

KELYNIAM GLOBAL, INC.
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2022

KELYNIAM GLOBAL, INC.
TABLE OF CONTENTS
MARCH 31, 2022

ACCOUNTANT'S COMPLIATION REPORT	<u>Page</u> 1
FINANCIAL STATEMENTS:	
BALANCE SHEET	2 - 3
STATEMENT OF INCOME	4
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 15
SUPPLEMENTARY INFORMATION:	16
SCHEDULE I - COST OF SALES	17
SCHEDULE II - GENERAL AND ADMINISTRATIVE EXPENSES	18

LaQuerreAudi

certified public accountants

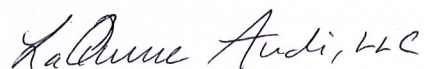
Independent Accountant's Compilation Report

To the Board of Directors
Kelyniam Global, Inc.
Collinsville, CT

Management is responsible for the accompanying financial statements of Kelyniam Global, Inc., (a Corporation), which comprise the balance sheet as of March 31, 2022, and the related statement of income, changes in stockholders' equity and cash flows for the three months then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements in Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The accompanying supplementary information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was not subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Respectfully,



LaQuerre Audi, LLC
Certified Public Accountants
Plainville, CT 06062

May 6, 2022

KELYNIAM GLOBAL, INC.
BALANCE SHEET
MARCH 31, 2022

ASSETS

CURRENT ASSETS

Accounts receivable	\$ 558,241
Inventory	50,633
Prepaid expenses	<u>4,710</u>

TOTAL CURRENT ASSETS	<u>613,584</u>
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PROPERTY AND EQUIPMENT

Manufacturing equipment	565,642
Computer equipment	66,653
Furniture and fixtures	8,043
Leasehold improvements	<u>323,162</u>
	963,500

Less: Accumulated depreciation	<u>(547,664)</u>
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TOTAL PROPERTY AND EQUIPMENT	<u>415,836</u>
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OTHER ASSETS

Security deposit	8,000
Deferred income tax asset	<u>421,300</u>

TOTAL OTHER ASSETS	<u>429,300</u>
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TOTAL ASSETS	<u><u>\$ 1,458,720</u></u>
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See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
BALANCE SHEET
MARCH 31, 2022

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Line of credit	\$ 199,728
Accounts payable	147,205
Accrued expenses	149,471
Deferred revenue	141,679
Current portion of officer loan	109,950
Current portion of note payable	<u>23,795</u>

TOTAL CURRENT LIABILITIES	<u>771,828</u>
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LONG-TERM LIABILITIES

Officer loan, less current portion	<u>22,074</u>
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TOTAL LONG-TERM LIABILITIES	<u>22,074</u>
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TOTAL LIABILITIES	<u>793,902</u>
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STOCKHOLDERS' EQUITY

Common stock \$.001 par value, 60,000,000 shares authorized, 25,738,145 shares issued and outstanding	25,738
Additional paid in-capital	2,643,942
Retained earnings (accumulated deficit)	(1,991,057)
Treasury stock, at cost (237,583 shares)	<u>(13,805)</u>

TOTAL STOCKHOLDERS' EQUITY	<u>664,818</u>
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TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 1,458,720</u></u>
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See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED
MARCH 31, 2022

Sales	\$ 653,488
Cost of Sales	<u>144,287</u>
Gross Profit	509,201
General and Administrative Expenses	<u>515,125</u>
Loss from operations	<u>(5,924)</u>
Other Income (Expenses)	
Interest expense	<u>(8,402)</u>
	<u>(8,402)</u>
Loss Before Provision for Income Taxes	(14,326)
Provision for Income Tax	<u>13,925</u>
Net Loss	<u><u>\$ (28,251)</u></u>

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
MARCH 31, 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2021	\$ 25,738	\$ 2,643,942	\$ (1,962,806)	\$ (13,805)	\$ 693,069
Net loss	-	-	(28,251)	-	(28,251)
Balance, March 31, 2022	<u>\$ 25,738</u>	<u>\$ 2,643,942</u>	<u>\$ (1,991,057)</u>	<u>\$ (13,805)</u>	<u>\$ 664,818</u>

