Decision Diagnostics Corp.

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

Annual Report for Years Ended

December 31, 2019 and 2018

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, 2019, and 2018. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: DECN
CUSIP Number: 243443 108

Decision Diagnostics Corp.
Condensed Consolidated Balance Sheets
(Unaudited)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 114,334	$ 358,757
Accounts receivable, net	1,045,166	949,797
Inventory	166,635	250,716
Prepaid expenses	2,249	106,988
Total current assets	1,328,384	1,666,258
Fixed assets:		
Specialty manufacturing equipment	802,315	802,315
	802,315	802,315
Less accumulated depreciation	-	-
Fixed assets, net	802,315	802,315
Other assets:		
Intellectual property	683,550	567,175
Patent licenses, net value	2,490,825	1,150,825
Total other assets	3,174,375	1,718,000
Total assets	$ 5,305,074	$ 4,186,573
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,253,892	$ 1,030,270
Accrued interest	348,549	48,462
Contingent legal fees	240,000	240,000
Short term inventory financing	335,304	108,000
Notes payable and short term debt with warrants (Note 5)	2,794,673	1,422,680
Total current liabilities	4,972,419	2,849,412
Contingencies	245,069	245,069
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value, 3,738,500 shares		
authorized, no shares issued and outstanding		
as of December 31, 2019 and December 31, 2018	-	-
Preferred series "B" stock, $0.001 par value, 2,500 shares		
authorized, 2,000 and 1,000 shares issued and outstanding		
as of December 31, 2019 and December 31, 2018	2	2
Preferred series "C" stock, $0.001 par value, 10,000 shares		
authorized, 9,453 and 7,458 shares issued and outstanding		
as of December 31, 2019 and December 31, 2018	8	7
Preferred series "D" stock, $0.001 par value, 500 shares		
authorized, 210 and 100 shares issued and outstanding as of		
as of December 31, 2019 and December 31, 2018	-	-
Preferred series "E" stock, $0.001 par value, 1,250,000 shares		
authorized, 1,072,540 and 847,540 issued and outstanding		
as of December 31, 2019 and December 31, 2018	1,072	847
Common stock, $0.001 par value, 494,995,000 shares authorized,		
159,399,161 and 134,551,840 shares issued and outstanding		
as of December 31, 2019 and December 31, 2018	159,190	134,343
Common stock unissued, 1,410,000 shares		
as of December 31, 2019 and December 31, 2018	1,411	1,411
Subscription receivable	(82,250)	(82,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	50,059,420	47,956,705
Retained (deficit)	(49,729,924)	(46,597,629)
Total stockholders' equity	87,584	1,092,091
Total liabilities and stockholders' equity	$ 5,305,074	$ 4,186,573

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

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

	Year Ended December 31,	
	2019	**2018**
Revenue	$ 2,379,234	$ 2,235,989
Cost of sales	1,528,882	1,454,819
Gross profit	850,352	781,169
Expenses:		
General & administrative expenses	952,123	541,950
Consulting	200,269	130,658
Compensation expense	416,527	473,973
Professional fees	575,815	1,487,750
Total expenses	2,144,735	2,634,331
Net operating (loss)	(1,294,382)	(1,853,162)
Other income (expense):		
Financing costs	(348,655)	(195,877)
Interest expense, net	(2,666,898)	(190,210)
Loss on write-down of obsolete inventory	(162,359)	(902)
Gain on intellectual property	1,340,000	-
Total other income (expense)	(1,837,913)	(386,989)
Taxes:		
State	-	(70)
Net income/loss	$ (3,132,295)	$ (2,240,220)
Add: Dividends declared on preferred stock	-	
Income available to common shareholders'	$ (3,132,295)	$ (2,240,220)
Weighted average number of common shares outstanding - basic and fully diluted	150,367,632	124,989,890
Net loss per share - basic and fully diluted	$ (0.02)	$ (0.02)

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

Decision Diagnostics Corp.
Statements of Shareholders' Equity
(Unaudited)

