

ACCELERATION ACADEMIES LLC

FINANCIAL REPORT

DECEMBER 31, 2020 AND 2019

ACCELERATION ACADEMIES, LLC.

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Acceleration Academies, LLC

We have audited the accompanying financial statements of Acceleration Academies, LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audits 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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acceleration Academies, LLC, as of December 31, 2020 and 2019, 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.

MacNell Accounting & Consulting, LLP

Certified Public Accountants

March 31, 2021

ACCELERATION ACADEMIES, LLCBALANCE SHEETS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 190,043	\$ 29,295
Accounts receivable	1,206,459	1,588,992
Prepaid expenses	96,598	86,789
Prepaid software costs	85,091	92,685
Total Current Assets	<u>1,578,191</u>	<u>1,797,761</u>
Security deposits	<u>129,051</u>	<u>131,702</u>
Goodwill	<u>225,792</u>	<u>286,052</u>
Property and Equipment - Net	<u>1,013,862</u>	<u>1,015,637</u>
Total assets	<u>\$ 2,946,896</u>	<u>\$ 3,231,152</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current Liabilities		
Accounts payable	\$ 530,177	\$ 283,626
Accrued expenses	128,280	110,359
Unearned revenue	55,694	-
Notes Payable - current	-	2,472,414
Total current liabilities	<u>714,151</u>	<u>2,866,399</u>
Long-Term Debt, less current maturities	<u>3,182,556</u>	<u>-</u>
Members' Equity		
Series A preferred, 3,653,000 units issued and outstanding	3,653,000	3,653,000
Series A common, 780,000 units issued and outstanding	1,278,087	1,278,087
Members' equity (deficit)	<u>(5,880,898)</u>	<u>(4,566,334)</u>
Total members' equity	<u>(949,811)</u>	<u>364,753</u>
Total liabilities and members' equity	<u>\$ 2,946,896</u>	<u>\$ 3,231,152</u>

The accompanying notes are an integral part of the financial statements.

ACCELERATION ACADEMIES, LLCSTATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Sales	<u>\$10,859,755</u>	<u>\$ 9,048,733</u>
Operating expenses		
Personnel Related Expenses		
Salaries and wages	6,223,331	5,197,432
Employee benefits	542,798	390,593
Payroll taxes	<u>477,978</u>	<u>393,506</u>
Total personnel related expenses	<u>7,244,107</u>	<u>5,981,531</u>
Other Operating Expenses		
Rent	881,844	757,045
Educational software	220,330	233,505
Staff and student recruitment	53,538	390,988
Dues and subscriptions	101,747	130,667
Professional fees	956,826	561,917
Marketing	22,165	22,691
Model Fidelity	418,296	-
Classroom and office supplies	103,171	191,306
Travel, meals and entertainment	121,940	337,586
Insurance	149,075	140,007
Telephone and internet	172,089	101,243
Transportation	55,849	155,874
Other costs	<u>593,155</u>	<u>547,984</u>
Total other operating expenses	<u>3,850,025</u>	<u>3,570,813</u>
Operating income	<u>(234,377)</u>	<u>(503,611)</u>
Other expenses		
Depreciation	381,388	262,032
Amortization	60,260	60,296
Asset impairment	285,713	-
(Gain) loss on sale and disposal of fixed assets	(13,438)	1,620
Interest	335,492	193,699
Taxes and fees	<u>30,772</u>	<u>36,846</u>
Total other expenses	<u>1,080,187</u>	<u>554,493</u>
Net change	<u><u>\$ (1,314,564)</u></u>	<u><u>\$ (1,058,104)</u></u>

The accompanying notes are an integral part of the financial statements.

