



MOMS ON THE RUN, LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2024 AND 2023



MOMS ON THE RUN, LLC

Table of Contents

	<u>Page</u>
Independent auditor's report.....	3
Balance sheets	5
Statements of operations.....	6
Statements of member's deficit	7
Statements of cash flows	8
Notes to the financial statements	9



Independent Auditor's Report

To the Member
Moms On The Run, LLC
Columbus, Minnesota

Opinion

We have audited the accompanying financial statements of Moms On The Run, LLC, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moms On The Run, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezar & Dunlavy

St. George, Utah
April 30, 2025

MOMS ON THE RUN, LLC
BALANCE SHEETS
As of December 31, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 11,273	\$ 5,376
Accounts receivable	8,398	10,978
Inventory	28,002	31,856
Prepaid expenses	14,576	40,905
Deferred commissions	500	500
Total current assets	62,749	89,615
Total assets	\$ 62,749	\$ 89,615
Liabilities and Member's Deficit		
Current liabilities		
Accounts payable	\$ 4,753	\$ 6,771
Credit card payable	2,501	18,859
Accrued expenses	4,215	10,896
Deferred revenue	79,649	84,773
Deferred franchise fees	4,950	4,950
Line of credit	134,713	118,486
Total current liabilities	230,781	244,735
Member's deficit	(168,032)	(155,120)
Total liabilities and member's deficit	\$ 62,749	\$ 89,615

The accompanying notes are an integral part of these financial statements

MOMS ON THE RUN, LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2024 and 2023

	2024	2023
Operating revenues		
Service fees	\$ 110,703	\$ 154,406
Royalty fees	72,387	108,529
Class revenue	65,038	46,316
Product sales	23,056	32,976
Franchise fees	24,000	32,295
Total operating revenues	295,184	374,522
Cost of goods sold	(30,450)	(42,924)
Gross profit	264,734	331,598
Operating expenses		
Salaries and wages	55,048	144,997
Contractor expenses	87,102	72,984
Event expenses	70,626	108,144
General and administrative	22,184	27,008
Advertising fees	28,706	25,904
Technology fees	12,802	11,744
Professional fees	8,667	6,365
Commission expenses	1,068	2,812
Total operating expenses	286,203	399,958
Operating loss	(21,469)	(68,360)
Other expense		
Interest expense	(13,443)	(7,382)
Total other expense	(13,443)	(7,382)
Net loss	\$ (34,912)	\$ (75,742)

The accompanying notes are an integral part of these financial statements

MOMS ON THE RUN, LLC
STATEMENTS OF MEMBER'S DEFICIT
For the years ended December 31, 2024 and 2023

Balance at December 31, 2022	\$ (61,378)
Member distributions	(18,000)
Net loss	(75,742)
Balance at December 31, 2023	<u>(155,120)</u>
Member contributions	22,000
Net loss	(34,912)
Balance at December 31, 2024	<u><u>\$ (168,032)</u></u>

The accompanying notes are an integral part of these financial statements

MOMS ON THE RUN, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024 and 2023

	2024	2023
Cash flows used in operating activities:		
Net loss	\$ (34,912)	\$ (75,742)
Adjustments to reconcile net loss to net cash used by operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	2,580	(6,028)
Inventory	3,854	2,488
Prepaid expenses	26,329	41,396
Deferred commissions	-	(500)
Accounts payable	(2,018)	(1,563)
Credit card payable	(16,358)	(12,039)
Accrued expenses	(6,681)	(5,785)
Deferred revenue	(5,124)	(43,767)
Deferred franchise fees	-	(9,750)
Net cash used by operating activities	(32,330)	(111,290)
Cash flows from financing activities:		
Proceeds from line of credit	16,227	118,486
Contributions from member	22,000	-
Distributions to member	-	(18,000)
Net cash provided by financing activities	38,227	100,486
Net change in cash and cash equivalents	5,897	(10,804)
Cash and cash equivalents at beginning of period	5,376	16,180
Cash and cash equivalents at end of period	\$ 11,273	\$ 5,376
Supplemental disclosures of cash flow		
Cash paid for interest	\$ 12,563	\$ 6,598

The accompanying notes are an integral part of these financial statements

MOMS ON THE RUN, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Moms On The Run, LLC (the “Company”) was organized on January 18, 2011 in the State of Minnesota. The Company grants franchises to qualified persons to independently own and operate a group fitness and training business under the “Moms On The Run” mark. The franchise concept provides services such as group walking, running, training, fitness, and strength and toning classes.

The Company has one related party under common ownership, which previously operated a business similar to the offered franchise concept.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2024 and 2023, the Company had cash and cash equivalents of \$11,273 and \$5,376, respectively.

(e) Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalties, and brand fund fees. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts.

