Southern Home Medical, Inc.
Consolidated Profit and Loss
January through December 2014

Income	
Gross Receipts	501,314
Total Gross Receipts	501,314
Total Income	501,314
Cost of Goods Sold	
Cost of Goods Sold	
Medical Equipment and Supplies	49,779
Total Cost of Goods Sold	49,779
Total COGS	49,779
Gross Profit	**451,536**
Expense	
Administrative Support	5,938
Automobile Expense	26,558
Background Consent Expense	1,828
Bad Debt Expense	10,948
Bank Service Charges	138
Business Licenses and Permits	190
Charitable Contributions	19,851
Computer and Internet Expense	18,081
Employee Opportunities	5,366
EMSI Office Expenses	8,982
Franchisee Incentive	1,734
Insurance Expense	25,385
Marketing	18,512
Office Supplies	2,583
Overpayment Expense	13,923
Payroll Expenses	197,143
Postage and Delivery	1,513
Printing and Reproduction	263
Professional Fees	32,306
Rent Expense	41,298
Repairs & Maintenance	31,624
Respiratory Care Program	300
Shipping & Freight	112
Supplies	193
Taxes	13,521
Telephone	12,864
Travel & Entertainment	21,745
Utilities	8,095
Total Expense	**520,995**
Other Income	
Interest Income	5
Total Other Income	5
Net Income	**-69,454**

Southern Home Medical, Inc.
Consolidated Balance Sheet
December 31, 2014

ASSETS	
Current Assets	
Checking/Savings	
Cash	66,585
Total Checking/Savings	66,585
Other Current Assets	
Accounts Receivable	139,393
Notes Receivable	122,812
Total Other Current Assets	262,204
Total Current Assets	328,789
Fixed Assets	
Accumulated Depreciation	-141,065
Fitness Equipment	15,000
Furniture and Fixtures	5,615
Major Equipment	22,833
Office Equipment	32,554
Rental Equipment	173,739
Total Fixed Assets	108,675
TOTAL ASSETS	**437,464**

Southern Home Medical, Inc.
Consolidated Balance Sheet
December 31, 2014

LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	2,101
Total Accounts Payable	2,101
Other Current Liabilities	
Inter Company Transfer	57,194
Lease Payables	0
Total Other Current Liabilities	57,194
Total Current Liabilities	59,295
Total Liabilites	59,295
Equity	
Additional Paid in Capital	220,024
Common Stock	226,742
Retained Earnings	-39,977
Series A Preferred	19,827
Series C Preferred	18,006
Shareholder Contributions	3,001
Shareholder Distributions	0
Net Income	-69,454
TOTAL EQUITY	378,169
TOTAL LIABILITIES & EQUITY	**437,464**

Southern Home Medical, Inc.
Consolidated Statement of Cash Flows
January through December 2014

OPERATING ACTIVITIES	
Net Income	-69,454
Adjustments to reconcile Net Income to net cash provided by Operations:	
Accounts Receivable	-16,976
Admin Advances	-27,823
Allowance For Doubtful Accounts	-11,055
Inter-Company Cash	26,156
Loans To Franchisee Offices	14,454
PL & GL Advances	4,733
Notes Receivable	-1,295
Accounts Payable	0
Lease Payables	-2,636
Note Payable	2,045
Cash From EMSI	14,344
Payroll Liabilities	1,653
Net cash provided by Operating Activities:	**-88,707**
INVESTING ACTIVITIES	
Furniture & Fixtures	0
Inter-Company:SHOM	-40,500
Major Equipment	-1,000
Notes Receivable	0
Office Equipment	7,390
Rental Equipment	0
Net cash provided by Investing Activities:	**6,390**
Net Cash Increase for Period:	**-86,295**
Cash at Beginning of Period:	**152,880**
Cash at End of Period:	**66,585**

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF
SOUTHERN HOME MEDICAL, INC

December 31, 2014 (UNAUDITED)

RESULTS OF OPERATION

Revenues: For twelve months ended December 31, 2014

Revenues for the period were $501,314.We feel we managed the decrease in revenues vs. LY appropriately and continue to manage them tightly in the current process. We feel strong that our 2015 revenues will increase to 2013 levels of $709,123.00, possibly surpassing these levels.

All sales transactions were with unrelated parties and with major vendors such as Invacare, Respironics, Merits, ResMed, Smith Drugs, Pinnacle, Nursing Homes, Life Gas North America, Independence, Southeastern Biomedical, Mediware, ZirMed, and Uline.

Expenses: For twelve months ended December 31, 2014

Operating expenses for the twelve months ended December 31, 2014 was $520,995. We currently have no equipment that is on any lease program. Leasing equipment is not part of any plans in future operations of our company. We will NOT create debt with any leasing programs. Some notable expenses are: Automobile down vs. LY $3565.00, Bad Debt up vs. LY 10,860.00 Background Checks up vs. LY $1828.00, Computer & Software up vs. LY $8856.00, Payroll up vs. LY $7405.00, Professional Fees up vs. LY $4519.00, R&M down vs. LY $21,625.00.

Total expenses for 2014 were $520,995.00 vs. 2013 Total of $539,111.00.

Income Taxes: For twelve months ended December 31, 2014

We had no provision for income taxes for the twelve months ended December 31, 2014.

We do not currently have any net deferred tax assets.

Taxes are completed each year by Scott & Company, a PCAOB accounting firm based in Columbia, SC.

Income / Losses: For twelve months ended December 31, 2014

We had net loss of $69,454 for the twelve month period ended December 31, 2014. The majority of these losses were in 1st & 2nd quarters totaling $73,850.00. The 3rd and 4th quarters resulting in gain of $4396.00. We feel confident we are moving this in right direction. The positive numbers in January & February of 2015 show this trend to continue upward.

