INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Stockholder and Director
Singer Financial Corp.
Philadelphia, Pennsylvania

We have audited the accompanying balance sheets of **SINGER FINANCIAL CORP.** as of December 31, 2002 and 2001, and the related statements of income, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Singer Financial Corp. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

FISHBEIN & COMPANY, P.C.

Elkins Park, Pennsylvania
January 15, 2003

	December 31, 2002	December 31, 2001
ASSETS		
Cash	$ 259,771	$ 374,637
Loans receivable	4,211,208	3,210,853
Accrued interest receivable	72,062	59,218
Prepaid expenses	7,879	5,689
Property and equipment - Net of accumulated depreciation of $63,451 - 2002 and $52,026 - 2001	331,632	331,841
Financing costs - Net of accumulated amortization of $40,054 - 2002 and $100,099 - 2001	122,438	156,796
	$ 5,004,990	$ 4,139,034
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Notes payable - Bank	$ 200,000	$ 531,307
Subordinated investment certificates (Including accrued interest of $434,575 - 2002 and $229,897 - 2001)	3,992,904	2,766,479
Accounts payable and accrued expenses	16,882	3,062
Demand note payable - Stockholder	46,036	87,722
Income taxes payable	3,959	16,930
Deferred income taxes	5,500	5,500
	4,265,281	3,411,000
STOCKHOLDER'S EQUITY		
Preferred stock - No par value		
Authorized 500,000 shares		
Issued and outstanding - None		
Common stock - No par value		
Authorized 10,000 shares		
Issued and outstanding - 2,000 shares	600,000	600,000
Retained earnings	139,709	128,034
	739,709	728,034
	$ 5,004,990	$ 4,139,034

See notes to financial statements.

SINGER FINANCIAL CORP.

Statements of Income

	Year Ended December 31, 2002	Year Ended December 31, 2001
INCOME		
Interest		
Interest income	$ 677,995	$ 551,388
Interest expense	372,339	315,512
Net interest income	305,656	235,876
Brokerage fees	111,036	95,935
	416,692	331,811
OPERATING EXPENSES		
General and administrative	330,980	206,978
Depreciation and amortization	73,911	58,620
	404,891	265,598
INCOME FROM OPERATIONS	11,801	66,213
RENTAL INCOME	6,000	7,000
INCOME BEFORE INCOME TAXES	17,801	73,213
INCOME TAXES	6,126	19,460
NET INCOME	$ 11,675	$ 53,753

See notes to financial statements.

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
BALANCE - JANUARY 1, 2001	1,320	$ 396,000	$ 74,281	$ 470,281
Issuance of common stock	680	204,000		204,000
Net income			53,753	53,753
BALANCE - DECEMBER 31, 2001	2,000	600,000	128,034	728,034
Net income			11,675	11,675
BALANCE - DECEMBER 31, 2002	2,000	$ 600,000	$ 139,709	$ 739,709

See notes to financial statements.

	Year Ended December 31, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 11,675	$ 53,753
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of loan origination costs (fees) - Net	(100,714)	(103,653)
Depreciation of property and equipment	11,425	11,319
Amortization of financing costs	62,486	47,301
Accrued interest on foreclosed loan	(112,708)	-
Increase in accrued interest on subordinated investment certificates (Includes $50,447 - 2002 and $78,287 - 2001 added to principal)	255,125	133,630
(Increase) decrease in		
Accrued interest receivable	(12,844)	10,382
Prepaid expenses	(2,190)	(3,431)
Increase (decrease) in		
Accounts payable and accrued expenses	13,820	(18,367)
Income taxes payable	(12,971)	13,530
Net cash provided by operating activities	113,104	144,464
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	(3,496,925)	(714,414)
Loan payments received	2,228,636	1,308,462
Capitalization of costs to prepare property for sale	(50,176)	
Proceeds from sale of property	531,532	-
Purchase of property and equipment	(11,216)	(2,318)
Net cash provided by (used in) investing activities	(798,149)	591,730
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs incurred	(28,128)	(85,306)
Proceeds of note and mortgage payable - Bank	200,000	220,000
Principal payments on note and mortgage payable - Bank	(531,307)	(1,390,900)
Proceeds from issuance of subordinated investment certificates	1,122,696	995,969
Principal payments on subordinated investment certificates	(151,396)	(46,282)
Net principal payments on demand note payable - Stockholder	(41,686)	(116,748)
Net cash provided by (used in) financing activities	570,179	(423,267)
NET INCREASE (DECREASE) IN CASH	(114,866)	312,927
CASH - BEGINNING	374,637	61,710
CASH - ENDING	$ 259,771	$ 374,637

See notes to financial statements.