ACCELERATION ACADEMIES, LLCSTATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Preferred Units</u>	<u>Common Units</u>	<u>Members' Equity (Deficit)</u>	<u>Total</u>
Balance at December 31, 2018	\$3,653,000	\$1,278,087	\$ (3,508,230)	\$ 1,422,857
Net income	-	-	(1,058,104)	(1,058,104)
Balance at December 31, 2019	3,653,000	1,278,087	(4,566,334)	364,753
Net loss	-	-	(1,314,564)	(1,314,564)
Balance at December 31, 2020	<u>\$3,653,000</u>	<u>\$1,278,087</u>	<u>\$ (5,880,898)</u>	<u>\$ (949,811)</u>

The accompanying notes are an integral part of the financial statements.

ACCELERATION ACADEMIES, LLCSTATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net change	<u>\$ (1,314,564)</u>	<u>\$(1,058,104)</u>
Adjustments to reconcile net change to net cash provided by (used in) operating activities:		
Depreciation and amortization	441,648	322,328
Asset impairment	285,713	-
(Gain) loss on sale and disposal of fixed assets	(13,438)	1,620
Interest added to note principal	335,142	193,232
Changes in assets and liabilities:		
Increase in receivables	382,533	(650,401)
Increase in prepaid expenses	(9,809)	(6,413)
Decrease in prepaid software costs	7,594	174
(Increase) decrease in security deposits	2,651	(16,776)
Increase in accounts payable	246,551	173,024
Increase (decrease) in accrued expenses	17,921	(272,199)
Increase in accrued expenses	55,694	-
Net cash flows provided by (used in) operating activities	<u>437,636</u>	<u>(1,313,515)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(673,567)	(709,257)
Proceeds from sale of fixed assets	21,679	330
Net cash flows used in investing activities	<u>(651,888)</u>	<u>(708,927)</u>
Cash flows from financing activities:		
Proceeds from notes payable	375,000	1,675,000
Reduction of notes payable	-	(200,000)
Net cash flows provided by financing activities	<u>375,000</u>	<u>1,475,000</u>
Net change in cash	160,748	(547,442)
Cash at beginning of year	<u>29,295</u>	<u>576,737</u>
Cash at end of year	<u>\$ 190,043</u>	<u>\$ 29,295</u>

The accompanying notes are an integral part of the financial statements.

ACCELERATION ACADEMIES, LLC.NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1 – Description of Organization

Acceleration Academies, LLC. (the Company) was formed in the state of Delaware on September 19, 2014 as a limited liability company. The Company provides academic, instructional, and support services to students either at risk of not earning a high school diploma or wishing a return to school after a gap in their education.

Effective December 31, 2020, the Company merged at the ownership level with Education Incites under the holding company We Work For Kids, LLC.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting.

Date of Management's Review

Subsequent events were evaluated through March 31, 2021, the date on which the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking accounts.

Goodwill

Goodwill represents the excess of the fair value of consideration given over the fair value of the tangible assets and liabilities and identifiable intangible assets of businesses acquired. The initial capital investment in the Company resulted in recognizing goodwill of \$602,594. Goodwill is amortized on a straight-line basis over 10 years and tested when a triggering event occurs that indicated that the fair value of may be below its carrying amount, in accordance with current accounting standards.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivable amounts that are deemed by management to be uncollectible are charged to bad debt expense and credited to trade receivables. An allowance for uncollectible accounts has not been established as management does not expect any uncollectible accounts.

ACCELERATION ACADEMIES, LLC.NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Property and Depreciation

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Computers & office equipment	3-5
Furniture & fixtures	5-7
Leasehold improvements	5
Vehicles	5
Technology	5

Maintenance and repairs of equipment are charged to operations and major improvements are capitalized. When assets are sold, retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts any resulting gain or loss is included in income.

Advertising

Advertising costs are expensed when paid and totaled \$44,987 and \$23,215 for the years ended December 31, 2020 and 2019, respectively.