		Preferred "B"		Preferred "C"		Preferred "D"		Preferred "E"		Common Stock			Authorized	Subscription	Finders'	Retained	
Date	Shareholder	# Shares	Amt	# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt	APIC	Unissued	Receivable	Fees	(Deficit)	Total
BALANCE, DECEMBER 31, 2017		***1,000***	***2***	***6,473***	***6***	***40***	***-***	***813,240***	***813***	***110,231,610***	***110,032***	***46,288,346***	***1,411***	***(82,250)***	***(321,344)***	***(44,357,408)***	***1,639,608***
1/8/18	New Issuance-Alpha Capital Anstalt									1,504,281	1,504	151,932					153,437
1/18/18	New Issuance-Robert Herskowitz							100,000	100	-	-	5,900					6,000
2/9/18	New Issuance-Alpha Capital Anstalt									1,496,661	1,497	151,163					152,659
2/23/18	New Issuance-Robert Herskowitz							(100,000)	(100)	1,400,000	1,400	(1,300)					-
2/23/18	New Issuance-Chase Financing Inc Profit Sh.							(70,000)	(70)	980,000	980	(910)					-
3/5/18	New Issuance-Alpha Capital Anstalt									1,510,797	1,511	152,590					154,101
3/31/18	New Issuance-Alpha Capital Anstalt									1,521,904	1,522	153,712					155,234
4/3/18	New Issuance-Mark Herskowitz									849,123	849	85,761					86,611
4/16/18	New Issuance-Alpha Capital Anstalt									1,513,789	1,514	152,893					154,406
4/16/18	New Issuance-Chase Financing Inc Profit Sh.							100,000	100	-	-	5,900					6,000
4/23/18	New Issuance-Alpha Capital Anstalt									1,039,571	1,040	104,997					106,036
5/11/18	New Issuance-LICGO Partners			420	-					-	-	-					-
5/11/18	New Issuance-Chase Financing Inc Profit Sh.							100,000	100	-	-	5,900					6,000
5/29/18	New Issuance-Alpha Capital Anstalt									1,985,374	1,985	200,523					202,508
5/29/18	New Issuance-Robert Herskowitz									1,550,000	1,550	156,550					158,100
6/11/18	New Issuance-Chase Financing Inc Profit Sh.							(75,000)	(75)	1,050,000	1,050	(975)					-
	Immaterial reconciling items							14,300	14	10,000	-	(14)					-
7/3/18	New Issuance-Alpha Capital Anstalt									1,520,646	1,521	153,585					155,106
7/30/18	New Issuance-Navesink Device Initiatives			(125)	-					625,000	625	(625)					-
7/30/18	New Issuance-Navesink Device Initiatives			(125)	-					625,000	625	(625)					-
7/31/18	New Issuance-LICGO Partners			710	1					-	-	-					1
7/31/18	New Issuance-Sovereign Partners LLC			105	-					-	-	-					-
7/31/18	New Issuance-Navesink Device Initiatives					50	-			-	-	-					-
7/31/18	New Issuance-Paradigm Capital					10	-			-	-	-					-
7/31/18	New Issuance-Chase Financing Inc Profit Sh.							200,000	200	-	-	7,800					8,000
8/23/18	New Issuance-Chase Financing Inc Profit Sh.							(35,000)	(35)	490,000	490	(455)					-
8/23/18	New Issuance-Chase Financing							(50,000)	(50)	700,000	700	(650)					-
8/27/18	New Issuance-Mark Herskowitz									816,326	816	82,449					83,265
10/9/18	New Issuance-Alpha Capital Anstalt									1,031,758	1,032	104,208					105,239
11/26/18	New Issuance-Chase Financing Inc Profit Sh.							(50,000)	(50)	700,000	700	(650)					-
11/26/18	New Issuance-Chase Financing Inc Profit Sh.							(100,000)	(100)	1,400,000	1,400	(1,300)					-
	Rounding adjustment										1						(1)
	Net loss															***(2,240,220)***	***(2,240,220)***
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***
