

**FORSYTH EMA HOLDINGS, LLC  
AND SUBSIDIARIES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the years ended September 30, 2020 and 2019**

# FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	3
Consolidated Statements of Income and Comprehensive Income	4
Consolidated Statements of Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
<b>Management Report</b>	32
<b>Supplementary Information</b>	
As of and for the year ended September 30, 2020:	
Consolidating Balance Sheet	38
Consolidating Statement of Income and Comprehensive Income	40
Consolidating Statement of Members' and Stockholders' Equity	41
Consolidating Statement of Cash Flows	42
As of and for the year ended September 30, 2019:	
Consolidating Balance Sheet	43
Consolidating Statement of Income and Comprehensive Income	45
Consolidating Statement of Members' and Stockholders' Equity	46
Consolidating Statement of Cash Flows	47



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## Report of Independent Auditors

The Board of Directors  
Forsyth EMA Holdings, LLC

We have audited the accompanying consolidated financial statements of Forsyth EMA Holdings, LLC and subsidiaries, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of income and comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Forsyth EMA Holdings, LLC and subsidiaries at September 30, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets as of September 30, 2020 and 2019, and the related consolidating statements of operations and comprehensive income, members' and stockholders' equity and cash flows are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying management report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, accordingly, we express no opinion on it.

*Ernst & Young LLP*

December 2, 2020

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except unit and share data)

	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 20,193	\$ 7,710
Cash, client trust accounts	56,516	69,804
Accounts receivable, net	62,774	48,454
Unbilled revenue, net	25,959	19,732
Prepaid expenses and other assets	5,930	4,817
Income tax receivable	–	736
Total current assets	<u>171,372</u>	<u>151,253</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>7,625</b>	<b>6,199</b>
<b>OTHER ASSETS</b>		
Goodwill	67,564	60,371
Intangibles, net	46,870	49,963
Deferred tax assets, net	3,742	981
Other assets	514	503
Total other assets	<u>118,690</u>	<u>111,818</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 297,687</u></b>	<b><u>\$ 269,270</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 4,449	\$ 38,551
Accounts payable and accrued expenses	11,402	11,181
Accrued compensation	27,709	20,556
Client trust accounts	56,516	69,804
Contingent consideration, current portion	339	347
Deferred revenue, current portion	862	602
Accrued share-based compensation, current portion	10,198	4,014
Income tax payable	3,125	–
Other current liabilities	649	916
Total current liabilities	<u>115,249</u>	<u>145,971</u>
<b>OTHER LIABILITIES</b>		
Long-term debt less current maturities	48,960	1,937
Contingent consideration, less current portion	4,428	7,463
Accrued share-based compensation, less current portion	12,985	13,697
Deferred rent, less current portion	2,403	2,570
Other liabilities	5,074	15
<b>TOTAL LIABILITIES</b>	<b><u>189,099</u></b>	<b><u>171,653</u></b>
<b>MEMBERS' EQUITY</b>	<b><u>108,588</u></b>	<b><u>97,617</u></b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$ 297,687</u></b>	<b><u>\$ 269,270</u></b>

See accompanying notes.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(In thousands, except unit and share data)

	<b>Years ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Revenue, net	<b>\$ 305,407</b>	\$ 302,680
Operating expenses:		
Cost of revenues	<b>178,041</b>	174,854
Selling, general and administrative expenses	<b>99,611</b>	101,178
Depreciation and amortization expenses	<b>10,428</b>	10,562
Remeasurement of contingent consideration	<b>(3,978)</b>	(228)
Total operating expenses	<b>284,102</b>	286,366
<b>Income from operations</b>	<b>21,305</b>	16,314
Other income (expense):		
Interest expense, net	<b>(2,231)</b>	(2,304)
<b>Income before income taxes</b>	<b>19,074</b>	14,010
Provision for income taxes	<b>5,658</b>	5,420
<b>Net income</b>	<b>13,416</b>	8,590
Other comprehensive income (loss):		
Foreign currency translation gain (loss)	<b>818</b>	(640)
<b>Comprehensive income</b>	<b>\$ 14,234</b>	\$ 7,950

