. Our Chief Operating Officer and Chief Financial Officer have concluded that as a result of the material weakness, as of the end of the period covered by this Annual Report on Form 10-K, our Disclosure Controls were not effective.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting; as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Our internal control system was designed 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. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal operating officer and principal accounting officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework.

Based on our evaluation, our management concluded that there is a material weakness in our internal control over financial reporting. The material weakness identified did not result in the restatement of any previously reported financial statements or any related financial disclosure, nor does management believe that it had any effect on the accuracy of the Company's financial statements for the current reporting period.

The material weakness relates to the fact that our management is relying on external consultants for purposes of preparing its financial reporting package; however, the officers may not be able to identify errors and irregularities in the financial reporting package before its release as a continuous disclosure document.

We continue to engage an outside CPA with SEC related experience to assist in correction of these material weaknesses. In addition, we continue to appoint an accountant to provide financial statements on a monthly basis and to assist with the preparation of our SEC financial reports, which allows for proper segregation of duties as well as additional manpower for proper documentation.

Because of the material weakness described above, management concluded that, as of June 30, 2019 our internal control over financial reporting was not effective based on the criteria established in Internal Control-Integrated Framework issued by COSO. There has been no change in our internal controls that occurred during our most recent fiscal period that has materially affected, or is reasonably likely to affect, our internal controls.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") released an updated version of its Internal Control - Integrated Framework ("2013 Framework"). Initially issued in 1992, the original framework ("1992 Framework") provided guidance to organizations to design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. The 2013 Framework is intended to improve upon systems of internal control over external financial reporting by formalizing the principles embedded in the 1992 Framework, incorporating business and operating environment changes and increasing the framework ease of use and application. The 1992 Framework remained available until December 15, 2014, after which it was superseded by the 2013 Framework. As of December 31, 2014, the Company transitioned to the 2013 Framework. The Company did not experience significant changes to its internal control over financial reporting as a result from the transition to the 2013 Framework.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit smaller reporting companies like us to provide only management's report in this annual report.

This report shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

No changes have occurred in the Company's internal controls over financial reporting during the Company's last fiscal quarter, which has materially affected or is likely to affect such controls.

ITEM 9B. OTHER INFORMATION.

Not applicable.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the name, age, position and office term of each executive officer and director of the Company.

<u>Name</u>	<u>Position</u>
Magen McGahee	Chief Operating Officer, Chief Financial Officer, Secretary and Director
Gary LeCroy	Chief Executive Officer, President and Director
Carl R. Austin	Director

Magen McGahee, Chief Operating Officer, Chief Financial Officer, Secretary and Director

Ms. McGahee worked for MIMIO Corporation on its sales leadership team from 2008 to 2013. MIMIO is a manufacturer of interactive video displays for the educational market. From 2013 to 2014, she worked with Qomo, Inc. as a Director, Strategic Partnerships, developing programs and video display models that would allow expansion into the U.S. market. From 2014 to 2016, Ms. McGahee worked with LeCroy Educational Technology located in Toccoa, Georgia. LeCroy Educational Technology sells interactive presentation panels in the educational market. From 2016 to the present, Ms. McGahee has worked for Galaxy Next Generation, Inc., located in Toccoa, Georgia, as COO and Co-founder. Galaxy manufactures, distributes and markets its own brand of interactive flat panels to the education and presentation market. Ms. McGahee received a Bachelor of Science degree in early childhood education at Valdosta State College in 2005, located in Valdosta, Georgia. In 2010, Ms. McGahee received a Master of Business Administration degree from Georgia Tech, located in Atlanta, Georgia.

Gary LeCroy, Chief Executive Director, President and Director

Mr. LeCroy owned and operated R&G Sales, Inc. located in Toccoa, Georgia from 2004 to 2018. Mr. LeCroy served as CEO and sales director for that company which was involved in the sales and distribution of educational technology. From November 2016 to the present, Mr. LeCroy has served as CEP/Owner and Director of Galaxy Next Generation, Inc., a Company in the business of developing and selling presentation and educational technology. In May 1988, Mr. LeCroy graduated with an Associate degree in business from Piedmont College in Demarest, Georgia.

