Plato Global Holdings, LLC and Subsidiaries
(d/b/a Edcetera)

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

CohnReznick
ADVISORY • ASSURANCE • TAX

Plato Global Holdings, LLC and Subsidiaries (d/b/a Edcetera)

Index

Independent Auditor's Report

To the Managing Members
Plato Global Holdings, LLC

Opinion

We have audited the consolidated financial statements of Plato Global Holdings, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Plato Global Holdings, LLC and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their 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 ("GAAS"). 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 Plato Global Holdings, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Plato Global Holdings, LLC and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated 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 consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Plato Global Holdings, LLC and Subsidiaries' 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Plato Global Holdings, LLC and Subsidiaries' 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.

CohnReznick LLP

Melville, New York
April 1, 2024

Plato Global Holdings, LLC and Subsidiaries (d/b/a Edcetera)
Consolidated Balance Sheets
December 31, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and cash equivalents	$ 2,383,229	$ 1,585,185
Accounts receivable	199,963	76,584
Prepaid expenses and other current assets	264,997	311,092
Total current assets	2,848,189	1,972,861
Property, plant & equipment, net	37,071	51,421
Operating lease assets	268,744	373,754
Intangible assets, net	15,249,993	18,381,634
Goodwill, net	48,374,717	55,224,483
Total assets	$ 66,778,714	$ 76,004,153

Liabilities and Members' Equity

	2023	2022
Current liabilities		
Accounts payable, accrued liabilities and other current liabilities	$ 953,362	$ 882,526
Accrued earnout liabilities	-	1,850,000
Deferred revenue, current	3,834,309	3,217,858
Current portion of long-term debt	1,528,651	1,067,875
Current portion of lease liabilities	113,555	97,981
Total current liabilities	6,429,877	7,116,240
Long-term debt, net	37,295,977	39,612,718
Deferred revenue, non-current	168,679	172,859
Lease liabilities, net of current portion	185,269	298,825
Deferred tax liability, net	158,388	197,005
Total liabilities	44,238,190	47,397,647
Commitments and contingencies		
Members' Equity		
Class A Preferred units; authorized, issued and outstanding 37,135,646 units and 35,879,300 units, respectively; aggregate liquidation preference of $64,819,350 and $54,999,253, respectively	47,616,697	43,666,697
Class P units; 2,137,897 authorized; issued and outstanding 978,088 units and 704,930 units, respectively	268,773	164,498
Additional paid-in capital	61,261	61,261
Accumulated deficiency	(25,406,207)	(15,285,950)
Total members' equity	22,540,524	28,606,506
Total liabilities and members' equity	$ 66,778,714	$ 76,004,153

See notes to consolidated financial statements.

Plato Global Holdings, LLC and Subsidiaries (d/b/a Edcetera)

Consolidated Statements of Operations
For the years ended December 31, 2023 and December 31, 2022

	2023	2022
Revenues	$ 23,832,857	$ 19,542,533
Cost of sales	1,809,205	1,532,822
Gross profit	22,023,652	18,009,711
Operating expenses		
Depreciation and amortization	10,118,234	8,340,745
Payroll expenses	6,618,494	5,023,455
Development, delivery, and marketing	5,953,281	5,926,324
General & administrative expenses	1,915,981	1,818,905
Equity based compensation	104,275	103,218
Settlement of earnout liabilities	1,616,348	-
Total operating expenses	26,326,613	21,212,647
Loss from operations	(4,302,961)	(3,202,936)
Other (income) and expense		
Transaction expenses	-	1,104,440
Interest expense	5,578,558	3,891,468
Total other expenses, net	5,578,558	4,995,908
Loss before benefit for income taxes	(9,881,519)	(8,198,844)
Income tax benefit	88,312	(6,468)
Net loss	$ (9,969,831)	$ (8,192,376)

See notes to consolidated financial statements.

