

**SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.,
FORMERLY KNOWN AS CATAPULT
LEARNING, INC.)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended July 31, 2020

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)

TABLE OF CONTENTS
YEAR ENDED JULY 31, 2020

	Page
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	3
Statement of Operations and Accumulated Deficit	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Schedule of Functional Expenses	13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14

Independent Auditors' Report

To the Board of Directors and Shareholders
Specialized Education of Florida, Inc.
Camden, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Specialized Education of Florida, Inc. (a Subsidiary of FB Topco, Inc., formerly known as Catapult Learning, Inc.), which comprise the balance sheet as of July 31, 2020, and the related statements of operations and accumulated deficit and cash flows for the year 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.

Auditors' 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 and the standards applicable to financial audit contained in Government Auditing Standards issued by the Comptroller General of 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 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 Specialized Education of Florida, Inc. as of July 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors and Shareholders
Specialized Education of Florida, Inc.
Camden, New Jersey

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note A to the financial statements, the entity has suffered an accumulated deficit that raises substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Note B to the financial statements, Specialized Education of Florida, Inc. has elected to change its method of accounting for amortization expense and interest expense incurred by its parent, FB Topco, on its behalf. Our opinion is not modified with respect to these matters.

As discussed in Note H to the financial statements, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Specialized Education of Florida, Inc.'s operational and financial performance. At this point, the Specialized Education of Florida, Inc. cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 9, 2021 on our consideration of Specialized Education of Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Specialized Education of Florida, Inc.'s internal control over financial reporting and compliance.

Maillie LLP

Limerick, Pennsylvania
April 9, 2021

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)

BALANCE SHEET
JULY 31, 2020

ASSETS

CURRENT ASSETS

Cash \$ 522,605

PROPERTY AND EQUIPMENT, NET 18,447

TOTAL ASSETS \$ 541,052

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES

Accounts payable and accrued expenses \$ 14,365

Due to parent 719,441

TOTAL CURRENT LIABILITIES 733,806

SHAREHOLDERS' DEFICIENCY

Common stock, \$.01 par value, 1,000 shares
authorized, 100 issued and outstanding 1

Accumulated deficit (192,755)

TOTAL SHAREHOLDERS' DEFICIENCY (192,754)

TOTAL LIABILITIES AND SHAREHOLDERS'
DEFICIENCY \$ 541,052

See accompanying notes.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
YEAR ENDED JULY 31, 2020

REVENUE	
Program revenues	\$ <u>420,000</u>
OPERATING EXPENSES	
Program expenses	404,608
Management, general and administrative	<u>94,699</u>
TOTAL OPERATING EXPENSES	<u>499,307</u>
NET LOSS	(79,307)
ACCUMULATED DEFICIT, BEGINNING OF YEAR, restated	<u>(113,448)</u>
ACCUMULATED DEFICIT, END OF YEAR	<u><u>\$ (192,755)</u></u>

See accompanying notes.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)

STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (79,307)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	6,806
Decrease in accounts receivable	235,533
Increase in accounts payable and accrued expenses	3,151
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>166,183</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net advances from parent	<u>348,256</u>
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NET INCREASE IN CASH 514,439

CASH AT BEGINNING OF YEAR 8,166

CASH AT END OF YEAR \$ 522,605

See accompanying notes.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE A - DESCRIPTION OF BUSINESS

Specialized Education of Florida, Inc. (the “Company”) provides an alternative education program for children of Miami-Dade County, Florida. The Company is a wholly-owned subsidiary of FB Topco, Inc. (formerly known as Catapult Learning, Inc.) (“FB Topco”) and was formed in August 2012.

As of July 31, 2020, the Company has an accumulated deficit. FB Topco has represented to the Company its intention to provide continuing financial support to the Company. The financial support will be provided to assist the Company as it expands its operations to provide specialized education to children in the State of Florida. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern; however, the above conditions raise substantial doubt about the Company’s ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Students enrolled in the alternative education program are supported by the School Board of Miami-Dade County, Florida (“the School Board”). Therefore, the Company is subject to the rules and regulations of its agreement with the School Board. Funding from the School Board is based on actual student attendance as determined during semi-annual survey periods. Revenue is recognized over the period the services are performed.