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED
MARCH 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (28,251)
Adjustments needed to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	10,879
(Increase) Decrease in operating assets	
(Increase) Decrease in accounts receivable	(19,752)
(Increase) Decrease in inventory	(6,344)
(Increase) Decrease in prepaid expenses	(1,494)
(Increase) Decrease in deferred income taxes	12,500
Increase (Decrease) in accounts payable	1,693
Increase (Decrease) in accrued expenses	(20,697)
Increase (Decrease) in deferred revenue	(10,321)
Net Cash Provided By (Used In) Operating Activities	<u>(61,787)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(23,363)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(23,363)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net borrowings on line of credit	128,090
Principal payments on note payable	(34,211)
Net repayments to officer	(8,729)
Net Cash Provided by (Used In) Financing Activities	<u>85,150</u>

Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Period	<u>-</u>
Cash and Cash Equivalents at End of Period	<u><u>\$ -</u></u>

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Kelyniam Global, Inc. (“the Company”), organized under the laws of the State of Nevada, specializes in the rapid production of custom prosthetic cranial implants utilizing computer-aided design and computer aided manufacturing of advanced medical grade polymers. The Company develops, manufactures, and distributes custom cranial and maxilla-facial implants for patients requiring the reconstruction of cranial and certain facial structures. The Company works directly with surgeons, health systems and payors to improve clinical and cost-of-care outcomes. The Company has additional products and categories in various stages of development and commercialization.

The Company’s business operations consist solely of regulatory approvals, manufacturing operations and distribution to customers and markets entirely in the United States.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Revenue Recognition

Revenue from the sale of implantable products is generally recognized at an amount that reflects the expected consideration at the point-in-time the hospital customer obtains control of the product which is defined as when the product is delivered and accepted, or upon shipment to a third-party distribution customer assuming control of the products.

Significant judgments – contracts with multiple performance obligations

Generally, each customer order represents a separate contract. Customer orders may include promises to transfer multiple performance obligations. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Generally, each specific product or service ordered is considered distinct and therefore, considered a separate performance obligation.

The Company allocates the transaction price to each performance obligation on a relative standalone selling price (“SSP”) basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgement is required to determine the SSP for each distinct performance obligation.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Company determines SSP by considering its overall pricing objectives and market conditions on a customer basis. Significant pricing practices taken into consideration include the Company's discounting practices, price lists, historical sales and contract prices. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to SSP. In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when it has observable prices.

The transaction price for each contract with a customer is generally fixed. Amounts that have been invoiced are recorded in accounts receivable and revenue, when control to customers has occurred.

The Company has determined that it qualifies for the practical expedient to expense incremental costs of obtaining a contract as incurred in the period that the goods or services are transferred to the customer as this treatment is consistent with the incremental costs incurred.

Deferred Revenue

During the year, the Company and a customer entered into a fixed agreement to provide specific products to the customer in support of a minimum purchase agreement contract where the customer's purchases had not been sufficient to meet minimum purchase requirements for 2020 and 2021. The agreement will measure revenue by the future provision of products during the year of 2022. The outstanding amount related to this agreement of \$141,679 is shown as deferred revenue on the "Balance Sheet" under Current Liabilities as of March 31, 2022.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents and Credit Risk

The Company considers all investments with the original maturities of three months or less to be cash equivalents.

The Company maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company did not exceed the insured limit as of March 31, 2022.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounts Receivable

Accounts receivable are recorded at fair value and are recorded as current assets. Uncollectible account balances are written-off when management determines the probability to collection is remote. The Company does not require collateral in providing credit. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. No allowance for doubtful accounts was deemed necessary at March 31, 2022.

Inventory

Inventory, consisting primarily of supplies, is stated at the lower of cost (first-in, first-out basis) or market value (net realizable value).

Property and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is provided using straight-line methods for financial reporting purposes. Estimated useful lives of the assets are as follows:

Manufacturing equipment	7 years
Computer equipment	3 years
Furniture and fixtures	5 – 7 years
Leasehold improvements	15 – 39 years

The cost and related accumulated depreciation of equipment and furniture sold, retired or otherwise disposed of are removed from the related asset accounts, and any resulting gain or loss is recorded in operations for the period in which the transaction occurred.

Expenditures for major renewals or improvements that extend the useful lives of equipment and furniture are capitalized. Expenditures for maintenance and repairs are expensed as incurred. Depreciation expense for the three months ended March 31, 2022 was \$10,879.

Fair Value of Financial Instruments

The Company has a number of financial instruments and none are held for trading purposes. The Company estimates that the fair value of all financial instruments as of March 31, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. The Company used available market information and appropriate valuation methodologies to determine the estimated fair value amounts. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange (See Note 10).