1/2/19	New Issuance-LICGO Partners			420	-					-	-	-					-
1/2/19	New Issuance-Sovereign Partners LLC			140	-					-	-	-					-
1/2/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
2/5/19	New Issuance-Alpha Capital Anstalt									5,004,552	5,005	505,460					510,464
2/13/19	New Issuance-Mark Herskowitz									600,000	600	11,400					12,000
3/12/19	New Issuance-Chase Financing Inc Profit Sh.							(100,000)	(100)	1,400,000	1,400	(1,300)					-
4/1/19	New Issuance-Alpha Capital Anstalt									4,139,272	4,139	418,066					422,206
4/5/19	New Issuance-Mark Herskowitz									600,000	600	60,600					61,200
5/1/19	New Issuance-Chase Financing Inc									413,218	413	41,735					42,148
5/1/19	New Issuance-Robert Herskowitz									1,091,718	1,092	110,264					111,355
5/1/19	New Issuance-Chase Financing Inc Profit Sh.									1,395,555	1,396	140,951					142,347
5/8/19	New Issuance-LICGO Partners			420	-					-	-	-					-
5/8/19	New Issuance-Sovereign Partners LLC			140	-					-	-	-					-
5/8/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
5/8/19	New Issuance-Thomas Nelson					30	-			-	-	150,000					150,000
5/8/19	New Issuance-JAN Stock Trust					15	-			-	-	75,000					75,000
5/8/19	New Issuance-KEN Stock Trust					15	-			-	-	75,000					75,000
5/8/19	New Issuance-Robert Herskowitz							175,000	175	-	-	6,825					7,000
5/8/19	New Issuance-Kenneth Schaefer							150,000	150	-	-	5,850					6,000
6/11/19	New Issuance-Mark Herskowitz									600,000	600	60,600					61,200
6/19/19	New Issuance-Alpha Capital Anstalt									4,083,006	4,083	412,384					416,467
7/11/19	New Issuance-Chase Financing Inc Profit Sh.							(200,000)	(200)	2,800,000	2,800	(2,600)					-
7/16/19	New Issuance-LICGO Partners LLC	400	-							-	-	-					-
7/16/19	New Issuance-Sovereign Partners LLC	210	-							-	-	-					-
7/16/19	New Issuance-Paradigm Capital Holdings	130	-							-	-	-					-
7/16/19	New Issuance-Navesink Device Initiatives LLC	260	-							-	-	-					-
7/16/19	New Issuance-LICGO Partners			210	-					-	-	-					-
7/16/19	New Issuance-Sovereign Partners LLC			70	-					-	-	-					-
7/16/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
10/9/19	New Issuance-Chase Financing Inc Profit Sh.							300,000	300	-	-	8,700					9,000
10/11/19	New Issuance-LICGO Partners			210	-					-	-	-					-
10/11/19	New Issuance-Sovereign Partners LLC			105	-					-	-	-					-
10/11/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
10/29/19	Conversion-Chase Financing Inc Profit Sh.							(100,000)	(100)	1,400,000	1,400	(1,300)					-
11/15/19	New Issuance-Mark Herskowitz									600,000	600	11,400					12,000
12/31/19	New Issuance - Thomas Nelson									360,000	360	6,840					7,200
12/31/19	New Issuance - KEN Stock Trust									180,000	180	3,420					3,600
12/31/19	New Issuance - JAN Stockl Trust									180,000	180	3,420					3,600
12/31/19	New Issuance-LICGO Partners			210	-					-	-	-					-
12/31/19	New Issuance-Sovereign Partners LLC			70	-					-	-	-					-
12/31/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
	Rounding adjustment				1					-	(1)	1					1
	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**	**159,190**	**50,059,420**	**1,411**	**(82,250)**	**(321,344)**	**(49,729,924)**	**87,584**

