Intelvio, LLC and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

December 31, 2023

CohnReznick
ADVISORY • ASSURANCE • TAX

Intelvio, LLC and Subsidiaries

Index

Independent Auditor's Report

To the Managing Member of the Board of Directors
Intelvio, LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of Intelvio, LLC and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2023, and the related statements of operations and comprehensive loss, members' equity, and cash flows for the period from March 31, 2023 (inception) through December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of the Intelvio, LLC and Subsidiaries as of December 31, 2023, and the results of their operations and their cash flows for the period from March 31, 2023 (inception) through December 31, 2023, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are required to be independent of Intelvio, LLC and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated 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 are relevant to the preparation and fair presentation of the 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 Intelvio, 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 Consolidated 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.

CohnReznick

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 Intelvio, 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 Intelvio, 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
August 28, 2024

Intelvio, LLC and Subsidiaries

Consolidated Balance Sheet
December 31, 2023

Assets	
Current assets	
Cash and cash equivalents	$ 6,144,532
Accounts receivable	392,646
Prepaid expenses and other current assets	336,613
Total current assets	6,873,791
Property and equipment, net	240,262
Other assets	292,966
Operating lease assets	6,201,651
Intangible assets, net	29,864,167
Goodwill, net	102,202,574
Total assets	$ 145,675,411
Liabilities and Members' Equity	
Current liabilities	
Accounts payable, accrued liabilities and other current liabilities	$ 1,855,900
Accrued earnout liabilities	3,500,000
Deferred revenue	1,878,947
Current portion of loans payable	2,100,000
Current portion of lease liabilities	2,328,299
Total current liabilities	11,663,146
Long-term loans payable, net	50,301,668
Lease liabilities, net of current portion	3,949,080
Long-term deferred revenue	144,856
Deferred tax liability, net	804,322
Total liabilities	66,863,072
Members' equity	
Class A preferred units	96,363,588
Additional paid-in-capital	186,680
Accumulated deficiency	(17,747,015)
Accumulated other comprehensive income	9,086
Total members' equity	78,812,339
Total liabilities and members' equity	$ 145,675,411

See Notes to Consolidated Financial Statements.

Intelvio, LLC and Subsidiaries

Consolidated Statement of Operations and Comprehensive Loss
Period from March 31, 2023 (Inception) through December 31, 2023

Revenue	$ 24,421,038
Operating expenses	
Depreciation and amortization	15,603,836
Payroll expenses	5,668,232
Program and class expenditures	3,204,897
Transaction expenses	3,094,484
General and administrative	2,980,244
Occupancy	2,388,994
Advertising and marketing	1,959,924
Equity-based compensation	186,680
Total operating expenses	35,087,291
Loss from operations	(10,666,253)
Other expenses	
Interest expense, net	4,713,781
Fair value adjustment of earnout liability	2,040,000
Total other expenses	6,753,781
Loss before income taxes	(17,420,034)
Income tax expense	326,981
Net loss	(17,747,015)
Other comprehensive income	
Currency translation adjustment	9,086
Comprehensive loss	$ (17,737,929)

See Notes to Consolidated Financial Statements.

Intelvio, LLC and Subsidiaries

Consolidated Statement of Members' Equity
Period from March 31, 2023 (Inception) through December 31, 2023

	Class A Units					Accumulated other comprehensive	Total members'
	Units	Amount	Additional paid-in capital	Accumulated deficiency		income	equity
Balance, March 31, 2023 (inception)	-	$ -	$ -	$ -		$ -	$ -
Acquisition of businesses through issuance of member units	100,000	96,363,588	-	-		-	96,363,588
Equity-based compensation	-	-	186,680	-		-	186,680
Net loss	-	-	-	(17,747,015)		-	(17,747,015)
Currency translation adjustments	-	-	-	-		9,086	9,086
Balance, December 31, 2023	100,000	$ 96,363,588	$ 186,680	$ (17,747,015)		$ 9,086	$ 78,812,339

See Notes to Consolidated Financial Statements.

