



Decision Diagnostics Corp.

OTC Pink Balance Sheet, Statements of Equity & Cash Flows, Footnotes to Balance Sheet

Annual Report for Years Ended

December 31, 2020 and 2019

The following pages present the unaudited financial statements along with Statements of Equity and Cash Flows, and the Footnotes to the Balance Sheet for Decision Diagnostics Corp., for the years ended December 31, 2020, and 2019. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: DECN

CUSIP Number: 243443 108

Decision Diagnostics Corp
Consensed Consolidated Balance Sheet
(Unaudited)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash	522,341	\$ 114,334
Accounts receivable, net	943,753	1,045,166
Inventory	160,678	166,635
Prepaid expense		2,249
Total current assets	<u>1,626,772</u>	<u>1,328,384</u>
Fixed assets:		
Specialty manufacturing equipment	802,315	802,315
	<u>802,315</u>	<u>802,315</u>
Less accumulated depreciation	-	-
Fixed assets, net	<u>802,315</u>	<u>802,315</u>
Other assets:		
Intellectual property	733,830	683,550
Patent licenses, net value	2,490,825	2,490,825
Total other assets	<u>3,224,655</u>	<u>3,174,375</u>
Total assets	<u>5,653,742</u>	<u>\$ 5,305,074</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	1,702,967	\$ 1,253,892
Accrued interest	56,767	348,549
Contingent legal fees	240,000	240,000
Short term inventory financing	108,000	335,304
Notes payable and short term debt with warrents (Note 5)	2,817,346	2,794,673
Total current liabilities	<u>4,925,080</u>	<u>4,972,418</u>
Contingencies	245,069	245,069
Stockholder equity (deficit):		
Preferred stock, \$0.001 par value, 3,738,500 shares authorized, no shares issued and outstanding as of December 31, 2020 and December 31, 2019	-	-
Preferred "B" stock, \$0.001 par value, 2,500 shares authorized, 1,665 and 2,000 shares issued and outstanding as of December 31, 2020 and December 31, 2019	2	2
Preferred "C" stock, \$0.001 par value, 10,000 shares authorized, 6,870 and 9,453 shares issued and outstanding as of December 31, 2020 and December 31, 2019	7	8
Preferred "D" stock, \$0.001 par value, 500 shares authorized, 180 and 210 shares issued and outstanding as of December 31, 2020 and December 31, 2019	-	-
Preferred "E" stock, \$0.001 par value, 1,250,000 shares authorized, 747,540 and 1,072,540 shares issued and outstanding as of December 31, 2020 and December 31, 2019	748	1,072
Common stock, \$0.001 par value, 494,995,000 shares authorized, 354,495,583 and 159,399,161 shares issued and outstanding as of December 31, 2020 and December 31, 2019	354,496	159,189
Common stock unissued, 1,410,000 share: as of December 31, 2020 and December 31, 2019	1,411	1,411
Subscription receivable	(82,250)	(82,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid in capital	79,929,070	50,059,420
Retained (deficit)	(79,398,546)	(49,729,924)
Total stockholders' equity	<u>483,593</u>	<u>87,584</u>
Total liabilities and stockholders' equity	<u>5,653,742</u>	<u>\$ 5,305,071</u>

The accompanying Notes are an integral part of these financial statements

Decision Diagnostic Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	Year Ended December 31,	
	2020	2019
Revenue	\$ 1,979,159	\$ 2,379,234
Cost of Sales	<u>1,480,709</u>	<u>1,528,882</u>
Gross profit	<u>498,450</u>	<u>850,352</u>
Expenses:		
General & administrative	1,420,504	952,123
Consulting	233,102	200,269
Compensation expense	300,190	416,527
Professional fees	656,086	575,815
Total expenses	<u>2,609,882</u>	<u>2,144,734</u>
Net operating (loss)	(2,111,432)	(1,294,382)
Other income (expense)		
Financing costs	(26,667,833)	(348,655)
Interest expense, net	(595,081)	(2,666,899)
Loss on write-down of obsolete inventory	(304,276)	(162,359)
Other income - PPP grant	10,000	
Gain on intellectual property	-	1,340,000
Total other income (expense)	<u>(27,557,190)</u>	<u>(1,837,913)</u>
Taxes:		
State	(2,728)	-
Net Income (loss)	\$ <u>(29,668,622)</u>	\$ <u>(3,132,295)</u>
Add: Dividends declared on preferred stock	-	-
Income available to common shareholders'	\$ <u>(29,668,622)</u>	\$ <u>(3,132,295)</u>
Weighted average number of common shares outstanding - basic and fully diluted	<u>266,563,225</u>	<u>150,367,632</u>
Net loss per share - basic and fully diluted	\$ <u>(0.11)</u>	\$ <u>(0.02)</u>

