ACCELERATION ACADEMIES, LLC

FINANCIAL REPORT

DECEMBER 31, 2022

ACCELERATION ACADEMIES, LLC.

C O N T E N T S

MACNELL
ACCOUNTING & CONSULTING, LLP
9436 Springfield Avenue • Evanston, Illinois 60203

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Unitholders
of We Work for Kids, LLC

Opinion

We have audited the accompanying financial statements of Acceleration Academies, LLC (a Delaware limited liability company), which comprise the balance sheet as of December 31, 2022, and the related statements of income, changes in members' equity, and cash flows for the year 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 Acceleration Academies, LLC as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit 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 Acceleration Academies, LLC 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 Acceleration Academies, LLC'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 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 Acceleration Academies, LLC'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 Acceleration Academies, LLC'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses 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.

MacNell Accounting & Consulting, LLP

Certified Public Accountants

March 21, 2023

ACCELERATION ACADEMIES, LLC

BALANCE SHEET
DECEMBER 31, 2022

ASSETS	2022
Current Assets	
Cash and cash equivalents	$ 7,946,556
Cash and cash equivalents - restricted	75,000
Accounts receivables, less allowance for doubtful accounts of $6,868 in 2022	1,683,607
Other receivables	135
Prepaid expenses	419,852
Total current assets	10,125,150
Security Deposits	191,054
Intangible Assets	
Software & website - net of amortization	354,821
Goodwill - net of amortization	105,273
Total intangible assets	460,094
Property and Equipment - Net of Depreciation	2,929,967
Right of Use Assets	3,022,934
Other Assets	12,279
Total assets	$ 16,741,478
LIABILITIES AND MEMBERS' EQUITY	
Current Liabilities	
Accounts payable	$ 320,889
Accrued expenses	1,316,071
Unearned revenue	209,816
Lease liability - short term	888,045
Line of credit, net of loan costs	(23,904)
Equipment financing - current maturities	40,222
Total current liabilities	2,751,139
Long Term Liabilities	
Lease liability - long term	2,134,889
Notes payable, net of loan costs	10,896,499
Total long term liabilities	13,031,388
Members' Equity	
Preferred A units, 3,653,000 units issued and outstanding	3,653,000
Common A units, 561,719 units issued and outstanding	2,415,442
Members' equity (deficit)	(5,109,491)
Total members' equity	958,951
Total liabilities and members' equity	$ 16,741,478

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

ACCELERATION ACADEMIES, LLC

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2022

	2022
Revenue	$ 21,676,376
Cost of sales	12,214,965
Gross profit	9,461,411
Sales, General, & Administrative	
Sales and marketing expense	1,922,685
General and administrative expenses	5,720,388
Depreciation and amortization	913,263
Total sales, general and administrative	8,556,336
Operating income	905,075
Other expenses	
Interest	801,752
Taxes and fees	50,425
Total other expenses	852,177
Net income	$ 52,898

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

ACCELERATION ACADEMIES, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2022

	Preferred Units	Common Units	Members' Equity (Deficit)	Total
Balance at December 31, 2021	$ 3,653,000	$ 2,415,442	$ (5,063,246)	$ 1,005,196
Capital draws	-	-	(99,143)	(99,143)
Net income	-	-	52,898	52,898
Balance at December 31, 2022	$ 3,653,000	$ 2,415,442	$ (5,109,491)	$ 958,951

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

ACCELERATION ACADEMIES, LLC

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022
Cash flows from operating activities:	
Net income	$ 52,898
Adjustments to reconcile net change to net cash provided by operating activities:	
Depreciation and amortization	913,263
Changes in assets and liabilities, net of business combination:	
Increase in receivables	(1,078,730)
Decrease in other receivables	233,563
Increase in prepaid expenses	(309,672)
Increase in security deposits	(49,555)
Increase in other assets	(12,279)
Increase in accounts payable	193,786
Increase in accrued expenses	1,007,998
Increase in unearned revenue	209,816
Net cash flows provided by operating activities	1,161,088
Cash flows from investing activities:	
Purchase of property and equipment	(2,301,413)
Purchase of software & website design	(30,000)
Net cash flows used in investing activities	(2,331,413)
Cash flows from financing activities:	
Proceeds from notes payable	7,929,242
Payments of loan costs	(261,714)
Amortization of loan costs	22,511
Capital draws	(99,143)
Payments made on financing and debt	(53,759)
Net cash flows provided by financing activities	7,537,137
Net change in cash	6,366,812
Cash at beginning of year	1,654,744
Cash at end of year	$ 8,021,556
Supplemental Disclosures	
Interest paid	$ 80,445
Noncash financing and investing activities	
Right of-use asset and lease liability from operating leases	$ 3,022,934

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

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 (Holding Company). The statements reflected in this report represent Acceleration Academies, LLC, only.

