DIALYSIS CARE CENTER HOLDINGS LLC
& Subsidiaries

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Consolidated Financial Statements
For the year ended December 31, 2017
with
Report of Independent Auditor

Contents

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INDEPENDENT AUDITOR'S REPORT

The Management
Dialysis Care Center Holdings LLC. & subsidiaries
15786 S Bell Rd
Homer Glen, IL 60491

We have audited the accompanying consolidated financial statement of Dialysis Care Center Holdings and subsidiaries which comprise the consolidated balance sheets as of December 31, 2017 and the related consolidated statements of operations, change in partnership capital, and cash flow for the year ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement; whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation of and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Bello & Associates

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Consolidated financial position of Dialysis Care Center Holdings LLC and subsidiaries at December 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with United States generally accepted accounting principles.

Bashir Bello

Bashir Bello C.P.A.
October 1, 2018

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Dialysis Care Center Holdings LLC & Subsidiaries
Consolidated Balance Sheets

For the Period Ended

			December 31, 2017	
CURRENT ASSETS				
Cash & cash equivalent		$ 11,053,394		
Prepaid expenses		79,033		
Account Receivable less allowance for uncollectible accounts of $535,671	Note	4,365,160		
			$ 15,497,587	
FIXED ASSETS				
Property and equipment	Note	3,786,467		
Less: Accum Depreciation		(662,267)		
			3,124,200	
OTHER ASSETS				
Deposit		43,355		
Due from related parties		4,742,411		
			4,785,766	
TOTAL ASSETS			**$ 23,407,553**	
CURRENT LIABILITIES				
Account Payable		$ 2,078,980		
Tax Payable		64,378		
			2,143,358	
NONCURRENT LIABILITIES				
Due to third party payor		14,412,461		
Due to related parties		-		
			14,412,461	
PARTNERS' CAPITAL				
Capital - Controlling Entity		(16,536,929)		
Capital - Non Controlling Entities		(3,378,035)		
Retained Earnings		23,594,345		
Net Income		3,172,353		
			6,851,734	
TOTAL LIABILITIES & PARTNERS' CAPITAL			**$ 23,407,553**	

See notes to consolidated financial statements

Dialysis Care Center Holdings LLC & Subsidiaries
Consolidated Statement of Operations

For the Period Ended

		December 31, 2017	
REVENUE			
Service revenue net of contractual allowance, discounts	$	26,783,558	101%
Provision for uncollectible accounts		(321,403)	-1%
Total Income	**$**	**26,462,155**	**100%**
EXPENSES			
Compensation, Related Taxes & Benefits		9,349,654	35%
Medical supplies & related cost		7,544,954	29%
Professional fees		229,637	1%
Rent and utilities		1,696,748	6%
Insurance		107,112	0%
Sales, general & administration		3,644,461	14%
Depreciation		226,302	1%
Total Expenses		**22,798,868**	**86%**
EARNINGS BEFORE TAXES		**3,663,287.30**	**14%**
State Corporation Tax		105,077	0%
CONSOLIDATED NET INCOME		**3,558,210**	**13%**
Non-Controlling Interest		**385,857**	1%
PROFIT ATTRIBUTABLE TO HOLDINGS	**$**	**3,172,353**	**12%**

See notes to consolidated financial statements

Home Dialysis Services Holdings LLC & Subsidiaries
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2017

Operating Activities:	
Net Income	$ 3,172,353
Adjustments to reconcile changes in Net Income to net cash provided by operations:	
Tax payable	64,378
Depreciation	226,302
Due to/from related parties	(4,175,106)
Due to third party payor	14,414,360
Account payables	1,578,980
Accounts Receivable increase	(4,405,160)
Net cash provided by Operating Activities	10,876,107
Investing Activities:	
Purchase of property & equipment	(2,065,000)
Net cash provided (used) by Investing Activities	(2,065,000)
Financing Activities:	
Non controlling interest payment	(395,857)
Partners distribution	(2,542,165)
Net cash provided by Financing Activities	(2,938,022)
Net cash increase for the period	5,873,085
Cash at the beginning of period	5,180,309
Cash at the end of period	**$ 11,053,394**

