

**FINANCIAL STATEMENT PRESENTATION PROJECT
Phase B: Summary of Tentative Preliminary Views and
Illustrative Sample Financial Statements
Reflective of Meetings through May 16, 2007
June 2007**

BACKGROUND AND OBJECTIVE

1. The financial statement presentation project is a joint project between the International Accounting Standards Board (the IASB) and the Financial Accounting Standards Board (the FASB) (collectively, the Boards). Since April 2006, the Boards have been discussing fundamental issues related to the presentation and display of information in each of the basic financial statements (Phase B). The Boards' goal is to issue an initial discussion document on those issues in the fourth quarter of 2007. That discussion document will be in the form of a Discussion Paper for the IASB and a Preliminary Views document for the FASB.
2. The Boards took on this joint project to establish a common, high-quality standard for presentation of information in the basic financial statements, including the classification and display of line items and the aggregation of line items into subtotals and totals. The objective of this standard is to present information in the individual financial statements (and among the financial statements) in ways that improve the ability of investors, creditors, and other financial statement users to:
 - a. Understand an entity's present and past financial position
 - b. Understand the past operating, financing, and other activities that caused an entity's financial position to change and the components of those changes
 - c. Use that financial statement information (along with information from other sources) to assess the amounts, timing, and uncertainty of an entity's future cash flows.

PROJECT WORKING PRINCIPLES

3. Financial statements should present information in a manner that:
 - a. Portrays a cohesive financial picture of an entity.
 - b. Separates an entity's financing activities from its business and other activities and further separates financing activities between transactions with owners in their capacity as owners and all other financing activities.
 - c. Helps a user assess an entity's ability to meet its financial commitments as they come due and to invest in business opportunities. An entity's ability to meet its existing financial commitments includes, but is not limited to, its ability to use existing assets to generate cash inflows and to raise capital. An

The staff has prepared this summary of the Boards' tentative preliminary views for information purposes only. All of the views are tentative and may be changed at future Board meetings.

entity's financial commitments include those related to operations, financing, and equity holders.

- d. Helps a user understand:
 - (1) The basis on which assets and liabilities are measured
 - (2) The uncertainty in measurements of individual assets and liabilities
 - (3) What causes a change in reported amounts of individual assets and liabilities.
- e. Disaggregates line items if that disaggregation enhances the usefulness of that information in predicting future cash flows.
- f. Helps a user to assess:
 - (1) An entity's ability to generate future cash inflows
 - (2) The difference between cash transactions and accrual accounting
 - (3) The effects of noncash activities during the period on an entity's financial position.

The above are **working principles** that will be the basis for the Boards financial statement presentation decisions.

WORKING FORMAT

- 4. The following table represents the working format for presenting information within the basic financial statements—the statement of financial position, the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity. The working format will apply to all business entities, including financial institutions.

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
Business ♦ Operating assets and liabilities ♦ Investing assets and liabilities Discontinued operations Financing ♦ Financing assets ♦ Financing liabilities Equity Income taxes	Business ♦ Operating income ♦ Investment income Discontinued operations Financing ♦ Financing income ♦ Financing expenses Income taxes	Business ♦ Operating cash flows ♦ Investing cash flows Discontinued operations Financing ♦ Financing asset cash flows ♦ Financing liability cash flows Equity Income taxes
	Statement of Changes in Equity	

Note: The Boards have not addressed totals, subtotals, or the order in which sections would be presented; nor have they finalized the labels of the categories and sections.

Cohesiveness of the Financial Statements

5. The overall goal of the working format is to present a cohesive financial picture of an entity such that the relationships between items on the different financial statements are clear (sometimes thought of in terms of articulation or linkage). To achieve that goal, assets and liabilities would be classified based on the guidelines presented below. Changes in those assets and liabilities would be classified consistently in the statement of comprehensive income and the statement of cash flows. To the extent practicable, consistent classification should be achieved at the line-item level.