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising expenses for the three months ended March 31, 2022 was \$10,947.

Shipping and Handling Costs

All shipping and handling costs billed to customers are recognized in sales. Shipping and handling costs are charged to expense as incurred and included in cost of sales on the accompanying statement of income. Shipping and handling costs incurred for the three months ended March 31, 2022 was \$8,806.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between financial statement and taxable income arising primarily from depreciation expense for tax purposes using accelerated methods and for financial statements using the straight line method, in addition to future benefits for net operating loss carryovers for tax purposes.

The deferred tax assets and liabilities 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.

There are no uncertain positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties and income tax would be reported as income tax expense. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of or changes in tax laws, regulations and interpretations therefore as well as other factors.

Lease Arrangements

Annual rentals pertaining to the real estate lease, which convey merely the right to use property, are charged to current operations.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through May 6, 2022, which represents the date the financial statements were available to be issued.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 2 – RELATED PARTY TRANSACTIONS

Officer Loan Payable

Officer loan payable represents amounts due to officer. The outstanding balance as of March 31, 2022 was \$132,024. The amount is subject to a specific repayment schedule and will be paid in full by December 31, 2023.

Future maturities of officer loan payable are as follows:

<u>PERIOD ENDING</u> <u>MARCH 31,</u>	<u>AMOUNT</u>
2023	\$ 109,950
2024	<u>22,074</u>
	<u>\$ 132,024</u>

NOTE 3 – INVENTORY

Inventory consists of supplies on hand in the amount of \$50,633 as of March 31, 2022.

NOTE 4 – LINE OF CREDIT

The Company has a \$230,000 revolving line of credit with Westfield Bank, secured by the assets of the Company. The balance on the line at March 31, 2022 was \$199,728 at the rate of interest of 4.25%.

NOTE 5 – LONG-TERM DEBT

Note payable with the Department of Economic and Community Development, payable in monthly installments of \$2,996, including interest of 3.00%, through June 2022, secured by assets of the Company.

\$ 23,795

Less: Current maturities:

(23,795)
\$ -

Future maturities of long-term debt are as follows:

<u>PERIOD ENDING</u> <u>MARCH 31,</u>	<u>AMOUNT</u>
2023	\$ 23,795

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 5 – LONG-TERM DEBT *(Continued)*

In January 2020, the Company settled a mutual suit against a former officer and shareholder accusing each the other of various actions. As part of this settlement, the Company agreed to repurchase the entire shareholding stake of the former officer for \$80,000. During the year ended December 31, 2021, the Company owed an additional \$24,000, in which \$16,000 was paid in the first quarter of 2022 and \$8,000 is included in accrued expenses as of March 31, 2022. This additional amount will be fully paid in the second quarter of 2022.

NOTE 6 – STOCKHOLDERS' EQUITY

Common Stock

As of March 31, 2022, the authorized capital stock of the Company was 60,000,000 shares of common stock, \$0.001 par value per share; 25,738,145 shares are outstanding at March 31, 2022.

Treasury Stock

The Company is authorized to repurchase shares of its common stock in the open market or through negotiated transactions, at such times and at such prices as management may decide.

NOTE 7 – INCOME TAXES

The provisions for income taxes consist of the following at March 31, 2022:

	<u>FEDERAL</u>	<u>STATE</u>	<u>TOTAL</u>
Current Taxes	\$ -	\$ 1,425	\$ 1,425
Deferred Tax (Benefit)	<u>9,000</u>	<u>3,500</u>	<u>12,500</u>
Net	<u>\$ 9,000</u>	<u>\$ 4,925</u>	<u>\$ 13,925</u>

The deferred taxes result from the following:

- 1) The use of the accrual basis of accounting for financial purposes versus the cash basis of accounting for tax purposes.
- 2) Net operating losses that are available to offset future taxable income.
- 3) The use of straight-line depreciation methods for financial reporting purposes versus accelerated depreciation methods for tax purposes.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 7 – INCOME TAXES

The Company's deferred tax assets and deferred tax liabilities at March 31, 2022 consist of the following:

Deferred tax assets	\$ 421,300
Deferred tax liabilities	<u>-</u>
Net Deferred Tax Asset	<u>\$ 421,300</u>

Included in the accompanying balance sheet at March 31, 2022, as follows:

Long-term deferred tax asset	\$ 421,300
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The Company has approximately \$1.5 million loss carryforwards for both federal and state that may be used to offset against future taxable income. If not used, the carryforwards will begin to expire in December, 2030.

