FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

AMERICAN SOCIETY OF EXTRA-CORPOREAL TECHNOLOGY, INC.

DECEMBER 31, 2002

CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET

STATEMENT OF ACTIVITIES

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

James R. Turner & Company, P.C.
Certified Public Accountant
703-506-0198

Independent Auditor's Report

Board of Directors
American Society of Extra-Corporeal Technology, Inc.

We have audited the accompanying balance sheet of the American Society of Extra-Corporeal Technology, Inc. (a Minnesota not-for-profit corporation) as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Society of Extra-Corporeal Technology, Inc., as of December 31, 2002, and the changes in its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

James R. Turner & Company, P.C.

Vienna, Virginia
September 16, 2003

8133 Leesburg Pike, Suite 550, Vienna, Virginia 22182

American Society of Extra-Corporeal Technology, Inc.

BALANCE SHEET

December 31, 2002

ASSETS

CURRENT ASSETS		
Cash and equivalents		$ 211,098
Cash, designated for scholarships and research grants		5,554
Marketable securities at market		455,158
Accounts receivable		41,430
Due From AmSECT Foundation		31,123
Deferred charges and expenses		20,568
Prepaid fee		33,612
Total current assets		798,543
FURNITURE AND EQUIPMENT-AT COST		
Furniture and equipment	$ 120,770	
Accumulated depreciation	(111,525)	9,245
TOTAL ASSETS		$ 807,788

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable		$ 74,034
Due to other organizations		60,297
Deferred revenue - dues and subscriptions		179,206
- annual meeting and other		87,785
Total current liabilities		401,322
NET ASSETS		
Unrestricted - net assets	$ 400,912	
Board designated unrestricted net assets for scholarship and research grants	5,554	406,466
TOTAL LIABILITIES AND NET ASSETS		$ 807,788

See notes to financial statements.

American Society of Extra-Corporeal Technology, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2002

Revenue, gains and other support	
Continuing medical education	
Seminars and publications	$ 182,821
Annual meeting	253,001
	435,822
Administrative	
Dues	340,918
Publication	83,637
Corporate sponsors	30,870
Investment income (loss) including unrealized depreciation of $64,301 and realized gain of $2,561	(33,695)
Other revenue	49,191
	470,921
Total revenue, gains and other support	906,743
Expenditures	
Continuing Medical Education	355,623
Professional Support	223,992
Administrative Support	374,891
	954,506
CHANGE IN NET ASSETS	(47,763)
Unrestricted net assets, beginning of year	454,229
Unrestricted net assets, end of year	$406,466

See notes to financial statements.

American Society of Extra-Corporeal Technology, Inc.

STATEMENT OF CASH FLOWS

Year ended December 31, 2002

Cash flows from operating activities:	
Change in net assets	$ (47,763)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	6,239
Unrealized and realized (gains) losses on securities	61,740
(Increase) decrease in accounts receivable	4,994
(Increase) decrease in due from AmSECT Foundation	(31,123)
(Increase) decrease in deferred charges and expenses	(8,387)
(Increase) decrease in prepaid fee	13,770
Increase (decrease) in accounts payable	8,149
Increase (decrease) in due other organizations	60,297
Increase (decrease) in deferred revenue	(28,503)
Net cash provided by (used in) operating activities	39,413
Cash flows from investing activities:	
Cash payments for the purchase of property	(5,872)
Cash proceeds from the sale of securities	110,625
Purchases of securities	(141,526)
Net cash provided by (used in) investing activities	(36,773)
Net increase in cash and equivalents	2,640
Cash and cash equivalents, beginning of year	214,012
Cash and cash equivalents, end of year	$ 216,652
Cash paid for income taxes	$ -

See notes to financial statements.

American Society of Extra-Corporeal Technology, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Society's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Investments

Investments in marketable equity and debt securities are carried at market.

2. Accounts Receivable

The Society considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made.

3. Deferred Revenue

Amounts received for dues and subscriptions are deferred and recognized as revenue ratably over the membership or subscription period. Other amounts received for future goods or services are deferred until the goods or services are provided.