Plato Global Holdings, LLC and Subsidiaries (d/b/a Edcetera)

Consolidated Statements of Members' Equity

For the years ended December 31, 2023 and December 31, 2022

	Class A Units		Class P Units		Additional paid-in capital	Accumulated deficiency	Total members' equity
	Shares	Amount	Shares	Amount			
Balance, December 31, 2021	32,300,010	$ 32,020,713	491,717	$ 98,073	$ 24,468	$ (6,967,851)	$ 25,175,403
Issuance of Class A preferred units, (net of direct issuance costs of $22,500)	3,572,387	11,645,984	-	-	-	-	11,645,984
Equity based compensation	-	-	213,213	66,425	36,793	-	103,218
Distributions	-	-	-	-	-	(125,723)	(125,723)
Net loss	-	-	-	-	-	(8,192,376)	(8,192,376)
Balance, December 31, 2022	35,872,397	43,666,697	704,930	164,498	61,261	(15,285,950)	28,606,506
Issuance of Class A preferred units, (net of direct issuance costs of $-)	1,263,250	3,950,000	-	-	-	-	3,950,000
Equity based compensation	-	-	273,158	104,275	-	-	104,275
Distributions	-	-	-	-	-	(150,426)	(150,426)
Net loss	-	-	-	-	-	(9,969,831)	(9,969,831)
Balance, December 31, 2023	37,135,647	$ 47,616,697	978,088	$ 268,773	$ 61,261	$ (25,406,207)	$ 22,540,524

See notes to consolidated financial statements.

Plato Global Holdings, LLC and Subsidiaries (d/b/a Edcetera)

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and December 31, 2022

	2023	2022
Cash flows from operating activities		
Net loss	$ (9,969,831)	$ (8,192,376)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciaton and amortization	10,118,239	8,340,745
Amortization of debt issuance costs	462,732	324,915
Deferred taxes	(38,617)	197,005
Equity-based compensation	104,275	103,218
Non-cash operating lease costs	7,028	23,052
Changes in operating assets and liabilities		
Prepaid and other current assets	(77,284)	(22,541)
Accounts payable, accrued expenses and other current liabilities	70,836	261,202
Deferred revenue	612,271	1,053,338
Net cash provided by operating activities	1,289,649	2,088,558
Cash flows from investing activities		
Cash paid for acquisition	-	(12,181,677)
Cash paid for intangible assets	(122,482)	(296,448)
Net cash used in investing activities	(122,482)	(12,478,125)
Cash flows from financing activities		
Cash paid for settlement of earnout liabilities	(1,850,000)	-
Proceeds from issuance of preferred units	3,950,000	11,645,984
Repayments of long-term debt	(2,067,876)	(798,570)
Distributions	(150,426)	(125,723)
Debt issuance cost paid	(250,821)	(487,600)
Net cash used in financing activities	(369,123)	10,234,091
Net increase (decrease) in cash	798,044	(155,476)
Cash, beginning	1,585,185	1,740,661
Cash, end	$ 2,383,229	$ 1,585,185
Supplemental disclosure of cash flow information		
Interest paid	$ 5,115,826	$ 3,566,553
Income taxes paid	$ 13,333	$ -
Supplemental disclosure of noncash investing and financing activities		
Note payable for acquisitions	$ -	$ 13,400,000
Equity issuance costs	$ -	$ 22,500
Cash paid for amounts included in measurement of operating lease liabilities	$ -	$ 88,020
Operating right-of-use assets obtained in exchange for operating lease liabilities	$ -	$ 105,010

See notes to consolidated financial statements.

Note 1 - Description of business and basis of presentation

Plato Global Holdings, LLC (the "Company") was formed in the State of Delaware on December 17, 2019 (inception). The Company operates under the terms of its Operating Agreement dated December 17, 2019 (the "Operating Agreement"). The Company is a limited liability company and the members' liability is limited to their capital accounts.

The Company provides training and continuing education courses for various professional licensing requirements. The Company conducts courses in a Company-owned center, through third-party locations and online. During the year ended December 31, 2022 the Company re-branded and operates its business under the name Edcetera.

The Company operates in a competitive environment and inherent in its business are various risks and uncertainties. To date, the Company's operations have been financed through operating cash flows, capital infusions from members and its credit facilities. The members intend to continue supporting the Company through operating cash flows, as well as future financing and capital infusions.