Intelvio, LLC and Subsidiaries

Consolidated Statement of Cash Flows
Period from March 31, 2023 (Inception) through December 31, 2023

Cash flows from operating activities	
Net loss	$ (17,747,015)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation and amortization	15,603,836
Fair value adjustment of earnout liability	2,040,000
Net change in operating lease costs	75,728
Amortization of debt issuance costs	263,427
Deferred taxes	(196,558)
Equity-based compensation	186,680
Payment-in-kind interest on loans payable	616,819
Changes in operating assets and liabilities	
Accounts receivable	284,213
Prepaid and other assets	(336,613)
Other assets	115,363
Accounts payable, accrued expenses and other current liabilities	692,528
Deferred revenue	486,698
Net cash provided by operating activities	2,085,106
Cash flows from investing activities	
Cash paid for acquisition of Intelvio, net of cash acquired	(87,118,386)
Cash paid for acquisition of Positive Psychology, net of cash acquired	(13,158,685)
Acquisition of property, plant and equipment	(111,185)
Net cash used in investing activities	(100,388,256)
Cash flows from financing activities	
Proceeds from issuance of preferred stock, net of equity issuance costs	52,917,174
Proceeds from long-term loans payable	54,700,000
Debt issuance costs paid	(1,854,828)
Repayment of long-term loans payable	(1,323,750)
Net cash provided by financing activities	104,438,596
Net increase in cash and cash equivalents	6,135,446
Cash and cash equivalents, beginning	-
Effects of foreign exchange rate on cash	9,086
Cash and cash equivalents, end	$ 6,144,532

Intelvio, LLC and Subsidiaries

Consolidated Statement of Cash Flows
Period from March 31, 2023 (Inception) through December 31, 2023

Supplemental disclosure of cash flow information		
Interest paid	$	2,436,165
Income taxes paid	$	73,821
Supplemental disclosure of noncash investing and financing activities		
Acquisition of Intelvio Rollover units	$	43,446,414
Direct equity issuance costs	$	184,000
Positive Psychology earnout	$	1,460,000
Payment-in-kind interest converted into long-term loans payable	$	616,819
Cash paid for amounts included in the measurement of operating lease liabilities	$	1,883,381
Right-of-use assets obtained in exchange for operating lease liabilities	$	7,907,956

See Notes to Consolidated Financial Statements.

Note 1 - Description of business and basis of presentation

Description of business

Intelvio, LLC ("Intelvio") and its Subsidiaries (collectively, the "Company") operates within the professional education and training industry. The Company provides a variety of education courses specializing in phlebotomy that are approved by the appropriate state regulatory agencies, national organizations, or national accrediting bodies. Students are trained to become certified to work in several medical environments such as hospitals, blood banks, laboratories, physician's offices, and plasma centers. A majority of the Company's revenue is generated through live and in-person courses and exam fees for testing services provided by the Company's wholly-owned Subsidiary, NHCO, LLC.

The Company was formed under the laws of the State of Utah on September 8, 2014, and amended its certificate of organization to be named Intelvio, LLC on December 22, 2022, as a wholly-owned Subsidiary of Intelvio Intermediate, LLC (the "Parent"). Intelvio was acquired by the Parent, effective March 31, 2023. The consolidated financial statements herein include the financial results from March 31, 2023 (inception) through December 31, 2023.

On May 26, 2023, the Company acquired Inter Fluenta B.V., a private limited liability company existing under Dutch law (d/b/a Positive Psychology) through Intelvio Behavioral Health Training, Inc. (a new Subsidiary of Intelvio LLC). Positive Psychology is located in the Netherlands with primary business providing training and instructional materials relating to positive approaches to treatment for therapists, coaches, and individuals to use in their respective practices. The consolidated financial statements herein include the financial results from May 26, 2023 through December 31, 2023.

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned Subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements has been prepared in accordance with accounting principles generally accepted in the United States of America.