Decision Diagnostics Corp.
Consolidated Statements of Cash Flows
(Unaudited)

	Year Ended December 31,	
	2019	**2018**
Cash flows from operating activities		
Net loss	$ (3,132,295)	$ (2,240,220)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Amortization of prepaid legal fees	101,239	750,000
Shares and options issued for services	25,000	-
Shares issued for financing fees	348,654	195,876
Bad debt	175,000	-
Loss on write-down of obsolete inventory	162,363	-
Gain on intellectual property settlement	(1,340,000)	-
Changes in operating assets and liabilities		
Accounts receivable	(270,370)	(511,893)
Inventory	(78,282)	65,943
Prepaid and other assets	3,500	2,425
Accounts payable and accrued liabilities	223,622	224,715
Accrued interest	2,666,898	190,210
Net cash (used) by operating activities	(1,114,671)	(1,322,946)
Cash flows from investing activities		
Fixed assets	-	(75,000)
Intellectual property	(116,375)	(15,300)
Net cash (used) by investing activities	(116,375)	(90,300)
Cash flows from financing activities		
Proceeds from notes payable	769,318	683,242
Payments on notes payable	(82,696)	-
Proceeds from sale of stock	300,000	-
Net cash provided by financing activities	986,622	683,242
Net decrease in cash	(244,424)	(730,004)
Cash - beginning	358,757	1,088,761
Cash - ending	$ 114,333	$ 358,757
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ 70
Non-cash transactions:		
Shares and options issued for services	$ 25,000	$ -
Shares issued for financing activities	$ 348,654	$ 195,876
Options issued for compensation	$ -	$ -
Shares issued for debt and derivative liabilities	$ 1,454,133	$ 1,496,827

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

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 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, 2019 and 2018.

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, 2019 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, 2019 and 2018, 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 $11,719 and $32,984 were included in general and administrative expenses as of December 31, 2019 and 2018, 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, 2019 and 2018, we have accrued contingent legal fees and product liability fees totaling $485,069, 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, 2019 and 2018. 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, 2019 and 2018.

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 32,639,041 common shares; and all preferred stock (issued or authorized and unissued) convertible into common stock for an additional 70,215,560 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 2019, three customers accounted for approximately 95% of net sales compared to three customers accounting for approximately 95% of net sales in 2018. 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, 2019 and 2018, 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, 2019 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, 2019:

	2019 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 3,174,375	$ 3,174,375
Liabilities	-	-	-	-
Notes payable	-	(2,794,673)	-	(2,794,673)
Total	$ -	$ (2,794,673)	$ 3,174,375	$ 379,702

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, 2019.

NOTE 5 – Patents

During the years ended December 31, 2019 and 2018, we amortized formerly capitalized attorney fees related to the continued development and perfection of our patents totaling $101,239 and $750,000, respectively. We did not amortize any intellectual property or patents during the years ended December 31, 2019 and 2018.

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 noteholders, we mutually identified Original Issue Discounts ("OID's") associated with the notes totaling $3,332,189. We have recorded these OID's by increasing notes payable and interest expense as of the year ended December 31, 2019. $537,516 of OID remained unamortized to interest expense as of December 31, 2019.

On March 22, 2019 the company closed additional financing in the form of OID Notes and Warrants in the amount of $250,000 face value (OID of $37,500), with Alpha Capital Anstalt, the company's primary financier. The Notes were funded and recorded on our books during the year ended December 31, 2019.

We have recorded financing expense in connection with our notes payable totaling $348,655 and $195,877 for the years ended December 31, 2019 and 2018, 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.

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.

2018 Issuances

Preferred

During the quarter ended December 31, 2018, holders of our preferred series "E" shares elected to convert 150,000 preferred series "E" shares into 2,100,000 shares of our $0.001 par value common stock.

During the quarter ended September 30, 2018, we issued 815 shares of preferred series "C" shares for financing costs valued at less than $1.

During the quarter ended September 30, 2018, we issued 60 shares of preferred series "D" shares for financing costs valued at less than $1.

During the quarter ended September 30, 2018, we issued 200,000 shares of preferred series "E" shares for financing costs valued at $8,000.