The accompanying Notes are an integral part of these financial statements

Decision Diagnostics Corp.
Statements of Shareholders Equity
(Unaudited)

Date	Shareholde	Preferred "B"		Preferred "C"		Preferred "D"		Preferred "E"		Common Stock		APIC	Authorized Unissued	Subscription Receivable	Finders' Fees	Retained (Deficit)	Total
		# Shares	Ami	# Shares	Ami	# Shares	Ami	# Shares	Ami	# Shares	Ami						
BALANCE DECEMBER 31, 2018		1,000	2	7,458	7	100	-	847,540	847	134,551,840	134,343	47,956,705	1,411	(82,250)	(321,344)	(46,597,629)	1,092,091
1/2/2019	New Issuance-LICGO Partners (3)			420	-							-					
1/2/2019	New Issuance-Sovereign Partners LLC (3)			140	-							-					
1/2/2019	New Issuance-Paradigm Capital (3)					10	-					-					
2/5/2019	New Issuance-Alpha Capital Anstalt (1)									5,004,552	5,005	505,460					510,465
2/13/2019	New Issuance-Mark Herskowitz (2)									600,000	600	11,400					12,000
3/12/2019	Conversion-Chase Financing Inc Profit Sh. (2)							(100,000)	(100)			-					(100)
3/12/2019	Conversion-Chase Financing Inc Profit Sh. (2)									1,400,000	1,400	(1,300)					100
4/1/2019	New Issuance-Alpha Capital Anstalt (1)									4,139,272	4,139	418,066					422,205
4/5/2019	New Issuance-Mark Herskowitz (2)									600,000	600	60,600					61,200
5/1/2019	New Issuance-Chase Financing Inc (2)									413,218	413	41,735					42,148
5/1/2019	New Issuance-Robert Herskowitz (2)									1,091,718	1,092	110,264					111,356
5/1/2019	New Issuance-Chase Financing Inc Profit Sh. (2)									1,395,555	1,396	140,951					142,347
5/8/2019	New Issuance-LICGO Partners (3)			420	-							-					-
5/8/2019	New Issuance-Sovereign Partners LLC (3)			140	-							-					-
5/8/2019	New Issuance-Paradigm Capital (3)					10	-					-					-
5/8/2019	New Issuance-Thomas Nelson (7)					30	-					150,000					150,000
5/8/2019	New Issuance-JAN Stock Trust (7)					15	-					75,000					75,000
5/8/2019	New Issuance-KEN Stock Trust (7)					15	-					75,000					75,000
5/8/2019	New Issuance-Robert Herskowitz (2)							175,000	175			6,825					7,000
5/8/2019	New Issuance-Kenneth Schaefer (7)							150,000	150			5,850					6,000
6/11/2019	New Issuance-Mark Herskowitz (3)									600,000	600	60,600					61,200
6/19/2019	New Issuance-Alpha Capital Anstalt (1)									4,083,006	4,083	412,384					416,467
6/19/2019	New Issuance-Alpha Capital Anstalt (1)							(200,000)	(200)								(200)
7/11/2019	New Issuance-Chase Financing Inc Profit Sh. (2)									2,800,000	2,800	(2,600)					200
7/16/2019	New Issuance-LICGO Partners LLC (3)	400	-									-					-
7/16/2019	New Issuance-Sovereign Partners LLC (3)	210	-									-					-
7/16/2019	New Issuance-Paradigm Capital Holdings (3)	130	-									-					-
7/16/2019	New Issuance-Navesink Device Initiatives LLC (3)	260	-									-					-
7/16/2019	New Issuance-LICGO Partners (3)			210.00	-							-					-
7/16/2019	New Issuance-Sovereign Partners LLC (3)			70.00	-							-					-
7/16/2019	New Issuance-Paradigm Capital (3)					10	-					-					-
10/9/2019	New Issuance-Chase Financing Inc Profit Sh. (2)							300,000	300			8,700					9,000
10/11/2019	New Issuance-LICGO Partners (3)			210	-							-					-
10/11/2019	New Issuance-Sovereign Partners LLC (3)			105	-							-					-
10/11/2019	New Issuance-Paradigm Capital (3)					10	-										-
10/29/2019	New Issuance-Chase Financing Inc Profit Sh.(2)									1,400,000	1,400	(1,300)					100
