

SOUTHERN HOME MEDICAL EQUIPMENT, INC.

Profit and Loss July through September 2010

Income	
Gross Receipts	227,151
Total Gross Receipts	227,151
Total Income	227,151
Cost of Goods Sold	
Cost of Goods Sold	
Medical Equipment and Supplies	70,304
Total Cost of Goods Sold	70,304
Total COGS	70,304
Gross Profit	156,848
Expense	
Administrative Support Expense	50
Automobile Expense	10,490
Bank Service Charges	90
Business Licenses and Permits	25
Charitable Contributions	4,000
Dues and Subscriptions	600
Employee Incentives	4,317
Insurance Expense	8,124
Interest Expense	534
Marketing	10,363
Office Supplies	839
Overpayment Expense	3,812
Payroll Expenses	32,133
Postage and Delivery	956
Printing and Reproduction	1,715
Professional Fees	8,464
Rent Expense	7,944
Repairs & Maintenance	3,450
Shipping and Freight	145
Taxes	7,721
Telephone	4,255
Travel & Entertainment	362
Utilities	1,860
Total Expense	112,248
Net Income	44,600

SOUTHERN HOME MEDICAL EQUIPMENT, INC.

Balance Sheet ***September 30, 2010***

ASSETS

Current Assets

Checking/Savings

Cash 32,569

Total Checking/Savings 32,569

Other Current Assets

Notes Receivable 502,623

Total Other Current Assets 502,623

Total Current Assets 535,192

Fixed Assets

Accumulated Depreciation -154,053

Furniture and Fixtures 1,280

Major Equipment 36,118

Office Equipment 19,922

Rental Equipment 111,865

Total Fixed Assets 15,132

Other Assets

Investment in Subsidiaries 111,750

Security Deposits 1,900

Total Other Assets 113,650

TOTAL ASSETS 663,974

SOUTHERN HOME MEDICAL EQUIPMENT, INC.

Balance Sheet ***September 30, 2010***

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable

110,610

Total Accounts Payable

110,610

Other Current Liabilities

Notes Payable

655,986

Lease Payables

6,047

Total Other Current Liabilities

662,033

Total Current Liabilities

772,643

Total Liabilities

772,643

Equity

Additional Paid in Capital

261,970

Common Stock

130,491

Retained Earnings

-578,246

Series A Preferred

19,827

Series C Preferred

18,660

Shareholder Contributions

11,491

Net Income

27,139

TOTAL EQUITY

-108,669

TOTAL LIABILITIES & EQUITY

663,974

SOUTHERN HOME MEDICAL EQUIPMENT, INC.

Share Counts
September 30, 2010

Outstanding Share Count as of September 30, 2010

Common	130,490,396
Preferred A	19,827,000
Preferred C	18,557,250

Authorized Share Count as of September 30, 2010

Common	1,000,000,000
Preferred A	25,000,000
Preferred C	25,000,000

NOTES TO FINANCIAL STATEMENTS
OF
SOUTHERN HOME MEDICAL EQUIPMENT, INC.
September 30, 2010 (UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

This is a preliminary overview unaudited of the 3rd quarter 2010.

The accompanying unaudited financial statements are being prepared 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 end of 3rd quarter 2010.

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.

Revenue Recognition – The Company recognizes revenue from the sale of medical equipment 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.

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.

CERTIFICATION

I, Jeffrey Sarvis, President of Southern Home Medical Equipment, 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 Equipment, Inc. and the results of its operations and cash flows as of and for the period 3rd quarter 2010, in conformity with accounting principles generally accepted in the United States, consistently applied.

SOUTHERN HOME MEDICAL EQUIPMENT, INC

By: 
Jeffrey Sarvis, President