

DELTA ADVISORY SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

DELTA ADVISORY SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Delta Advisory Services, Inc.

We have audited the accompanying statement of financial condition of Delta Advisory Services, Inc. (a Florida corporation) as of December 31, 2008 and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. 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 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 Delta Advisory Services, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Computation of Net Capital on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ky & Associates*

Winter Park, Florida  
January 30, 2009

DELTA ADVISORY SERVICES, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2008

**ASSETS**

Cash	\$ 31,397
Marketable securities	<u>1,821</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 33,218</u></b>
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**LIABILITIES AND STOCKHOLDER'S EQUITY**

**LIABILITIES**

Unearned management fees	<u>\$ 6,588</u>
<b>Total liabilities</b>	<b>6,588</b>

**STOCKHOLDER'S EQUITY**

Common stock, \$1 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	1,000
Additional paid-in capital	34,000
Retained deficit	(7,608)
Unrealized holding loss on marketable securities	<u>(762)</u>
	<u>26,630</u>

<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 33,218</u></b>
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DELTA ADVISORY SERVICES, INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2008

Revenues:

Commissions and management fees	\$ 470,490
Interest and dividends	434
Gain on sale of securities	<u>55</u>

TOTAL REVENUES	<u>470,979</u>
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Expenses:

Consulting fees	264,474
Overhead and labor allocation	195,500
Registration fees	9,699
Professional fees	5,190
Office expense	<u>1,189</u>

TOTAL EXPENSES	<u>476,052</u>
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NET LOSS	<u>\$ (5,073)</u>
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See notes to financial statements.

DELTA ADVISORY SERVICES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2008

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Unrealized Gain (Loss) on Securities	Total
Balance at January 1, 2008	\$ 1,000	\$ 34,000	\$ (2,535)	\$ 591	\$ 33,056
Net loss	-	-	(5,073)	-	(5,073)
Unrealized loss on securities	-	-	-	(1,353)	(1,353)
Balance at December 31, 2008	<u>\$ 1,000</u>	<u>\$ 34,000</u>	<u>\$ (7,608)</u>	<u>\$ (762)</u>	<u>\$ 26,630</u>

See notes to financial statements.

DELTA ADVISORY SERVICES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008

Cash flows from operating activities:	
Net Loss	\$ (5,073)
Adjustments to reconcile net loss to net cash used by operating activities:	
Gain on sale of securities	(55)
(Increase) decrease in operating assets:	
Prepaid expenses	2,706
Management fees receivable	178
Increase (decrease) in operating liabilities:	
Unearned management fees	<u>(2,488)</u>
Net cash used by operating activities	<u>(4,732)</u>
Cash flows from investing activities:	
Proceeds from sale of marketable securities	207
Purchase of marketable securities	<u>(59)</u>
Net cash provided by investing activities	<u>148</u>
Net decrease in cash	(4,584)
Cash at beginning of year	<u>35,981</u>
Cash at end of year	<u>\$ 31,397</u>

Supplemental disclosures of cash flow information:

(1) Cash paid during the year for:

Interest	\$ -
Income taxes	\$ -

(2) There were no non-cash investing and financing activities for the year ended December 31, 2008.

See notes to financial statements.



DELTA ADVISORY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations:

Delta Advisory Services, Inc. (the Company) is a Florida corporation. The Company is an investment advisor registered with the Securities and Exchange Commission and provides money management services to individuals, trusts, corporations and other legal entities in various states.

Basis of accounting:

The Company uses the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company has no cash equivalents as of December 31, 2008.

Marketable securities:

Available-for sale securities are carried in the financial statements at fair value. The net unrealized holding loss on marketable securities is \$762 as of December 31, 2008.

Unearned management fees:

The Company receives asset management fees in advance on a quarterly and semiannual basis with 30-day and 90-day cancellation provisions. Management fees are deferred and recognized when they become non-refundable. Management fees received but not recognized as revenue are recorded as unearned.

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 amount 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.

Income taxes:

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based upon the differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. These temporary differences are measured at prevailing enacted tax rates that will be in effect when the differences are settled or realized. The Company has no deferred tax assets or liabilities as of December 31, 2008.

The Company has a net operating loss for 2008. Due to this, it has no income tax expense or liability for the year ended December 31, 2008.



DELTA ADVISORY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B - RELATED PARTY TRANSACTIONS

The Company shares office space and labor with an affiliated corporation. The Company is charged the cost of its direct use of space, labor and other office expenses, plus up to an additional 50%. The Company's allocated share of overhead expenses and charges is \$195,500 for the year ended December 31, 2008.

NOTE C - NET CAPITAL REQUIREMENTS

The Company is subject to the State of Florida net capital requirements, which require the maintenance of minimum net capital in the amount of \$25,000 calculated as prescribed by SEC Rule 15c3-1.

## SUPPLEMENTARY INFORMATION

DELTA ADVISORY SERVICES, INC.

COMPUTATION OF NET CAPITAL

DECEMBER 31, 2008

Total stockholder's equity	\$ 26,630
Deduct:	
Nonallowable assets	<u>-</u>
Net capital before haircuts on securities positions	26,630
Haircuts on securities	<u>(500)</u>
Net capital	<u><u>\$ 26,130</u></u>