10/29/2019	Conversion-Chase Financing Inc Profit Sh. (2)							(100,000)	(100)								(100)
11/15/2019	New Issuance-Mark Herskowitz (2)									600,000	600	11,400					12,000
12/31/2019	New Issuance - Nelson Group (7)									720,000	720	13,680					14,400
12/31/2019	New Issuance-LICGO Partners (3)			210	-							-					-
12/31/2019	New Issuance-Sovereign Partners LLC (3)			70	-							-					-
12/31/2019	New Issuance-Paradigm Capital (3)					10	-										-
	Rounding adjustment				1						209						
	Net loss															(3,132,295)	(3,132,295)
BALANCE, DECEMBER 31, 2019		2,000	2	9,453	8	210	-	1,072,540	1,072	159,399,161	159,399	50,059,420	1,411	(82,250)	(321,344)	(49,729,924)	87,583
1/22/2020	New Issuance-Mark Herskowitz (2)									600,000	600	11,400					12,000
3/10/2020	New Issuance-Robert Herskowitz (2)							120,000	120			2,280					2,400
3/10/2020	New Issuance-Robert Herskowitz 2011 Irrv TR (2)							30,000	30			2,070					2,100
3/11/2020	New Issuance-Alpha Capital Anstalt (1)									5,167,593	5,168	95,600					100,768
3/12/2020	New Issuance-Alpha Capital Anstalt (1)									3,504,205	3,504	64,828					68,332
3/13/2020	New Issuance-Alpha Capital Anstalt (1)									3,903,387	3,903	72,213					76,116
3/13/2020	New Issuance-Robert Herskowitz (2)									1,680,000	1,680	(1,560)					120
3/13/2020	New Issuance-Robert Herskowitz (2)							(120,000)	(120)			-					(120)
3/16/2020	New Issuance-Alpha Capital Anstalt (1)									3,852,572	3,853	71,273					75,126
3/16/2020	New Issuance-Robert Herskowitz 2011 Irrv TR (2)									420,000	420	(390)					30
3/16/2020	New Issuance-Robert Herskowitz 2011 Irrv TR (2)							(30,000)	(30)								(30)
3/18/2020	New Issuance-Alpha Capital Anstalt (1)									4,074,376	4,074	75,376					79,450
3/19/2020	New Issuance-Robert Herskowitz (2)									2,450,000	2,450	(2,275)					175
3/19/2020	New Issuance-Robert Herskowitz (2)							(175,000)	(175)								(175)
3/19/2020	New Issuance-Mark Herskowitz (2)									600,000	600	11,400					12,000
3/20/2020	New Issuance-Alpha Capital Anstalt (1)									5,060,718	5,061	93,623					98,684
3/24/2020	New Issuance-Alpha Capital Anstalt (1)									5,066,462	5,066	93,730					98,796
3/31/2020	New Issuance-Alpha Capital Anstalt (1)									4,014,359	4,014	74,266					78,280
4/1/2020	New Issuance-LICGO Partners			(1,050)	-												-
4/1/2020	New Issuance-LICGO Partners									5,250,000	5,250	362,250					367,500
4/2/2020	New Issuance-Alpha Capital Anstalt (1)									4,231,624	4,232	291,982					296,214
4/3/2020	New Issuance-Robert Herskowitz (2)									631,178	631	37,240					37,871
4/3/2020	New Issuance-Chase Finance Inc Profit Sharing (2)									1,767,298	1,767	104,271					106,038
4/3/2020	New Issuance-Robert Herskowitz 2011 Irrv TR (2)									879,477	879	51,889					52,769
4/7/2020	New Issuance-Navesink (3)			(375)	-												-
4/7/2020	New Issuance-Navesink (3)									1,875,000	1,875	373,125					375,000
4/7/2020	New Issuance-Alpha Capital Anstalt (1)									2,480,103	2,480	493,540					496,021
4/7/2020	New Issuance-Alpha Capital Anstalt (1)									1,835,259	1,835	365,217					367,052
4/7/2020	New Issuance-Gerald Hickson (3)			(300)	-												-
4/7/2020	New Issuance-Gerald Hickson (3)									1,500,000	1,500	298,500					300,000
4/8/2020	New Issuance-Alpha Capital Anstalt (1)									4,550,803	4,551	678,070					682,620
4/8/2020	New Issuance-Alpha Capital Anstalt (1)									4,828,006	4,828	719,373					724,201

