INITIO, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended April 30, 2014 and 2013

ROGOFF & COMPANY PC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Board of Directors and Stockholders
Initio, Inc. and Subsidiary
Rochelle Park, New Jersey

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Initio, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of April 30, 2014 and 2013, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Initio, Inc. and its subsidiaries as of April 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New York, New York
July 22, 2014

Rogoff & Company P.C.

INITIO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

April 30, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$ 1,268,817	$ 1,328,425
Note receivable	130,000	130,000
Loans to stockholder	75,000	40,000
TOTAL CURRENT ASSETS	1,473,817	1,498,425
VEHICLES AND EQUIPMENT	8,207	10,357
OTHER ASSETS		
Marketable securities	2,885,527	2,401,785
Note receivable - Eagency, Inc	100,000	100,000
Other assets	36,171	12,883
	$ 4,503,722	$ 4,023,450
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 9,946	$ 7,500
STOCKHOLDERS' EQUITY		
Common Stock, $ .01 par value, 10,000,000 shares authorized; 5,799,982 issued and outstanding and book value of $.77 and $.69 per share as of April 30, 2014 and 2013, respectively	58,000	58,000
Additional paid in capital	9,446,043	9,446,043
Accumulated deficit	(5,202,284)	(5,382,336)
Accumulated other comprehensive gain (loss)	192,017	(105,757)
TOTAL STOCKHOLDERS' EQUITY	4,493,776	4,015,950
	$ 4,503,722	$ 4,023,450

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

INITIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

Years Ended April 30, 2014 and 2013

	2014	2013
Revenues		
Interest and dividends	$ 52,835	$ 73,293
Gain (loss) on the sale of marketable securities	239,505	(21,957)
Consulting income	65,000	65,000
Other	6,160	5,502
	363,500	121,838
Expenses		
General and administrative	181,298	180,114
Depreciation and amortization	2,150	3,327
	183,448	183,441
Net income (loss)	180,052	(61,603)
Net income (loss) per share - basic and diluted	$ 0.03	$ (0.01)
Weighted average common shares	5,799,982	5,897,790
Comprehensive Income (Loss):		
Net income (loss)	$ 180,052	$ (61,603)
Unrealized gains (losses) on marketable securities	297,774	(10,335)
Comprehensive income (loss)	$ 477,826	$ (71,938)

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

INITIO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended April 30, 2014 and 2013

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance, April 30, 2012	6,099,982	$ 61,000	$ 9,578,043	$ (5,320,733)	$ (95,422)	$ 4,222,888
(Re-purchase) issuance of shares	(300,000)	(3,000)	(132,000)	-	-	(135,000)
Unrealized gains on marketable securities					(10,335)	(10,335)
Net loss	-	-	-	(61,603)	-	(61,603)
Balance, April 30, 2013	5,799,982	58,000	9,446,043	(5,382,336)	(105,757)	4,015,950
Unrealized (losses) on marketable securities	-	-	-	-	297,774	297,774
Net income	-	-	-	180,052	-	180,052
Balance, April 30, 2014	5,799,982	$ 58,000	$ 9,446,043	$ (5,202,284)	$ 192,017	$ 4,493,776

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

	2014	2013
Cash flows from operating activities:		
Net income (loss)	$ 180,052	$ (61,603)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,150	3,327
(Gain) loss on sale of marketable securities	(239,505)	21,957
Changes in operating assets and liabilities:		
Other assets	(23,288)	16,193
Accounts payable and accrued expenses	2,446	126
Net cash provided by operating activities	(78,145)	(20,000)
Cash flows from investing activities:		
Purchase of fixed assets	-	(1,459)
Net proceeds from sales of marketable securities	4,872,079	3,971,667
Purchases of marketable securities	(4,818,542)	(3,975,993)
Net cash provided by (used in) investing activities	53,537	(5,785)
Cash flows from financing activities:		
Re-purchase of common stock	-	(135,000)
Note receivable	-	-
Loan to stockholder	(35,000)	(15,000)
Net cash (used in) provided by financing activities	(35,000)	(150,000)
Net increase in cash	(59,608)	(175,785)
Cash at the beginning of the year	1,328,425	1,504,210
Cash at the end of the year	$ 1,268,817	$ 1,328,425
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Taxes	$ 1,393	$ 594
Non-cash investing and financing activities:		
Increase (decrease) in fair value of available-for-sale securities	$ 297,774	$ (10,335)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
The Company is primarily engaged in the provision of management and consulting services.