*See accompanying notes.*

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**  
(In thousands, except unit and share data)

	<b>Class A</b>	
	<b>Units</b>	<b>Amount</b>
<b>Balance at September 30, 2018</b>	36,079,633	\$ 96,834
Class A unit redemptions	(1,136,505)	(7,796)
Class A unit issuances	92,047	629
Foreign currency translation	-	(640)
Net income	-	8,590
<b>Balance at September 30, 2019</b>	35,035,175	97,617
Class A unit redemptions	(405,891)	(3,363)
Class A unit issuances	11,562	100
Foreign currency translation	-	818
Net income	-	13,416
<b>Balance at September 30, 2020</b>	<b>34,640,846</b>	<b>\$ 108,588</b>

*See accompanying notes.*

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands, except unit and share data)

	Years ended September 30	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 13,416	\$ 8,590
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	10,428	10,562
Bad debt expense	2,021	549
Deferred taxes	(2,761)	(651)
Shared-based compensation expense	7,193	5,381
Shared-based compensation redemptions	(606)	–
Remeasurement of contingent consideration	(3,978)	(228)
Changes in operating assets and liabilities:		
Accounts receivable	(15,502)	(1,069)
Unbilled revenue	(6,016)	2,702
Prepaid expenses and other assets	(1,098)	(784)
Accounts payable and accrued expenses	(692)	2,193
Accrued compensation	7,153	(4,537)
Deferred revenue	260	(704)
Deferred rent	(167)	(279)
Income taxes payable/receivable	3,861	(656)
Other assets/liabilities	4,688	(231)
Net cash provided by operating activities	<u>18,200</u>	<u>20,838</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(3,655)	(2,293)
Cash paid for acquisition, net of cash acquired	(9,850)	(745)
Net cash used in investing activities	<u>(13,505)</u>	<u>(3,038)</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on debt	(57,103)	(22,242)
Borrowings on debt	67,255	14,543
Proceeds from issuance of Class A Units	–	99
Redemption of Class A Units	(2,117)	(7,034)
Share-based compensation redemptions	–	(3,031)
Payment of contingent consideration	(347)	–
Net cash provided by (used in) financing activities	<u>7,688</u>	<u>(17,665)</u>
Effects of foreign currency on cash	<u>100</u>	<u>80</u>
<b>NET CHANGE IN CASH</b>	<b>12,483</b>	<b>215</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b>7,710</b>	<b>7,495</b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b>\$ 20,193</b>	<b>\$ 7,710</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 1,940	\$ 2,235
Income taxes paid	4,827	6,525
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>		
Class A Units issued for acquisition	100	530
Issuance of note payable for share redemption	1,247	762
Issuance of note payable for share-based compensation redemption	1,115	13
Issuance of note payable for acquisition	500	–

See accompanying notes.



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 1 – COMPANY OPERATIONS**

**Description of the Business**

Forsyth EMA Holdings, LLC and Subsidiaries, (the “Company”) is a multi-line commercial and personal-line insurance claims adjuster, claims administrator, forensic consultant and provider of technical restoration and machine repairs operating in the United States and internationally. The Company offers services related to commercial and personal-lines claims adjusting, third-party claims administration and forensic consulting. The Company’s forensic consulting services include engineering, fire investigation, equipment loss consulting, digital and cyber forensics and equipment restoration services.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the consolidated financial statements.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Forsyth EMA Holdings, LLC, its direct wholly-owned subsidiary Forsyth Mezzanine, Inc. as well as indirectly wholly owned subsidiaries Cor Partners, Inc., Engle Martin & Associates, LLC (“Engle Martin”), Eberl Claims Service, LLC (“Eberl”), Alliance Holdings, LLC, Alliance MRP, Inc., Envista Forensics, LLC, Envista Forensics Ltd., Envista Forensics PTE, Ltd., Envista Forensics PTY, Ltd., Envista Forensics PR LLC, LWG UK Consulting Ltd., Arepa Holding Denmark ApS, Arepa A/S, Arepa Danmark A/S, Arepa Sverige AB, Arepa Holding BV, Arepa Benelux B.V., Inspexx B.V., LWG Forensics, Inc. and LWG Consulting Mexico S.A. de C.V., (collectively the “Company”). All intercompany transactions and balances have been eliminated on consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents represent cash available in various banks. Cash and cash equivalents include instruments with three months or less maturity.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Concentration of Credit Risk**

The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. The Company does not believe it is exposed to any significant credit risk in such accounts as the Company maintains its cash and investments with what management believes to be quality financial institutions. Management has determined this as a normal business risk.