The accompanying Notes are an integral part of these financial statements.

Decision Diagnostic Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Year Ended	
	December 31,	
	2020	2019
Cash flows from operating activities		
Net Loss	\$ (29,668,622)	\$ (3,132,295)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Amortization of prepaid legal fees	-	101,239
Shares and options issued for services	-	25,000
Shares issued for financing fees	26,667,833	348,654
Bad debt	820,000	175,000
Loss on write-down of obsolete inventory	304,276	162,363
Gain on inventory settlement	(165,372)	
Gain on intellectual property settlement	-	(1,340,000)
Changes in operating assets and liabilities		
Accounts receivable	471,413	(270,370)
Inventory	5,957	(78,282)
Prepaid and other assets	2,249	3,500
Accounts payable and accrued liabilities	449,075	223,622
Accrued interest	(291,782)	2,666,898
Net cash (used) by operating activities	<u>(1,404,973)</u>	<u>(1,114,671)</u>
Cash flows from investing activities		
Fixed assets	-	-
Intellectual property	50,280	(116,375)
Net cash (used) by investing activities	<u>50,280</u>	<u>(116,375)</u>
Cash flows from financing activities		
Proceeds from notes payable	2,290,005	769,318
Payments on notes payable	(227,304)	(82,696)
Net cash provided by financing activities	<u>2,062,701</u>	<u>686,622</u>
Net decrease in cash	708,008	(544,424)
Cash - beginning	(185,667)	358,757
Cash - ending	<u>\$ 522,341</u>	<u>\$ (185,667)</u>
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Income taxes paid	<u>\$ (2,728.00)</u>	<u>\$ -</u>
Non-cash transactions:		
Shares and options issued for services	\$ -	\$ 25,000
Shares issued for financing activities	<u>\$ 26,667,833</u>	<u>\$ 348,654.00</u>
Shares issued for debt and derivative liabilities	<u>\$ 3,396,737</u>	<u>\$ 1,454,133.00</u>

The accompanying Notes are an integral part of these financial statement:

DECISION DIAGNOSTICS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

NOTE 1 – Basis of presentation and accounting policies

Organization

We were organized July 6, 2000 under the laws of the State of Nevada. As a part our efforts to transition the company toward a full service and vertically integrated provider of at-home diagnostics, on November 1, 2011, as a condition of the acquisition of Diagnostics Newco, LLC, from its sole owner, the company completed a name change action through the office of Nevada Secretary of State (NVSOS). The surviving entity is known as Decision Diagnostics Corp. or the Company. This action through the office of the NVSOS was effective as of November 25, 2011.

As part of our efforts to secure a listing on a new stock exchange, we completed another action with the NVSOS, where a previously approved board resolution to reverse split our shares was finalized. Our stock was split whereby one new share of the company's common stock was exchanged for every fourteen previously issued and outstanding shares of our \$.001 par value common stock. This action was effective as of November 25, 2011. All share references included herein have been retroactively restated to reflect that 1:14 reverse split.

Principles of Consolidation

The financial statements include those of: Decision Diagnostics Corp. ("Decision Diagnostics"); and nearly wholly owned (99.93%) owned subsidiaries, PDA Services, Inc. and PharmaTech Solutions, Inc., and its wholly owned subsidiaries Pharmtech Direct Corp, PharmaTech Sensor Development Corp., and Decision IT Corp. All significant inter-company transactions and balances have been eliminated. Decision Diagnostics and its subsidiaries are collectively referred to herein as the "Company." Investments in unconsolidated subsidiaries representing ownership of at least 20% but less than 50% are accounted for under the equity method. Non-marketable investments in which the Company has less than 20% ownership and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and periodically reviewed for impairment. As of December 31, 2019 and 2018, we did not have non-marketable investments.

Cash and cash equivalents

Cash and cash equivalents include all cash balances in non-interest bearing accounts and money-market accounts. We place our temporary cash investments with quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit. Our bank is a money market bank and as such, we do not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of December 31, 2020 and 2019.

Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 we had no bank balances which exceeded the FDIC insured limit.

Accounts receivable and Allowance for Doubtful Accounts Receivable

Trade accounts receivables are non-interest bearing and are stated at gross invoice amounts less an allowance for doubtful accounts receivable.

Credit is extended to customers based on an evaluation of their financial condition and other factors. The Company generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, the Company uses assumptions and judgment, based on the best available facts and circumstances, to either record a specific allowance against these customer balances or to write off the balances. Since the Company's customers have been subject to new and on-going draconian government reduction of healthcare reimbursement, previous rules regarding creditworthiness are changing. In addition, the Company calculates an overall reserve based on a percentage of the overall gross accounts receivable. This percentage is based on management's assessment of the aging of accounts receivable, historical write-offs of receivables and the associated risk profile of the Company's customer base. Healthcare, particularly the medical device products, are primarily paid for by Medicare, Medicare, and large health insurers. Payments, particularly in several regional areas, are "slow pay." This tends to trickle to all levels of retail, sales and distribution networks, and is taken into account by the Company.

Revenue recognition

We recognize revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of December 31, 2012 and 2019, we evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances has been made.

