INVITRO INTERNATIONAL, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

with

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

INDEX

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
InVitro International, Inc.

We have audited the accompanying balance sheet of InVitro International, Inc. (the "Company") as of September 30, 2015, the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the years ended September 30, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We draw attention to Note 6 to the financial statements, which describes the quasi organization of the Company as of October 1, 2014.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2015, and the results of its operations and its cash flows for the years ended September 30, 2015 and 2014, in conformity with accounting principles generally accepted in the United States of America.

PDM, LLP

Torrance, California
January 7, 2016

INVITRO INTERNATIONAL, INC.

BALANCE SHEET
SEPTEMBER 30, 2015

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	249,879
Investments		400,682
Accounts receivable, net of allowance of $3,500		93,918
Inventories		140,711
Prepaid expenses		20,553
		905,743
PROPERTY AND EQUIPMENT, net		52,707
DEPOSITS AND OTHER ASSETS		12,856
	$	971,306

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	$	23,316
Accrued payroll and employee benefits		18,461
Other accrued liabilities		38,453
		80,230
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; no shares issued or outstanding		-
Common stock, no par value; 40,000,000 shares authorized; 21,953,976 shares issued and outstanding		609,630
Accumulated other comprehensive income		49,346
Retained earnings as restated		232,100
		891,076
	$	971,306

INVITRO INTERNATIONAL, INC.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30,

	2015	2014
REVENUES	$ 994,714	$ 686,118
EXPENSES		
Cost of revenues	190,176	132,253
Selling, general, and administrative	561,255	517,489
Research and development	17,100	18,123
	768,531	667,865
OTHER INCOME (EXPENSES)		
Interest and dividend income	9,634	9,694
Realized gain (loss) on securities available-for-sale	(9,367)	39
Other income	6,450	-
	6,717	9,733
INCOME BEFORE PROVISION FOR INCOME TAXES	232,900	27,986
PROVISION FOR INCOME TAXES	800	800
NET INCOME	232,100	27,186
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized holding gain (loss) on securities available-for-sale	(10,904)	1,006
Currency translation adjustment	(206)	(10)
	(11,110)	996
COMPREHENSIVE INCOME	$ 220,990	$ 28,182
NET INCOME PER COMMON SHARE:		
Basic	$ 0.011	$ 0.001
Diluted	$ 0.011	$ 0.001
Weighted average common shares outstanding - basic	21,953,976	21,886,853
Weighted average common shares outstanding - diluted	21,953,976	21,886,853

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount			
BALANCE, September 30, 2013	21,853,976	$ 25,165,813	$ 59,460	$ (24,583,869)	$ 641,404
Net income	-	-	-	27,186	27,186
Common stock issued for services: June 3, 2014	100,000	500	-	-	500
Other comprehensive income	-	-	996	-	996
BALANCE, September 30, 2014	21,953,976	25,166,313	60,456	(24,556,683)	670,086
Quasi reorganization at October 1, 2014	-	(24,556,683)	-	24,556,683	-
Net income	-	-	-	232,100	232,100
Other comprehensive loss	-	-	(11,110)	-	(11,110)
BALANCE, September 30, 2015	21,953,976	$ 609,630	$ 49,346	$ 232,100	$ 891,076

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 232,100	$ 27,186
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	17,977	11,790
Stock-based compensation	-	500
Realized (gain) loss on securities available-for-sale	9,367	(39)
Changes in operating assets and liabilities:		
Accounts receivable, net	(10,152)	(13,550)
Inventories	(12,080)	9,415
Prepaid expenses	(9,273)	12,230
Deposits and other assets	(4,179)	4,950
Accounts payable	16,224	875
Accrued payroll and employee benefits	(2,763)	(12,307)
Other accrued liabilities	5,015	6,866
Net cash flows from operating activities	242,236	47,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,961)	(48,303)
Purchases of investments	(1,065,025)	(213,597)
Proceeds from the sale of investments	980,249	210,997
Net cash flows from investing activities	(87,737)	(50,903)
Effect of foreign exchange rate on cash	(206)	(10)
Net change in cash and cash equivalents	154,293	(2,997)
Cash and cash equivalents, beginning of year	95,586	98,583
Cash and cash equivalents, end of year	$ 249,879	$ 95,586
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for income taxes	$ 800	$ 800
Noncash investment transactions		
Net unrealized gain (loss) on securities available-for-sale	$ (10,904)	$ 1,006

NOTE 1 - NATURE OF OPERATIONS

InVitro International, Inc. (the "Company"), headquartered in Placentia, California, was founded in 1985 and is a customer and technology-driven provider of non-animal testing methods. The Company develops and commercializes test kits and laboratory services globally. In recent years the Company has focused research and development efforts on a European regulatory submission and subsequent acceptance by the Organization for Economic Co-operation and Development ("OECD") of its core technology, the Irritection Assay System for determining ocular irritation.