Note 2 - Summary of significant accounting policies

Use of estimates

The preparation of the 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. Significant items subject to such estimates and assumptions include fair values used in purchase price allocations, revenue recognition and contingent liabilities. Actual results could differ from those estimates.

Revenue recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 March 31, 2023 (inception), accounts receivable and deferred revenue were $382,312 and $847,605, respectively.

The Company generates revenue primarily from four main sources: (1) course tuition revenue, (2) exam fee revenue, (3) digital content sales and (4) subscription revenue.

Course tuition revenue
Course tuition revenue is derived from providing customers in-person training classes that are of a short duration and are generally completed shortly after payment received. Customers typically sign up for a course which includes a set number of classes which they are enrolled in. The access to a seat in the classes and the certification upon completion of the course are the Company's performance obligations. As these classes are held over different dates, revenue is recognized ratably over the time it takes to complete the course. Some customers do not complete the course. Since there is no specified limitation to how many times a customer can reschedule a class, 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.

For the period ended March 31, 2023 (inception) through December 31, 2023, revenues from course tuition revenue accounted for approximately 84% of total revenue.

Exam fee revenue
Exam fee revenue is derived from the Company administering the exam for licensure or certification. The exam is typically available to be taken by the customer after classes have been completed. Providing the access to the exam is the Company's performance obligation, and revenue is recognized at the point in time when the customer is able to take the exam. Some states only allow tests for licensure or certification to be administered by the state board, in which case the Company collects the exam fee on behalf of the states and remits the amounts to the state board net of a small agency fee, which is recorded as revenue once the customer is able to take the exam.

Digital content sales
Digital content sales are derived from providing customers with access to digital course content granted under a perpetual license. The Company's performance obligation is providing access to the digital content. Once payment is received, access to the content is granted. The customer then has the right to take possession of the digital content for personal or professional use and may download the content at any time. Therefore, revenue is recognized at the point in time payment is received and access to content is granted.

Subscription revenue
Subscription revenue is derived from providing customers access to an online digital content library through a subscription model. For these offerings, the performance obligation is access to the digital library during the subscription period and revenue is recognized ratably over the time of the subscription period.

Deferred revenue
Deferred revenues on the Company's consolidated financial statements are recorded when revenues are recognized subsequent to cash collection and performance obligations have not been satisfied. The Company recognizes revenue for training classes and testing fees as it performs on contract obligations, based on the stage of course completion and when the exams are taken. Invoices for both digital content use and subscription revenue are generally issued prior to providing customer with access to the materials.

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. As of December 31, 2023, the Company's bank balances in excess of United States federally insured limits totaled approximately $6,015,000. The Company maintains its cash deposits at financial institutions of high credit quality.

Accounts receivable and allowance for credit losses

Accounts receivable have been reduced by an allowance that reflects the current expected credit losses associated with the receivables. The current expected credit losses are estimated based on historical write-offs, current macroeconomic conditions, and reasonable and supportable forecasts of future economic conditions. Reserves are also established against specific receivables based on aging category, historical collection experience and management's evaluation of the financial condition of the customer. The Company generally considers an account past due or delinquent when a student misses a scheduled payment. The Company writes off accounts receivable balances deemed uncollectible against the allowance for credit losses following the passage of a certain period of time, or generally when the account is turned over for collection to an outside collection agency. There were no allowances for credit losses as of December 31, 2023.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment are calculated using the straight-line method over the estimated useful lives of the related assets. Office furniture, fixtures and various equipment have useful lives of five years.

Leasehold and building improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements. Costs of major additions and improvements are capitalized, and expenditures for maintenance and repairs which do not extend the useful life of the asset are expensed when incurred. Gains or losses arising from sales or retirements are reflected in operations.

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, long-lived assets subject to amortization were not impaired.