Tax Status

Partnership tax status has been elected by all of the members of the company. A Partnership is not a taxpaying entity. Any income or operating loss arising from the activities of the company is reported, after appropriate adjustments, on the income tax returns of the members. Because the company is not a taxpaying entity, its financial statements are different from those of taxpaying entities. Specifically, on the income statement there is no provision for federal income tax expense. In addition, the balance sheet does not present a liability for income taxes incurred but not yet paid as of the balance sheet date. Also, the balance sheet does not present any deferred tax assets or deferred tax liabilities that might arise from the differences between net income on the income statement and taxable income on the individual members' tax returns, as well as differences between carrying values of assets and liabilities and their tax bases.

The members have reviewed the activity of the corporation as of December 31, 2020 and do not believe there has been any action taken that would jeopardize the Company's tax status. The company is subject to routine audits by taxing jurisdictions; however there is currently no audit for any tax periods in progress.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform the presentation in the current year financial statements.

New Accounting Guidance

Effective January 1, 2019, the Company reviewed the requirements for revenue recognition in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. The Company did not have to restate any amounts for the new revenue recognition guidance.

ACCELERATION ACADEMIES, LLC.NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3 – Concentrations

Cash

The Company maintains cash balances at two banks. Accounts at these institutions may from time to time exceed amounts insured by the Federal Deposit Insurance Corporation.

Sales

Sales to three customers made up approximately 74% of all sales for the year ended December 31, 2020. Sales to two customers made up approximately 55% of all sales for the year ended December 31, 2019.

Note 4 – Property and Equipment

Major classifications of property and equipment at December 31, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Computers & office equipment	\$ 467,621	\$ 437,553
Furniture & fixtures	628,848	625,909
Leasehold improvements	262,440	240,727
Vehicles	-	14,390
Technology	<u>723,177</u>	<u>390,042</u>
Total	2,367,799	1,708,621
Less accumulated depreciation	<u>(1,068,224)</u>	<u>(692,984)</u>
	<u>\$ 1,013,862</u>	<u>\$1,015,637</u>

Depreciation expense aggregated to \$381,388 and \$262,032 for the years ended December 31, 2020 and 2019, respectively.

During the year ended December 31, 2020, the Company recognized a loss for asset impairment on the technology assets of \$285,713. These assets were deemed impaired because of the significant costs needed to the technology will cause the assets fair value are less than their carrying value.

Note 5 – Related Party Transactions

The Company pays for legal services from shareholders. The amount paid to the shareholders for legal services for the years ended December 31, 2020 and 2019 was \$25,000 and \$85,000, respectively.

Note 6 – Financing Activities

Notes Payable

At December 31, 2020, the Company has a \$3,064,157 and \$118,399 unsecured promissory note commitment with owners of the Company. The commitments bear interest of 10%, and are due in full on December 31, 2023. The notes call for quarterly interest payments. At December 31, 2020, the outstanding balance on the commitments is \$3,182,556.

ACCELERATION ACADEMIES, LLC.NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 6 – Financing Activities (Continued)

Notes Payable (Continued)

At December 31, 2019, the Company had a \$2,367,639 and \$100,000 unsecured promissory note commitment with owners of the Company. The commitments beared interest of 12%, and was due in full on June 30, 2020. The notes were converted into new note agreements in 2020. At December 31, 2019, the outstanding balance on the commitments including accrued interest was \$2,472,414.

Note 7 – Operating Leases

The Company has various operating leases that expire through June 2024 for office space.

Minimum future rental payments under these various operating leases that have remaining non-cancelable lease terms greater than one year at December 31, 2020 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 594,652
2022	475,787
2023	262,228
2024	<u>40,208</u>
Total	<u>\$1,372,875</u>

Rental and lease expense for the years ended December 31, 2020 and 2019 was \$881,844, and \$757,045, respectively.

The Company has various operating leases that expire through November 2023 for student devices.

Minimum future payments under these various operating leases for student devices that have remaining non-cancelable lease terms greater than one year at December 31, 2020 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 51,213
2022	51,213
2023	<u>43,527</u>
Total	<u>\$145,953</u>

Rental and lease expense for student devices for the year ended December 31, 2020 was \$7,981.