We recognize revenue from our sales of pharmaceutical supplies upon delivery to its customer where the fee is fixed or determinable, and collectability is probable. Cash payments received in advance are recorded as deferred revenue. We are not generally obligated to accept returns, except for defective products, or should FDA or Medicare regulations change after delivery is made. The advent of Medicare's competitive bidding program that covers the products the Company manufactures has added to regulatory issues faced by the Company.

Revenue from proprietary software sales that does not require further commitment from the company is recognized upon shipment. Consulting revenue is recognized when the services are rendered. License revenue is recognized ratably over the term of the license.

Advertising costs

We expense all costs of advertising as incurred. Advertising costs of \$12,394 and \$11,719 were included in general and administrative expenses as of December 31, 2020 and 2019, respectively. Television, radio and other media advertising has been treated as professional expense since the Company places its television, radio and social media ads through licensed advertising aggregators.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. As of December 31, 2020 and 2019, we have accrued contingent legal fees and product liability fees totaling \$245,069, respectively.

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2020 and 2019. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities and notes payable. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized no impairment losses during the years ended December 31, 2020 and 2019.

Earnings per share

Earnings per share are provided in accordance with ASC Topic 260 “Earnings per Share” (as amended). The Company presents basic earnings per share (“EPS”) and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if stock options and warrants were exercised into common stock. Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. Basic earnings per common share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is based on the weighted average number of common shares, plus all stock options and warrants convertible into common stock for an additional ?????? common shares; and all preferred stock (issued or authorized and unissued) convertible into common stock for an additional ?????? common shares. Most of the Company’s authorized Preferred shares remain unissued.

Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, “Accounting for Income Taxes”) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Concentrations

In 2020, three customers accounted for approximately 95% of net sales compared to three customers accounting for approximately 95% of net sales in 2019. However, it should be noted that all three of the Company’s largest customers make use in large part to on-line sales through Amazon, Walmart, Sears, Jet.com (“marketplaces”) and at least 1,000 other on-line sellers and aggregators. These customers use the distribution services and resources of the marketplaces.

Historically the Company’s operations require maintaining strategic relationships with customers whereby delivering product and services directly to the patient base that underlies strategic relationships, accepting assignment of insurance benefit through a series of strategic partnerships with licensed pharmacies for the billing and future servicing of these patients. We also maintain relationships with the entities where the patients reside. As of December 31, 2020 and 2019, we obtained the

majority of our pharmaceutical products from two contract manufacturers and three other major suppliers. There can be no assurance that our major customers will continue to purchase products. The loss of our largest customers or a decrease in product sales would have a material adverse effect on our business and financial condition.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the year ended December 31, 2020 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

Previous year financial information has been presented to conform to current year financial statement presentation.

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going concern

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of distribution platforms and channels through which our products that can be sold. We intend to use borrowings and security sales to mitigate the effects of our cash position, however, no assurance can be given that debt or equity financing, if required, will be available. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue in existence.

NOTE 3 – Fair value

Our financial instruments consist principally of notes payable and lines of credit. Notes payable and lines of credit are financial liabilities with carrying values that approximate fair value. Management determines the fair value of notes payable and lines of credit based on the effective yields of similar obligations and believe all of the financial instruments' recorded values approximate fair market value because of their nature and respective durations.

We comply with the provisions of ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. ASC 820-10-35, "Fair Value Measurements and Disclosures - Subsequent Measurement" ("ASC 820-10-35"), clarifies that fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10-35 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The Company also follows ASC 825 "Interim Disclosures about Fair Value of Financial Instruments", to expand required disclosures.

ASC 820-10-35 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10-35 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of December 31, 2020:

	2020 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	\$ -	\$ -	\$ 3,224,655	\$ 3,224,655
Liabilities	-	-	-	-
Notes payable	-	(2,817,346)	-	(2,817,346)
Total	\$ -	\$ (2,817,346)	\$ 3,224,655	\$ 407,309

NOTE 4 – Equipment – Specialty Manufacturing Instruments

On June 1, 2015, we entered into a wide-ranging manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015, we enhanced its role in this agreement through the purchase of, and investment in, computer controlled, specialty manufacturing equipment for our GenUltimate! products that is now located in the Korean facility of the Company's R&D and contract manufacturing partner. In the summer of 2016 we augmented this equipment by adding additional equipment capable of manufacturing our GenChoice!, GenAccord! and GenCambre! products that make use of different molds and chemical processes. This same contract manufacturer will manufacture, to our specifications, our new GenViro! products.

During the quarter ended March 31, 2017, we acquired \$64,890 in fixed assets pursuant to the manufacturing and product development agreement dated June 1, 2015. We expensed an additional \$380,000 for the development of our GenChoice! product which will make use of the Specialty Manufacturing equipment located in Korea. We continue to incur great expense due to development of our GenChoice! and GenUltimate Precis! And GenUltimate! TBG products during the year ending December 31, 2020.