Mr. Austin is the founder and owner of CJ Austin, LLC, a company located in Brandenburg, Kentucky. CJ Austin, LLC is in the real estate, development and investment business, and Mr. Austin has worked there from its organization in 1992 to the present. Mr. Austin is an entrepreneur and he owns and operates shopping centers, car washes and residential and commercial real estate. In 1962, Mr. Austin received a Bachelor of Science degree from Indiana University, located in Bloomington, Indiana.

All Directors hold their office until the next annual meeting of shareholders or until their successors are duly elected pursuant to NRS 78.320, and qualified. Any vacancy occurring in the Board of Directors may be filled by the shareholders, or the Board of Directors.

A Director elected to fill a vacancy is elected for the unexpired term of his predecessor in office. Any Directorship filled by reason of an increase in the number of Directors shall expire at the next shareholders' meeting in which Directors are elected, unless the vacancy is filled by the shareholders, in which case the term shall end on the later of (i) the next meeting of the shareholders or (ii) the term designated for the Director at the time of creation of the position being filled.

The Company has adopted a code of ethics that applies to the Company's officers, and directors. Our Code of Ethics was included as an exhibit to our annual report on Form 10-K for the year ended December 31, 2004.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of beneficial ownership and changes in beneficial ownership of the Company's securities with the SEC on Forms 3, 4 and 5. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of the forms received by it during the fiscal year ended June 30, 2019 and written representations that no other reports were required, the Company does not believe that any persons required to make filings under Section 16(a) during such fiscal year failed to file such reports or filed such reports late.

Corporate Governance

The Company promotes accountability for adherence to honest and ethical conduct; endeavors to provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission (the "SEC") and in other public communications made by the Company; and strives to be compliant with applicable governmental laws, rules and regulations. The Company has not formally adopted a written code of business conduct and ethics that governs the Company's employees, officers and directors as the Company is not required to do so.

In lieu of an Audit Committee, the Company's Board of Directors, is responsible for reviewing and making recommendations concerning the selection of outside auditors, reviewing the scope, results and effectiveness of the annual audit of the Company's financial statements and other services provided by the Company's independent public accountants. The Board of Directors reviews the Company's internal accounting controls, practices and policies.

Committees of the Board

Our Company currently does not have nominating, compensation, or audit committees or committees performing similar functions nor does the Company have a written nominating, compensation or audit committee charter. The Board of Directors believes that it is not necessary to have such committees, at this time, because the functions of such committees can be adequately performed by the directors.

Audit Committee Financial Expert

Our Board of Directors has determined that we do not have a board member that qualifies as an "audit committee financial expert " as defined in Item 407(D)(5) of Regulation S-K.

We believe that our directors are capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. In addition, we believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the stage of our development.

Board Meetings and Annual Meeting

During the fiscal year ended June 30, 2019, our Board of Directors held one formal meeting. We did not hold an annual meeting during that time period. All of our directors attended at least 75% of the meetings of the Board of Directors.

Code Of Business Conduct And Ethics

Each of the Company's directors and employees, including its executive officers, are required to conduct themselves in accordance with ethical standards set forth in the Code of Business Conduct and Ethics adopted by the Board of Directors. The Code of Business Conduct and Ethics was previously filed with the Commission. Any amendments to or waivers from the code will be posted on our website. Information on our website does not constitute part of this filing.

Shareholder Proposals

Our Company does not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. The Board of Directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our Company does not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Board of Directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment to the Board.

ITEM 11. EXECUTIVE COMPENSATION.*Compensation of Officers and Directors:*

The following table lists the compensation received by our former and current officers over the last two years.