Classification Guidelines and Related Disclosures

6. Following the guidelines below, an entity would classify all of its assets, liabilities, and equity items into one of the categories or sections in the working format. An entity would be required to explain, as a matter of accounting policy, its basis (or bases) for classifying assets and liabilities in the financing categories, the investing category, and the operating category. Any change in the basis for classification would be viewed as a change in accounting policy and would be implemented through retrospective application to prior periods.
7. An entity consisting of different businesses would apply the classification criteria to its assets and liabilities at the reportable segment level (as that term is defined in FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*, and IFRS 8 *Operating Segments*). (Refer to related decision in the Segment Reporting section below.)
8. The ***Operating category*** (in the **Business section**) would include assets and liabilities that management views as integral to its main business activities and unrelated to financing those activities. Operating assets and liabilities would be included in the same category; they would not be separated into operating assets and operating liabilities.
 - a. Examples of items classified in the operating category of a non-financial entity are: accounts receivable, accounts payable, inventory, PP&E, intangible assets, and pension obligations.
 - b. Examples of items classified in the operating category of a financial institution are: cash, commercial paper, money market funds, available-for-sale financial instruments, trading portfolio assets and liabilities, deposits, loans, property and equipment, intangible assets, insurance liabilities, and pension obligations, plus financial instruments held to hedge any of these items.

9. The ***Investing category*** (in the **Business section**) would include assets and liabilities that are not related to financing the entity's business activities that management views as not integral to its main business activities (referred to as investing assets and liabilities).
 - a. Examples of items classified in the investing category of a non-financial entity are: held-to-maturity financial instruments and financial instruments held to hedge items included in the investing category.
 - b. An example of an item classified in the investing category of a financial institution is: an investment in associates.

10. The **Financing section** would include financial assets and financial liabilities that management views as part of the financing of the entity's business activities (referred to as financing assets and liabilities). Amounts relating to financing liabilities would be presented in the *financing liabilities category* and amounts relating to financing assets would be presented in the *financing assets category* in each of the financial statements.
 - a. In determining whether a financial asset or liability should be included in the financing section, an entity should consider whether the item is interchangeable with other sources of financing and whether the item can be characterized as independent of specific business activities.
 - b. Examples of financial assets and financial liabilities that would generally be included in the financing section of a non-financial entity are: cash, commercial paper, money market funds, available-for-sale financial instruments, bank loans, and bonds, plus financial instruments held to hedge any of these items. The assets would be included in the financing assets category, the liabilities in the financing liabilities category.
 - c. Examples of financial assets and financial liabilities that would generally be included in the financing section of a financial institution are: certain short-term and long-term debt instruments.

11. The **Equity section** in the statement of financial position would include all equity items. Changes in equity items would be presented in the equity section of the statement of cash flows and in the statement of changes in equity.

12. All *income taxes*, including taxes related to transactions with owners, would be presented separately in an **Income Taxes section**.
 - a. Income taxes would not be allocated to continuing operations, discontinued operations, and so forth (that is, all items, including discontinued operations and other comprehensive income (OCI) items would be presented on a pre-tax basis).

- b. The notes to financial statements will include information to assist users in analyzing income tax information due to this change in presentation. (The Boards have yet to discuss possible disclosure requirements.)
13. Discontinued operations would be presented separately in the **Discontinued Operations section**.
- a. A discontinued component of an entity would be reported in the discontinued operations section only if that component is an *operating segment*, as defined in Statement 131 and IFRS 8. (This is a change to the definition of a *discontinued operation* currently in FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.)
 - b. The IASB is of the view that the assets and liabilities of discontinued operations should be presented on a gross basis on the statement of financial position (that is, two amounts). The FASB is of the view that a single amount (net assets) should be presented on the statement of financial position.
 - c. Profit (loss) of the discontinued operation and any gain (loss) from measurement to fair value or disposal could be combined and presented on the face of the statement of comprehensive income as a single amount.
 - d. Total cash flows related to the discontinued operations could be combined and presented in the statements of cash flows as a single amount.
 - e. An entity would be required to disclose the following information in the notes to financial statements for both a component reported in the discontinued operation section and a discontinued component that was reported in the business section because it was not an operating segment.
 - Information currently required to be disclosed about discontinued components expanded to include information about major classes of: revenues and expenses; cash flows; and assets and liabilities.
 - f. The Boards subsequently decided that the guidance on reporting a discontinued operation and the additional disclosures for components that have been or will be disposed of should be separated from the financial statement presentation project.
14. **Extraordinary items** would not be presented as a separate section or category in the financial statements and the concept of extraordinary items would be eliminated.

The Statement of Financial Position

15. Assets or liabilities that are measured differently would be presented in separate line items on the statement of financial position (that is, an entity would not be able to combine items with different measurement bases and present them in a single line item).
16. An entity would present a classified statement of financial position (that is classify all assets and liabilities into short-term and long-term subcategories) except:

- a. If the entity is a financial institution (such as a bank, investment bank, or insurance company) (FASB view).
- b. When a presentation based on liquidity provides information that is reliable and is more relevant (IASB view—as in IAS 1 *Presentation of Financial Statements*).