The Company's testing technologies are designed to produce data regarding corrosivity, or ocular/dermal irritation, which correlate with animal and human test results. In late 2014, the company's 23-Year-old corrosion testing assay, Corrositex, became Global Harmonization System (GHS) accepted as a full replacement for animal test results virtually everywhere in the world of commerce. The OECD/European Centre for the Validation of Alternative Methods (ECVAM), Transport Canada, U.S. DOT, EPA, OSHA, Consumer Product Safety Commission, FDA, and the International Air Transport Authority (IATA) all have accepted Corrositex as well.

In late 2015, the European Regulatory Program to re-classify all chemicals used in Europe accepted the company's 26-year-old core ocular irritancy test technology, Ocular Irritection, as a full replacement for animal testing within its GHS system. This European several year long program is well known as REACH (Registration, Evaluation, Authorization and Restriction of CHemicals).

Each of the above – mentioned Regulatory Advancements are the result of many years in a strategic alliance with I.N.T.E.G.RA, a division of Italy based Res Pharma. The company partnership sells and distributes both laboratory test results and kits in Italy and 21 other markets around the world. In addition, the partnership coordinates and facilitates regulatory approvals and acceptances from authorities and agencies within the Organization for Economic Co-operation and Development (OECD). Both OECD and ECVAM (above) continue their final stages of review for the company's Ocular Irritection.

"ECVAM" (European Centre for the Validation of Alternative Methods) is currently advising and reviewing the Company's Irritection Assay System ocular test method for approval/acceptance as a substitute for animal testing on all future new cosmetic products.

As described in Note 6, quasi reorganization was implemented on October 1, 2014. As a result, as of October 1, 2014, the Company's accumulated deficit was reduced to $0 from $24,556,683, and the common stock account was reduced to $609,630 from $25,166,313.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The Company prepares its financial statements based upon the accrual method of accounting, recognizing income when earned and expenses when incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that may be subject to change relate to the collectability of accounts receivable, realizability of inventories, investments, and long-lived assets, and the valuation allowance on deferred tax assets.

Revenue recognition - The Company recognizes revenue for its products upon shipment of goods to its customers, and for its lab services upon the reporting of results to its customers.

Customers - The Company sells its products to independent distributors, contract laboratories, and end users in approximately ten different industries in the United States, Europe, Latin America, and Asia. The combined foreign operations generated approximately 30% and 21% of the Company's total revenues during fiscal 2015 and 2014, respectively. The Company maintains reserves for potential credit losses. Management believes that future credit losses will not be material.

The Company's two largest customers generated approximately 22% of the Company's total revenues during fiscal 2015, and 5% during fiscal 2014. The customers owe approximately $17,875 to the Company as of September 30, 2015.

Cash and cash equivalents - The Company defines its cash and cash equivalents to include only cash on hand, demand deposits, money market fund accounts, and investments with original maturities of ninety days or less.

The Company maintains its cash and cash equivalents at financial institutions, the balances of which may, at times, exceed federally insured limits. Management believes that the risk of loss due to the concentration is minimal.

Investments - Investments in marketable securities are classified as available-for-sale and reported at fair value as determined by quoted market prices in an active market with unrealized gains and losses reported in other comprehensive income (loss). Realized gains and losses (computed by the specific identification method) are included in investment income and unrealized gains and losses on stocks are reflected as a separate component of other comprehensive income. Interest and dividend income are recorded on the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fair value of financial instruments - Financial instruments primarily consist of marketable securities and interest-bearing cash. The Company estimates that the fair value of its financial instruments at September 30, 2015 do not differ materially from its aggregate carrying value recorded in the balance sheet. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Fair value measurements - The Company defines fair value as 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. The Company measures fair value under a framework that 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 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.