During the quarter ended September 30, 2018, holders of our preferred series "E" shares elected to convert 95,000 preferred series "E" shares into 1,190,000 shares of our $0.001 par value common stock.

During the quarter ended June 30, 2018, we issued 420 shares of preferred series "C" shares for financing costs valued at less than $1.

During the quarter ended June 30, 2018, we issued 200,000 shares of preferred series "E" shares for financing costs valued at $12,000.

During the quarter ended June 30, 2018, holders of our preferred series "E" shares elected to convert 75,000 preferred series "E" shares into 1,050,000 shares of our $0.001 par value common stock.

During the quarter ended March 31, 2018, we issued 100,000 shares of preferred series "E" shares for services valued at $6,000.

During the quarter ended March 31, 2018, holders of our preferred series "E" shares elected to convert 170,000 preferred series "E" shares into 2,380,000 shares of our $0.001 par value common stock.

Common

During the quarter ended December 31, 2018, we issued 1,031,758 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $105,239.

During the quarter ended September 30, 2018, we issued 1,520,646 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $155,106.

During the quarter ended September 30, 2018, we issued 816,326 shares of $0.001 par value common stock for financing costs of $83,265.

During the quarter ended June 30, 2018, we issued 6,088,734 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $621,051.

During the quarter ended June 30, 2018, we issued 849,123 shares of $0.001 par value common stock for financing costs of $86,611.

During the quarter ended March 31, 2018, we issued 6,033,643 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $615,432.

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, 2019, 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, 2018	9,050,000	$ 0.10
Options granted	-	-
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2018	9,050,000	$ 0.10
Balance, January 1, 2019	9,050,000	$ 0.10
Options granted	17,300,000	0.013
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2019	26,350,000	$ 0.05911

NOTE 10 – Warrants

The following is a summary of activity of outstanding warrants:

	Number of Shares	**Weighted Average Exercise Price**
Balance, January 1, 2018	2,603,143	$ 0.56
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2018	2,603,143	$ 0.56
Balance, January 1, 2019	2,603,143	$ 0.56
Warrants granted	3,685,898	.0195
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2019	6,289,041	$ 0.2432

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 insopection. 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, 2019, 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 $30,700 and $26,040 for the year ended December 31, 2019 and 2018, 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.

In February 2020 the company began the development of a new product line for the detection of the coronavirus using a special electronic analysis method known as impedance. The company's application makes use of a special test strip, in many ways similar to the company's GenUltimate TGB product, to which whole blood from a finger prick is applied to the special test strip in order to achieve a test result for Covid-19. During the patient testing process, the strip will then lyce the whole blood applied, using a chemical lycing agent to eliminate all (or almost all) of the patient's red blood cells from the blood sample, leaving only plasma for measurement. This plasma is then run through the impedance "chamber" and in an expected 15 seconds (or less) a coronavirus result will emerge, either a Positive For or a Negative For the coronavirus. The company's new product will also employ algorithms for the attempted detection of false Negative results. Positive and suspected false Positive results are expected to be referred to a hospital or commercial laboratory for confirmation testing.

In March 2020 the company confirmed that it had begun work on a second Covid-19 test strip, this strip employing a different chemistry process. The company anticipates making and selling this test strip as a confirmation test either tested Positive For or Negative For in previous tests. The company will not begin funding the confirmation test development until 2Q 2020.

In March 2020 the company entered into four Notes (loans) with its main investor, Alpha Capital Anstalt for a total of $1 million. As of this writing, Alpha has rendered $700,000 in loans, based on Alpha's funding and fulfillment of three of these Notes. The remainder of the $1 million in loans from Alpha is anticipated during the week beginning March 30, 2020.

Beginning in mid-February and running through March 25, 2020, the company's contract manufacturer, The Bio Co. Ltd., was on full, and then partial lockdown at its Daegu, South Korea facility due to coronavirus outbreaks in Daugu, Korea. Shipments of the company's GenUltimate and PetSure products were halted during 1Q 2020, but have resumed.

Error Repair

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