SUMMARY COMPENSATION TABLE

Compensation of Officers and Directors
For the Year Ended June 30, 2019 and Three Months Ended June 30, 2018

2019						
<u>Name</u>	<u>Position</u>	<u>Period</u>	<u>Salary</u>	<u>Stock</u>	<u>Other</u>	<u>Total</u>
J. Leigh Friedman (1)	Former CFO, Former Director	2019	\$16,005	-	-	-
Magen McGahee	COO, CFO, Sec., Director	2019	\$217,500	-	-	-
Gary D. LeCroy	CEO, President, Director	2019	\$292,028	-	-	-
Carl R. Austin	Director	2019	-	-	-	-
2018						
<u>Name</u>	<u>Position</u>	<u>Period</u>	<u>Salary</u>	<u>Stock</u>	<u>Other</u>	<u>Total</u>
J. Leigh Friedman (1)	CFO, Former Chairman	2018	\$15,000	20,714(2)	-	-
Magen McGahee	COO, EVP, Director	2018	\$45,000	-	-	-
Gary D. LeCroy	President, Director	2018	\$22,400	-	-	-
Alec Stone	Former Director	2018	-	-	-	-
Jon R. Findley	Former Director	2018	-	-	-	-
Paul Lowe	Former Director	2018	-	-	-	-
Curtis Shaw	Former Director	2018	-	-	-	-

(1) For services as CFO, Mr. Friedman received approximately \$5,000 per month. Mr. Friedman resigned his position on July 22, 2018.

(2) The Company implemented a 350 to 1 reverse stock split on August 10, 2018 and the presentation in this table is on a post reverse split basis.

Employment Agreements

On January 1, 2017, the Company entered into an employment agreement with Magen McGahee. For her services as an officer to the Company, Ms. McGahee receives an annual base pay and an ownership interest in the Company. The ownership interest was converted to common stock upon the mergers as a result of a merger of R&G and Galaxy MS. There was no stock based compensation expense recognized on the date the ownership interest was granted as a result of the merger.

In June 2018, the Company entered into an employment agreement with a regional sales director for a one-year term. Under the employment agreement, the sales director will receive annual compensation of \$95,000, plus a 5% commission based on sales.

In January 2019, the Company entered into an employment agreement with a regional account executive for a one-year term. Under the employment agreement, the sales director will receive annual compensation of \$80,000, plus a 8% commission based on sales.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth as of June 30, 2019, the name and shareholdings of each director, officer and stockholders beneficially owning more than five percent of the Company's outstanding shares. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

<u>Name</u>	<u>Address</u>	<u>Title of Class</u>	<u>Beneficially Owned</u>	<u>% of Shares (1)</u>
Gary LeCroy	170 Timber Ridge Drive Toccoa, Georgia 30577	Common	5,454,257	48.19%
Magen McGahee	5521 Ponciana Lane Lake Park, Georgia 31636	Common	1,522,637	13.45%
Carl Austin	624 River Edge Road Brandenburg, Kentucky 40108	Common	483,904	4.28%
All as a Group		Common	7,460,798	65.92%

(1) These percentages are based on 11,318,901 shares of common stock outstanding on June 30, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Advances and Commitments

In support of the Company's efforts and cash requirements, it may rely on advances from related parties until such time that the Company can support its operations or attain adequate financing through sales of its equity or traditional debt financing. There is no formal written commitment for continued support by officers, directors, or shareholders. Amounts represent advances or amounts paid in satisfaction of liabilities. The advances are considered temporary in nature and terms have not been formalized. The Company had a \$200,000 note payable to a related party. This note payable along with \$10,000 of interest is due in December 2019. The Company pays a related party \$7,500 annually as a collateral fee for securing the Company's \$275,000 short-term note payable with a certificate of deposit.

The Company leases property used in operations from a related party under terms of an operating lease. The term of the lease expired on December 31, 2018 when the lease changed to a month-to-month operating lease. The monthly lease payment is \$1,500 plus maintenance and property taxes, as defined in the lease agreement. Rent expense for this lease, as well as other month-to-month leases, totaled \$18,000 and \$5,150 for the year ended June 30, 2019 and three months ended June 30, 2018, respectively.