The Statement of Comprehensive Income

17. On the statement of comprehensive income an entity would be required to present (a) information based on the primary activities (functions) in which it engages and (b) for each of those functions, information about the significant related expenses (by their nature) that would provide information useful in predicting future cash flows. In addition, an entity would be required to separately report any expense that is important in understanding its operating results that may not relate to a functional line item (for example, impairment of goodwill).
- a. Certain entities (for example, entities in a service industry), would not be required to present information based on functions at a more detailed level than is required by the functional separation of operating, investing and financing activities. Those entities would present their significant expenses (by their nature) for each of those higher-level activities.
 - b. An entity would be encouraged to present the by-nature expense information on the face of the statement of comprehensive income. If that presentation is impractical, an entity could elect to present that information in the notes.
18. The Boards expressed their view that all current period changes in assets and liabilities should be presented in one of the functional categories on the statement of comprehensive income, thereby rendering OCI and the mechanism of recycling unnecessary. The Boards believe that achieving that view is a long-term goal. To achieve it, current standards that require recognition of amounts in OCI will need to be changed. The Boards acknowledged that, as an interim step, OCI items might need to be presented in a separate section of the statement of comprehensive income.
19. In further discussions of the interim step toward their long-term goal:
- a. The FASB expressed the view that OCI items other than foreign currency translation adjustments should be classified on the statement of comprehensive income consistent with the classification of the asset or liability that gives rise to those items. For example, an unrealized gain or loss on an available-for-sale security classified in the investing category on the statement of financial position would be classified in the investing category on the statement of comprehensive income. A subcategory within each functional category would distinguish items of income and expense that are OCI components from those that are not. Accordingly, all current period

changes in assets and liabilities would be recognized in one of the functional sections or categories on the statement of comprehensive income.

- b. The FASB also expressed the view that an OCI item should continue to be reclassified, as required by other standards, within the functional category in which the item was initially recognized. The FASB discussed but did not reach a view on how foreign currency translation adjustments should be classified on the statement of comprehensive income.
- c. The IASB did not reach a view on how OCI items should be presented in the statement of comprehensive income. The IASB agreed that more than one alternative should be included in the discussion document including one that would present OCI items separately from other income and expense items. The IASB asked the staff to develop possible alternative presentations for discussion at a future meeting.
- d. The IASB expressed the view that in the statement of comprehensive income, foreign currency translation adjustments related to consolidated subsidiaries and proportionately consolidated joint ventures should be classified in the operating category, and foreign currency translation adjustments related to equity method investments should be classified in the same category as the equity method investment.

20. To achieve the Boards' long-term goal of presenting OCI items in the same manner as all other changes in assets and liabilities, both Boards' decided to address the standards that give rise to other comprehensive income items individually and separately, rather than as part of the financial statement presentation project.

The Statement of Cash Flows

21. The FASB is of the view that information similar to that currently presented on a statement of cash flows prepared using the direct method should be presented in the financial statements. The majority of IASB Board members expressed a preference for not requiring use of the direct method of reporting operating cash flows.
22. A reconciliation of operating income and cash flows from operating activities should continue to be provided. In addition, information about noncash activities should also be presented. However, the Boards acknowledged that the statement of cash flows may not be the most effective way to present that information and directed the staff to explore the possibility of presenting that information as part of a broader disclosure that will be discussed at a future meeting.
23. The notion of *cash equivalents* should not be retained in financial statement presentation. The definition of cash in existing literature would be retained and the statement of cash flows would present information on movements of cash only. The Boards directed the staff to consider whether net amounts of receipts and payments

related to items previously classified as cash equivalents would continue to be permitted for presentation on the statement of cash flows.

The Statement of Changes in Equity

24. The statement of changes in equity should include details of the change in the beginning and ending balance of each component of equity (except for accumulated OCI, which would be presented in the aggregate on the statement of changes in equity and the details for each OCI item in the notes to financial statements). In addition, proceeds from capital transactions should be presented in the aggregate on the statement of changes in equity.

Notes to Financial Statements

Accounting Policy

25. An entity would be required to explain, as a matter of accounting policy, its basis (or bases) for classifying assets and liabilities in the financing categories, the investing category, and the operating category.