4. Income Taxes

The Society is exempt from income taxes, except for taxes on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code.

The Society has unrelated business income, principally from the sale of advertising in AmSECT Today.

5. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Concentration of Credit Risk

The Society maintains cash balances at a bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 2002, money market funds, included in cash, are not insured and amounted to $110,898 at December 31, 2002.

7. 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 disclosures 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.

8. Cash Equivalents

For purposes of the statement of cash flows, cash includes certificates of deposits with a maturity date of ninety days or less when acquired and money market funds not held for investment.

9. Contributions

Contributions received are recorded as unrestricted, temporally restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the accompanying statement or activities. Contributions received for the purchase of long-lived assets without donor stipulations about how long the assets must be used are reported as unrestricted support.

American Society of Extra-Corporeal Technology, Inc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002

NOTE B - INVESTMENTS

Investments in marketable equity and debt securities are carried at market as of December 31, 2002. Specific identification is used in determining the cost basis for realized gains and losses. Investments are summarized as follows:

	Carrying Value	Unrealized gain (loss)
Common stocks	$ 263,246	$ (136,731)
Corporate debt securities	254,272	7,338
Government backed securities	29,900	678
Mutual funds and other	37,861	(1,406)
	$ 585,279	$ (130,121)

NOTE C - MANAGEMENT CONTRACT

In June 2001, the Society entered into a new management agreement, with Paradigm Support Corporation (Paradigm) which expires on June 30, 2003 for an annual negotiated fee payable monthly. The negotiated fee for 2002 is currently $407,000 less a percentage of employment placement fees and discounts. Under the terms of the contract Paradigm provides all of the national office staff, office space, executive director, government relations director and other services and facilities as required by the contract for an annual fee plus reimbursement of certain expenses, principally, travel, hotels, etc.

Management fees charged to operations for the year, net of discounts and fees, amounted to $404,390.

NOTE D - BOARD DESIGNATED ASSETS

Net assets set aside for scholarships and research project grants amounted to $5,554 at December 31, 2002.

NOTE E - ADMINISTRATIVE SUPPORT

Administrative support includes the cost of printing and publication of "AmSECT Today," governance, membership development and management and general as follows:

"AmSECT Today"	$ 169,489
Management and general governance and membership development	205,402
	$ 374,891

Expenditures include an allocation of the management fee as follows:

Continuing medical education	$ 60,659
Professional support	157,712
"AmSECT Today"	80,878
Management and general, governance and membership development	105,141
	$ 404,390

NOTE F – AmSECT FOUNDATION

During 2002 the AmSECT Foundation was formed and application to the Internal Revenue Service for the AmSECT Foundation to be classified as a tax exempt organization under 501(c)(3) of the Internal Revenue Code was made.

In connection with the formation of the AmSECT Foundation and the elimination of the AmSECT Regions, the Society received funds which were designated by the AmSECT Regions to be disbursed to other charitable organizations. At December 31, 2002 $60,297 was due to other organizations.

A summarized balance sheet and statement of activities for the AmSECT Foundation for the period ended December 31, 2002 follows:

NOTE F – AmSECT FOUNDATION – CONTINUED

AmSECT Foundation, Inc.
BALANCE SHEET
December 31, 2002
ASSETS

Cash	$ 28,933
Certificates of deposit due in 2003	39,075
Total assets	$ 68,008

LIABILITIES AND NET ASSETS

Due to AmSECT	$ 31,123
Total liabilities	31,123
NET ASSETS	
Unrestricted	36,885
Total net assets	36,885
Total liabilities and net assets	$ 68,008

STATEMENT OF ACTIVITIES
From May 10, 2002 (date of incorporation) through
December 31, 2002

Contributions From Former	
AmSECT Regions	$ 69,099
Less designated amounts to state societies	(30,083)
Total	39,016
Expenditures	
Support for other organizations	1,000
Management and general	1,131
Total	2,131
Change in net assets	$ 36,885