Cash and Cash Equivalents

The Company considers time deposits in financial institutions with original maturities of 90 days or less to be cash equivalents.

Accounts Receivable

The Company provides services to children of Miami-Dade County, Florida and is reimbursed based on terms outlined in its contract with the School Board.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. The cost of maintenance and repairs is charged to operations as incurred, whereas significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is charged to income for the period.

Impairment of Long-Lived Assets

Management evaluates the carrying amount of long-lived assets, including property and equipment and finite lived intangibles, whenever changes in circumstances or events indicate that the value of such assets may not be recoverable. If impaired, the assets are recorded at fair value.

Financial Instruments

The Company's financial instruments are cash and cash equivalents, accounts receivable and accounts payable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

Income Taxes

The Company is subject to U.S. federal income tax. The Company uses the asset and liability method to account for income taxes. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes and tax carry forwards, as determined under enacted tax laws and rates.

The Company adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes as of July 16, 2009. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of realization on examination. For tax positions not meeting the "more than likely not" test, no tax benefit is recorded.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company files its tax returns on the consolidated basis with its parent, FB Topco. FB Topco and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states.

FB Topco and its subsidiaries file a consolidated tax return for U.S. federal income tax reporting purposes. The Company has elected to use the separate return method in calculating its income tax provision (benefit) for the year ended July 31, 2020. Under the separate return method, the Company calculates its income tax provision (benefit) and deferred taxes as if it was filing its own separate tax return based on the pre-tax amounts reported by the Company.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax benefit (expense).

Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company holds its cash primarily in one financial institution and, at times, balances may exceed federal insurance limits. The Company has not experienced any losses in its cash and temporary investment accounts and does not anticipate any significant credit risk.

All of the Company's fiscal year ending July 31, 2020 program revenues are from services provided in accordance with its agreement with the School Board. The Company assesses the financial strength of all customers on an ongoing basis and provides for allowances when it is determined that an amount may not be collected. Historically, the Company has not experienced significant losses associated with uncollectable receivables.

Florida Audit Requirements

In accordance with the terms of its contracts with the School Board, the records of the Company are subject to audit by the Florida Auditor General and/or the Florida Department of Education. Therefore, the Company is contingently liable for any disallowed funding that was provided.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Guarantees and Pledges

The financial statements for the year ended July 31, 2020, represent the financial position and results of operations of Specialized Education of Florida, Inc. The Company's assets along with the assets of affiliated companies acquired by FB Topco are pledged with respect to the repayment of debt under a credit agreement of FB Topco dated April 24, 2018. FB Topco does not have substantial business operations and as such, cash flows required to repay the debt incurred by FB Topco will be derived from the operations of the Company and the affiliated companies acquired and charges similar in nature to those outlined in Note C will be required of the Company at least until the debt of FB Topco is repaid.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

Changes in Accounting Principle

Goodwill and Intangibles - The Company elected to change its method of accounting for amortization expense incurred by FB Topco on its behalf. As a result, the portion of FB Topco's amortization of goodwill and customer relationships that is allocable to Specialized Education Services, Inc. ("SESI") will now be charged to each subsidiary's school units. In 2016, FB Topco elected to adopt ASU 2014-02, which allows a nonpublic entity an accounting alternative to amortize goodwill on a straight-line basis over fifteen years. By charging an estimate of the Company's portion of amortization expense incurred by FB Topco, management believes the Company is providing a more accurate depiction of the costs incurred by FB Topco on its behalf. Amortization expense charged to the Company for the year ended July 31, 2020, totaled \$27,853 (See Note C).

The change in accounting principle will be applied retrospectively to all prior periods affected. As a result, for the year ended July 31, 2018, expenses and the accumulated deficit would be increased by \$7,427. For the year ended July 31, 2019, expenses and the accumulated deficit would be increased \$27,853. Consequently, in these financial statements, the beginning accumulated deficit is increased by \$35,280 and the beginning due to parent is increased by \$35,280 (See Note I).

Interest - The Company elected to change its method for accounting for interest expense incurred by FB Topco on its behalf. As a result, a portion of FB Topco's interest that is allocable to SESI will now be charged to each subsidiary's school units. Interest expense charged to the Company for the year ended July 31, 2020, totaled \$30,035 (See Note C). Management determined that it is impracticable to determine the cumulative effect of the change to any prior periods, thus no prior periods are restated.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Review

Management has evaluated subsequent events through April 9, 2021, the date which the financial statements were available to be issued.