Liquidity Information

26. An entity that does not present a classified statement of financial position would present a detailed maturity schedule for short-term contractual assets and liabilities. An entity should use its judgment to determine the appropriate level of detail (such as on demand; less than one month; more than one month and not more than three months; and more than three months and not more than one year).

27. An entity would present a maturity schedule for long-term contractual assets and liabilities.

28. An entity would disclose qualitative and quantitative capital management information.

Measurement Information

29. Information about the measurement basis (or bases) of the assets and liabilities presented on the statement of financial position would be disclosed in the summary of significant accounting policies. In deciding whether a particular accounting policy should be disclosed, management would consider whether disclosure would assist users in understanding how transactions, other events, and conditions are reflected in the financial statements.

30. The notes to financial statements should include a description of any significant uncertainty in the current measure of assets and liabilities and an explanation of why the measured amount was selected. Individual accounting standards would include more specific disclosures about measurement uncertainty as appropriate.
31. The financial statements should provide information that will allow a user to distinguish between the various changes in assets and liabilities, noting that some are due to fair value changes and changes in estimates (that is, remeasurements) while other changes in assets and liabilities are not due to remeasurements, but are due to cash transactions or accruals. To present information that would allow a user to understand the cause of a change in reported amounts of assets and liabilities and to achieve line-item cohesiveness, the Boards agreed to consider a reconciliation of beginning and ending statements of financial position. In June 2007, the Boards will further discuss which types of changes should be presented separately, which should be aggregated, and the manner in which that information should be presented.

Segment Reporting

32. The IASB is of the view that an entity that classifies similar assets and liabilities in different categories should disclose operating and financing category information by reportable segment for each primary financial statement (i.e., the statements of financial position, comprehensive income, and cash flows). That information can be combined for reportable segments that classify similar assets and liabilities similarly. (The IASB will address at a future meeting possible similar changes to segment disclosures that would apply to all entities.)
33. The FASB is of the view that segment disclosure requirements in Statement 131 would be replaced with a requirement to disclose operating and financing category information (at a minimum) for each reportable segment for each primary financial statement (that is, the statements of financial position, comprehensive income, and cash flows). Assets and liabilities that are managed by a reportable segment would be allocated to that segment and measured on a basis consistent with the amounts reported in the consolidated financial statements.

ILLUSTRATIVE SAMPLE FINANCIAL STATEMENTS

34. The following pages utilize sample financial statements for a manufacturing entity to illustrate the Boards' preliminary views through April. [Not all of the Boards' views are included in these sample financial statements (primarily those related to note disclosures, which are described in the first part of this Exhibit).]
35. The sample financial statements are based on data from a report of the CFA Institute, Centre for Financial Market Integrity, *A Comprehensive Business Reporting Model, Financial Reporting for Investors* (CFA Report). That report does not include data to prepare a 2005 statement of comprehensive income, statement of cash flows, or statement of changes in shareholders' equity. Accordingly, the staff made assumptions to complete those 2005 change statements. The staff made other modifying assumptions to the data in the CFA Report in order to illustrate the Boards' views.
36. Not all aspects of the sample financial statements have been discussed by or represent the current position of the Boards. Specifically, the Boards have yet to discuss subtotals, totals, and the order in which the sections and categories are presented. Accordingly, those aspects of the sample financial statements are not necessarily representative of the Boards' position on those issues.