Accounts receivable - Accounts receivable are stated at the amount that management expects to collect from balances outstanding at fiscal year-end. Management closely monitors outstanding balances and provides a reserve for probable uncollectible amounts through a charge to earnings and a credit to the receivables allowance accounts based on its assessments of the current status of individual accounts. At September 30, 2015, management has recorded a reserve for potentially bad debts of $3,500.

Inventories - Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method. Cost includes materials, labor, and an allocable portion of direct and indirect overhead. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company regularly monitors inventories for excess or obsolete items and makes any valuation corrections when such adjustments are needed. Once established, write downs are considered permanent adjustments to the cost basis of obsolete or excess inventories.

Property and equipment - Property and equipment is recorded at cost. Maintenance and repair costs are expensed when incurred. Gains and losses on the disposition of property and equipment are reflected in other income or expense when realized. Depreciation and amortization is computed on the straight-line method for financial reporting purposes, based on the estimated useful lives of the assets (generally three to ten years). Leasehold improvements are amortized using the straight-line method over the shorter of their estimated lives or the term of the lease.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Patents and trademarks - The costs of patents and trademarks acquired are amortized on the straight-line method over their estimated remaining lives. The identifiable costs to develop and defend the Company's patents and trademarks are capitalized and amortized on the straight-line method over their estimated remaining lives. The unidentifiable costs to develop and defend the Company's patents and trademarks are charged to expense as incurred.

The Company is not aware of any infringing uses that could materially affect its current business or any prior claim to the patents and/or trademarks that would prevent the Company from using such patents and/or trademarks in its business. The Company's policy is to pursue registration of its patents and trademarks, whenever possible, and to oppose vigorously any infringement of its patents and/or trademarks.

Aggregate patent costs, net of accumulated amortization of $247,757, totaled $4,179 at September 30, 2015 and are included in deposits and other assets on the accompanying balance sheet as of September 30, 2015. Amortization expense related to patents was $710 and $1,440 during the years ended September 30, 2015 and 2014, respectively.

Capitalized software - The costs of software acquired are amortized on the straight-line method over their estimated remaining lives. Aggregate software costs, net of accumulated amortization of $103,456, totaled $5,267 at September 30, 2015 and are included in deposits and other assets on the accompanying balance sheet as of September 30, 2015. During both years ended September 30, 2015 and 2014, amortization expense related to software totaled $1,179.

Long-lived assets - Management of the Company assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The evaluation is performed by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products will continue, which could result in impairment of long-lived assets in the future.

Research and development - Research and development costs consist primarily of compensation and materials associated with the research and development of the Company's technologies and are expensed as incurred.

Advertising - The Company expenses advertising costs as they are incurred. Advertising costs during the years ended September 30, 2015 and 2014 amounted to $23,003 and $25,715, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income taxes - The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than fifty percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of September 30, 2015, the Company had no unrecognized tax benefits, and the Company had no positions which, in the opinion of management, would be reversed if challenged by a taxing authority.

The Company’s evaluation of tax positions was performed for those tax years which remain open to audit. The Company may, from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company’s financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

Legal - From time to time, the Company may become subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company is not currently a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company’s business, operating results, cash flows, or financial condition should such litigation be resolved unfavorably.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Foreign currency translation - The financial statements of the Company's foreign operations have been translated to U.S. dollars. Assets and liabilities are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average rates of exchange in effect during the fiscal year. The translation adjustment is excluded from results of operations but is included in comprehensive income and is accumulated in a separate component of shareholders' equity. Gains and losses from foreign currency transactions denominated in a currency other than the Company or its foreign operations' local currencies are included in results of operations.

Accounting for stock-based compensation - At September 30, 2015, the Company has three stock-based employee compensation plans, which are described more fully in Note 6. The Company measures and recognizes the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value, including share-based compensation based on the grant-date fair value for all share-based payments granted prior to and not yet vested as of January 1, 2006 and share-based compensation based on the grant-date fair-value for all share-based payments granted after October 1, 2006. For non-employee stock-based compensation, the Company values the equity securities based on the fair value of the security on the date of grant. For stock-based awards the value is based on the market value of the stock on the date of the grant or the value of services, whichever is more readily available. Stock option awards are valued using the Black-Scholes-Merton option-pricing model. No stock options were granted during the years ended September 30, 2015 and 2014.