The Company files tax returns in U.S. federal jurisdiction, as well as in the State of Connecticut. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for the years before 2017.

NOTE 8 – LEASES

The Company leases its facilities under a non-cancelable lease. The following is a schedule of future minimum lease payments required under the lease agreement.

<u>PERIOD ENDING</u> <u>MARCH 31,</u>	
2023	\$ 32,004
2024	32,964
2025	<u>33,960</u>
	<u>\$ 98,928</u>

NOTE 9 – RETIREMENT PLAN

The Company maintains a 401(k) plan for full-time employees defined as an employee whose schedule services exceed 1,000 hours during a calendar year. Newly hired employees are eligible to participate in the plan after six months of service. The Company contributed \$2,569 to its' 401(k) plan during the three months ended March 31, 2022.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 10 – FAIR VALUE MEASUREMENTS

FASB 820, Fair Value Measurements and Disclosures (FASB ASC 820) established a framework for identifying and measuring fair value. FASB ASC 820 provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is expected to be applied to fair value measurements of derivative contracts that are subject to mark to market accounting and other assets and liabilities reported at fair value.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity specific measurement, and establishes a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on the entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurements into three levels:

Level 1- measurements utilize unadjusted quoted prices in active markets for identical assets and liabilities that the entity had the ability to access. These consist primarily of listed equity securities, exchange traded fixed income, derivatives and certain U.S. government treasury securities.

Level 2- measurements include quoted prices for similar assets and liabilities in active markets, quoted prices identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as swaps, forward contracts of options and most fixed income securities.

Level 3- measurements use unobservable inputs for assets and liabilities, are based on the best information available and might include the entity's own data. In some valuations, the inputs used may fall into different levels of hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These consist mainly of assets and liabilities valued through an internal modeling process.

The following section describes the valuation methodologies used by the Company to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and significant assumptions.

Available-for-sale and Held-to-maturity securities- The Company uses quoted market prices to determine fair value for these classes of securities. These financial assets consist of exchange traded fixed income and equity securities, and are classified in Level 1 of the financial hierarchy.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

NOTE 10 – FAIR VALUE MEASUREMENTS *(Continued)*

The following table presents information about the Company's respective assets and liabilities measured at fair value on a recurring basis at March 31, 2022 including the fair value measurements and the level of inputs used in determining those fair values:

Description	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities	\$ -	\$ -	\$ -	\$ -
Fixed Income	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Transfers between Level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the three months ended March 31, 2022, there were no significant transfers into and out of each level of the fair value hierarchy for assets and liabilities measured at fair value.

NOTE 11 – SUPPLEMENTARY ANALYTICAL DATA

The Company uses the indirect method when presenting its cash flows from operating activities in the Statements of Cash Flows, therefore, the Company is required to disclose the following supplementary information:

	<u>2022</u>
Interest paid	\$11,061

NOTE 12 – CONCENTRATIONS

Two customers represented 44% of accounts receivable at March 31, 2022. Two customers represented 28% of sales revenue for the three months ended March 31, 2022.

SUPPLEMENTARY INFORMATION

KELYNIAM GLOBAL, INC.
SCHEDULE I - COST OF SALES
FOR THE THREE MONTHS ENDED
MARCH 31, 2022

Depreciation	\$ 7,366
Direct labor	39,385
Payroll taxes	3,494
Raw materials	76,222
Rent	6,119
Shipping, freight and delivery	8,806
Utilities	<u>2,895</u>
Total Cost of Sales	<u><u>\$ 144,287</u></u>

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
SCHEDULE II - GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE THREE MONTHS ENDED
MARCH 31, 2022

Advertising	\$ 10,947
Bank and credit card fees	6,870
Commission expense	201,591
Depreciation	3,513
Equipment rental	205
Insurance	40,361
License and registration	1,785
Officer's compensation	42,332
Office expenses	9,971
Payroll service	807
Payroll taxes	10,653
Pension expense	2,569
Professional fees	43,331
Property and other taxes	2,073
Regulatory fees	720
Rent expense	6,544
Repairs and maintenance	9,904
Salaries and wages	77,767
Seminars	7,045
Telephone	1,167
Travel and entertainment expenses	18,285
Utilities	2,945
Web services	13,740

Total General and Administrative Expenses	\$ 515,125
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See accompanying notes and independent accountant's compilation report