Basis of presentation

The accompanying consolidated financial statements include the accounts of Plato Global Holdings, LLC, and its wholly-owned subsidiaries, which are as follows:

Subsidiaries	Acquisition Date
PDH Learning, LLC	December 17, 2019
PDH Acadamy, LLC	December 17, 2019
Xprep Learning Solutions, LLC	September 30, 2020
PDH Ophtho, LLC	December 9, 2021
PDH SunCam, LLC	December 14, 2021
PDH DermQ, LLC	March 25, 2022
PDH DC Hours, LLC	May 31, 2022
PrepFE, Inc.	September 12, 2022
Pulse Radiology Education, LLC	October 20, 2022

All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Reclassification

Certain amounts in the accompanying 2022 consolidated financial statement have been reclassified to conform with the 2023 presentation.

Note 2 - Summary of significant accounting policies

Use of estimates

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

Revenue recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which sets forth a single comprehensive model for recognizing and reporting revenues. The standard requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company applies the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation. As of December 31, 2021, accounts receivable and deferred revenue were $111,764 and $2,337,379, respectively.

The Company generates revenue primarily from four main sources: (1) continuing professional education classes, (2) training classes for certain state certifications and licenses, (3) exam preparation courses and (4) other subscription revenue.

For the years ended December 31, 2023 and 2022, revenues from three and two of the Company's professional industry training products accounted for 42% and 38% of total revenue, respectively.

Continuing professional education revenue

Continuing professional educational revenue is derived from providing customers training classes that are of a short duration and are generally completed immediately after payment is received. The access to the class materials and the certification upon completion are the Company's performance obligations. As these obligations are customarily completed simultaneously, they are considered one performance obligation, and the revenue is recognized at the time that payment is received.

License and certification revenue

License and certification revenue is derived from providing customers with courses given over a period of time that result in a license or certification from a state authority. The Company's performance obligations are access to the course materials and the customer obtaining their license or certificate in the appropriate state. Since the purpose of the course is to obtain the applicable license or certification, the license or certification is considered the primary performance obligation. Revenue is recognized upon completion of the course when the license or certificate is obtained by the customer. Some customers do not complete the course. Since there is no specified time limitation on the availability of the course, breakage revenue for those who do not complete the course is recorded consistently with the estimated timing of those customers who complete the course and obtain the license or certification.

Exam preparation revenue

Exam preparation revenue is derived from providing customers with exam preparation courses over a set period of time as a subscription. The student then sits for the exam controlled by a state authority or licensing board, although the Company has no participation with regard to the actual exam. The Company's performance obligation is access to the course materials during the subscription period which varies in length ranging from one month to 36 months. Revenue is recognized ratably throughout the subscription period.

Other subscription revenue

The company is moving its continuing education model from a strictly a la carte model to that of a subscription model. For these offerings, the performance obligation is access to the course materials during the subscription period and revenue is recognized ratably throughout the subscription period.

Deferred revenue
Deferred revenues on the Company's consolidated balance sheet are recorded when revenues are recognized subsequent to cash collection. Invoices for both continuing professional education and license and certification revenue are generally issued prior to providing customers with access to the course materials.

Cost of sales
Direct costs related to live training are reported in cost of sales on the consolidated statement of operations. Direct costs of live training include fees and reimbursed expenses paid to contracted trainers along with rental fees paid for use of short-term classroom facilities.

Cash and cash equivalents
The Company considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents also include receivables from credit card companies, as the balances are settled within two to three business days. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. As of December 31, 2023, the Company's federally uninsured bank balances totaled approximately $598,000. The Company maintains its cash deposits at financial institutions of high credit quality.

Property and equipment
Property and equipment are recorded at cost and depreciated using a straight-line method over the estimated useful lives of the related assets. Such lives range from three to seven years. Repairs and maintenance costs are expensed as incurred.

Capitalized course content
The Company internally develops course content, which is primarily provided as online content and accessed via the Internet. The Company also creates textbooks and other materials that are complementary to online content.