NOTE C - RELATED-PARTY TRANSACTIONS

FB Topco incurs certain general, administrative, and overhead costs on behalf of the Company, as well as its subsidiaries in other states. Costs charged to the Company for the year ended July 31, 2020 totaled \$107,819. These costs consist of \$30,035 of operating interest, \$27,853 of amortization, \$16,684 of regional overhead and \$33,247 of other general, administrative, and overhead costs. Operating interest and regional overhead are reported as program expenses in the statement of operations. Amortization and other general, administrative, and overhead costs are reported as management, general and administrative expenses.

FB Topco also charges licensing fees to the school units in each of its operating subsidiaries, which are assessed at 8% of school revenues. Generally, such fees are paid in exchange for the use of the parent's specialized expertise in the design, implementation, and operation of private special education schools, including without limitation, proprietary business systems, classroom models, brand promotion, logos, trademarks, quality control standard operating procedures, training, and outreach. Licensing fees charged to the Company totaled \$33,600 for the year ended July 31, 2020 and are reported within management, general and administrative expenses.

Advances from FB Topco to the Company are unsecured and payable on demand without interest. Total advances to the Company were \$719,441 at July 31, 2020.

FB Topco represented to the Company its intention to provide continuing financial support to the Company. The financial support will be provided to assist the Company as it expands its operations to provide specialized education to children in the State of Florida.

NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at July 31, 2020:

Leasehold improvements	\$ 5,500
Furniture and equipment	36,207
Total property and equipment	<u>41,707</u>
Less: accumulated depreciation	<u>(23,260)</u>
Property and equipment, net	<u>\$ 18,447</u>

Estimated lives used in the calculation of depreciation for financial statement purposes are generally three to seven years. Depreciation expense for the fiscal year ended July 31, 2020 was \$6,806.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE E - INCOME TAXES

The Company's tax expense would differ from statutory rates due to permanent differences from items that are included in expenses for book purposes but are not deductible for tax purposes, such as meals and entertainment and lobbying expenses. Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Realization of any portion of FP Topco and its subsidiaries or the Company's deferred tax assets is dependent on the availability of taxable income in the relevant jurisdictions. FB Topco consider all sources of taxable income including (a) taxable income in any available carry back period, (b) the reversal of temporary differences, (c) tax planning strategies, and (d) taxable income expected to be generated in the future other than reversing temporary differences.

FB Topco and its subsidiaries have incurred federal net operating loss carry forwards on a consolidated basis available to offset future federal taxable income and expire on various dates from 2031 to 2036. There are no state net operating loss carry forwards. Federal net operating loss carry forwards and state net operating loss carry forwards are not recognized as deferred tax asset as they do not meet the recognition criteria.

For financial reporting purposes, FB Topco and its subsidiaries and the Company has incurred a loss in each of the years ended July 31, 2020, 2019, and 2018. Based on the available evidence including FB Topco and its subsidiaries and the Company's history of losses, management believes it is more likely than not that its net deferred tax assets will not be fully realizable. Accordingly, FB Topco and its subsidiaries and the Company provided for a full valuation allowance against its net deferred tax assets at July 31, 2020.

FB Topco and its subsidiaries files a consolidated tax return for U.S. federal income tax reporting purposes. During the year ended July 31, 2020, FB Topco principle provisions of the methods by which the consolidated amounts of current and deferred tax expense is allocated to the Company has not changed which is a method that allocates current and deferred taxes to the Company as if it were a separate taxpayer. The Company does not have any significant deferred taxes items other than net operating losses carry forwards.

No uncertain tax positions have been allocated to the Company from FB Topco as of July 31, 2020.

FB Topco and its subsidiaries are subject to U.S. federal income tax as well as various other state income taxes. FB Topco tax returns are generally subject to examination by taxing authorities for three years.

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE F - EMPLOYEE BENEFIT PLAN

The Company, FB Topco, and its subsidiaries maintain a defined contribution retirement plan which covers substantially all employees. The plan provides that eligible employees may make voluntary contributions to the plan to which the Company adds matching contributions at predetermined percentages. There were no matching contributions for the year ended July 31, 2020.