STATEMENT OF FINANCIAL POSITION		
	2006	2005
BUSINESS		
Operating assets		
Accounts receivable	842,600	595,000
Less: Allowance for bad debts	(25,278)	(20,000)
Inventory	403,750	850,000
Leased asset	25,756	-
Building	4,232,755	3,600,000
Less: Accumulated depreciation	(256,500)	(100,000)
Total operating assets	5,223,083	4,925,000
Operating liabilities		
Accounts payable	(375,000)	(850,000)
Accrued liabilities	(78,000)	(28,000)
Advances from customers	(190,000)	(15,000)
Dividends payable	(35,000)	-
Current portion of lease liability	(9,208)	-
Share-based compensation liability	(13,500)	(6,000)
Asset retirement obligation	(9,255)	-
Loss contingency	(2,600)	-
Lease liability (excl current portion)	(24,870)	-
Accrued pension liability	(4,800)	(2,400)
Total operating liabilities	(742,233)	(901,400)
Net operating assets	4,480,850	4,023,600
Investing assets		
Available-for-sale securities	191,100	-
Investment in affiliate--equity method	412,250	-
Investment in affiliate--at fair value	310,840	-
Total investing assets	914,190	-
Net business assets	5,395,040	4,023,600
FINANCING		
Financing assets		
Cash	5,940,991	4,000,000
Total financing assets	5,940,991	4,000,000
Financing liabilities		
Interest payable	(125,000)	-
Short-term debt	(500,000)	-
Bonds payable	(2,500,000)	-
Total financing (liabilities)	(3,125,000)	-
Net financing assets	2,815,991	4,000,000
INCOME TAXES		
Income tax payable	(75,451)	(54,639)
Deferred tax liability	(56,819)	(23,699)
Net income tax (liabilities)	(132,270)	(78,338)
Total net assets	8,078,761	7,945,262
EQUITY		
Common stock and APIC	(5,000,000)	(5,000,000)
Treasury stock	100,000	100,000
Retained earnings	(2,853,484)	(2,890,635)
Accumulated OCI	(325,277)	(154,627)
Total (equity)	(8,078,761)	(7,945,262)

STATEMENT OF COMPREHENSIVE INCOME		
	2006	2005
BUSINESS		
Operating		
Sales	2,775,000	2,580,750
Cost of goods sold		
Change in inventory	(446,250)	(415,013)
Materials	(1,275,000)	(1,185,750)
Labor	(110,000)	(102,300)
Overhead - depreciation of building	(100,000)	(93,000)
Overhead - depreciation of leased asset	(5,944)	(5,528)
Total cost of goods sold	<u>(1,937,194)</u>	<u>(1,801,590)</u>
Selling expenses		
Compensation expense	(85,000)	(79,050)
Pension expense	(2,000)	(1,860)
Bad debt expense (decreased allowance)	(6,278)	(15,412)
Other operating expenses	(70,000)	(65,100)
Total selling expenses	<u>(163,278)</u>	<u>(161,422)</u>
General and administrative expenses		
Rent expense	(120,000)	(111,600)
Pension expense	(1,600)	(1,488)
Stock compensation expense	(7,500)	(6,975)
Depreciation expense	(77,000)	(71,610)
Accretion expense on ARO	(500)	(465)
Research and development	(1,120)	(1,042)
Total G&A expenses	<u>(207,720)</u>	<u>(193,180)</u>
Other operating expenses		
Compensation expense	(15,000)	(13,950)
Litigation expense	(2,600)	-
Interest expense on lease liability	(2,378)	-
Loss on sale of receivables	(200)	-
Gain on sale of building	2,000	-
Other operating expenses	(80,000)	(74,400)
Total other operating expenses	<u>(98,178)</u>	<u>(88,350)</u>
Net operating income	<u>368,630</u>	<u>336,208</u>
Other comprehensive income		
Gain on revaluation of building	160,000	148,800
Actuarial gain on pension obligation	-	4,580
Comprehensive operating income	<u>528,630</u>	<u>489,588</u>
Investing		
Equity in earnings of affiliate	12,250	11,393
Fair value adjustment on affiliate	840	781
Realized gain on available-for-sale	450	-
Dividend income	9,250	8,603
Net investing income	<u>22,790</u>	<u>20,776</u>
Other comprehensive income		
Unrealized gain on available-for-sale sec.	10,650	1,247
Comprehensive investing income	<u>33,440</u>	<u>22,023</u>
FINANCING		
Interest expense	(250,000)	-
Comprehensive financing (expense)	<u>(250,000)</u>	<u>-</u>
INCOME TAXES		
Current tax expense	(75,451)	(70,169)
Deferred tax expense	(33,120)	(30,802)
Comprehensive income tax (expense)	<u>(108,571)</u>	<u>(100,971)</u>
Total comprehensive income	<u>203,499</u>	<u>410,640</u>