Note 8 – Unit Purchase Agreement

As part of the initial capital commitment, the Sponsor committed to fund up to an additional \$1,419,137 in consideration of the issuance of Class A Preferred Units (a maximum of an additional 1,419,137 Class A Preferred Units). During 2017, the capital commitment was invested, and 1,419,137 of Class A Preferred Units were issued.

The Board has the right to cause the Company to create and/or issue Equity Securities of the Company (including, without limitation, other classes, groups or series thereof having relative rights, powers, and/or obligations as may from time to time be established by the Board).

ACCELERATION ACADEMIES, LLC.NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 9 – Class B Common Units

During the year ended December 31, 2019, the Company entered into a Class B Common Unit Issuance Agreement with two members for their consideration of financial accommodations to the Company. The total Class B Common Units issued were 70,000.

During the year ended December 31, 2015, the Company established a Unit Option Plan for Class B common units. As of December 31, 2018, options to purchase 123,500 Class B common units (unit option) were granted. The deemed exercise price for each unit option is \$0.01. 20% of the unit option shall become vested upon the Company achieving positive annual earnings before interest, taxes, depreciation and amortization (Annual EBITA). 40% of the unit option shall become vested upon the Company achieving Annual EBITA of \$1,000,000. 60% of the unit option shall become vested upon the Company achieving Annual EBITA of \$2,000,000. 80% of the unit option shall become vested upon the Company achieving Annual EBITA of \$3,500,000. 100% of the unit option shall become vested upon the Company achieving Annual EBITA of \$5,000,000. The vesting is provided that the Optionee has been continuously serving as a director, officer or key manager of the Company from the date of the option agreement through and including the option unit vested. Effective May 20, 2019, the options were rescinded and new options were issued. The Units now vest as follows: 40% of the Unit Options have deemed to be vested, an additional 15% vest on each of the four subsequent anniversaries of May 20, 2019. As of December 31, 2020, the Unit Option Plan for Class B common units were terminated.

Note 10 – Class A Common Units

Effective May 20, 2019, the Company reduced the total number of Class A Common Units outstanding from 850,000 to 780,000. Each unitholder outstanding units were proportionately reduced. Each unitholder outstanding units were proportionately reduced. Effective December 31, 2020, the Company merged, which resulted in all unitholders contributing units held in the Company to We Work For Kids, LLC. for units in We Work For Kids, LLC.

Note 11 – Litigation

The Company is the claimant in an arbitration case against a former customer. On March 16, 2020, the court awarded the Company a judgement of \$859,142. On April 24, 2020 the Court entered into a Judgement and Order confirming the Arbitration Award. On May 22, 2020 the defendant filed an appeal. The Company has a receivable recorded from the defendant of \$400,784 at December 31, 2020, that represents expenses incurred and uncollected for the customer during the year ended December 31, 2019. No other amounts are being recorded as a receivable or recognized on the judgement until the appeals process is completed.

March 31, 2021

Board of Directors
Acceleration Academies, LLC
910 West Van Buren
Chicago, IL

We have audited the financial statements of Acceleration Academies, LLC for the year ended December 31, 2020, and have issued our report thereon dated March 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 18, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Acceleration Academies, LLC are described in Note 2 to the financial statements. The Company reviewed the new accounting for revenue recognitions in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, and no restatements were needed from new accounting pronouncement during 2020. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Acceleration Academies, LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

MacNell Accounting & Consulting, LLP

MacNell Accounting & Consulting, LLP



9436 Springfield Avenue • Evanston, Illinois 60203

March 31, 2021

Board of Directors
Acceleration Academies, LLC
910 West Van Buren
Chicago, IL

In planning and performing our audit of the financial statements of Acceleration Academies, LLC as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Acceleration Academies, LLC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

MacNell Accounting & Consulting, LLP

MacNell Accounting & Consulting, LLP