	Year Ended December 31, 2002	2001
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 153,841	$ 280,409
Income taxes	19,097	5,930
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
During the year ended December 31, 2002, the Company foreclosed on a loan receivable which was in default, and took title to the property. The balance of the loan was $368,648, plus accrued interest of $112,708.		
During the year ended December 31, 2001, $204,000 of the demand note payable - stockholder was converted to common stock.		

See notes to financial statements.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Nature of Business

The Company makes commercial loans to customers in Pennsylvania, New Jersey and Delaware, 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.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company maintains its cash balances in one bank. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. 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.

An allowance for credit losses is provided as necessary based upon the expected collectibility of loans outstanding. At December 31, 2002 and 2001, no allowance for credit losses was deemed necessary.

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).

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Financing Costs and Amortization

Financing costs of $4,405 incurred in obtaining the mortgage payable – bank were being amortized using the straight-line method over the twenty-year term of the agreement; the mortgage was repaid during the year ended December 31, 2002.

Financing costs of $162,492 and $252,490 at December 31, 2002 and 2001, respectively, incurred in connection with the public offering of subordinated investment certificates, are being amortized using the interest method over the term of the certificates.

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 charged to expense as incurred. Total advertising costs, included in general and administrative expenses, were $2,679 and $2,081 for the years ended December 31, 2002 and 2001, respectively.

Income Taxes

Deferred income taxes are provided for the temporary difference in financial and income tax reporting of the recovery of the cost of property and equipment. For financial reporting, depreciation is provided as described above. For income tax reporting, the cost of property and equipment is being recovered using the methods and lives prescribed by the Internal Revenue Code.

2. LOANS RECEIVABLE

	December 31,	
	2002	2001
Real estate secured loans	$ 4,443,393	$ 2,713,577
Related company (see Note 6)	-	625,000
Unamortized origination costs (fees) - Net	(232,185)	(127,724)
	$ 4,211,208	$ 3,210,853

2. *LOANS RECEIVABLE (Continued)*

At December 31, 2002, the contractual maturities of real estate secured loans receivable are as follows:

	2003	2004	2005	2006	2007	Thereafter	Total
Real estate secured loans	$ 177,437	$ 869,196	$ 336,529	$ 410,669	$2,424,257	$ 225,305	$4,443,393
Unamortized origination costs (fees) - Net	(59,800)	(55,543)	(44,190)	(40,757)	(25,415)	(6,480)	(232,185)
	$ 117,637	$ 813,653	$ 292,339	$ 369,912	$2,398,842	$ 218,825	$4,211,208

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.

3. *PROPERTY AND EQUIPMENT*

	2002	2001
Land	$ 66,977	$ 66,977
Building	267,907	267,907
Building improvements	26,115	14,900
Office furniture and equipment	34,083	34,083
	395,082	383,867
Less accumulated depreciation	63,450	52,026
	$ 331,632	$ 331,841

4. NOTES PAYABLE – BANK

	December 31, 2002	December 31, 2001
Note payable - Represents the balance of advances to date under a $2,000,000 line of credit; interest payable monthly at prime (minimum of 4.75%, which is the effective rate at December 31, 2002); collateralized by substantially all of the Company's assets. The loan agreement also contains various restrictive covenants, including the following: aggregate debt less than the 300% of the sum of net worth and subordinated debt, and tangible net worth not less than $3,000,000.	$ 200,000	$ -
Note payable - Represented the balance of advances under a $2,000,000 line of credit; advances limited to 80% of the net outstanding amount of eligible receivables; interest payable monthly at prime plus 1/4% (an effective rate of 4.75% at December 31, 2002); collateralized by substantially all of the Company's assets. The loan agreement also contains various restrictive covenants, including the following: leverage not greater than 1.75:1 and tangible net worth not less than $1,750,000. The balance was repaid during the year ended December 31, 2002.	-	293,464
Note payable in monthly installments of $2,070 including interest at 7.75% through October, 2004; beginning in November, 2004, payable in monthly installments of $2,221 including interest at 3.25% over the 5-year U.S. Treasury note rate; any remaining balance due in October, 2019; collateralized by the Company's land and building; guaranteed by the stockholder of the Company. The balance was repaid during the year ended December 31, 2002.	-	237,843
	$ 200,000	$ 531,307