When determining the allowance for doubtful receivables, the Company has adopted ASC 326, Financial Instruments—Credit Losses. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2024 and 2023, the Company had no allowance for uncollectible accounts. As of December 31, 2024 and 2023, the Company had accounts receivable of \$8,398 and \$10,978, respectively.

MOMS ON THE RUN, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

(f) Revenue Recognition

In 2020, the Company adopted ASC 606, Revenue from Contracts with Customers. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's revenues consist of initial franchise fees, royalties, which are a flat monthly fee, service revenue, class revenue, and product sales.

Royalties

Upon evaluation of the five-step process, the Company has determined that royalties are to be recognized in the same period as the underlying sales.

Initial franchise fees

The Company is required to allocate the transaction price associated with initial franchise fees between the franchise license and associated performance obligations. In identifying the associated performance obligations, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, Franchisors—Revenue from Contracts with Customers. In addition, the practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation, which the Company has elected to adopt.

These pre-opening services include the following services (which the Company may or may not provide all of):

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

In determining the allocation of transaction price (the initial franchise fee) to either the license or to the pre-opening services, the Company has determined that the standalone selling price of its pre-opening services exceeds the initial franchise fee received; as such, the Company allocates the entire initial franchise fees to those pre-opening services. The franchise fees are then recognized as revenue when those pre-opening services have been completed (which generally occurs upon commencement of the associated franchised location's operations).

Service revenue, class revenue, and product sales

Revenue from services and classes are recognized in the period services are delivered for these locations. Revenue from product sales is recognized when control of the underlying equipment or product has transferred to the customer, which the Company has determined to be the point of delivery of the associated item. At year end, revenues for any services or products not yet delivered to the customer are deferred.

MOMS ON THE RUN, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

(g) Income Taxes

The entity is structured as a limited liability company (LLC) under the laws of the State of Minnesota. In 2013, the Company elected to be treated as an S-Corporation for federal and state income tax purposes. As a limited liability company with a S-Corporation election, the Company's income, deductions, and credits are passed through to its member and accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2024, the 2023, 2022 and 2021 tax years were subject to examination.

(h) Leasing

In February 2016, the FASB issued ASU 2016-02, Leases, which creates ASC 842, Leases, and supersedes ASC 840, Leases. ASC 842 requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. The new guidance was effective for private companies with annual reporting periods beginning after December 15, 2021.

The Company has evaluated its lease arrangements in accordance with ASC 842, "Leases." As of December 31, 2024 and 2023, the Company did not have any lease agreements that meet the criteria for recognition under ASC 842. Accordingly, no right-of-use assets or lease liabilities are recorded in the accompanying financial statements. Furthermore, the Company did not incur any lease expenses during the years ended December 31, 2024 and 2023.

(i) Advertising Costs

The Company expenses advertising and promotion costs as incurred. Advertising costs totaled \$28,706 and \$25,904 during the years ended December 31, 2024 and 2023, respectively.

(j) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, prepaids, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for the line of credit also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(k) Concentration of Risk

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

MOMS ON THE RUN, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

(2) Inventory

Inventories is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. As of December 31, 2024 and 2023, the Company’s inventory consists of finished goods and promotional products available for sale.

(3) Deferred revenue

The Company’s deferred revenue consists of franchise royalties, event fees, and other fees paid to the Company in advance. Deferred revenue (excluding deferred franchise fees) totaled \$79,649 and \$84,773 as of December 31, 2024 and 2023, respectively. All fees are expected to be earned within the following year and are therefore categorized as current.

(4) Deferred Franchise Revenue and Deferred Franchise Costs

The Company’s franchise agreements generally provide for a payment of initial fees as well as continuing royalties, technology fees, and marketing fees to the Company monthly. Under the franchise agreement, franchisees are granted the right to operate a location using the Company’s system for a period of 10 years. Under the Company’s revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

The Company has estimated the following deferred contract costs and revenues as of December 31, 2024 and 2023:

	2024	2023
Deferred costs, current	\$ 500	\$ 500
Deferred franchise revenue, current	\$ 4,950	\$ 4,950

(5) Line of Credit

The Company has a line of credit with maximum borrowings of \$150,000, which matures on October 5, 2025. The line bears interest at a variable rate based on the prime rate plus 1%, which totaled 8.75% and 9.5% as of December 31, 2024 and 2023, respectively. The line is secured by assets of the Company and a personal guaranty of the Member. The balance on the line of credit was \$134,713 and \$118,486 as of December 31, 2024 and 2023, respectively. Accrued interest related to the line of credit was \$880 and \$785 as of December 31, 2024 and 2023, respectively.

(6) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

MOMS ON THE RUN, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

(7) Subsequent Events

Management has reviewed and evaluated subsequent events through April 30, 2025, which is the date the financial statements were issued.