See notes to consolidated financial statements

Note 1 - Nature of Business

As at December 2017 Dialysis Care Center Holdings LLC (DCC) provided medicare dialysis through 29 independent dialysis clinics/entities in 9 different states across USA (IL, IN, OH, TN, PA, MO, KS & MI).
19 of these clinics are under the Home Dialysis Services LLC (HDS) brand whilst 10 are under the newer Dialysis Care Center brand.
Additionally, Dialysis Care Center Holdings LLC (DCC) have morphed from a small dialysis provider to a rapidly growing mid-sized national dialysis company employing over 300 people.
Many diseases can lead to chronic kidney failure, particularly diabetes, chronic nephritis, and high blood pressure. There are currently two treatment options for chronic kidney failure - kidney transplant and dialysis.
Dialysis Care Center Holdings LLC (DCC) is a kidney dialysis provider.
There are two types of dialysis treatments available & Dialysis Care Center Holdings LLC (DCC) handle both Hemodialysis and Peritoneal dialysis. In the case of Hemodialysis (HD), a hemodialysis machine controls the flow of blood from the patient through a special filter; the dialyzer while in the case of Peritoneal dialysis (PD), the patient's peritoneum is used as the dialyzing membrane.
Dialysis treatments are offered as Homedialysis treatments in specialized clinics for a vast majority of dialysis 88% globally. It requires the use of special products, hemodialysis machines and dialyzers (artificial kidneys) and is usually performed three times a week over a period of several hours by trained medical staff.

Today, Dialysis Care Center Holdings LLC (DCC) is the largest provider of staff assisted Home hemodialysis (HHD) in the midwestern part of the United States and the largest independent PD provider in the State of Illinois.
In addition to dialysis treatments, Dialysis Care Center Holdings LLC (DCC) provide ESRD related laboratory services through a vendor - Ascend Laboratories for all their dialysis patients. Dialysis Care Center Holdings LLC (DCC) anticipate further growth in their business and plan to open and certify several new clinics before the end of 2018.
Dialysis Care Center Holdings LLC (DCC) also remain on course to becoming one of the top providers of dialysis therapy in the United States by 2020.

Note 2 - Revenue Growth

Management believe that the key to continue growing revenue is to increase the number of treatments per clinic per year. Management have robustly developed their credentialing and contracting department which resulted in several in-network contracts executed by several payors.

PAYOR MIX ANALYSIS

Payor Type	% of Tmts
Medicare	59%
Commercial - (PPO, HMO, Others)	10%
Medicaid	17%
Medicare Advantage	9%
Self Pay	5%
Grand Total	**100%**

Note 3 - Summary of Significant Accounting Principles

The following significant accounting policies have been followed in the preparation of the financial statements.

Accounting Standards

During 2009, the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC), became effective and superceded prior existing financial accounting standards and is now the single source of authoritative US generally accepted accounting principles (GAAP). The codification does not change previous GAAP and accordingly, its adoption did not have a material impact on the Organization's consolidated financial statements.

Principles of Consolidation

The Consolidated financial statements as presented include all material intercompany accounts and transactions and this has been eliminated in consolidation as required by accounting principles generally accepted in the United States of America (GAAP). The scope of the elimination process includes both Dialysis Care Center Holdings LLC (DCC) and all subsidiaries intercompany balance while balance remaining relates to other Entities.

Variable Interest Entity

By design, the business template for Dialysis Care Center Holding LLC (DCC) expansion involves other Physicians as Joint Venture (JV) Partners. Therefore, each Partner qualify as a Variable Interest Entity (VIE) as defined by the Financial Accounting Standards Board (FASB). For 2017, the Net Profit attribtable to the VIE was $0.386MM.

Income Taxes

The LLC is a for profit organization and recognized by the Internal Revenue Service as a Partnership Corporation. Therefore, it is not subject to Federal Income tax on entity level. However, all Net Income are deemed distributed to the Partners whether collected or not and are taxed at the Partner's level.
In addition, the Holding LLC company is subject to State Corporate tax wherever the entity operates. A tax provision of $0.105MM is estimated in 2017.