Revenue from one customer represented 25% of total revenue for the years ended September 30, 2020 and 2019, and 26% and 13% of accounts receivable, net at September 30, 2020 and 2019, respectively.

**Revenue Recognition**

The Company derives substantially all of its revenue from professional services related to claim service agreements. The Company's fee and other revenue is primarily comprised of claims processing and program administration fees. Service revenue is recognized by providing field investigation and evaluation of claims for insurance companies, loss reporting services and mitigation services, risk management information services and forensic consulting services.

Revenues generated from the services performed are generally invoiced to the customer when all agreed-upon services have been provided to the customer. Revenue from contracts with customers is measured as the amount of consideration the Company expects to receive in exchange for providing services. Sales, use, value added and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

Revenue is recognized over time as services are provided and performance obligations are satisfied through the effort expended to research, investigate, evaluate, document and report. Control of these services is transferred to the customer as these performance obligations are satisfied.

As a result, at any given time, a contract asset exists related to services that have been performed but not yet billed to the customer. The Company utilizes the input method and performs a calculation at the end of each accounting period whereby it analyzes all work-in-process, generally representing the numbers of hours incurred at contractual hourly rates. This method was selected because the costs incurred are proportionate to the Company's progress in satisfying the performance obligation and therefore it faithfully depicts the Company's performance on the contract. The revenue recorded at each period-end reflects the estimated revenue recognition for services provided over time, based on contractual billing rates with customers.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As it relates to the distinction between a contract asset and a receivable, as defined in Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, the Company bills its customers once services have been rendered and the Company has an unconditional right to consideration as only the passage of time is required before payment of that consideration is due. The contract assets that the Company maintains are related to unbilled revenues recognized on services that have been performed but the entire contract has not yet been completed. The timing of completion and billing of contracts is dependent on a number of factors and generally occurs within one to two months of work being performed. These contract assets are presented as unbilled revenue on the consolidated balance sheets. As of September 30, 2020 and 2019, the allowance on such contract assets was \$963 and \$754, respectively. Contract liabilities are presented as deferred revenue on the consolidated balance sheets. As of September 30, 2020 and 2019, deferred revenues were \$888 and \$628, respectively.

Payment terms for services do not typically exceed normal payment terms used by the industry. The Company does not have significant financing components or material collectability concerns in relation to its current contracts.

**Cost of Revenues**

Cost of revenues includes annual compensation (excluding share-based compensation expense) and related fringe benefits for direct labor, billable contract labor and billable expenses. In addition, it includes certain non-directly billable expenses necessary for delivery of a project, including expenses such as supplies and license fees.

**Foreign Currency Transactions**

The Company records foreign currency transactions at the exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are included in selling, general and administrative expenses.

**Foreign Currency Translations**

The functional currencies of the Company’s foreign operations are the local currencies. The financial statements of the Company’s foreign subsidiaries have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Any resulting translation adjustments are reported in accumulated other comprehensive income, a component of members’ equity.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable, Net**

The Company's trade receivables consist of amounts billed for services performed that remain outstanding from customers that are predominately major insurance companies, underwriters and large entities that are self-insured. The Company routinely assesses the financial strength of its customers and believes that accounts receivable are stated at their net realizable value and credit risk exposure is limited. Generally, the Company does not require collateral for its accounts receivable.

The Company also maintains an allowance for doubtful accounts based upon the expected collectability of accounts receivable. When specific amounts are determined to be uncollectible, they are charged to the allowance concurrent with such determination.

As of September 30, 2020 and 2019, the allowance for doubtful accounts was \$4,211 and \$2,847, respectively.

**Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation. The straight-line method is used for computing depreciation on substantially all property and equipment, which ranges from 3 to 10 years. Leasehold improvements are amortized over the shorter of the assets' useful lives or the term of the lease.

**Impairment of Long-Lived Assets**

The Company's long-lived assets, such as property and equipment and intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of these assets may not be recoverable. When such events or changes in circumstances occur, recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted 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. There were no impairment charges recognized in 2020 or 2019.

**Goodwill**

For identified intangible assets acquired in business combinations, the Company allocates purchase consideration based on the fair value of intangible assets acquired.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Goodwill represents the excess of cost over the fair value of net tangible and identifiable intangible assets acquired and is generally made up of expected synergies from combining the operations of the Company's acquirees into our operations.

The Company evaluates goodwill for impairment on an annual basis, or more frequently if management believes indicators of impairment exist. This impairment analysis is performed at the reporting unit, which the company has determined to be the entity level. The first step assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. This involves comparing the fair values of the reporting unit using a combination of the income, or undiscounted cash flows approach and the market approach, which utilizes comparable companies' data. The amount by which the carrying value of the reporting unit exceeds the reporting unit's fair value, if any, is recognized as an impairment loss, not to exceed the carrying value of goodwill. The Company's evaluation of goodwill at September 30, 2020 and 2019 resulted in no impairment loss.

**Intangible Assets**

Intangible assets with finite lives are amortized over their respective useful lives, which range from 2 to 20 years. Amortizable intangible assets include non-competition agreements, customer relationships, trade names and unpatented technology.

**Income Taxes**

Income tax expense includes federal, state and foreign taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes.

Income taxes are provided at the applicable rates on the basis of items included in the determination of income for income tax purposes. The Company's effective tax rate may be different than what would be expected if the federal, state and foreign statutory rates were applied to income from continuing operations primarily because of amounts expensed for financial reporting that are not deductible for tax purposes and items taxable for tax purposes or deductible for tax purposes which are not includable for financial reporting and valuation allowances recorded against deferred tax assets that management believes are not more likely than not to be realized.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company accounts for uncertainty in income taxes by establishing the minimum recognition threshold that an income tax position is required to meet before being recognized in the financial statements, for all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. As of September 30, 2020 and 2019, there were no uncertain tax positions that require accrual or adjustment.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. Subsequent to September 30, 2017, the Company was notified that its 2016 federal income tax return was under review by the Internal Revenue Service. During the year-ended September 30, 2018, the Company was notified that the Internal Revenue Service finalized its review of the 2016 U.S. federal income tax return with no adjustments made to reported tax. With few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for years before 2017.

Deferred income taxes are provided for timing differences between financial reporting and income tax purposes. Deferred income taxes are computed on the liability method and deferred tax assets are recognized only when realization is more likely than not. Deferred income taxes are calculated based on the enacted rate applicable when the temporary differences are estimated to reverse.

**Fair Value of Financial Instruments**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Level 2 – Inputs to the valuation methodology include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Share-based compensation:* Each unit award is determined using an Economic Value Added ("EVA") methodology. The EVA methodology relies extensively on discounted future cash flows.

*Contingent Purchase Consideration:* Valued based on the Monte Carlo Simulation Model which relies upon the net present value of expected future cash flows, projected earnings and consideration payments.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different fair value measurements at the reporting date.

The fair value of the above liabilities as of the reporting date is determined using significant unobservable inputs or Level 3 in the fair value hierarchy.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair values of liabilities measured at fair value on a recurring basis are as follows at September 30:

	<u>2020</u>	<u>2019</u>
Share-based compensation	\$ 23,183	\$ 17,711
Contingent consideration	4,767	7,810
Total liabilities	<u>\$ 27,950</u>	<u>\$ 25,521</u>

The following table sets forth a summary of changes in the fair value of the Company's level three liabilities:

	<u>2020</u>	<u>2019</u>
Balance, October 1	\$ 25,521	\$ 22,579
Remeasurement of contingent consideration	(3,978)	(228)
Increase in contingent consideration due to acquisitions	1,282	820
Contingent consideration payment	(347)	–
Share-based compensation redemptions	(1,721)	(3,031)
Share-based compensation expense	7,193	5,381
Balance, September 30	<u>\$ 27,950</u>	<u>\$ 25,521</u>

**Share-Based Compensation**

The Company accounts for its share-based compensation plans in accordance with the provisions of ASC 718, *Share-Based Payment*. ASC 718 requires companies to recognize expense related to the fair value or intrinsic value of share-based compensation awards, including employee stock options. In accordance with the Company's limited liability agreement, the Company is authorized to issue Class B, C, D, E, F, G, H, I, J, K, L, M and N units of Forsyth EMA Holdings, LLC. Classes B through N represent profits interest units and do not convey any ownership or voting rights in the Company. The units vest ratably over a five-year period. The units are accounted for using the intrinsic value method. Compensation cost and the related liabilities equal to the increase in the intrinsic value of the units over the estimated intrinsic value at the date of grant are recognized over the five-year service period. The units are re-measured at each reporting date and are settled upon redemption in cash.

**Other Comprehensive Income**

GAAP requires that recognized revenue, expenses, gains and losses be included in income. However, certain changes in assets and liabilities such as foreign currency translation adjustments are reported as a direct adjustment to members' equity. These adjustments along with net income are considered components of comprehensive income.



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accumulated other comprehensive income at September 30, 2020 and 2019 is comprised of foreign currency translation gains of \$1,027 and \$209, respectively.

**Reclassification**

Certain reclassifications have been made to the prior year consolidated financial statements in order to conform to current year presentation.

**Subsequent Events**

The Company has performed a review of events subsequent to the consolidated balance sheet date through December 2, 2020, the date the consolidated financial statements were available to be issued.

On November 19, 2020, the Company acquired the assets of Stephenson Consulting Group, LLC (“SCG”). SCG, based in Arlington, Texas, provides loss consulting on property and buildings to commercial insurers, property owners and legal professionals. The purchase price of \$3,000 comprises cash of \$2,210 and equity of \$790. Cash paid at close was funded through available cash. In addition to the purchase price of \$3,000, the acquisition provides for a total possible contingent consideration of \$800.

**Recent Accounting Pronouncements – Adopted in Current Period**

***Revenue from Contracts with Customers***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service and requires expanded disclosures.

The Company adopted this new standard as of October 1, 2019 using the modified retrospective approach applied to all contracts at the date of adoption. The adoption of ASU 2014-09 had no material impact to the Company’s consolidated financial statements.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements – Adoption in Future Periods**

***Leases***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, in order to increase transparency and comparability among organizations by recognizing right of use assets and lease liabilities on the balance sheet for operating leases and disclosing key information about the Company's leasing arrangements. The new accounting standard is effective for the annual reporting period beginning after December 15, 2021. Early adoption is permitted. Management is currently assessing the impact of the adoption of this standard will have on the Company's consolidated financial statements.

***Internal Use Software***

In August 2018, the FASB issued ASU 2018-15, *Internal-Use Software (Subtopic 350-40)*. The ASU addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard is effective for years beginning after December 15, 2020. Early adoption is permitted. Management is currently assessing the impact of the adoption of this standard on the Company's consolidated financial statements.

***Current Expected Credit Losses***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring recognition of credit losses on financing receivables and other financial assets in scope based on estimated lifetime losses, which may result in earlier recognition of such losses. The new standard is effective for years beginning after December 15, 2022. Early adoption is permitted. Management is currently assessing the impact of the adoption of this standard on the Company's consolidated financial statements.