The Company capitalizes course content development costs incurred during the application development stage, as well as the design and deployment phases of the project. As a result, a significant portion of the Company’s course content development costs qualify for capitalization due to the concentration of its development efforts on the content. Capitalization ends when a course is available for general release to its customers, at which time amortization of the capitalized costs begins. The period of time over which these development costs are amortized is generally five years.

Impairment of long-lived assets
Long-lived assets, such as intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its undiscounted estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company determined that as of December 31, 2023 and 2022, long-lived assets subject to amortization were not impaired.

Goodwill
The Company adopted the authoritative guidance issued by the FASB in Accounting Standards Update ("ASU") No. 2014-02, Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill. The ASU permits a private company to subsequently amortize goodwill on a straight-line basis over a period of 10 years. It also permits a private company to apply a simplified impairment model to

goodwill. Under the goodwill accounting alternative, goodwill is tested for impairment when a triggering event occurs that indicates that the fair value of a reporting unit may be below its carrying amount. The Company determined that as of December 31, 2023, and 2022, goodwill was not impaired.

Deferred financing costs
Deferred financing costs represent fees incurred in obtaining the debt financing currently in place. These costs are being amortized on a straight-line basis (which approximates the effective interest method) over the term of the financing agreement. Amortization of deferred financing costs is recorded in interest expense on the consolidated statements of operations. Amortization of deferred financing costs amounted to approximately $463,000 and $325,000 for the years ended December 31, 2023 and 2022, respectively.

Advertising
The Company expenses the cost of advertising as incurred. Advertising costs charged to operations amounted to approximately $2,944,000 and $3,216,000 for the years ended December 31, 2023 and 2022, respectively.

Income taxes
The Company is a limited liability company that has elected to be taxed as a partnership. Accordingly, the members report their pro-rata share of the Company's net income or loss on their respective individual income tax returns.

The Company accounts for income taxes pursuant to the asset and liability method, which requires deferred income tax assets and liabilities to be computed for temporary differences between the consolidated financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income.

The Company has no unrecognized tax benefits at December 31, 2023 and 2022. The Company's federal and state income tax returns from 2020 are still subject to examination and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company recognizes interest and penalties associated with tax matters as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the consolidated balance sheet. For the years ended December 31, 2023 and 2022, the Company did not recognize interest and penalties associated with tax matters.

New accounting pronouncements
On January 1, 2023, the Company adopted Accounting Standards Update No, 2016-13, Measurement of Credit Losses on Financial Instruments, and its related amendments. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with ASC 326, the Company evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions to determine the appropriate allowance for credit losses. There were no material impacts on the Company’s consolidated financial statements upon adoption.

Subsequent events
The Company has evaluated subsequent events through April 1, 2024, which is the date the consolidated financial statements were available to be issued.

Note 3 - Acquisitions

DermQ Acquisition
On March 25, 2022, the Company effectuated a transaction with its investors whereby the Company purchased DermQ Bank, LLC ("DermQ"). The Company funded the acquisition through cash of $1,896,971, and financing from the Company's senior lender in the amount of $5,500,000, for an aggregate purchase price of $7,075,000, which is net of deferred financing fees and transaction expenses of $321,971 in the aggregate. The acquisition was accounted for as a purchase transaction under ASC 805 *Business Combinations*, whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The excess of the purchase price over the net identifiable tangible and intangible assets acquired has been assigned to goodwill. The Company expects goodwill to be deductible for tax purposes.

Recognized amounts of identifiable assets acquired and liabilities assumed:

	March 25, 2022
Purchase consideration	
Cash consideration	$ 7,075,000
Identifiable assets acquired and liabilities assumed at fair value	
Cash	$ 15,000
Trademarks and tradenames	130,000
Course content	920,000
Goodwill	6,010,000
Total identifiable net assets	$ 7,075,000

In relation to the acquisition, the Company expensed $165,921 included in transaction expenses on the consolidated statement of operations of transaction costs related to the acquisition.