Use of Estimates

The preparation of consolidated financial statements in comformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of assets and liabilities at the date of the consolidated financial statements and revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Account receivable reflects the Net realisable amount after all contractual adjustments. In 2017, Adjusted AR is $4.37MM. This amount reflects the balance after contractual and allowance adjustment.
The Company bills third-party payors or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed and patients are billed for deductibles.
The carrying amounts of gross receivables are reduced by allowances that reflect management's estimate of the amounts that may not be collected.
Management estimates the collectibility of patient accounts receivable based on estabilshed contractual rates and on prior experience. Payors regularly review and updates their allowable payment levels, which can results in adjustments to amounts already billed.
The allowance for uncollectible accounts covers significant portion of the self pay accounts receivables.

Provision for Bad Debt

The Company provides for uncollectible amounts especially for uninsured patients through a bad debt adjustment. Based on their experience curve, Management allocates certain % to each type of out-of-network Insurance & Self-pay. A credit is recorded to the allowance for uncollectible accounts and a debit to Provision for Bad Debt Expense. Any collection efforts that results into cash payment usually go towards reducing the AR.
The Billing Team regularly undertake AR review according to Company policy.

Due to Third Party Payor

Service Revenue is recognised when fully completed and recorded as Income.
BCBS of Illinois pays its contracted providers full billed charged for their services and then requires the provider to repay the excess typically within 30 days. This scenario results in HDS typically having several $million in BCBS overpayments on hand on a monthly basis. These monies are paid back to BCBS and the real contracted dollars kept as revenue.

Related Party Transactions

There exist intra-party and inter-party transactions amongst related entities of the Consolidated Entities.
In view of the interactions between JV Entities in terms of staff, materials & cashflow, there are related inter company transactions. For example, payroll processing is centralized under DCC Management LLC and reimbursable payroll cost distributed to each entity within the Consolidated Group.

Bank Loan - Line of Credit

The Company do not have any outstanding Loan or Line of Credit in effect.

Note Payable

The Company do not have any Note Payable or collaterized Account Receivable.

Retirement Plans

The Company operates a 401K Plan being adminstered by third party. Wells Fargo is the Investing entity.
Each member may opt for self investing actions on stocks to buy & sell based on experience.

Capital Stocks/Units

Partnership Units are owned by all JV Parties while Holdings holds the controlling share in the Consolidated Entities.

Medical & Ancillary Supplies

Dialysis Care Center Holdings LLC (DCC) is able to provide dialysis treatments and laboratory services by partnering and securing contractual agreements with key suppliers in the industry.
The Company suppliers include Henry Schein, Fresenius, NXStage, Baxter, Ascend Labs and Tablo.
Management continue to negotiate the best possible and most competitive terms and prices from vendors with a view to providing affordable and sustainable quality care.

Building, Property and Equipments

Fixed assets are recorded at cost. 2017 Depreciation was $226k.

Significant cost of improvement are capitalized as Building Improvement and repair cost are expensed as incurred. The cost of assets sold, retired or abandoned and the related accumulated depreciation and amortization (if intangible) are removed from the Assets List and any resulting gain or loss included in the Net Income.

Table of Property and Equipment

	Balance 01-Jan-17	Additions	Write-offs	Balance 31-Dec-17
Leasehold Imp.	1,100,271	1,883,588	(1,899)	2,981,960
Furniture	152,819	17,114	-	169,933
Medical Equip	59,984	47,442	-	107,426
Computers	410,292	116,856	-	527,148
Total	**1,723,366**	**2,065,000**	**(1,899)**	**3,786,467**
Less: Accumulated Depreciation	(437,864)	(226,302)	1,899	(662,267)
Net Property and Equipment	**1,290,401**	**1,833,799**	-	**3,124,200**

Subsequent Events

Management evaluated subsequent events up to October 01, 2018, the date the financial statement were available to be issued. Events or transactions occuring after December 2017 but prior to October 01, 2018 that provided additional evidence about conditions that existed at December 31, 2017 have been recognized in the financial statement for the year ended.

Events or transactions that provided evidence about conditions that did not exist at December 31, 2017 but arose before the financial statements was available to be issued have not been recognized in the financial statement for the year ended. December 31, 2017.