NOTE 5 – Patents

During the years ended December 31, 2020 and 2019, we amortized formerly capitalized attorney fees related to the continued development and perfection of our patents totaling \$50,280 and \$101,239, respectively. We did not amortize any intellectual property or patents during the years ended December 31, 2020 and 2019.

During the year ended December 31, 2019, we settled out of court with Shasta Technologies, LLC, whereby we have retained all unobscured rights to acquire certain intellectual properties (see Note 6 below). We have expensed \$660,000 in legal fees over the past several years pursuant to the litigation. We have capitalized and recorded a "Gain on Intellectual Property" of \$1,340,000.

NOTE 6 – Acquisition of Certain Properties

In March 2014, we agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition became the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy, subsequently settled, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues with the U.S. FDA. The damages sought by the company, and other damages, became a part of allegations made in a suit filed in Pennsylvania where we will also litigate

damages incurred as a result of a 2015 collusion between Shasta and our former contract manufacturer Conductive Technologies, Inc., who conspired with Johnson and Johnson during the settlement of the first patent litigations. On December 31, 2018 the court in Pennsylvania ordered judgement against Shasta in the amount of \$3,600,000.

The original purchase price for this “Shasta” property was expected to be \$2,000,000 (cash). Earlier in 2019 the company filed a Writ of Execution, owing to the \$3,600,000 judgement that migrated from Pennsylvania. The Writ became final in April 2019, and was used, among other things, as offset against Shasta in the California litigation. Our business with Shasta is now completed.

We did register our FDA cleared product under our FDA Establishment registration (with the US FDA) in 2014, 2015, 2016, 2017, 2018, 2019 and in 2020. In September 2016 we became fully compliant with the then newly implemented FDA UDI product identification initiative.

NOTE 7 – Notes payable

During the course of a year-end review of our debt with our note holders, we mutually identified Original Issue Discounts (“OID’s”) associated with the notes totaling \$537,516. We have recorded these OID’s by increasing notes payable and interest expense as of the year ended December 31, 2020.

During the year ended December 31, 2020 the company closed additional financing in the form of Promissory Notes in the amount of \$2,100,000, with Alpha Capital Anstalt, the company’s primary financier. The Notes were funded and recorded on our books during the year ended December 31, 2020.

We have recorded financing expenses in connection with our notes payable totaling \$26,667,833 and \$348,655 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 – Stockholder’s equity

We are authorized to issue up to 494,950,000 shares of \$0.001 par value common stock and 5,000,000 shares of various classes of \$0.01 par value preferred stock. In March of 2011, we amended our preferred stock designations as follows: 1) withdrawal of Series “A” designation on 750,000 shares of preferred stock, 2) Amendment of Series “C” designation on to 10,000 shares of preferred stock, 3) Designation of Series “B” on 2,500 shares of preferred stock, 4) Designation of Series “D” on 1,250 shares of preferred stock and its amendments; 5) increased the number of preferred shares designated as Series “E” from 1,000,000 to 1,250,000. All presentation of preferred stock contained herein has been retroactively presented to reflect the designations and amendments; 6) increased the number of preferred shares designated as Series “D” from 500 to 1,250.

Series “B” convertible preferred stock

We have designated 2,500 shares of our \$0.001 preferred stock as Series “B”. Holders of series “B”: convertible stock shall not have the right to vote on matters that come before the shareholders. Each share of Series “B” Preferred stock is valued at \$10,000. Series “B” convertible preferred stock may be converted, the number of shares into which one share of Series “B” Preferred Stock shall be convertible into common stock shares shall be 15,000. Series “B” convertible stock shall rank senior to common stock in the event of liquidation. Holders’ of Series “B” convertible stock shall not be entitled to a mandatory monthly dividend. Series “B” convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

Series “C” convertible preferred stock

We have designated 10,000 shares of our \$0.001 preferred stock as 2011 Series “C”. Each share of 2011 Series C Preferred stock is valued at \$1,000. Holders of series “C”: convertible stock shall not have the right to vote on matters that come before the shareholders. 2011 Series “C” convertible preferred stock may be converted after 36 months, but not before unless by Board Resolution, the number of shares into which one share of 2011 Series “C” Preferred Stock shall be convertible on a pro-rata basis into common stock shares, each share of common stock valued at \$0.20. 2011 Series “C” convertible stock shall rank junior to all other classes of Preferred stock in the event of liquidation. Holders of 2011 Series “C” convertible stock shall not be entitled to a mandatory monthly dividend.