Net income per common share - The Company reports earnings per share ("EPS") with a dual presentation of basic EPS and diluted EPS on the face of the statements of comprehensive income. Basic EPS is computed as net income divided by the weighted average of common shares for the period. Diluted EPS reflects the potential dilution that could occur from common shares issued through stock options, or warrants (see Note 10). During fiscal years 2015 and 2014, the Company had no potentially dilutive common stock equivalents. Therefore, the basic EPS and the diluted EPS are the same.

Comprehensive income (loss) - The Company reports and displays all components of comprehensive income (loss) in a full set of financial statements. Accumulated other comprehensive income (loss) as reported in the accompanying balance sheet represents foreign currency translation adjustments and unrealized holding gains (losses) on securities available-for-sale.

Segments of an enterprise and related information - The Company currently operates in one segment (see Note 11 for geographic information).

Subsequent events - Subsequent events have been evaluated by the Company through January 7, 2016, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

NOTE 3 - FAIR VALUE MEASUREMENTS, Continued

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Exchange-traded funds and mutual funds - Valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by the Company at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Company 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 assets measured at fair value on a recurring basis are classified as level 1 within the fair value hierarchy. Asset categories are disaggregated as follows at September 30, 2015:

Exchange-traded funds:	
Bond funds	$ 163,208
Equity funds	37,150
Mutual funds:	
Bond funds	114,362
Equity funds	85,962
	$ 400,682

NOTE 4 - INVENTORIES

Inventories consist of the following at September 30, 2015:

Raw materials and powder	$ 27,930
Components	56,050
Finished goods	56,731
	$ 140,711

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2015 is:

Equipment	$ 293,865
Leasehold improvements	34,539
	328,404
Less accumulated depreciation and amortization	(275,697)
	$ 52,707

Depreciation and amortization expense on property and equipment was $16,088 and $10,611 during the years ended September 30, 2015 and 2014, respectively.

NOTE 6 - SHAREHOLDERS' EQUITY

Quasi reorganization - Upon recommendation by the officers of the Company and approval by the board of directors, a corporate readjustment was implemented on October 1, 2014. The Company accumulated the entire deficit of $24,556,683 prior to September 30, 2014 under previous management. The Company's prior management was replaced and reorganized from 1995 through 1999. The new management, through September 30, 2014, has modified the operational strategy successfully to enable the Company to operate in the present form which has been profitable over the past five consecutive years.

As a result, as of October 1, 2014, the Company's accumulated deficit was reduced to $0 from $24,556,683, and the common stock account was reduced to $609,630 from $25,166,313.

Common stock - There were no shares of common stock issued during the year ended September 30, 2015. During the year ended September 30, 2014 the Company issued 100,000 shares of common stock for services valued at $500 (based on the estimated trading value of the stock as of the date of issuance).

Stock option plans - The Company has three stock option plans whereby incentive stock options or nonqualified stock options may be granted to employees, directors, officers, and others to purchase shares of the Company's common stock. The aggregate shares of the Company's common stock which may be issued upon the exercise of such options shall not exceed 1,800,000 shares. The options are exercisable at prices which equal or exceed the fair value of the Company's common stock at the date of grant. The option exercise price may be payable in cash or shares of previously owned Company common stock (if any) (valued by a committee of the Board of Directors). Options granted pursuant to the plans vest and expire according to the terms of each option agreement. At September 30, 2015, these plans had no outstanding options and during the years ended September 30, 2015 and 2014, no options were granted and there was no activity pursuant to the plans.

NOTE 6 - SHAREHOLDERS' EQUITY, Continued

The Company also has a stock option plan for non-employee directors under which a total of 500,000 shares of the Company's common stock can be granted. At September 30, 2015, this plan had no outstanding options, and no options were granted and there was no activity pursuant to the plan during the years ended September 30, 2015 and 2014.

Preferred stock - The Company has authorized 1,000,000 shares of preferred stock to be issued. These shares may be issued in one or more series as determined by the Board of Directors. At the time of determination, the rate of dividends (whether cumulative or non-cumulative), redemption features, and liquidation preferences will be established. At September 30, 2015, no preferred stock determinations or issuances have been authorized by the Board of Directors.