The Company leases two vehicles from related parties under capital leases. The Company is paying the lease payments directly to the creditors, rather than the lessor. The leased vehicles are used in the operations of the Company.

Review, Approval and Ratification of Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of related party transactions, with our executive officers, directors and significant stockholders. We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional directors, so that such transactions will be subject to the review, approval or ratification of our Board of Directors, or an appropriate committee thereof. On a moving forward basis, our directors will continue to approve any related party transaction.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of our annual financial statements and review of financial statements included in our Form 10-K and 10-Q reports and services normally provided by the accountant in connection with statutory and regulatory filings or engagements were:

- Somerset CPA's, P.C. \$256,200 for year ended June 30, 2019
- Somerset CPA's, P.C. \$129,100 for three month period ended June 30, 2018

Tax Fees:

There were no fees for tax compliance, tax advice and tax planning to our auditors for the year ended June 30, 2019 and three months ended June 30, 2018.

All Other Fees:

There were no other fees billed in either of the last two fiscal years for products and services provided by the principal accountant other than the services reported above.

PART IV

ITEM 15. EXHIBITS

Exhibit Number	Title	Location
3(i)	Amended and Restated Articles of Incorporation*	Form 8-A12G filed 12/03/2018
3(ii)	Bylaws*	Form SB-2 filed 2/15/00
14	Code of Ethics*	Form 10-K for the Period Ended December 31, 2004
23.1	Auditor's Consent*	Filed Form10-K for the Period Ended June 30, 2019
31.1	Amended Certification of the Chief Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
31.2	Amended Certification of the Chief Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.1	Amended Certification of the Chief Officer and Principal Accounting Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**	Attached
32.2	Amended Certification of the Chief Officer and Principal Accounting Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**	Attached
101	Interactive data files pursuant to Rule 405 of Regulation S-T	Attached

* Incorporated by reference.

** The Exhibit attached to this Form 10-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirement of the Securities Act of 1934, this Amended report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

GALAXY NEXT GENERATION, INC.

/s/ Gary LeCroy

Date: October 02, 2019

Gary LeCroy

Chief Executive Officer and Director

/s/Magen McGahee

Date: October 02, 2019

Magen McGahee

Chief Financial Officer, Secretary and Director

AMENDED CERTIFICATION

I, Gary LeCroy, certify that:

1. I have reviewed this Amended Annual Report on Form 10-K/A for the year ended June 30, 2019 of Galaxy Next Generation, Inc. (the "registrant");
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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a15(e) and 15d15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d15(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 fourth fiscal quarter 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 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.

GALAXY NEXT GENERATION, INC.

Date: October 2, 2019

/s/ Gary LeCroy

Gary LeCroy

Chief Executive Officer, President and Director

AMENDED CERTIFICATION

I, Magen McGahee, certify that:

1. I have reviewed this Amended Annual Report on Form 10-K/A for the year ended June 30, 2019 of Galaxy Next Generation, Inc. (the "registrant");
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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a15(e) and 15d15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d15(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 fourth fiscal quarter 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 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.

GALAXY NEXT GENERATION, INC.

Date: October 2, 2019

/s/ Magen McGahee

Magen McGahee

Chief Operating Officer, Chief Financial Officer, Secretary and Director

**AMENDED CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANESOXLEY
ACT OF 2002**

In connection with the Amended Annual Report of Galaxy Next Generation, Inc. (the "Company") on Form 10-K/A pursuant for the year ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary LeCroy, 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 Amended Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Amended Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 2, 2019

/s/ Gary LeCroy

Gary LeCroy
Chief Executive Officer, President and Director

**AMENDED CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANESOXLEY
ACT OF 2002**

In connection with the Amended Annual Report of Galaxy Next Generation, Inc. (the "Company") on Form 10-K/A pursuant for the year ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Magen McGahee, Chief Financial 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 Amended Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Amended Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 2, 2019

/s/ Magen McGahee

Magen McGahee
Chief Financial Officer, Secretary and Director