DC Hours Acquisition
On May 31, 2022, PDH effectuated a transaction with its investors whereby the Company purchased DC Hours, LLC ("DC Hours"). The Company funded the acquisition through, cash of $871,485, and financing from the Company's senior lender in the amount of $3,700,000, for an aggregate purchase price of $4,140,640, which is net of deferred financing fees, transaction expenses and a minimum company closing cash amount of $410,845 in the aggregate. The acquisition was accounted for as a purchase transaction under ASC 805 *Business Combinations*, whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The excess of the purchase price over the net identifiable tangible and intangible assets acquired has been assigned to goodwill. The Company expects goodwill to be deductible for tax purposes.

Recognized amounts of identifiable assets acquired and liabilities assumed:

		May 31, 2022
Purchase consideration		
Cash consideration, net	$	4,140,640
Total purchase consideration	$	4,140,640
Identifiable assets acquired and liabilities assumed at fair value		
Trademarks and tradenames	$	160,000
Goodwill		3,995,378
Other current liabilities		(14,738)
Total identifiable net assets	$	4,140,640

In relation to the acquisition, the Company expensed $293,495 included in transaction expenses on the consolidated statement of operations of transaction costs related to the acquisition.

PrepFE Acquisition

On September 12, 2022, PDH effectuated a transaction with its investors whereby the Company purchased PrepFE, Inc. ("PFE"). The Company funded the acquisition through a capital raise of 772,342 Class A Units for an aggregate value of $2,571,834, and financing from the Company's senior lender in the amount of 1,200,000, for an aggregate purchase price of $3,660,334, which is net of deferred financing fees, transaction expenses and equity issuance costs of $305,334 in the aggregate. The acquisition was accounted for as a purchase transaction under ASC 805 *Business Combinations*, whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The excess of the purchase price over the net identifiable tangible and intangible assets acquired has been assigned to goodwill. The Company expects goodwill to be non-deductible for tax purposes.

Recognized amounts of identifiable assets acquired and liabilities assumed:

		September 12, 2022
Purchase consideration		
Cash consideration	$	3,412,500
Fair value of contingent consideration - earnout		320,000
Total purchase consideration	$	3,732,500
Identifiable assets acquired and liabilities assumed at fair value		
Cash	$	4,563
Other current assets and liabilities, net		1,515
Trademarks and tradenames		90,000
Course content		660,000
Goodwill		3,186,299
Deferred tax liabilty		(209,877)
Total identifiable net assets	$	3,732,500

In relation to the acquisition, the Company expensed $222,834 included in transaction expenses on the consolidated statement of operations of transaction costs related to the acquisition.

Pulse Acquisition

On October 20, 2022, PDH effectuated a transaction with its investors whereby the Company purchased Pulse Radiology, LLC. ("Pulse"). The Company funded the acquisition through a capital raise of 2,806,948 Class A Units for an aggregate value of $9,150,650, and financing from the Company's senior lender in the amount of $3,000,000, for an aggregate purchase price of $10,750,000, which is net of deferred financing fees, transaction expenses and equity issuance costs of $527,447 in the aggregate with additional cash funding to the balance sheet of $873,203. The acquisition was accounted for as a purchase transaction under ASC 805 *Business Combinations*, whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The excess of the purchase price over the net identifiable tangible and intangible assets acquired has been assigned to goodwill. The Company expects goodwill to be deductible for tax purposes.

Recognized amounts of identifiable assets acquired and liabilities assumed:

	October 20, 2022
Purchase consideration	
Cash consideration	$ 10,750,000
Fair value of contingent consideration - earnout	1,530,000
Total purchase consideration	$ 12,280,000
Identifiable assets acquired and liabilities assumed at fair value	
Trademarks and tradenames	$ 290,000
Course content	2,170,000
Goodwill	9,820,000
Total identifiable net assets	$ 12,280,000

In relation to the acquisition, the Company expensed $380,047 included in transaction expenses on the consolidated statement of operations of transaction costs related to the acquisition.

Note 4 - Goodwill

During the years ended December 31, 2023 and 2022, the Company recognized goodwill amortization expense totaling $6,849,766 and $5,501,222, respectively.