Series “D” convertible preferred stock

We have designated 1,250 shares of our \$0.001 preferred stock as 2012 Series “D”. As of this date, we have not issued any shares of this issue of Preferred stock. Holders of series “D” convertible stock shall not have the right to vote on matters that come before the shareholders. 2012 Series “D” convertible preferred stock may be converted three years (36 months) after distribution. The number of shares into which one share of 2012 Series “D” Preferred Stock shall be convertible into common stock shares is 1 for 120,000 shares of \$0.001 par value common stock. In 4Q 2016 and 1Q 2017 the company amended the Designations of its 2012 Series “D” convertible stock in anticipation of a large investment by a private non-fund related party. Should this investment occur, the majority of or all of the 1,250 shares would be subscribed to. 2012 Series “D” convertible stock shall rank junior to all other classes of Preferred stock in the event of liquidation. Holders of 2012 Series “D” convertible stock shall not be entitled to a mandatory monthly dividend. Holders of 2012 Series “D” shares may not convert these shares into common stock until the expiration of a 36 month holding period, unless the holder has received an extraordinary allowance to convert shares earlier by the company’s Board of Directors.

Series E convertible preferred stock

We have designated 1,250,000 shares of our \$0.001 preferred stock as Series “E”. Holders of series “E”: convertible stock shall not have the right to vote on matters that come before the shareholders. Series “E” convertible preferred stock may be converted, the number of shares into which one share of Series “E” Preferred Stock shall be convertible into common stock shares shall be 14. Series “E” convertible stock shall rank senior to common stock in the event of liquidation. Holders’ of Series “E” convertible stock shall not be entitled to a mandatory monthly dividend. Series “E” convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

2020 Issuances

Preferred “B”

During the year ended December 31, 2020, we issued zero preferred series “B” shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are \$nil on the date of issuance.

During the year ended December 31, 2020, certain holders of preferred series “B” shares converted 335 shares elected to convert their shares into 5,025,000 shares of \$0.001 par value common stock.

Preferred “C”

During the year ended December 31, 2020, we issued 840 preferred series “C” shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are \$nil on the date of issuance.

During the year ended December 31, 2020, certain holders of preferred series “C” shares converted 1,403 shares elected to convert their shares into 3,440,000 shares of \$0.001 par value common stock.

During the year ended December 31, 2020, certain holders of preferred series “C” shares converted 2,020 shares into 13,675,00 shares of \$0.001 par value common stock for financing costs totaling \$2,884,620, the fair market value of the shares on the date of issuance.

Preferred “D”

During the year ended December 31, 2020, we issued 30 preferred series “D” shares to various consultants for services provided. The fair market value of the shares and services are \$nil on the date of issuance.

During the year ended December 31, 2020, certain holders of preferred series “D” shares converted 60 shares into 3,625,000 shares of \$0.001 par value common stock for financing costs totaling \$819,500, the fair market value at the date of issuance.

Preferred “E”

During the year ended December 31, 2020, we issued 150,000 preferred series “E” shares to various consultants for services rendered. The fair market value of the shares and services is \$4,500 on the date of issuance.

During the year ended December 31, 2020, certain holders of preferred series “E” shares converted 325,000 shares into 4,550,000 shares of \$0.001 par value common stock.

During the year ended December 31, 2020, certain holders of preferred series “E” shares converted 150,000 shares elected to convert their shares into 2,100,000 shares of \$0.001 par value common stock for financing costs of \$357,000, the fair market value on the date of issuance.

Common

During the year ended December 31, 2020, we issued 101,202,138 shares of \$0.001 par value common stock for conversion of debt and accrued interest totaling \$3,199,859.

During the year ended December 31, 2020, we issued 49,572,951 shares of \$0.001 par value common stock for financing costs totaling \$9,070,418.

During the year ended December 31, 2020, we issued 5,600,000 shares of \$0.001 par value common stock in exchange for 400,000 shares of preferred series “E” stock.

2019 Issuances

Preferred “B”

During the year ended December 31, 2019, we issued 1,000 preferred series “B” shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are \$nil on the date of issuance.

Preferred “C”

During the year ended December 31, 2019, we issued 1,995 preferred series “C” shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are \$nil on the date of issuance.

Preferred “D”

During the year ended December 31, 2019, we issued 50 preferred series “D” shares to various consultants for services provided. The fair market value of the shares and services are \$nil on the date of issuance.

During the year ended December 31, 2019, we issued 60 preferred series “D” shares to investors for cash totaling \$300,000.

Preferred “E”

During the year ended December 31, 2019, we issued 625,000 preferred series “E” shares to various consultants for services rendered. The fair market value of the shares and services is \$22,000 on the date of issuance.

During the year ended December 31, 2019, certain holders of preferred series “E” shares converted 400,000 shares elected to convert their shares into 5,600,000 shares of \$0.001 par value common stock.

