WeiserMazars LLP

Singer Financial Corporation

Financial Statements
December 31, 2014 and 2013

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Independent Accountants' Compilation Report

To the Stockholder and Director of
Singer Financial Corp.

We have compiled the accompanying balance sheets of Singer Financial Corporation as of December 31, 2014 and 2013, and the related statements of operations, stockholder's equity and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the Unites States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

WeiserMazars LLP

April 8, 2015

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Singer Financial Corp.
Balance Sheets
December 31, 2014 and 2013
(See Independent Accountants' Compilation Report)

	2014	2013
Assets		
Cash	$ 885,917	$ 1,319,606
Secured loans receivable:		
Loan portfolio	3,231,678	3,357,795
Stockholder	1,636,861	1,773,069
Affiliates	539,077	437,171
Accrued interest receivable	31,900	44,078
Due from affiliates	1,022,071	992,071
Due from stockholder	1,644,945	1,021,399
Prepaid expenses	9,075	23,295
Property and equipment, net	722,935	676,971
Financing costs, net	26,635	33,426
Total assets	$ 9,751,094	$ 9,678,881
Liabilities and Stockholder's Equity		
Liabilities		
Notes payable, bank	$ 1,015,030	$ 986,303
Notes payable, other	3,997,460	668,819
Subordinated investment certificates	2,584,837	5,888,095
Total liabilities	7,597,327	7,543,217
Commitments and contingencies		
Stockholder's equity		
Common stock, no par value; authorized 10,000 shares issued and outstanding 2,000 shares	600,000	600,000
Retained earnings	1,553,767	1,535,664
Total stockholder's equity	2,153,767	2,135,664
Total liabilities and stockholder's equity	$ 9,751,094	$ 9,678,881

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

Singer Financial Corp.
Statements of Operations
Years Ended December 31, 2014 and 2013
(See Independent Accountants' Compilation Report)

	2014	2013
Income		
Interest		
Interest income	$ 700,514	$ 555,448
Interest expense	530,825	555,842
Net interest income (expense)	169,689	(394)
Brokerage and other fees	240,956	180,440
	410,645	180,046
Operating expenses		
General and administrative	493,414	407,409
Depreciation and amortization	34,901	26,633
	528,315	434,042
Gain on sale of property	176,771	110,194
Income (loss) from operations	59,101	(143,802)
Other expense		
Bank interest expense	(55,998)	(42,458)
Rental income	15,000	22,150
	(40,998)	(20,308)
Net income (loss)	$ 18,103	$ (164,110)

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

Singer Financial Corp.
Statements of Stockholder's Equity
Years Ended December 31, 2014 and 2013
(See Independent Accountants' Compilation Report)

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
Balance, January 1, 2013	2,000	$ 600,000	$ 1,699,774	$ 2,299,774
Net loss			(164,110)	(164,110)
Balance, December 31, 2013	2,000	600,000	1,535,664	2,135,664
Net income			18,103	18,103
Balance, December 31, 2014	2,000	$ 600,000	$ 1,553,767	$ 2,153,767

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

Singer Financial Corp.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013
(See Independent Accountants' Compilation Report)

	2014	2013
Cash flows from operating activities		
Net income (loss)	$ 18,103	$ (164,110)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of loan origination fees	(44,809)	(124,972)
Depreciation of property and equipment	28,110	21,767
Gain on sale of property	(176,771)	(110,194)
Amortization of financing costs	6,791	4,866
Increase in accrued interest on stockholder and related party loans	(58,792)	(23,988)
Increase in accrued interest on notes payable	60,787	23,306
Increase in accrued interest on subordinated investment certificates	355,176	330,186
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accrued interest receivable	-	27,359
Prepaid expenses	14,220	(15,140)
Net cash provided by (used in) operating activities	202,815	(30,920)
Cash flows from investing activities		
Loans originated	(1,026,126)	(961,544)
Loan fees received	71,050	56,750
Loan payments received	916,272	2,489,593
Advances from (to) stockholder	(623,546)	60,190
Advances to affiliates	(30,000)	(20,000)
Proceeds from sale of property	495,810	396,679
Purchase of property and equipment	(78,112)	-
Net cash (used in) provided by investing activities	(274,652)	2,021,668
Cash flows from financing activities		
Financing costs incurred	-	(19,256)
Proceeds of notes payable, bank	-	1,000,000
Principal payments on notes payable, bank	28,727	(1,152,642)
Proceeds from notes payable	370,000	181,000
Principal and interest payments on subordinated investment certificates	(760,580)	(686,904)
Net cash used in financing activities	(361,853)	(677,802)
Net (decrease) increase in cash	(433,689)	1,312,946
Cash		
Beginning	1,319,606	6,660
Ending	885,917	$ 1,319,606
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 531,616	$ 746,291

Supplemental disclosure of noncash investing and financing activities

Loans receivable plus accrued interest receivable totaling $487,417 were assumed by the stockholder of the Company during the year ended December 31, 2013.