	2023	**2022**
Goodwill, net, beginning of the year	$ 55,224,483	$ 37,714,028
Less: Amortization	(6,849,766)	(5,501,222)
Acquisitions		
PDH DermQ, LLC	-	6,010,000
PDH DC Hours, LLC	-	3,995,378
PrepFE, Inc.	-	3,186,299
Pulse Radiology Education, LLC	-	9,820,000
Goodwill, net, end of year	$ 48,374,717	$ 55,224,483

Note 5 - Intangible assets

The following table summarizes the Company's intangible assets:

	2023	2022	Useful life
Trademarks and tradenames (net of accumulated amortization of $3,011,883 and $1,656,601, respectively)	$ 10,448,438	$ 11,803,720	10 years
Course content (net of accumulated amortization of $5,233,876 and $3,188,763, respectively)	4,729,662	6,574,788	5 years
Software (net of accumulated amortization of $18,192 and $16,108, respectively)	71,893	3,126	3-5 years
Total	$ 15,249,993	$ 18,381,634	

Amortization expense for the years ended December 31, 2023 and December 31, 2022 was $3,254,123 and $2,676,812, respectively.

Estimated amortization expense related to intangible assets subject to amortization in each of the years subsequent to December 31, 2023, is as follows:

Estimated future amortization expense

2024	$ 3,289,146
2025	2,406,981
2026	2,408,317
2027	1,860,193
2028	1,344,194
Thereafter	3,941,162
Total	$ 15,249,993

Note 6 - Accrued earnout liability

As of December 31, 2022, accrued earnout liabilities consist of $1,850,000 of assumed liabilities related to amounts owed to the former shareholders of PrepFE, Inc. and Pulse Radiology Education, LLC. During the year ended December 31, 2023, the Company paid off its accrued earnout liabilities and an additional earnout settlement expense in the amount of $1,616,348. Amounts due to former shareholders as of December 31, 2023 and 2022 are as follows:

	2023	2022
Compensation due to former shareholders of Pulse	$ -	$ 1,530,000
Compensation due to former shareholders of PrepFe	-	320,000
Total compensation owed	$ -	$ 1,850,000

Note 7 - Revenue

For the years ended December 31, 2023 and December 31, 2022, revenue consisted of the following:

	2023	2022
Continuing professional education revenue	$ 6,483,079	$ 5,910,502
License and certification revenue	8,600,974	7,252,467
Exam preparation revenue	8,426,484	6,145,264
Other subscription revenue	322,320	234,300
Total revenue	$ 23,832,857	$ 19,542,533

As of December 31, 2023 and 2022, deferred revenue consists primarily of amounts received for license and certification revenue which are recognized over the estimated time to complete the applicable courses. Revenue pertaining to unsatisfied performance obligations under current contracts is deferred in accordance with ASC 606.

Deferred revenue will be recognized in the years subsequent to December 31, 2023 as follows:

2024	$ 3,834,309
2025	168,679
Total	$ 4,002,988

Note 8 - Term loan payable

Term loan payable is summarized as follows at December 31, 2023 and 2022:

	2023	2022
Term loan	$ 39,517,304	$ 41,585,180
Less: Current portion long-term debt	(1,528,651)	(1,067,875)
Less: Debt Issuance cost, net	(692,676)	(904,587)
Term loan payble	$ 37,295,977	$ 39,612,718

On December 17, 2019, the Company entered into a credit facility agreement with a lender. The agreement consisted of a $12,500,000 term loan and a delayed draw term loan with borrowing capacity of $12,000,000. As of December 31, 2023, there have been eight amendments to the credit facility to extend additional commitments in the form of delayed draw down loans in the aggregate amount of $39,517,304. The amount outstanding on the term loan as of December 31, 2023 and 2022 was $10,671,875 and $11,984,375, respectively, with an interest rate of 12.22% and 8.50%, respectively. As of December 31, 2023 and 2022, the aggregate amounts outstanding on the delayed draw term loans are $28,845,429 and $29,600,805, respectively, with an interest rate 12.22% and 8.50%, respectively. The remainder of the delayed draw term loan will be used solely to finance or refinance the purchase price of, and to pay fees, costs and expenses in connection with permitted acquisitions.