Exhibit 1

STATEMENT OF CASH FLOWS			STATEMENT OF CASH FLOWS		
	2006	2005		2006	2005
Cash flows from business activities			Cash flows from business activities		
Operating (DIRECT)			Operating (INDIRECT)		
Cash received from sales	2,700,000	2,511,000	Comprehensive operating income	528,630	489,588
Cash paid for goods sold			Adjustments to reconcile comprehensive operating income to net cash provided by operating activities:		
Cash paid for inventory purchases	(1,750,000)	(1,627,500)	Change in operating assets/liabilities:		
Cash paid for labor	(110,000)	(102,300)	Accounts receivable	(247,600)	(207,984)
Total cash paid for goods sold	(1,860,000)	(1,729,800)	Less: Allowance for bad debts	5,278	4,434
Cash paid for selling activities			Accounts payable	(475,000)	(412,599)
Cash paid for compensation	(85,000)	(79,050)	Accrued liabilities	50,000	42,000
Cash contributions to pension plan	(700)	(651)	Advances from customers	175,000	147,000
Cash paid for other expenses	(45,000)	(41,850)	Current portion of lease liability	9,208	7,735
Total cash paid for selling activities	(130,700)	(121,551)	Inventory	446,250	274,850
Cash paid for general and admin activities			Share-based compensation liability	7,500	6,300
Cash paid for rent	(120,000)	(111,600)	Asset retirement obligation	9,255	7,774
Cash contributions to pension plan	(500)	(465)	Loss contingency	2,600	2,184
Total cash paid for G&A activities	(120,500)	(112,065)	Leased asset	(25,756)	(21,635)
Cash paid for other operating activities			Lease liability (excl current portion)	24,870	20,891
Cash paid for compensation	(15,000)	(13,950)	Accrued pension liability	2,400	2,016
Cash received from sale of receivables	1,200	-	Building	(632,755)	(262,512)
Cash paid for research and development	(1,120)	(845)	Less: Accumulated depreciation	156,500	131,598
Cash paid for capital expenditures	(500,000)	(250,000)	Net cash provided by operating activities	36,380	231,639
Cash received from sale of building	17,500	-	Investing		
Cash paid for other expenses	(55,000)	(51,150)	Purchase of investment in affiliates	(710,000)	-
Total cash paid for other oper activities	(552,420)	(315,945)	Purchase of available-for-sale securities	(185,000)	-
Net cash provided by operating activities	36,380	231,639	Sale of available-for-sale securities	5,000	-
Investing			Dividends received	9,250	8,603
Purchase of investment in affiliates	(710,000)	-	Net cash used in investing activities	(880,750)	8,603
Purchase of available-for-sale securities	(185,000)	-	Net cash used in business activities	(844,370)	240,242
Sale of available-for-sale securities	5,000	-	Cash flows from financing activities		
Dividends received	9,250	8,603	Financing liabilities		
Net cash used in investing activities	(880,750)	8,603	Interest paid	(125,000)	-
Net cash used in business activities	(844,370)	240,242	Proceeds from issuance of short-term debt	500,000	-
Cash flows from financing activities			Proceeds from issuance of bonds	2,500,000	-
Financing liabilities			Net cash provided by financing activities	2,875,000	-
Interest paid	(125,000)	-	Cash flows from income taxes		
Proceeds from issuance of short-term debt	500,000	-	Net cash used in income tax activities	(54,639)	(50,814)
Proceeds from issuance of bonds	2,500,000	-	Net cash provided by acts with non-equity holders	1,975,991	189,427
Net cash provided by financing activities	2,875,000	-	Cash flows from equity activities		
Cash flows from income taxes			Dividends paid	(35,000)	(32,550)
Net cash used in income tax activities	(54,639)	(50,814)	Net cash used in equity activities	(35,000)	(32,550)
Net cash provided by acts with non-equity holders	1,975,991	189,427	Change in cash	1,940,991	156,877
Cash flows from equity activities			Beginning cash	4,000,000	3,843,123
Dividends paid	(35,000)	(32,550)	Ending cash	5,940,991	4,000,000
Net cash used in equity activities	(35,000)	(32,550)			
Change in cash	1,940,991	156,877			
Beginning cash	4,000,000	3,843,123			
Ending cash	5,940,991	4,000,000			

Exhibit 1

	Common Stock		Retained	Accumulated	Total
	and APIC	Treasury Stock	Earnings	Other	Sharholders'
				Comprehensive	Equity
				Income	
Balance at December 31, 2004	5,000,000	(100,000)	2,957,978	-	7,857,978
Comprehensive Income	-	-	2,657	154,627	157,284
Dividends	-	-	(70,000)	-	(70,000)
Balance at December 31, 2005	5,000,000	(100,000)	2,890,635	154,627	7,945,262
Comprehensive Income	-	-	32,849	170,650	203,499
Dividends	-	-	(70,000)	-	(70,000)
Balance at December 31, 2006	5,000,000	(100,000)	2,853,484	325,277	8,078,761