Common

During the year ended December 31, 2019, we issued 14,318,548 shares of \$0.001 par value common stock for conversion of debt and accrued interest totaling \$1,454,133.

During the year ended December 31, 2019, we issued 418,250 shares of \$0.001 par value common stock for financing costs totaling \$321,923.

During the year ended December 31, 2019, we issued 5,600,000 shares of \$0.001 par value common stock in exchange for 400,00 shares of preferred series “E” stock.

NOTE 9 – Stock options

2017 Stock Option Plan

During the quarter ended March 31, 2017, we adopted the “2017” Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 20,000,000 shares of \$0.001 par value common stock at the variable strike prices per share based on share fair market value on the date of grant. As of December 31, 2020, all options allowed under the plan have been granted and are exercisable at the election of the holder.

The following is a summary of activity of outstanding stock options under all Stock Option Plans:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2019	9,050,000	\$ 0.10
Options granted	17,300,000	0.013
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2019	<u>26,350,000</u>	<u>\$ 0.05911</u>
Balance, January 1, 2020	26,350,000	\$ 0.10
Options granted	-	0.013
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2020	<u>26,350,000</u>	<u>\$ 0.05911</u>

NOTE 10 – Warrants

The following is a summary of activity of outstanding warrants:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2019	2,603,143	\$ 0.56
Warrants granted	3,685,898	0.0195
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2019	<u>6,289,041</u>	<u>\$ 0.2432</u>
Balance, January 1, 2020	6,289,041	\$ 0.2432
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2020	<u>6,289,041</u>	<u>\$ 0.2432</u>

NOTE 11 – Commitments and Contingencies

Contingencies and Litigation

We transact commerce in several medical products market channels. We also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. Our GenStrip 50 and GenUltimate! products required initial regulatory approval by the US FDA as well as on-going US FDA oversight and inspection during the product life cycle. We also import product from Korea manufactured by our Korean contract manufacturer. This product is also subject to FDA inspection. We are also subject to new FDA regulation and post market overview. In 2016, we had to meet new FDA Guidelines for product identification, tracking and standardization. Our new GenChoice! and GenUltimate! TBG and the later upcoming GenAccord! and GenCambre! products will follow the same pathway with the U.S. FDA. The FDA calls its new product identification program, the UDI initiative, and the new packaging required, and met by us, approximates a similar standard implemented in the European Union in 2013, and then adopted in other countries, Korea for example. We are now filing for approvals in the EU and the Russian Federation after having received certain approvals in Central and South America.

Further, our products required medical patient trials and several compete directly with a major platform manufacturer. Healthcare, especially those segments where the company competes, is a very litigious. Competing companies often use litigation as a marketing (market depriving) tool, bringing litigation as a means to protect market share and limit market exposure even though market limitation through litigation is illegal. We have in the past (and currently) defended cases brought by Plaintiffs asserting these types of claims.

The medical industry is also intertwined. From time to time, we have become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product, payment disputes both as a seller and a buyer, and litigation that arises over claims of fair value. We have also had to defend trade dress claims filed solely because of the cost to defend these claims, real or not. For instance, we have been sued in several jurisdictions over a single business transaction. Often these cases involve substantial over-prosecution where we and our have been held accountable by Plaintiffs for a myriad of things including words written or posted in public forums by anonymous persons.

We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers, people or entities that we may not be familiar with. We maintain substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. We have also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, we accrue contingent legal fees and product liability fees. As of December 31, 2020, our contingent legal fees accrual was \$240,000 and our general contingencies accrual was \$245,069. Contingencies total \$485,069 and are reflected herein.

From time to time, we may also be subject to demands from individuals or entities. These demands and disputes may consume management time and company resources. Other than as noted below, if there is such a disclosure, there are no pending matters at the current time that in management's judgment may be considered material or potentially material.

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is \$3,000 per month (increased from \$2,170 on October 1, 2019) on a month-to-month basis. We also maintain space in a public warehouse in Miami, FL, for our import, export and storage and pick and pack needs. Also, we are granted space indirectly in Seoul, South Korea for the completion of necessary clinical trials.

Rent expense totaled \$36,000 and \$30,700 for the year ended December 31, 2020 and 2019 respectively.

NOTE 12 – Subsequent events

In accordance with ASC 855, management evaluated all of our activities through the issue date of the financial statements and concluded that except as described below, no other subsequent events have occurred that would require recognition or

disclosure in the financial statements. We do however discuss all subsequent events in our Managements' Discussion and Analysis documents and filings.

Error Repair

The company will endeavor to repair any and all errors that new sets of eyes find in this document after it's posting, whether these errors are in spelling, grammatical, punctuation or numeric. We are not perfect and we remind the readers of this document that they are not perfect either.