**NOTE 3 – RELATED-PARTY TRANSACTIONS**

The Company pays management fees to a related party through common ownership based on a signed agreement. Management fee expense for both years ended September 30, 2020 and 2019 totaled \$1,120. The management fee is included in selling, general and administrative expenses in the income statement.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 4 – CLIENT TRUST ACCOUNTS / CLIENT TRUST LIABILITIES**

The Company holds certain client cash balances, which are considered to be a direct claim against the Company. These accounts are in the Company’s name but represent a direct claim as they relate to customer’s funds. These balances are included on the consolidated balance sheet in cash – client trust accounts with an equal offsetting liability in client trust accounts.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 3,025	\$ 2,890
Computer equipment and software	7,249	5,728
Leasehold improvements	4,684	3,515
Equipment	755	567
Construction in process	277	473
	<u>15,990</u>	<u>13,173</u>
Accumulated depreciation	<u>(8,365)</u>	<u>(6,974)</u>
Property and equipment, net	<u>\$ 7,625</u>	<u>\$ 6,199</u>

For the years ended September 30, 2020 and 2019, depreciation expense totaled \$2,174 and \$2,103, respectively.

**NOTE 6 – BUSINESS COMBINATIONS**

**U.S. Adjusting Services, Inc.**

On July 17, 2020, Eberl Claims Services, LLC acquired the assets of Hamilton’s Catastrophe Claim Service, Inc. d/b/a U.S. Adjusting Services, Inc. (“USAS”). USAS is engaged in the business of providing property claims adjusting to customers across the United States.

USAS was acquired for total consideration of \$11,732. The consideration consisted of \$9,850 cash, note payable to seller of \$500, contingent consideration of \$1,282 and \$100 of the Company’s Class A equity units. The Company issued 11,562 Class A units which were measured at the intrinsic value of the underlying units on the date of issuance. The contingent consideration component is based on the fair value of the estimated earn-out payments over the three years following the close date. Such payments are dependent on the acquired business reaching certain revenue targets in each period. Total possible contingent consideration is \$19,650.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 6 – BUSINESS COMBINATIONS (Continued)**

The Company accounted for this business combination using the acquisition method and preliminarily recorded acquired assets and liabilities at their estimated fair value with the excess purchase price over the net assets acquired recorded as goodwill. Goodwill arising from the acquisition is tax deductible.

The fair value of the intangibles acquired was determined using the income, market and cost approaches which includes an assessment of the risk adjusted present value of future cash flows, using discount rates based on observable or Level 3 inputs. The fair value of the intangibles includes a tax amortization benefit. The fair value of working capital assets and liabilities were determined based on estimated amounts collectible or payable.

The preliminary purchase price allocation based on the fair value of the assets acquired and liabilities assumed as of July 17, 2020 is presented below:

Cash paid	\$ 9,850
Note payable to seller	500
Intrinsic value of Class A units	100
Contingent consideration	1,282
Total purchase price	<u>\$ 11,732</u>
Accounts receivable	\$ 854
Unbilled revenue	211
Fixed assets	47
Customer relationships	4,163
Tradenames	598
Covenant not to compete	10
Goodwill	6,762
Total assets acquired	<u>12,645</u>
Accounts payable and accrued expenses	<u>913</u>
Total liabilities assumed	<u>913</u>
Net assets acquired	<u>\$ 11,732</u>

The purchase price allocation is preliminary as the Company is in the process of determining valuation amounts for certain intangible assets and the acquisition date fair value of contingent consideration. The amounts in the table above reflect preliminary estimates where applicable and any necessary adjustments will be recognized to the preliminary amounts upon finalization of the valuations.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 6 – BUSINESS COMBINATIONS (Continued)**

**Carwood Claims Services, Inc.**

On November 30, 2018, Eberl Claims Services, LLC acquired the assets of Carwood Claims Services, Inc. (“Carwood”). Carwood is engaged in the business of providing property claims adjusting, loss consulting, appraisal and dispute resolution services to customers primarily in the Western United States.

Carwood was acquired for total consideration of \$2,475. The consideration consisted of \$745 cash, note payable to seller of \$380, contingent consideration of \$820 and \$530 of the Company’s Class A equity units. The Company issued 77,713 Class A units which were measured at the intrinsic value of the underlying units on the date of issuance. The contingent consideration component is based on the fair value of the estimated earn-out payments over the three years following the close date. Such payments are dependent on the acquired business reaching certain revenue targets in each period. Total possible contingent consideration is \$1,041.