Capitalized course content and software

The Company internally develops course content and software for the purpose of providing in-person training classes. The Company has charged all development costs to general and administrative expense when incurred because, to date, its course content and software has been available for general release shortly after establishment of technological feasibility and, accordingly, capitalizable costs have not been material.

Goodwill
The Company adopted the authoritative guidance issued by the FASB in 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 company (or a reporting unit) may be below its carrying amount. The Company determined that as of December 31, 2023, goodwill was not impaired.

Direct issuance costs
Direct issuance 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.

Advertising costs
The Company expenses the cost of advertising as incurred. Advertising costs charged to operations amounted to approximately $1,960,000 for the period from March 31, 2023 (inception) through December 31, 2023.

Equity-based compensation
The Company accounts for its equity-based compensation awards in accordance with GAAP, which requires all equity-based compensation to employees, consultants, directors and service providers, including grants of profit interest grants, to be recognized in the consolidated statement of operations and comprehensive loss based on their grant date fair values.

Compensation expense related to awards is recognized on a straight-line basis on the grant date fair value over the requisite service period of the award, which is generally the vesting term. The Company uses an Option-Pricing Model to determine the grant date fair value of each award granted. Determining the fair value of profit interest units under this model requires highly subjective assumptions, including the fair value of the underlying units, the risk-free interest rate, the expected term of the award, the expected volatility of the price of the Company's units and the expected dividend yield of the Company's units. These estimates involve inherent uncertainties and the application of management's judgment.

Comprehensive income
Comprehensive income consists of net loss and currency translation adjustments. As of December 31, 2023, accumulated other comprehensive income consists solely of foreign currency translation adjustments.

Foreign currency
Assets and liabilities of the Company's foreign subsidiaries are translated into United States Dollars at the exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the mean averages of the month-long exchange rates for the respective monthly periods. Unrealized gains and losses from the translation of the consolidated financial statements of the foreign subsidiaries into United States dollars are included in members' equity as a component of accumulated comprehensive income.

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. 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 recognized 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 period from March 31, 2023 through December 31, 2023, the Company did not recognize interest and penalties associated with tax matters.

Subsequent events
The Company has evaluated subsequent events through August 28, 2024, which is the date the consolidated financial statements were available to be issued.

Note 3 - Acquisitions

Intelvio acquisition
On March 31, 2023, the Company was acquired. The acquisition was funded with gross proceeds from term-loans payable in the amount of $41,300,000, rollover equity contribution of $43,446,414 and member equity contribution in the amount of $53,101,173, for an aggregate purchase price of $133,681,000, which is net of deferred financing fees, transaction expenses and equity issuance costs of $4,350,587 in the aggregate. The transaction was accounted for as a business acquisition 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 some goodwill to be deductible for tax purposes.

The following table summarizes the consideration transferred and the "pushdown" new basis of accounting at the date of acquisition:

Total consideration transferred	
Cash paid at closing	$ 90,234,586
Rollover equity	43,446,414
Consideration paid for acquisition	$ 133,681,000
The total purchase price was allocated by the following:	
Cash and cash equivalents	$ 3,116,200
Accounts receivable	382,312
Right-of-use lease assets	5,451,367
Other assets	534,851
Intangible assets	32,650,000
Goodwill	98,587,149
Accounts payable, accrued expenses and other current liabilities	(741,907)
Right-of-use lease liabilities	(5,451,367)
Deferred revenue	(847,605)
	$ 133,681,000

In relation to the acquisition, the Company expensed $2,463,308 included in transaction expenses on the consolidated statement of operations and comprehensive loss.