NOTE G - SELF-INSURANCE

The Company sponsors a self-insured employee welfare benefit plan for healthcare coverage. An administrative services agreement was signed with a third-party company (claims administrator) to administer the costs and claims associated with the plan. The liability is held by the Company's parent, FB Topco.

NOTE H - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. Any state-mandated quarantines, labor shortages or other disruptions to operations may adversely impact the Company's ability to provide its services and operating results. The Company is able to transition to remote services as necessary and is able to bill the School Board for remote services. The COVID-19 pandemic is still on-going and the extent of any future financial impact on the Company's financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.

NOTE I - PRIOR PERIOD RESTATEMENTS

The Company and FB Topco discovered that Specialized Education of Florida, Inc. was overcharged by FB Topco for general, administrative, and overhead costs by the amount of \$36,991 for the year ended July 31, 2019. As a result of the error, expenses and accumulated deficit were overstated by \$36,991 in the year ended July 31, 2019. The correction of this error decreases the beginning of year accumulated deficit and due to parent liability by \$36,991.

The error correction noted above, together with the restatement for the Company changing its method of accounting for amortization expenses (\$35,280 - See Note B) results in a net restatement of beginning accumulated deficit in the amount of \$1,711, from \$115,159 to \$113,448. Beginning due to parent is restated by \$1,711, from \$371,186 to \$369,475.

SUPPLEMENTARY INFORMATION

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020

PROGRAM EXPENSES

Employee compensation and related expenses	\$ 343,176
Other program/operating expense	12,514
Direct administrative expense	4,625
Other expenses	7,428
Depreciation, amortization and interest	<u>36,865</u>
TOTAL PROGRAM EXPENSES	<u>404,608</u>

MANAGEMENT, GENERAL AND ADMINISTRATIVE

Employee compensation and related expenses	19,364
Occupancy	1,082
Other program/operating expense	3,403
Subcontractor expense	33,600
Direct administrative expense	5,683
Other expenses	1,028
Depreciation and amortization	<u>30,539</u>
TOTAL MANAGEMENT, GENERAL AND ADMINISTRATIVE	<u>94,699</u>

TOTAL FUNCTIONAL EXPENSES \$ 499,307

***Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

To the Board of Directors and Shareholders
Specialized Education of Florida, Inc.
Camden, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Specialized Education of Florida, Inc., which comprise the balance sheet as of July 31, 2020 and the related statements of operations and accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Specialized Education of Florida, Inc.'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 Specialized Education of Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Specialized Education of Florida, Inc.'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

To the Board of Directors and Shareholders
Specialized Education of Florida, Inc.
Camden, New Jersey

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Specialized Education of Florida, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-1.

Specialized Education of Florida, Inc.'s Response to Findings

Specialized Education of Florida, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Specialized Education of Florida, Inc.'s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maillie LLP

Limerick, Pennsylvania
April 9, 2021

SPECIALIZED EDUCATION OF FLORIDA, INC.
(A SUBSIDIARY OF FB TOPCO, INC.)
SCHEDULE OF FINDINGS AND RESPONSES
JULY 31, 2020

A. FINDINGS

2020-1 Annual Financial Audit and Quarterly Reports

The contract between Specialized Education of Florida, Inc. and the School Board of Miami-Dade County, Florida, requires Specialized Education of Florida, Inc. to undergo annual financial audits in accordance with generally accepted auditing standards and *Government Auditing Standards* performed by a Certified Public Accountant. The annual audit is to be submitted to the School Board of Miami-Dade County, Florida within ninety days after year end. Furthermore, the contract requires Specialized Education of Florida, Inc. to provide an expenditure report of all financial expenditures toward the educational component of the program on a quarterly basis.

Specialized Education of Florida, Inc. did not submit the annual audit within ninety days as stipulated by the contract. Furthermore, the quarterly reports were not submitted by Specialized Education of Florida, Inc.

We recommend that management review its contracts, identify the requirements, and design controls that provide consistent monitoring for compliance.

B. RESPONSE

Management has instituted a contract database system which will go live in April 2021. The system will flag any future contract audit requirements. Management has set up a process to identify audit requirements within contracts. Management will continue to obtain an audit of Specialized Education of Florida, Inc. annually to satisfy the contract terms. The quarterly financial requirement is not required in the new contract and as a result will not impact the process going forward.