NOTE 7 - PROVISION FOR INCOME TAXES

The provision for income taxes for the years ended September 30 is comprised of the following:

	2015	2014
Current provision	$ 800	$ 800
Deferred benefit	-	-
	$ 800	$ 800

As of September 30, 2015, the significant components of the Company's net deferred tax assets are as follows:

Net operating loss carryforwards	$ 544,000
Research and development tax credits	365,000
Allowances and other	1,500
	910,500
Valuation allowance	(910,500)
	$ -

During fiscal 2015 the valuation allowance decreased by $106,000.

The Organization utilized approximately $240,000 in net operating loss carryforwards ("NOLs") and $22,000 in state research tax credits to reduce their taxable income during the year ended June 30, 2015.

NOTE 7 - PROVISION FOR INCOME TAXES, Continued

As of September 30, 2015, the Company had NOLs for federal reporting purposes of approximately $1,600,000, which expire in various years through fiscal 2024. The Federal tax codes provide for restrictive limitations on the annual utilization of NOLs to offset taxable income when the stock ownership of a company significantly changes, as defined. As of September 30, 2015, the Company has research tax credits of $354,000 for federal tax purposes and $11,000 for state tax purposes. The research tax credits are available to offset future tax liabilities, if any, through 2019. Due to ownership changes which occurred in past fiscal years, the utilization of approximately $1,200,000 of federal net operating loss carryforwards and the research tax credits are subject to annual limitations in future periods, which could substantially reduce the Company's ability to offset future taxable income. Utilization of these amounts could be further limited if additional ownership changes occur in the future.

As of September 30, 2015, the Company's federal tax returns since the 2011 tax year and state tax returns since the 2010 tax year remain open for examination by the tax jurisdictions. No tax returns are currently being examined by taxing authorities.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating leases - During May 2014, the Company relocated its corporate headquarters and signed a new non-cancelable operating lease agreement expiring in August 2019. Total rent expense for all locations in the United States and Japan was $35,494 and $58,632 for the years ended September 30, 2015 and 2014, respectively.

Future annual minimum payments under all operating leases for the years ending September 30 of each year are:

2016	$	36,815
2017		37,922
2018		39,060
2019		36,817
	$	150,614

NOTE 8 - COMMITMENTS AND CONTINGENCIES, Continued

Indemnities and guarantees - During the normal course of business, the Company has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include certain agreements with the Company's officers, under which the Company may be required to indemnify such person for liabilities arising out of their employment relationship. In connection with its facility lease, the Company has indemnified the lessor for certain claims arising from the use of the facility. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying balance sheet.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Company sponsors a defined contribution plan covering full time employees. Employees may contribute up to the maximum 401(k) contribution allowed under the Internal Revenue Code each plan year. Employee contributions to the plan are withheld from wages and vest 100% immediately.

The Company matches 50% of each employee's contribution up to the first 5% of their pay and all such contributions vest immediately. Company contributions to the defined contribution plan for the years ending September 30, 2015 and 2014 were $8,743 and $8,471, respectively.

NOTE 10 - BASIC AND DILUTED INCOME PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted income per share computations:

	2015	2014
Numerator for basic and diluted income per share:		
Net income	$ 232,100	$ 27,186
Denominator for basic and diluted income per share:		
Weighted average shares (basic)	21,953,976	21,886,853
Common stock equivalents	-	-
Weighted average shares (diluted)	21,953,976	21,886,853

NOTE 10 - BASIC AND DILUTED INCOME PER SHARE, Continued

	2015	2014
Basic and diluted income per share:		
Basic	$ 0.011	$ 0.001
Diluted	$ 0.011	$ 0.001

NOTE 11 - BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in one primary industry segment, providing in-vitro (non-animal) diagnostic tests to customers in the cosmetics, personal care, household products, textiles, pharmaceuticals, chemicals, and hazardous waste transportation industries.

Revenues, net income, and identifiable assets by geographic area as of September 30, 2015 and for the years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Revenues:		
United States	$ 703,039	$ 545,211
Other countries	291,675	140,907
	$ 994,714	$ 686,118
Net income:		
United States	$ 164,002	$ 21,522
Other countries	68,098	5,664
	$ 232,100	$ 27,186
Identifiable assets:		
United States	$ 934,213	
Other countries	37,093	
	$ 971,306	