During the year ended December 31, 2014, loans receivable plus accrued interest receivable totaling $101,906 were transferred to an affiliate of the Company.

During the years ended December 31, 2014 and 2013, the Company transferred loans receivables plus accrued interest totaling $315,002 and $402,526 to fixed assets upon foreclosure of the related properties.

Matured subordinated investment certificates, with principal and accrued interest totaling $2,897,854 and $276,867, were reclassified as notes payable during the years ended December 31, 2014 and 2013, respectively.

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

1. Summary of Significant Accounting Policies

Nature of Business
Singer Financial Corp. (the "Company") makes, holds, and services commercial loans to customers in Pennsylvania, New Jersey and Delaware. The Company is a broker of commercial mortgage loans and a licensed broker of residential mortgages in Pennsylvania, and is subject to the risk associated with the real estate and mortgage loan markets in those areas.

Variable Interest Entities
Variable interest entities (VIEs) are primarily entities that lack sufficient equity to finance their activities without additional subordinated financial support from other parties or whose equity holders as a group lack certain power, obligations, or rights. All VIEs with which the Company is involved are evaluated to determine whether the Company has a controlling financial interest in the VIE and is, therefore, the primary beneficiary of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

The stockholder has a controlling financial interest in certain entities, including Leah One, Inc., Julia Two Corporation, and Vass, Inc. The Company has concluded that all three companies are VIEs, but do not require consolidation as Singer Financial Corporation is not the primary beneficiary.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash
The Company maintains its cash balances in three banks. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the balances 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.

Loans Receivable and Allowance for Credit Losses
Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees net of direct costs are deferred and amortized to interest income over the term of the loans using the interest method. Unamortized amounts are recognized in income when the loans are sold or paid in full.

Loans go on non-accrual status after 120 days with no payments. Interest is accrued on these loans for a maximum of 90 days. An allowance for credit losses is provided as necessary based upon the expected collectability of loans outstanding. All loans receivable are collateralized by the underlying real estate. At December 31, 2014 and 2013, no allowance for credit losses was deemed necessary since collateral values, based on management's appraisals, were considered adequate to cover outstanding loan balances.

Loans are transferred to the stockholder or affiliated companies (that are owned by the stockholder) when the stockholder or affiliated companies purchase the properties and assume the mortgage that the Company is holding. The loans are still collateralized by the real estate now owned by these related parties.

Property and Equipment and Depreciation
Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (ranging from 5 to 40 years)

Property and Equipment and Depreciation (continued)
The Company reviews its investment in real estate held for lease for impairment whenever events or circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the real estate and any estimated proceeds from the eventual disposition of the real estate. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. There were no impairment losses recognized during the years ended December 31, 2014 and 2013.

Financing Costs and Amortization
Financing costs incurred in connection with the public offering of subordinated investment certificates, are being amortized on a straight-line basis over the average term of the certificates. Financing costs of $19,256 at December 31, 2013 were incurred in connection with obtaining the new bank note payable, are being amortized on a straight-line basis over the life of the loan. Amortization expense was $6,791 and $4,866 for the years ended December 31, 2014 and 2013, respectively. Fully amortized deferred selling costs of $120,487 and deferred offering costs of $24,475 were written off during the year ended December 31, 2014. Total accumulated amortization as of December 31, 2014 and 2013 was $22,019 and $160,190, respectively.

Interest Income
Interest income from loans receivable is recognized using the interest method. Accrual of interest income is suspended when the receivable is contractually delinquent for ninety days or more. The accrual is resumed when the receivable becomes contractually current, and past-due interest income is recognized at that time. In addition, a detailed review of the receivables will cause earlier suspension if collection is doubtful.

Advertising Costs
Advertising costs are expensed as they are incurred. Total advertising costs, included in general and administrative expenses, were $20,105 and $9,000 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes
The Company has elected to be an S Corporation under the provisions of the Internal Revenue Code and the Pennsylvania S Corporation Statute. As a result, income and losses of the Company are passed through to its stockholder for Federal and state income tax purposes. Accordingly, no provision is made for Federal or state income taxes. The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. Federal and state income tax examinations by tax authorities for years before 2010.

Subsequent Events
The Company has evaluated subsequent events through April 8, 2015, the date these financial statements were available for issuance. All subsequent events requiring recognition as of December 31, 2014, have been incorporated in these financial statements.

2. Loans Receivable, Portfolio

	2014	2013
Real estate secured loans		
Current	$ 3,087,630	$ 2,638,027
On nonaccrual status	269,165	818,644
	3,356,795	3,456,671
Unamortized origination costs (fees), net	(125,117)	(98,876)
	$ 3,231,678	$ 3,357,795

It is anticipated that a substantial portion of the loan portfolio will be renewed or repaid before contractual maturity dates. The above tabulation, therefore, is not to be regarded as a forecast of future cash collections.