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 21, 2023, 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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Allowance for doubtful accounts is the estimate of uncollectible receivable amounts, which is based upon a review of outstanding receivables. Additions to the allowance for doubtful accounts are made by a charge to earnings and a credit to the allowance account. Receivable amounts deemed uncollectible are written off through a charge to the valuation allowance and a credit to accounts receivables.

Intangible Assets

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. Amortization expense on goodwill was $60,259 for the year ended December 31, 2022.

Note 2 – Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Software and Website

Software developed for internal and external purposes is recorded as an intangible asset, and amortized over their estimated useful lives. The assets are carried at cost less accumulated amortization. The accumulated amortization of software totaled $398,355 at December 31, 2022. Amortization expense on software was $1,333 for the year ended December 31, 2022.

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:

	Years
Computers & network equipment	3
Furniture & fixtures	5
Leasehold improvements	Lesser of 5 years or life of lease
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 and any resulting gain or loss is included in income.

Debt Issuance Costs

Costs incurred in connection with acquiring long-term debt financing are netted against the related note payable and amortized to interest expense over the term of the associated long-term debt on a straight-line basis, which approximates the effective interest method.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the standard effective January 1, 2022 and recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Company elected the available practical expedients to account for an existing operating lease as an operating lease under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at least commencement.

Note 2 – Summary of Significant Accounting Policies (Continued)

Leases (Continued)

In addition, the Company elected the discount rate practical expedient that allows for the use of a risk-free rate as the discount rate for all leases by asset class.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022, a lease liability which represents the present value of the remaining operating lease payments, discounted using the risk-free rate, and a right-of-use asset, which represents the operating lease liability. See Note 7.

The standard had a material impact on the balance sheets, but did not have an impact on the statements of operations or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities.

Advertising

Advertising costs are expensed when paid and totaled $454,431 for the year ended December 31, 2022.

Tax Status

Partnership tax status has been elected by all of the members of the Company. A Partnership for Federal Income Tax purposes 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 Company as of December 31, 2022, 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.

Note 3 – Concentrations

Cash

The Company maintains cash balances. 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 67% of all sales for the year ended December 31, 2022.

ACCELERATION ACADEMIES, LLC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 – Property and Equipment

Major classifications of property and equipment at December 31, 2022 are summarized below:

	2022
Computers & network equipment	$ 1,376,099
Furniture & fixtures	1,032,908
Leasehold improvements	1,793,755
Total	4,202,762
Less accumulated depreciation	(1,272,795)
Property and equipment – net of depreciation	$ 2,929,967

Depreciation expense aggregated $853,004 for the year ended December 31, 2022.

Note 5 – Related Party Transactions

The Company pays for consulting services from Board Members and unitholders. The amount paid to the Board Members and unitholders for consulting services for the year ended December 31, 2022, was $26,786. The Company also had shared salaries with a unitholders company. The amount of expense incurred for the shared salaries with the related party totaled $15,281 for the year ended December 31, 2022.

Note 6 – Financing Activities

Notes Payable

At December 31, 2022, the Company has unsecured promissory notes with certain owners of the Holding Company. The commitments had interest of 10% and were due in full on December 31, 2023. On February 3, 2023, the notes were amended and now bear interest of 12%, and are due in full on February 1, 2028. At December 31, 2022, the outstanding balance on the notes is $3,182,556.

At December 31, 2022, the Holding Company has a $6,000,000 senior secured term loan. The loan bears interest of 12.75%, and is due in full on October 31, 2027. The loan calls for quarterly interest payments. At December 31, 2022, the Company's portion of the outstanding balance on the loan is $4,757,545. Debt issuance costs of $261,714 were incurred and are being amortized on a straight-line basis over the life of the loan. Unamortized debt issuance costs of 215,299 at December 31, 2022 are recorded as a reduction to the note payable in the accompanying balance sheet.