The Company accounted for this business combination using the purchase method and recorded acquired assets and liabilities at their estimated fair value with the excess purchase price over the net assets acquired recorded as goodwill. Goodwill arising from the acquisition is tax deductible.

The fair value of the intangibles acquired was determined using the income, market and cost approaches which includes an assessment of the risk adjusted present value of future cash flows, using discount rates based on observable or Level 3 inputs. The fair value of the intangibles includes a tax amortization benefit. The fair value of working capital assets and liabilities were determined based on estimated amounts collectible or payable.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 6 – BUSINESS COMBINATIONS (Continued)**

The final purchase price allocation based on the fair value of the assets acquired and liabilities assumed as of November 30, 2018 is presented below:

Cash paid	\$	745
Note payable to seller		380
Intrinsic value of Class A units		530
Contingent consideration		820
Total purchase price	<u>\$</u>	<u>2,475</u>
Accounts receivable	\$	579
Unbilled revenue		38
Customer relationships		1,130
Tradenames		60
Covenant not to compete		10
Goodwill		741
Total assets acquired		<u>2,558</u>
Accounts payable and accrued expenses		<u>83</u>
Total liabilities assumed		<u>83</u>
Net assets acquired	<u>\$</u>	<u>2,475</u>

**NOTE 7 – GOODWILL AND INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of period	\$ 60,371	\$ 59,906
Acquisitions	6,762	741
Effect of changes in exchange rates	431	(276)
Balance at end of period	<u>\$ 67,564</u>	<u>\$ 60,371</u>

The changes in the carrying amount of intangible assets are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of period	\$ 49,963	\$ 57,606
Acquisitions	4,771	1,200
Effect of exchange rates	389	(384)
	<u>55,123</u>	<u>58,422</u>
Less: amortization expense	8,253	8,459
Balance at end of period	<u>\$ 46,870</u>	<u>\$ 49,963</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
(In thousands, except unit and share data)

**NOTE 7 – GOODWILL AND INTANGIBLE ASSETS (Continued)**

Intangible assets consist of the following:

	<b>Weighted Average Useful Lives</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
<b>September 30, 2020</b>				
Trade names and trademarks	15	\$ 18,099	\$ 6,853	\$ 11,246
Customer relationships	14	51,833	22,513	29,320
Non-compete agreements	6	20,093	17,613	2,480
Unpatented technology	8	11,825	8,001	3,824
		<u>\$ 101,850</u>	<u>\$ 54,980</u>	<u>\$ 46,870</u>
<b>September 30, 2019</b>				
Trade names and trademarks	16	\$ 17,299	\$ 5,573	\$ 11,726
Customer relationships	14	47,430	19,458	27,972
Non-compete agreements	5	19,978	15,082	4,896
Unpatented technology	8	11,791	6,422	5,369
		<u>\$ 96,498</u>	<u>\$ 46,535</u>	<u>\$ 49,963</u>

Amortization expense for the years ended September 30, 2020 and 2019 totaled \$8,253 and \$8,459, respectively.

Estimated future amortization expense for the next five years and in the aggregate is as follows:

Years ending September 30:	
2021	\$ 8,573
2022	6,305
2023	5,325
2024	4,566
2025	4,566
Thereafter	17,535
	<u>\$ 46,870</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
(In thousands, except unit and share data)

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<u>2020</u>	<u>2019</u>
Accounts payable and accrued expenses:		
Trade accounts payable	\$ 4,217	\$ 3,166
Accrued expenses	5,214	5,479
Accrued sales and other tax	1,971	2,536
Accounts payable and accrued expenses	<u>11,402</u>	<u>11,181</u>
Accrued compensation:		
Accrued payroll	8,329	4,554
Accrued payroll taxes and withholdings	2,379	1,224
Accrued bonus	12,563	10,927
Accrued vacation	4,438	3,851
Accrued compensation	<u>\$ 27,709</u>	<u>\$ 20,556</u>

**NOTE 9 – LONG-TERM DEBT**

**Term Loan**

Prior to April 2020, the Company had a loan payable to three financial institutions with an original principal balance of \$65,000 that required principal payments of \$8,250 in 2019 and \$35,187 in 2020. The loan included variable interest based on either the LIBOR rate plus an applicable margin or a base rate, as defined by the agreement, plus an applicable margin, both margins based on the calculated consolidated leveraged ratio, also as defined by the agreement. The loan was secured by substantially all of the assets of the Company and was subject to financial covenants, including a consolidated leverage ratio and consolidated fixed charge coverage ratio. At September 30, 2019, the Company was in compliance with those covenants.