We will not show losses in 1st quarter of 2015.

Impact of Inflation

We believe that inflation has had a negligible effect on operations.

Insurance Provisions

There is a Key Man Insurance policy with AXA Advisor, LLC on Jeffrey L Sarvis, President and CEO payable to Southern Home Medical, Inc. as beneficiary for $250,000.00. We also carry insurance with VGM Insurance Services, Healthcare Providers Service Organization (HPSO), Nurse Service Organization (NSO), BerkleyNet, and Carolina Casualty.

Outstanding Share Count: For twelve months ended December 31, 2014

Common	306,509,863
Preferred A	10,000,000
Preferred C	8,256,250

There are 2 Shareholders in Preferred A
There are 28 Shareholders in Preferred C
There are 1949 Total Shareholders

Authorized Share Count: For twelve months ended December 31, 2014

Common	500,000,000
Preferred A	25,000,000
Preferred C	25,000,000

Liquidity & Capital Resources: For twelve months ended December 31, 2014

We currently rely on no financing from outside sources to provide us with capital. This has no effect on our operations and financial condition. Operation will continue as currently configured, however we have now established strong alliance with our banking partners and feel our position is stronger than ever, in the event we rely on their partnership.

We had cash on hand of $66,585 for the twelve months ended December 31, 2014. Our current amount of cash in the bank is sufficient for our operations. We will rely on the existence of revenue from our business daily to operate and make decisions.

Demand for our business will be dependent on, among other things, market acceptance of our medical equipment and the medical equipment market in general, competitive bidding program, demand for nursing home needs in the markets where we operate, legislation with Medicare & Medicaid and general economic conditions.

NOTES TO FINANCIAL STATEMENTS
OF
SOUTHERN HOME MEDICAL, INC.
December 31, 2014 (UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

This is a preliminary overview unaudited of the year end 2014. The accompanying unaudited financial statements are being prepared internally in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they currently do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the unaudited financial statements contain no current adjustments consisting only of normal recurring accruals considered necessary to present fairly the Company's financial position at December 31, 2014.

Management's Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments – The carrying amounts of financial instruments including accounts receivable, medical equipment, accounts payable, stockholder loans payable and notes payable approximated fair value because of the immediate short-term maturity of these instruments.

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting and net operating loss-carry forwards. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The income tax benefit consists of taxes currently refundable due to net operating loss carry back provisions less the effects of accelerated depreciation for the federal government. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment. Earnings (Loss) Per Share – The Company reports earnings (loss) per share in accordance with Statement of Financial Accounting Standard (SFAS) No. 128. This statement requires dual presentation of basic and diluted earnings (loss) with a reconciliation of the numerator and denominator of the loss per share computations. Basic earnings per share amounts are based on the

weighted average shares of common outstanding. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Accordingly, this presentation has been adopted for the periods presented. There were no adjustments required to net income for the period presented in the computation of diluted earnings per share. There were no common stock equivalents (CSE) necessary for the computation of diluted loss per share.

Fixed Assets – Fixed assets are recorded at cost and include expenditures that substantially increase the productive lives of the existing assets. Maintenance and repair costs are expensed as incurred. Depreciation is provided using the straight-line method. Depreciation of property and equipment is calculated over the management prescribed recovery periods, which range from 5 years for equipment to 7 years for furniture and fixtures.

When a fixed asset is disposed of, its cost and related accumulated depreciation are removed from the accounts. The difference between the undepreciated cost and proceeds from disposition is recorded as a gain or loss.

Advertising Costs – Advertising costs are expenses as incurred. The Company does not incur any direct-response advertising costs. No does the company employee an agency.

Other Current Liabilities – There are currently no short or long term outstanding liabilities.

Revenue Recognition – The Company recognizes revenue from the sale and rental of medical equipment and accessories at the time of delivery, when title to the products transfer and the customer bears the risk of loss, net of estimated provisions for returns, rebates and sales allowances.

Comprehensive Income (Loss) – The Company adopted Financial Accounting Standards Board Statement of Financial Accounts Standards No. 130, *"Reporting Comprehensive Income"*, which establishes standards for the reporting and display of comprehensive income and its components in the financial statements. There were no items of comprehensive income (loss) applicable to the company during the period covered in the financial statements.

Long-Lived Assets – In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standard No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of"*, the carrying value of long-lived assets is reviewed by management on a regular basis for the existence of facts or circumstances, both internally and externally, that may suggest impairment. To date, no such impairment has been indicated. Should there be impairment in the future; the Company will recognize the amount of impairment based on discounted expected future cash flows from the impaired assets.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Company considers liquid investments with an original maturity of three months or less to be cash equivalents.

Uninsured Deposits – At no times during the period, the Company maintained a bank account balance that exceeded federally insured limits. The President & CEO personally signs every check.

Recent Accounting Pronouncements – In July 2006, the Financial Accounting Standards Board ("FASB") ratified the provisions of Emerging Issues Task Force ("EITF") Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (that is, Gross versus Net Presentation)." EITF Issue No. 06-3 requires that the presentation of taxes within revenue-producing transactions between a seller and a customer, including but not limited to sales, use, value added, and some excise taxes, should be on either a gross (included in revenue and cost) or a net (excluded from revenue) basis.

NOTE 2– LEGAL PRESENTATION

"There are no legal issues that surround SHOM."

CERTIFICATION

I, *Jeffrey L Sarvis, President & CEO* of Southern Home Medical, Inc., hereby certify that the unaudited financial statements and related footnotes hereto present fairly, in all material respects, the financial position of Southern Home Medical, Inc. and the results of its operations and cash flows as of and for the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States, consistently applied.

SOUTHERN HOME MEDICAL, INC

By: 

Jeffrey L Sarvis, President & CEO