Positive Psychology Acquisition
On May 26, 2023, the Company effectuated a transaction with its investors whereby the Company's subsidiary Intelvio Behavioral Health Training, Inc. acquired Inter Fluenta B.V. and subsidiaries (d/b/a Positive Psychology). The Company funded the acquisition through cash of $1,066,635, financing from the Company's senior lender with gross proceeds from delayed draw term-loans in the amount of $13,400,000, and contingent consideration valued at the time of acquisition of $1,460,000 for an aggregate purchase price of $14,960,000, which is net of deferred financing fees and transaction expenses of $975,779 in the aggregate. The transaction was accounted for as a business acquisition 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:

Total consideration transferred		
Cash paid at closing	$	13,500,000
Contingent earnout liability		1,460,000
Consideration paid for acquisition	$	14,960,000
The total purchase price was allocated by the following:		
Cash and cash equivalents	$	341,315
Receivables from former shareholders		294,547
Other assets		184,519
Intangible assets		4,560,000
Goodwill		11,691,464
Accounts payable, accrued expenses and other current liabilities		(421,465)
Deferred tax liability		(1,000,880)
Deferred revenue		(689,500)
	$	14,960,000

In relation to the acquisition, the Company expensed $631,176 included in transaction expenses on the consolidated statement of operations and comprehensive loss.

Note 4 - Property and equipment, net

Property and equipment and the related accumulated depreciation thereon consist of the following as of December 31, 2023:

Machinery and equipment	$	156,235
Furniture and fixtures		77,995
Vehicles		43,502
Total property and equipment		277,732
Less accumulated depreciation		(37,470)
Property and equipment, net	$	240,262

Depreciation expense on property and equipment totaled $39,468 during the period ended March 31, 2023 (inception) through December 31, 2023.

Note 5 - Goodwill

During the period from March 31, 2023 (inception) through December 31, 2023, the Company recognized goodwill amortization expense totaling $8,076,039:

Goodwill, net, beginning of period	$ -
Acquisitions	
Intelvio	98,587,149
Positive Psychology	11,691,464
Less amortization	(8,076,039)
Goodwill, net, end of period	$ 102,202,574

Note 6 - Intangible assets

The following table summarizes the Company's intangible assets as of December 31, 2023:

	Amortization period	Gross carrying value	Accumulated amortization	Net carrying value
Trademarks/names	10 years	$ 9,880,000	$ (730,000)	$ 9,150,000
Proprietary course content	3 years	27,330,000	(6,615,833)	20,714,167
Total intangible assets, net		$ 37,210,000	$ (7,345,833)	$ 29,864,167

Intangible asset amortization expense totaled approximately $7,345,833 during the period from March 31, 2023 (inception) through December 31, 2023.

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

2024	$ 10,098,000
2025	10,098,000
2026	3,482,167
2027	988,000
2028	988,000
Thereafter	4,210,000
Total	$ 29,864,167

Note 7- Accrued earnout liability

As of December 31, 2023, accrued earnout liabilities in the amount of $3,500,000 is related to amounts owed to the former owners of Positive Psychology. The fair value of the earnout liability was estimated at the time of acquisition to be $1,460,000. As of December 31, 2023, the Company determined that they would be liable for the full amount of the earnout in the amount of $3,500,000. The Company accrued an additional expense of $2,040,000, which is included in other expenses on the consolidated statement of operations and comprehensive loss.

Note 8 - Revenue

Revenue by timing of revenue recognition for the period from March 31, 2023 (inception) through December 31, 2023, revenue is as follows:

Over time	$ 21,049,797
Point in time	3,371,241
Total revenue	$ 24,421,038

As of December 31, 2023, deferred revenue consists primarily of amounts received for tuition revenue, which are recognized over the estimated time to complete the applicable courses, as well as deposits and subscription revenue pertaining to unsatisfied performance obligations.

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

2024	$ 1,878,947
2025	144,856
Total	$ 2,023,803

Note 9 - Term loans payable

Revolving credit and term loan agreement

On March 31, 2023, the Company entered into 1) a revolving credit and term loan agreement with an unrelated third-party lender and the related agent, for an aggregate principal amount of $14,600,000, 2) two delayed draw term loan facilities for an aggregate principal amount not to exceed $13,400,000 and $8,300,000, respectively, and 3) a revolving credit facility for an aggregate principal amount of up to $2,500,000. The loan proceeds were designated, in part, to be used in connection with permitted future acquisitions. The agreement matures on March 31, 2028. The loans bear an interest rate set at Secured Overnight Financing Rate ("SOFR") plus an applicable margin. The effective interest rate was 9.50% as of December 31, 2023.

