

VRI ULTIMATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash	\$ 892,916	\$ 1,210,903
Accounts Receivable, Net of Allowances of \$2,148,183 and \$1,926,073, at December 31, 2019 and 2018	6,078,243	5,924,168
Inventories	506,887	691,984
Prepaid Expenses	416,220	366,523
Other	136,931	171,736
Total Current Assets	<u>8,031,197</u>	<u>8,365,314</u>
PROPERTY AND EQUIPMENT, NET	<u>11,186,114</u>	<u>11,330,589</u>
OTHER ASSETS:		
Goodwill, Net of Accumulated Amortization of \$59,893,864 and \$49,138,888, at December 31, 2019 and 2018	47,655,897	58,410,873
Intangibles, Net of Accumulated Amortization of \$2,074,582 and \$1,615,203, at December 31, 2019 and 2018	7,739,628	4,653,489
Revolving Loan Issuance Costs, Net of Accumulated Amortization of \$1,356,663 and \$1,071,331 at December 31, 2019 and 2018	23,776	309,108
Other	363,498	684,179
Total Other Assets	<u>55,782,799</u>	<u>64,057,649</u>
TOTAL ASSETS	<u><u>\$ 75,000,110</u></u>	<u><u>\$ 83,753,552</u></u>

See accompanying notes to consolidated financial statements.

VRI ULTIMATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2019 and 2018

Liabilities and Members' Equity

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,319,154	\$ 1,920,331
Accrued Expenses	3,076,767	2,453,702
Current Portion of Mortgage	26,288	-
Current Portion of Capital Lease Obligations	36,918	72,885
Deferred Revenue	75,327	159,352
Contingent Consideration	2,085,255	-
Other	3,722	14,725
Total Current Liabilities	<u>6,623,431</u>	<u>4,620,995</u>
NONCURRENT LIABILITIES:		
Long-term Debt, Exclusive of Current Maturities:		
Revolving Loan	44,600,000	46,300,000
Term Note	18,000,000	18,000,000
Term Note Issuance Costs, Net of Accumulated Amortization of \$287,456 and \$168,003, at December 31, 2019 and 2018	(99,544)	(218,997)
Mortgage	1,197,229	-
Capital Lease Obligations	33,742	73,836
Total Long-term Debt	<u>63,731,427</u>	<u>64,154,839</u>
Total Noncurrent Liabilities	<u>63,731,427</u>	<u>64,154,839</u>
MEMBERS' EQUITY:		
Class A Units	74,745,844	73,445,844
Class B Units	1,279,010	1,279,010
Accumulated Deficit	(71,379,602)	(59,747,136)
Total Members' Equity	<u>4,645,252</u>	<u>14,977,718</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 75,000,110</u></u>	<u><u>\$ 83,753,552</u></u>

See accompanying notes to consolidated financial statements.

VRI ULTIMATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES:		
Monitoring Services	\$ 45,812,147	\$ 51,895,399
Equipment Sales	536,789	300,505
Other	551,731	316,400
Total Revenues	<u>46,900,667</u>	<u>52,512,304</u>
OPERATING EXPENSES:		
Personnel	17,693,442	19,385,303
Contract Labor	3,221,120	3,664,217
Monitoring Services	4,932,807	7,006,641
Sales of Equipment	253,911	166,438
Professional Fees	475,796	607,933
Communications and Shipping	1,782,079	2,013,333
Bad Debt Expense	1,853,963	2,204,137
Travel	739,322	721,044
Facilities	544,180	701,294
Amortization	11,215,128	11,132,146
Depreciation	7,691,643	12,724,993
Other	2,488,725	2,401,393
	<u>52,892,116</u>	<u>62,728,872</u>
LOSS FROM OPERATIONS	(5,991,449)	(10,216,568)
INTEREST EXPENSE	<u>5,429,047</u>	<u>5,504,742</u>
LOSS BEFORE INCOME TAXES	(11,420,496)	(15,721,310)
INCOME TAX EXPENSE	<u>211,970</u>	<u>-</u>
NET LOSS	<u><u>\$ (11,632,466)</u></u>	<u><u>\$ (15,721,310)</u></u>

See accompanying notes to consolidated financial statements.

VRI ULTIMATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity

For the Years Ended December 31, 2019 and 2018

	Class A Units	Class B Units	Accumulated Deficit	Total
BALANCE, DECEMBER 31, 2017	\$ 73,445,844	\$ 927,010	\$ (44,025,826)	\$ 30,347,028
Class B Unit-based Compensation	-	360,000	-	360,000
Redemption of Class B Units	-	(8,000)	-	(8,000)
Net Loss	-	-	(15,721,310)	(15,721,310)
BALANCE, DECEMBER 31, 2018	73,445,844	1,279,010	(59,747,136)	14,977,718
Equity issued as consideration for Care				
Partner asset purchase, at fair value	1,300,000	-	-	1,300,000
Net Loss	-	-	(11,632,466)	(11,632,466)
BALANCE, DECEMBER 31, 2019	<u>\$ 74,745,844</u>	<u>\$ 1,279,010</u>	<u>\$ (71,379,602)</u>	<u>\$ 4,645,252</u>

See accompanying notes to consolidated financial statements.

VRI ULTIMATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (11,632,466)	\$ (15,721,310)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	18,906,771	23,857,139
Loss on Disposal of Equipment	1,500	14,706
Class B Unit Compensation	-	360,000
Amortization of Loan Fees	404,785	248,291
Change in Contingent Consideration	-	(267,047)
Provision for Uncollectible Accounts	222,110	(822,669)
Change in Operating Assets and Liabilities:		
Accounts Receivable	(376,185)	3,085,738
Inventories	185,097	186,994
Prepaid Expenses	(49,697)	(35,421)
Other Current Assets	34,805	228,706
Accounts Payable	(601,177)	86,802
Accrued Expenses	623,065	286,938
Other Current Liabilities	(89,065)	(78,560)
Total Adjustments	<u>19,262,009</u>	<u>27,151,617</u>
Net Cash Provided by Operating Activities	<u>7,629,543</u>	<u>11,430,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	(7,041,487)	(5,851,535)
Purchase of Care Partner Assets	(353,499)	-
Net Cash Used by Investing Activities	<u>(7,394,986)</u>	<u>(5,851,535)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Mortgage Loan	1,232,000	-
Repayment of Mortgage Loan	(8,483)	-
Proceeds from Line of Credit Borrowings	4,900,000	7,100,000
Payments of Line of Credit Borrowings	(6,600,000)	(10,400,000)
Payments of Contingent Consideration	-	(1,277,953)
Payment of Deferred Financing Fees	-	(117,000)
Payments on Capital Lease Obligations	(76,061)	(71,652)
Redemption of Class B Units	-	(8,000)
Net Cash Used by Financing Activities	<u>(552,544)</u>	<u>(4,774,605)</u>
NET (DECREASE) INCREASE IN CASH	<u>(317,987)</u>	<u>804,167</u>
Cash at Beginning of Year	<u>1,210,903</u>	<u>406,736</u>
CASH AT END OF YEAR	<u>\$ 892,916</u>	<u>\$ 1,210,903</u>

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