2. Loans Receivable, Portfolio (continued)

At December 31, 2014, the contractual maturities of real estate secured loans receivable are as follows:

	2015	2016	2017	2018	2019	Total
Real estate secured loans	$ 981,698	$ 527,617	$ 360,446	$ 542,171	$ 944,866	$ 3,356,798
Amortization of origination fees	(39,160)	(35,083)	(25,990)	(19,538)	(5,349)	(125,120)
	$ 942,538	$ 492,534	$ 334,456	$ 522,633	$ 939,517	$ 3,231,678

3. Loans Receivable, Related Parties

	2014	2013
Real estate secured loans		
Stockholder	$ 1,636,861	$ 1,773,069
Unamortized origination fees	-	-
	1,636,861	1,773,069
Affiliates	539,077	437,171
	2,175,938	2,210,240
Unsecured loans		
Affiliates	1,022,071	992,071
Stockholder	1,644,945	1,021,399
	$ 4,842,954	$ 4,223,710

4. Property and Equipment

	2014	2013
Land	$ 183,017	$ 183,017
Auto	64,339	65,909
Building	267,907	267,907
Building improvements	249,156	241,722
Leasehold improvements	193,298	193,298
Office furniture and equipment	47,256	47,256
Construction in progress	2,301	-
	1,007,274	999,109
Less accumulated depreciation	284,339	322,138
	$ 722,935	$ 676,971

5. Notes Payable

Note Payable, Bank

	2014	2013
Note payable - Auto loan payable in monthly installments of $1,142, including interest at 2.5%, through August 2019	$ 58,704	$ -
Note payable - A $1,000,000 loan; payable in monthly installments of $6,631 including interest at 5%; final payment due on July 1, 2018; collateraized by the building.	956,326	986,303
	$ 1,015,030	$ 986,303

Notes Payable, Other

The Company has various promissory notes payable to third party individuals. These notes expire at various dates from ten to fifteen years from date of receipt. These notes accrue interest annually, with a range from 6% to 7.5%.

Principal payments on all notes payables are due as follows:

Years Ending December 31,	Bank	Other
2015	$ 44,929	$ -
2016	46,902	
2017	48,972	117,454
2018	866,948	40,000
2019	7,279	287,979
Thereafter		3,552,027
	$ 1,015,030	$ 3,997,460

6. Subordinated Investment Certificates

The Company has authorized the issuance through a public offering (as amended), under Regulation A of the Securities Act of 1933, of an aggregate of $5,000,000 of subordinated investment certificates. The certificates mature at various dates from 1 to 15 years after issuance, and bear interest at 1% over the rates paid by certain banks on similar certificates, with a minimum of 5% and a maximum of 11%. The minimum and maximum interest rates may be adjusted, from time to time, according to current business and market conditions. The certificates are subordinated to the Company’s indebtedness for borrowed money whether incurred before or after the issuance of the certificates. The Company has the option to call any certificate for redemption before maturity with prior written notice by registered mail not less than 30 days before redemption.

6. Subordinated Investment Certificates (continued)

Certificates outstanding at December 31, 2014 mature as follows:

Years Ending December 31,	Amount (including accrued interest)	Interest Rate (%)
2015	$ 255,581	5.34 - 9
2016	390,003	5.27 - 9
2017	210,937	6.6 - 8.04
2018	342,497	6.38 - 10
2019	240,744	7 - 9
2020	102,700	7.29 - 9
2021	325,288	7.05 - 10
2022	10,000	9
2024	135,893	8.91 - 9.27
2025	207,488	8.22 - 9.26
2026	363,706	7.99 - 9.17
	$ 2,584,837	

7. Related Party Transactions

The Company advances funds to the stockholder, to companies affiliated by common ownership, or to a company owned by a relative of the Company's stockholder. These loans are noninterest-bearing.

Occasionally, these affiliated companies or the stockholder purchase the properties of Singer Financial Corp.'s foreclosed loans. These affiliated companies then become responsible for the corresponding loan receivable. As of December 31, 2014, these loans bear interest at 8% annually, capped at 90 days. Total interest income from these related loans receivable were $0 and $23,988 for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, a payment was received from the shareholder, for a previously foreclosed loan, which included approximately $58,000 of related party interest income.

The Company leases certain of its facilities to its stockholder under a year-to-year lease, expiring May, 2015. Rental income was $15,000 for each of the years ended December 31, 2014 and 2013, respectively.

The stockholder leases office space to the Company under a year-to-year lease, at a monthly rent of $750. Rent expense was $9,000 for each of the years ended December 31, 2014 and 2013.

During the year ended December 31, 2013, the stockholder assumed loans receivable and accrued interest of $487,417, from debtors of the Company. The related collateral was transferred also.

8. Contingent Liabilities

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance, are without merit if not covered, or in the event of unfavorable disposition, would not have a material effect on the financial position, results of operations or cash flows of the Company.

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