Under the terms of the revolving credit and term loan agreements, and the delayed draw term loan facilities, the Company has pledged all equity interests and certain assets in the Company as collateral. The agreement contains certain covenants that requires maintenance of certain financial and nonfinancial measures commencing on June 30, 2023. The financial covenants include a maximum total leverage ratio, a minimum fixed coverage ratio, and maximum annual capital expenditures.

The outstanding principal and interest amounts of all revolving loans, together with accrued and unpaid interest, are due upon the maturity date unless terminated prior to maturity. Principal and interest amounts on the term loans and delayed-draw term loans are due in equal quarterly principal installments, commencing on June 30, 2023, and on the last day of each fiscal quarter thereafter, with a final payment equal to the unpaid principal amount on the maturity date of the loan.

Senior subordinated credit agreement

On March 31, 2023, the Company entered into a senior subordinated credit agreement with an unrelated third-party lender for a principal balance of $26,700,000, and a delayed draw term loan facility for an aggregate principal amount not to exceed $15,000,000, net of direct issuance costs.

The senior subordinated credit agreement bears cash interest at a rate of 10% per annum, which is due and payable on a monthly basis through the maturity date of the loan. The note also bears paid-in-kind ("PIK") interest at a rate of 3% per annum, which accrues and is added to the principal balance of the loan on a monthly basis for the calculation of cash interest payable. The note carries customary prepayment penalties and matures on September 30, 2028, at which point all outstanding principal and PIK interest is due and payable.

Under the terms of the senior subordinated credit agreement, the Company has pledged its trademarks as collateral. The agreement contains certain covenants that requires maintenance of certain financial and nonfinancial measures. The financial covenants include a maximum total leverage ratio, a minimum fixed coverage ratio, and maximum annual capital expenditures.

As of December 31, 2023, loans payable are summarized as follows:

Term loans payable	$ 53,993,069
Less current portion loans payable	(2,100,000)
Less direct issuance cost, net	(1,591,401)
Loans payable	$ 50,301,668

Maturity of the loans payable for the years subsequent to December 31, 2023 is as follows:

2024	$ 2,100,000
2025	2,100,000
2026	2,100,000
2027	2,100,000
2028	45,593,069
Total	$ 53,993,069

During the period from March 31, 2023 (inception) through December 31, 2023, the Company incurred deferred financing fees of $1,854,828 in connection with the establishment of the credit and term loans agreements. Interest expense related to amortization of deferred financing fees was $263,427. Amortization of deferred financing fees is included in interest expense on the consolidated statement of operations and comprehensive loss.

Note 10 - Members' equity

As of December 31, 2023, 100,000 member units, which represent all of the authorized, issued and outstanding membership interests of the Company.

Equity-based compensation

Pursuant to the terms and conditions of the Operating Agreements of Intelvio Management Holdco, LLC and Intelvio Holdings, LLC, the ultimate parent of the Company, permits the granting of profit interest units ("Class P Units").

The purpose of the profit interest units is to advance the interests of the Company and its members by recruiting and retaining highly qualified employees, directors and consultants by providing such persons with an incentive for productivity and opportunity to share in the growth and value of the Company. While grants are made by the Parent, the related equity-based compensation costs are tied to individuals performing services for the Company and therefore recorded by the Company at their fair value as equity-based compensation expense.

During the period from March 31, 2023 (inception) through December 31, 2023, the Company granted 6,972,881 Class P Units to employees and directors of the Company. The fair value of Class P Units is determined on the date of the grant based on the fair value of each unit as of that date. Management, with the assistance of a third-party valuation firm, has estimated the fair value of each Class P Unit as of the grant date. The fair value of each unit is estimated on the grant date using the Black-Scholes option pricing model. The expected volatility of the profit interest 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 to not issue a dividend under its dividend policy. The assumptions used for grants include a risk-free rate of 3.91%, volatility of 55%, a zero-dividend yield, and an expected life of five years for all units granted during the period from March 31, 2023 (inception) through December 31, 2023.

