

N2 BIOMEDICAL LLC

Balance Sheets

December 31,

2017

2016

Assets

Current assets:

Cash	\$ 1,706,690	\$ 584,097
Accounts receivable, net	1,051,160	676,189
Inventories, net	47,375	51,125
Prepaid expenses	159,187	176,951

Total current assets

2,964,412 1,488,362

Property and equipment, net	152,238	173,816
Intangible assets, net	33,945	39,955

Total assets

\$ 3,150,595 \$ 1,702,133

Liabilities and members' deficit

Current liabilities:

Accounts payable	\$ 94,631	\$ 153,877
Accrued expenses	374,856	297,125
Current portion of term loan	551,169	863,334

Total current liabilities

1,020,656 1,314,336

Long term liabilities:

Long-term portion of term loan	2,150,128	2,587,454
Subordinated convertible debt - related party	2,400,000	2,400,000
Deferred rent	82,467	86,071

Total liabilities

5,653,251 6,387,861

Members' deficit:

Preferred member	2,086,891	2,086,891
Common members	4,950,577	2,767,505
Deemed dividend to former affiliate	(9,540,124)	(9,540,124)

Total members' deficit

(2,502,656) (4,685,728)

Total liabilities and members' deficit

\$ 3,150,595 \$ 1,702,133

N2 BIOMEDICAL LLC

Statements of Income

For the Years Ended December 31,

	2017	2016
Revenue, net	\$ 10,507,238	\$ 7,583,088
Cost of revenue	<u>4,818,568</u>	<u>4,500,851</u>
Gross profit	5,688,670	3,082,237
Selling, general and administrative expenses	<u>1,861,142</u>	<u>1,768,880</u>
Operating income	<u>3,827,527</u>	<u>1,313,357</u>
Other income and expense		
Other income	42,693	17,399
Interest expense	<u>(357,148)</u>	<u>(396,652)</u>
	<u>(314,455)</u>	<u>(379,253)</u>
Net income	<u>\$ 3,513,072</u>	<u>\$ 934,104</u>

N2 BIOMEDICAL LLC

Statements of Cash Flows

For the Years Ended December 31,

	2017	2016
Cash flows from operating activities:		
Net income	\$ 3,513,072	\$ 934,104
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,278	74,345
Impairment on intangible assets	-	11,050
Gain on sale of equipment	-	(6,467)
Change in other operating assets and liabilities:		
Accounts receivable	(374,971)	142,170
Inventories	3,750	(10,940)
Prepaid expenses	17,764	(52,777)
Accounts payable	(59,246)	113,826
Accrued expenses	77,730	(81,287)
Deferred rent	(3,604)	11,139
Net cash provided by operating activities	<u>3,235,774</u>	<u>1,135,163</u>
Cash flows from investing activities:		
Proceeds from the sale of equipment	-	20,000
Purchase of property and equipment	(33,690)	(52,815)
Net cash used in investing activities	<u>(33,690)</u>	<u>(32,815)</u>
Cash flows from financing activities:		
Principal payments on term loan	(749,491)	(824,930)
Distributions to members	(1,330,000)	(480,102)
Payments on revolving line of credit	-	(40,000)
Net cash used in financing activities	<u>(2,079,491)</u>	<u>(1,345,032)</u>
Net increase (decrease) in cash	1,122,593	(242,684)
Cash, at beginning of the year	<u>584,097</u>	<u>826,781</u>
Cash, at end of year	<u>\$ 1,706,690</u>	<u>\$ 584,097</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 358,403</u>	<u>\$ 398,065</u>