Basis of Presentation
The consolidated financial statements include the accounts of Initio, Inc. and its wholly owned subsidiaries Initio Consulting Corp and D & F Solutions, Inc. All material intercompany transactions and balances have been eliminated.

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

Marketable Securities
The Company classifies its marketable securities as available for sale, as they are not acquired with the intent of selling within hours or days, and reports them at fair value. 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. See Note 5 for a discussion of fair value measurements,

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses, calculated based upon specific identification of shares sold, are included in the determination of net income (loss). Unrealized gains and losses are included as a component of other comprehensive income (loss) unless there is a loss that is other than temporary in which case it is recorded in net income (loss). Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Long-lived Assets
Vehicles and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

The Company's policy is to record long-lived assets at cost, amortizing these costs over the expected useful lives of the related assets. Long-lived assets are reviewed on a quarterly and annual basis for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be reasonable. Assets are evaluated for continuing value and proper useful lives by comparison to expected future cash flows. Impairments if any, are recognized in the consolidated statements of operations and comprehensive income (loss) in the period identified. There were no impairments recognized during the years ended April 30, 2014 and 2013.

Stock Based Compensation
The Company measures the compensation cost from stock-based payment transactions with employees at the grant-date fair value of the equity instruments issued and recognizes it over the requisite service period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Common Share
Basic earnings per common share, as well as diluted earnings per common share have been computed based upon the weighted average number of outstanding shares of the Company's common stock.

Income Taxes

Deferred income taxes are provided for the temporary differences, primarily net operating loss carry-forwards, between the financial reporting basis and the tax basis of the Company's assets and liabilities and are measured by applying estimated tax rates to taxable years in which such differences are expected to reverse. A valuation allowance has been provided to reduce the net carrying value to an amount that is more likely than not to be realized.

The Company adopted the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FASB ASC 740-10), on January 1, 2009. As such, the Company records a liability for uncertain tax positions when it is probable that a loss has occurred and the amount can be reasonably estimated. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, new authoritative rulings, and its operating characteristics to comply with its status as a corporation. Management has determined that it is more likely than not that any of the Company's tax positions will be sustained upon examination and therefore has not recognized any taxes for uncertain tax positions.

NOTE 2 - VEHICLES AND EQUIPMENT

Vehicles and equipment as of April 30, 2014 and 2013 follow:

	2014	2013
Vehicles and equipment	$ 140,177	$ 140,177
Accumulated depreciation	(131,970)	(129,820)
	$ 8,207	$ 10,357

NOTE 3 - MARKETABLE SECURITIES

The Company's available-for-sale, marketable securities as of April 30, 2014 and 2013 are as follows:

	April 30, 2014		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Marketable equity securities	$ 2,718,510	$ 192,017	$ 2,910,527

	April 30, 2013		
	Amortized Cost	Gross Unrealized Losses	Fair Value
Marketable equity securities	$ 2,507,542	$ (105,757)	$ 2,401,785

NOTE 5 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification provides a framework for measuring fair value. That framework provides 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2
Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All of the Company's marketable securities use Level 1 inputs in the valuation technique to establish fair value. There have been no changes in the methodologies used at April 30, 2014 and 2013.

The carrying amounts reported in the consolidated balance sheets for cash, accounts payable and accrued expenses approximate their fair value due to their short-term maturities.

NOTE 6 - INCOME TAXES

Deferred tax assets as of April 30, 2014 and 2013 are comprised primarily of the following:

	2014	2013
Tax benefit from net operating loss carry-forward	$ 1,260,000	$ 1,480,000
Valuation allowance	(1,260,000)	(1,480,000)
	$ -	$ -

As of April 30, 2014 the Company had federal net operating loss carry-forwards of approximately $3,600,000. Such losses can be utilized against future taxable income, and expire between 2014 and 2032. Under section 382 of the Internal Revenue Code, these losses may be limited due to ownership changes. The Company has recorded a valuation allowance to reduce its net deferred tax asset to an amount that is more likely than not to be realized in future years.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the year ended April 30, 2014, the Company loaned $50,000 to a stockholder. Because of the short term nature of the loan, interest was not being charged and was payable on demand.

During the year ended April 30, 2013, the Company loaned $25,000 to a stockholder. Because of the short term nature of the loan, interest was not being charged and was payable on demand.

During the year ended April 20, 2012, a family member of a stockholder of the Company was loaned $130,000. Interest of 4% per annum is being charged and the note is payable on demand.

NOTE 8 - COMMITMENTS

The Company leases its administrative office on a month to month basis at an annual rental expense of $35,000.

NOTE 9 - RISKS AND UNCERTAINTIES

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the balance sheet.