

**Signature Devices, Inc.**  
**Unaudited Yearly Condensed Financial Statement**  
**January – December 2012**

Condensed financials includes all subsidiaries

# Profit and Loss

Jan - Dec 12

## Ordinary Income/Expense

### Income

Consulting Income	72,561.33
Other Regular Income	56,983.69
Stock Issuance	<u>75.00</u>

Total Income 129,620.02

### Cost of Goods Sold

Cost of Goods Sold 7,883.05

Total COGS 7,883.05

Gross Profit 121,736.97

### Expense

Accounting	850.00
Advertising	440.02
Bad Debt	571,695.40
Bank Service Charges	336.18
Dues and Subscriptions	537.00
Insurance	2,680.00
Internet	1,045.21
Licenses and Permits	175.00
Meals and Entertainment	8.71
Miscellaneous	5,685.00
Office Expense	14,150.50
Office Supplies	1,836.01
Outside Services	2,884.25
Payroll Expenses	14,196.38
Personnel Costs	31,361.27
Postage and Delivery	1,527.29
Printing and Reproduction	203.25
Professional Fees	16,000.00
Rent	17,291.80
Repairs	500.00
Stock Transfer Agent Expens	3,494.00
Storage & warehousing	756.00
Telephone and Fax	1,371.81
Travel	987.00
Utilities	5,605.65
Vendor Discounts	<u>270.48</u>

Total Expense 695,888.21

Net Ordinary Income -574,151.24

Net Income -574,151.24

# Balance Sheet

Dec 31, 12

## ASSETS

### Current Assets

#### Checking/Savings

Total Checking/Savings 9,453.12

#### Accounts Receivable

Accounts Receivable 125,205.51

Total Accounts Receivable 125,205.51

#### Other Current Assets

7th Level 11,976.31

Commission Advance 11,090.00

Inventory Asset 79,740.35

Investment 294,966.39

Loans 273,788.13

Rent Deposit 16,252.25

Royalty Advances 412,427.64

Total Other Current Assets 1,100,241.07

Total Current Assets 1,234,899.70

### Fixed Assets

Computer Equipment 36,357.56

Development Hardware 14,113.27

Furniture and Equipment 26,622.84

Purchased Computer Software 3,475.78

Total Fixed Assets 80,569.45

### Other Assets

Cash Advances 1,000.00

Graffiti Brazil 37,703.61

Graffiti Europe 18,001.00

Investments 102,500.00

Loans 141,363.28

Software Technology 2,211.02

Total Other Assets 302,778.91

**TOTAL ASSETS 1,618,248.06**

## LIABILITIES & EQUITY

### Liabilities

#### Current Liabilities

Accounts Payable 110,707.18

Total Accounts Payable 110,707.18

#### Credit Cards

Total Credit Cards 102,444.53

#### Other Current Liabilities

Direction USA Payable 210.00

Loans 12,883.98

Note Payable 257,044.27

Payroll Liabilities	759.76
Sales tax payable	15.70
Universal Funding	<u>448,781.99</u>
<b>Total Other Current Liabilities</b>	<u>719,695.70</u>
<b>Total Current Liabilities</b>	932,847.41
Long Term Liabilities	
US Bank Bus. Equipt. Financing	3,893.73
<b>Total Long Term Liabilities</b>	3,893.73
<b>Total Liabilities</b>	936,741.14
<b>Equity</b>	
Additional Paid in Capital	8,987,689.16
Capital Stock	255,647.43
Common Stock	1,902,367.84
Opening Bal Equity	65,100.00
Preferred-Add'l Paid-in Capital	427,569.53
Preferred Stock	278.47
Retained Earnings	-9,967,914.27
Subscriptions Receivable	-65,005.00
Treasury Stock	-350,075.00
Net Income	<u>-574,151.24</u>
<b>Total Equity</b>	<u>681,506.92</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>1,618,248.06</b></u>

## Common Shares

Shares Authorized: 2,495,000,000

		0	-----	0	0
Stated Outstanding:		0			
LESS: Shares Outstanding:	(	2,468,024,472)		Total	270
Shares RESERVED:	(	0)		Active	99
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Shares available to issue:		26,975,528			
Free Trading Shares:		2,436,988,973			
Cert Outstanding:		993,311,971			
Book Outstanding:		1,474,712,501			

ISSUE: SIGNATURE DEVICES, INC. - PREFERRED STOC (SDVIPRF)

		5,000,000		0	0
Shares Authorized:		5,000,000			
Stated Outstanding:		0			
LESS: Shares Outstanding:	(	3,570,188)		Total	17
Shares RESERVED:	(	0)		Active	13
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Shares available to issue:		1,429,812			
Free Trading Shares:		243,658			
Cert Outstanding:		2,745,188			
Book Outstanding:		825,000			

ISSUE: SIGNATURE DEVICES, INC. PRF CLASS B (SDVIPRFB)

Shares Authorized: 20,000

## **Note 1 – Organization, Business & Operations**

Signature Devices creates and develops social networking systems include social networking server software, social networking games and console games. The company also publishes software including video games, and commercial products through its subsidiary company [Graffiti Entertainment, Inc.](#)

## **Note 2 - Summary of Significant Accounting Policies**

### **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 affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Concentrations of Credit Risk - Cash**

The Company maintains its cash with various financial institutions, which may exceed federally insured limits throughout the period.

### **Inventories**

Inventories are stated at the lower of cost or market. Cost is computed on a weighted-average basis, which approximates the first-in, first-out method; market is based upon estimated replacement costs.

### **Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives, generally three to seven years. Leasehold improvements are amortized over the shorter of the useful life or the remaining lease term. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in operations. Expenditures for maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized.

### **Revenue recognition**

Sales of products and related costs of products sold are recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price is fixed or determinable and (iv) collectability is reasonably assured. These terms are typically met upon shipment of product to the customer. Consulting revenue is recognized when earned based upon contract stipulations and deliverables.

### **Litigation**

The Company was subject to litigation by Universal Funding Corporation for non-payment by Navarre Distribution and has a \$667,000.00 default judgment against it.

The Company is planning on pursuing litigation against Navarre Corporation for breach of contract to recover the \$667,000.00 and ask for damages regarding the Universal litigation.

The Company is also part of litigation against Chestnut Petroleum for its investment in Oil and Gas wells and Chestnuts failures and misuse of funds.

**Note 3 – Bad Debt**

As a result of non-payment from Navarre Corporation for goods sold the company has taken the non-payment as bad debt until litigation can commence to try and recover damages.