At December 31, 2022, the Holding Company has an unsecured $4,000,000 promissory note with certain owners of the Holding Company. The note had interest of 13%, and was due in full on February 28, 2023. On February 3, 2023, the note was amended and now bears interest of 14%, and is due in full on February 1, 2028. At December 31, 2022, the Company's portion of the outstanding balance on the note is $3,171,697.

Note 6 – Financing Activities (Continued)

Maturities of long-term debt of the holding company are as follows:

Year Ending December 31,	Amount
2023	$ -
2024	-
2025	-
2026	-
2027	6,000,000
2028	8,015,993
Total	$14,015,993

Line of Credit

At December 31, 2022, the Holding Company has a $3,000,000 line of credit with a bank to be drawn upon as needed. The current rate on funds drawn against the line of credit is prime rate floating and interest is due monthly. At December 31, 2022, the Company did not have an outstanding balance. Debt issuance costs of $39,579 were incurred and are being amortized on a straight-line basis over the term of the line of credit. Unamortized debt issuance costs of $23,904 at December 31, 2022 are recorded as a reduction to the line of credit in the accompanying balance sheet.

Financing

The Company financed the purchase of student devices through December 2023. The agreement calls for monthly payments. Minimum future payments under the financing agreement at December 31, 2022 are as follows:

Year Ending December 31,	Amount
2023	$40,222

Note 7 – Leases

The Company has various operating leases that expire through February 2028 for space to house academies.

As disclosed in Note 2, the Company adopted FASB ASC 842, Leases, on January 1, 2022, using the effective date method and resulting in ROU assets of $3,022,934 and related lease liability of $3,022,934 with no adjustment to prior-year balance sheet information.

The interest rate used for the net present value of ROU assets is 7.5%.

Note 7 – Leases (Continued)

Future minimum lease payments under non-cancellable operating leases as of December 31, 2022 is as follows:

Year Ending December 31,	Amount
2023	$ 960,358
2024	926,332
2025	711,266
2026	547,649
2027	353,149
Thereafter	10,650
Total	$3,509,404

Rental and lease expense for the years ending December 31, 2022 and 2021 were $1,561,489 and $930,623, respectively.

Note 8 – Units

As part of the ownership level merger with Education Incites under the holding company We Work For Kids, LLC. (WWK), the Unitholders in Education Incites, LLC (EI) and the Company contributed all Units owned for Units in WWK. The Units presented in members' equity are the allocable share of the Company's portion of WWK Units.

SUPPLEMENTARY INFORMATION

ACCELERATION ACADEMIES, LLC

SCHEDULE OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2022

	2022
Operating Expenses	
Personnel related expenses	
Salaries and wages	$ 12,135,957
Payroll taxes	854,415
Employee benefits	937,458
Total personnel related expenses	13,927,830
Other operating expense	
Rent & occupancy	1,564,960
Educational software	161,488
Staff and student recruitment	203,187
Dues and subscriptions	194,808
Professional fees	579,888
Marketing	454,431
Classroom and office supplies	354,731
Travel, meals and entertainment	527,666
Insurance	157,566
Telephone and internet	139,054
Transportation	182,079
Depreciation and amortization	913,263
Other costs	1,410,350
Total other operating expense	6,843,471
Total Operating Expenses	$ 20,771,301

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ACCOUNTING & CONSULTING, LLP

9436 Springfield Avenue • Evanston, Illinois 60203

March 24, 2023

Board of Managers
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, 2022, and we will issue our report thereon dated March 21, 2023. 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 March 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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. As described in Note 2, the Company changed accounting policies related to leases by adopting FASB Accounting Standards Update No. 842, leases, in 2022. 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. There were no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on 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 21, 2023.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Managers 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

MACNELL
ACCOUNTING & CONSULTING, LLP
9436 Springfield Avenue • Evanston, Illinois 60203

To the Board of Managers and Steve Isaacson
of Acceleration Academies, LLC

In planning and performing our audit of the financial statements of Acceleration Academies, LLC as of and for the year ended December 31, 2022, 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 Managers, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

MacNell Accounting & Consulting, LLP

MacNell Accounting and Consulting, LLP
March 24, 2023