The agreement matures on December 17, 2025. The loans bear an interest rate set at SOFR plus an applicable margin. The effective interest rate was 12.22% and 12.01% as of December 31, 2023 and 2022, respectively.

The Company's credit agreements are collateralized by substantially all of the Company's assets. The credit agreements contain certain covenants that require the maintenance of certain financial and non-financial measures. The financial covenants include a fixed charge coverage ratio and a total net leverage. The Company is in compliance with financial covenants as of December 31, 2023. Maturity of the term loan payable for the years subsequent to December 31, 2023 is as follows:

2024	$	1,528,651
2025		37,988,653
Total	$	39,517,304

Note 9 - Members' equity

Pursuant to the terms and conditions of the Company's Operating Agreement (the "Agreement") of the Company, members' equity consists of Class A Preferred Units and Class P Units (non-voting units). The holders of Class A preferred units ("the "Class A Members") are entitled to one vote for each unit held and shall have the rights with respect to the profits and losses of the Company and distributions from the Company as are set forth herein. The number of Class A units of each Class A Member as of any given time may be updated from time to time by the authorized officers of the Company in accordance with the Agreement.

Class A preferred units have a preferential right to return of capital and a preferred return of 10% per year, compounded quarterly, following which Class P units participate in profits and distributions at varying levels based on the Company's entity value. The aggregate liquidation preference for Class A Preferred Units was $64,819,350 and $54,999,253 as of December 31, 2023 and 2022, respectively.

During the year ended December 31, 2023, the Company issued 1,263,250 Class A Preferred Units to current unit holders for $3,950,000. The company did not incur direct issuance costs in connection with this equity issuance transaction.

During the year ended December 31, 2022, the Company issued 3,579,289 Class A Preferred Units to current unit holders for $11,668,483, net of direct issuance costs of $22,500.

During the year ended December 31, 2023, there were no class P units grants.

During the year ended December 31, 2022, the Company granted 804,594 Class P units to employees of the Company. The Company estimated the fair value of each award on the date of grant using the Black-Scholes option pricing model. The expected volatility of the profit units was based on the historical volatilities of comparable companies as determined by management. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company's profit-sharing units. The dividend yield assumption is based on the Company's intent not to issue a dividend under its dividend policy. The expected term is based on ASC 718. The assumptions used for grants include a risk-free rate of 1.11% volatility of 64%, a zero dividend yield, and an expected life of five years for all units granted during the year ended 2022.

At December 31, 2023, members' equity includes:

Class	Units authorized and issued	Units vested and outstanding	Amount
Class A preferred	35,879,300	37,135,646	$ 47,616,697
Class P	2,137,897	978,088	268,773
Additional paid in capital	-	-	61,261
Accumulated deficiency	-	-	(25,406,207)
	38,017,197	38,113,734	$ 22,540,524

At December 31, 2022, members' equity includes:

Class	Units authorized and issued	Units vested and outstanding	Amount
Class A preferred	35,879,300	35,872,398	$ 43,666,697
Class P	2,137,897	704,930	164,498
Additional paid in capital	-	-	61,261
Accumulated deficiency	-	-	(15,285,950)
	38,017,197	36,577,328	$ 28,606,506

For the years ended December 31, 2023 and 2022, the Company recognized $104,275 and $103,218, respectively, of compensation expense related to employee profit sharing units. As of December 31, 2023 and 2022, unvested equity compensation was $221,635 and $325,910, respectively.

A summary of the status of the non-vested profit-sharing units granted to employees for the years ended December 31, 2023 and 2022 is presented below.

	Balance as of January 1, 2023		Granted		Vested	Forfeited	Balance as of December 31, 2023	
	Units	Weighted average grant date fair value	Units	Weighted average grant date fair value	Units	Units	Units	Weighted average grant date fair value
Class P units	1,029,073	0.35	-	$ -	273,158	-	755,915	$ 0.36

	Balance as of January 1, 2022		Granted		Vested	Forfeited	Balance as of December 31, 2022	
	Units	Weighted average grant date fair value	Units	Weighted average grant date fair value	Units	Units	Units	Weighted average grant date fair value
Class P units	841,586	$ 0.30	804,594	$ 0.37	213,213	403,894	1,029,073	$ 0.35

Note 10 - Operating leases

The Company leases its corporate offices under operating leases that have various expiration dates. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease. Leases of office locations have lease terms that generally range from four to six years. Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts.