5. *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 one year to fifteen years after issuance, and bear interest at 1% over the rates paid by certain banks on similar certificates, with a minimum of 6% and a maximum of 12%. 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.

Certificates outstanding at December 31, 2002 mature as follows:

Year Ending December 31,	Amount (including accrued interest)	Interest Rate
2003	$ 424,613	7 - 10%
2004	789,073	8.5 - 10
2005	354,010	8.25 - 10
2006	649,896	9.25 - 10
2007	704,815	8.5 - 10
2008	231,690	10 - 10.5
2009	282,761	9.75 - 10.5
2010	11,989	10.5
2011	172,145	10.25 - 10.5
2012	53,934	10.25 - 10.5
2014	10,336	11
2015	53,893	11
2016	166,018	10.5 - 11
2017	87,731	10.5 - 11
	$ 3,992,904	

6. *RELATED PARTY TRANSACTIONS*

At December 31, 2001, a loan receivable of $625,000 was due from a company owned by a relative of the Company's stockholder (see Note 2); the loan was repaid during the year ended December 31, 2002. Interest income on this loan was $38,112 and $61,750 for the years ended December 31, 2002 and 2001, respectively.

The demand note payable – stockholder bears interest at 7.5%; interest expense on this note was $5,660 and $10,683 for the years ended December 31, 2002 and 2001, respectively.

Compensation of $52,638 and $46,620 for the years ended December 31, 2002 and 2001, respectively, included in general and administrative expenses, and financing costs of $3,762 and $5,180 for the years ended December 31, 2002 and 2001, respectively, were paid to the stockholder for brokerage services rendered, based on a percentage of fees generated. In addition, a bonus of $60,000 was paid to the stockholder during the year ended December 31, 2002.

The Company leases certain of its facilities to its stockholder under a five-year lease through May, 2006, at a monthly rental of $500 (see Note 8).

A loan receivable with a principal balance of $248,048 was purchased by the shareholder of the Company during the year ended December 31, 2001 for $317,000 (which included accrued interest, late charges, and other fees).

Property, with a book value of $531,532, was sold to the shareholder of the Company for the same amount.

7. *INCOME TAXES*

The provision for income taxes consists of the following:

	Year Ended December 31, 2002	Year Ended December 31, 2001
Current		
Federal	$ 2,287	$ 13,060
State	3,839	6,400
	$ 6,126	$ 19,460

7. *INCOME TAXES* (Continued)

A reconciliation of income taxes at the federal statutory rate to the Company's tax provision is as follows:

	Year Ended December 31, 2002	2001
Federal income tax at statutory rate	$ 2,561	$ 13,178
State taxes - Net of federal tax	3,263	5,248
Nondeductible expenses	862	50
Other	(560)	984
	$ 6,126	$ 19,460

8. *COMMITMENTS*

a. Employment Contract

The Company is committed under an employment contract with its stockholder/director/Chief Executive Officer/President which expires in December, 2005, and which provides for annual compensation of $50,000. In addition to the base salary, a bonus may be awarded by the Board of Directors. Total compensation for the years ended December 31, 2002 and 2001, respectively, was $116,400 and $51,800 (as indicated in Note 6).

b. Lease Commitment

The Company leases space to its stockholder under a five-year operating lease beginning in May, 2001 and expiring in May, 2006. Minimum future rentals to be received under this lease for the remaining lease term are as follows:

Year Ending December 31,	
2003	$ 6,000
2004	6,000
2005	6,000
2006	2,500
	$ 20,500