

Southern Home Medical Equipment, Inc.
Consolidated Profit and Loss
January through March 2011

Income	
Gross Receipts	251,026
Total Gross Receipts	<u>251,026</u>
Total Income	251,026
Cost of Goods Sold	
Cost of Goods Sold	
Medical Equipment and Supplies	60,132
Total Cost of Goods Sold	<u>60,132</u>
Total COGS	<u>60,132</u>
Gross Profit	<u><u>190,894</u></u>
Expense	
Administrative Expense	1,372
Advertising Expense	130
Automobile Expense	8,317
Bank Service Charges	79
Business Licenses and Permits	50
Charitable Contributions	927
Computer and Internet Expense	2,477
Employee Opportunities	16,841
Franchise Recovery Expense	1,227
Franchisee Incentive	1,864
Independent Contractor Expense	33,568
Insurance Expense	10,550
Laboratory Fees	109
Marketing	523
Office Supplies	1,992
Overpayment Expense	6,969
Payroll Expenses	57,262
Postage and Delivery	1,278
Printing and Reproduction	1,660
Professional Fees	7,170
Rent Expense	1,800
Repairs & Maintenance	3,481
Respiratory Care Program	214
Sleep Apnea Program	2,220
Taxes	13,109
Telephone	1,915
Travel & Entertainment	2,090
Uniform Expense	348
Utilities	1,951
Total Expense	<u><u>181,492</u></u>

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Other Income	
Interest Income	5
Total Other Income	<u>5</u>
Net Income	<u><u>9,407</u></u>

Southern Home Medical Equipment, Inc.
Consolidated Balance Sheet
March 31, 2011

ASSETS

Current Assets

Checking/Savings

Cash 29,196

Total Checking/Savings 29,196

Other Current Assets

Accounts Receivable 51,505

Notes Receivable 151,540

Promissory Notes 36,545

Total Other Current Assets 239,590

Total Current Assets 268,786

Fixed Assets

Accumulated Depreciation -149,442

Fitness Equipment 15,000

Furniture and Fixtures 5,279

Major Equipment 12,297

Office Equipment 22,029

Rental Equipment 118,507

Total Fixed Assets 23,671

TOTAL ASSETS 292,456

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable 20,202

Total Accounts Payable 20,202

Other Current Liabilities

Notes Payable 380,369

Lease Payables 4,553

Total Other Current Liabilities 384,922

Total Current Liabilities 405,124

Total Liabilities 405,124

Southern Home Medical Equipment, Inc.
Consolidated Balance Sheet
March 31, 2011

Equity	
Additional Paid in Capital	261,970
Common Stock	130,492
Retained Earnings	-556,024
Series A Preferred	19,827
Series C Preferred	18,660
Shareholder Contributions	3,001
Net Income	9,407
TOTAL EQUITY	<u>-112,667</u>
 TOTAL LIABILITIES & EQUITY	 <u><u>292,456</u></u>

Outstanding Share Count as of March 31, 2011

Common	155,990,396
Preferred A	19,827,000
Preferred C	18,557,250

Authorized Share Count as of March 31, 2011

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.
March 31, 2011 (UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

This is a preliminary overview unaudited of the 1st quarter 2011.

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 1st quarter 2011.

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 and CEO 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 1st quarter 2011, in conformity with accounting principles generally accepted in the United States, consistently applied.

SOUTHERN HOME MEDICAL EQUIPMENT, INC

A handwritten signature in black ink, appearing to read "Jeff Sarvis". The signature is written in a cursive, somewhat stylized font.

By:

Jeffrey Sarvis, President & CEO