At lease commencement, the Company recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Company has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Company remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

The Company determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Company has elected to use risk-free rates as the discount rates for all its leases. The Company uses rates on US government securities for periods comparable with lease terms as risk-free rates.

For accounting purposes, the Company's leases commence on the earlier of (i) the date upon which the Company obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Company's leases coincides with the contractual effective date. The Company's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Company and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless the Company determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The following provides information about the Company's right-of-use assets and lease liabilities for its operating leases as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Right-of-use assets		
Operating leases	$ 268,744	$ 373,754
Total leased assets	$ 268,744	$ 373,754
Lease liabilities		
Current operating leases	$ 113,555	$ 97,981
Noncurrent operating leases	185,269	298,825
Total lease liabilities	$ 298,824	$ 396,806

Total rent expense for operating leases was $156,954 and $148,437 for the years ended December 31, 2023 and 2022, respectively.

Weighted average remaining lease term and weighted average discount rate for the Company's leases as of December 31, 2023 and 2022 are as follows:

Operating Leases	2023	2022
Weighted average remaining term (in years)	3.6	4.6
Weighted average discount rate (1)	1.13%	1.13%

(1) The Company has elected to use the risk-free rate as the discount rate for its leases. The Company uses rates on US government securities for periods comparable with lease terms as risk-free rates.

All of the Company's leases are considered operating leases. Future minimum rental payments on the Company's operating leases as of December 31, 2023 are as follows:

2024	116,942
2025	119,546
2026	67,827
Thereafter	-
Total lease payments	304,315
Less: interest on lease liabilities	(5,491)
Total lease liability	298,824
Less: current portion of the total lease liability	(113,555)
Noncurrent potion of the total lease liability	$ 185,269

Note 11 – Contingencies

The Company, from time to time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Company's management, any liability resulting from such litigation would not be material in relation to the Company's financial position and results of operations.

Note 12 - Employee benefit plan

The Company has a 401(k) Savings and Investment Plan (the "401(k) Plan"). Pursuant to the 401(k) Plan, the participants make contributions to the 401(k) Plan in varying amounts up to the maximum limits allowable under the Internal Revenue Code. There was a discretionary employer contribution of approximately $132,000 and $99,500 for the years ended December 31, 2023 and 2022, respectively.

Note 13 - Income taxes

Although the Company operates as a LLC one of the Company's acquired subsidiary, PrepFe, Inc., operates as a corporation. The Company accounts for income taxes under the asset and liability method, which requires deferred tax assets and liabilities to be recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax basis, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be reversed. Changes to enacted tax rates would result in either increases or decreases in the provision for income taxes in the period of changes.

The Company files income tax returns in the U.S. federal jurisdiction and various states. The components of the provision for income taxes for the year ended December 31, 2023 and the period from September 12, 2022 (PrepFE, Inc. acquisition) through December 31, 2022 consists of the following:

	2023	2022
Current tax expense:		
Federal	$ 95,252	$ 4,381
State	31,677	2,023
Total current tax expense	126,929	6,404
Deferred tax expense		
Federal	(26,418)	(8,806)
State	(12,199)	(4,066)
Total deferred tax expense	(38,617)	(12,872)
Total income tax benefit	$ 88,312	$ (6,468)

Deferred income tax reflects the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets	$ -	$ -
Deferred tax liabilities		
Goodwill	(158,388)	(197,005)
Total deferred tax liabilities	(158,388)	(197,005)
Total deferred tax liabilities	$ (158,388)	$ (197,005)

Note 14 - Subsequent events

On March 27, 2024, a letter of intent submitted by the Company was accepted to acquire the stock of a training and certification company in the crisis intervention market for an aggregate purchase price of approximately $9,200,000.

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