For the period from March 31, 2023 (inception) through December 31, 2023, the Company recognized $186,680 of compensation expense related to employee profit sharing units. As of December 31, 2023, unvested equity compensation was $1,626,270. The Company will recognize the effects of forfeitures in compensation expense when they occur. There were no forfeited shares during the period from March 31, 2023 (inception) through December 31, 2023.

A summary of the status of the nonvested profit-sharing units granted to employees for the period from March 31, 2023 (inception) through December 31, 2023 is presented below:

	Number of units	Weighted average grant date fair value per unit
Outstanding at March 31, 2023 (inception)	-	$ -
Granted	6,972,881	0.29
Vested	-	-
Forfeited	-	-
Outstanding at December 31, 2023	6,972,881	$ 0.29

Note 11 - Operating leases

The Company leases its corporate offices and in-person training facilities under operating leases that have various expiration dates. All contracts that implicitly or explicitly involve property, and equipment are evaluated to determine whether they are or contain a lease. Leases of office locations have lease terms that generally range from one to nine 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 nonlease 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 nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise 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 lease assets and lease liabilities for its operating leases as of December 31, 2023:

Right-of-use assets		
Operating leases	$	6,201,651
Total leased assets	$	6,201,651
Lease liabilities		
Current operating leases	$	2,328,299
Noncurrent operating leases		3,949,080
Total lease liabilities	$	6,277,379

For the period from March 31, 2023 (inception) through December 31, 2023, total rent expense for operating leases was $2,364,184.

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

	Operating leases
Weighted average remaining term (in years)	3.45
Weighted average discount rate (1)	4.25%

(1) The Company has elected to use the risk-free rate as the discount rate for its leases. The Company uses rates on United States 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	$	3,061,770
2025		2,462,662
2026		1,939,999
2027		1,070,696
2028		553,585
Thereafter		118,500
Total lease payments		9,207,212
Less interest on lease liabilities		(2,929,833)
Total lease liability		6,277,379
Less current portion of the total lease liability		(2,328,299)
Noncurrent portion of the total lease liability	$	3,949,080

Note 12 - Income taxes

Although the Company operates as a LLC one of the Company's acquired subsidiaries, Positive Psychology, operates as a corporation. The Company accounts for income taxes under the asset and liability method, which required 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 components of the provision for income taxes for the period from March 31, 2023 (inception) through December 31, 2023 and the period from May 26, 2023 (Positive Psychology acquisition) through December 31, 2023, consists of the following:

Current tax expense		
Federal	$	-
State		-
Foreign		523,539
Total current tax expense		523,539
Deferred tax expense		
Federal		-
State		-
Foreign		(196,558)
Total deferred tax expense (benefit)		(196,558)
Total income tax expense	$	326,981

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 are as follows:

Deferred tax assets	$	166,575
Deferred tax liabilities		
Intangible asset amortization		(970,897)
Total deferred tax liabilities, net	$	(804,322)

Note 13 - Commitment and 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 14 - 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.

Note 15 - Subsequent events

On January 16, 2024, the Company entered into a Membership Interest Purchase Agreement to acquire all issued and outstanding equity interests of Classward LLC (d/b/a "Classward") for an aggregate purchase price of approximately $9,000,000. Classward is an online preparation course to help EMT's and first responders in their certification of state and national licenses.

On July 16, 2024, the Company entered into a Membership Interest Purchase Agreement to acquire all issued and outstanding equity interests of Professional Crisis Management Association LLC ("PCMA") for an aggregate purchase price of approximately $8,000,000. PCMA is a crisis management training and certification company based in Sunrise, Florida.

CohnReznick
ADVISORY • ASSURANCE • TAX