The Company refinanced its credit agreement on April 24, 2020. As of September 30, 2020, the Company has a loan payable to four financial institutions with an original principal balance of \$50,000, maturing April 2023. The loan calls for principal payments of \$2,500 annually, payable in quarterly installments.

The loan bears variable interest based on either the LIBOR rate plus an applicable margin or a base rate, as defined by the agreement, plus an applicable margin, both margins based on the calculated consolidated leveraged ratio. Amounts outstanding under the loan during 2020 carried an interest rate ranging from 2.864% to 3.919% (effective rate of 3.875% at September 30, 2020). The loan is secured by substantially all of the assets of the Company and is subject to financial covenants, including a consolidated leverage ratio and consolidated fixed charge coverage ratio. At September 30, 2020, the Company is in compliance with these covenants.



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 9 – LONG-TERM DEBT (Continued)**

**Revolving Credit Arrangement**

Prior to April 2020, the Company had a revolving credit arrangement with three financial institutions with a maximum borrowing limit of \$20,000. The arrangement included variable interest based on either the LIBOR rate plus an applicable margin or a base rate, as defined by the arrangement, plus an applicable margin, both margins based on the calculated consolidated leveraged ratio. The revolving credit arrangement was secured by substantially all assets of the Company. As of September 30, 2019 the Company was in compliance with the financial covenants.

Under the new credit agreement effective April 24, 2020, the Company has a revolving credit arrangement with four financial institutions with a maximum borrowing limit of \$35,000 maturing April 2023. The arrangement bears variable interest based on either the LIBOR rate plus an applicable margin or a base rate, as defined by the arrangement, plus an applicable margin, both margins based on the calculated consolidated leveraged ratio. There were no amounts outstanding under the revolving credit agreement from April 24, 2020 through September 30, 2020. Amounts outstanding under the prior revolving credit arrangement through April 24, 2020 carried an interest rate ranging from 2.648% to 5.125%. The revolving credit arrangement is secured by substantially all assets of the Company. As of September 30, 2020, the Company was in compliance with the financial covenants.

The Company has a standby letter of credit agreement under the revolving credit arrangement. As of September 30, 2020 and 2019, there were \$2,851 and \$3,351, respectively, in standby letters of credit issued under the respective facilities.

**Notes Payable Unit Repurchases**

The Company has notes payable to former employees with original principal balances of \$3,918. The notes require annual payments ranging from \$91 to \$1,313, plus quarterly interest payments at the prime rate plus 1% (effective rate of 4.25% at September 30, 2020). The notes are unsecured and mature through March 2025.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 9 – LONG-TERM DEBT (Continued)**

Debt consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Term loan	\$ 48,750	\$ 35,187
Revolving credit arrangement	–	2,250
Notes payable unit repurchases	3,918	2,286
Other	880	812
Unamortized debt discount	(139)	(47)
	<u>53,409</u>	<u>40,488</u>
Less portion due within one year	4,449	38,551
Long-term portion	<u>\$ 48,960</u>	<u>\$ 1,937</u>

Minimum future long-term debt payments for each of the next four years are as follows:

Years ending September 30:	
2021	\$ 4,449
2022	3,666
2023	44,664
2024	540
2025	90
	<u>\$ 53,409</u>

**NOTE 10 – CONTINGENT CONSIDERATION**

As of September 30, 2020 and 2019, the Company had a contingent consideration liability of \$4,767 and \$7,810, respectively. This liability is a result of 2016, 2019 and 2020 acquisitions and it is recorded on the balance sheet at fair value based on the expected timing of payment. Adjustments are based on changes in the estimated fair value of the earn-out provision. The earn-out payments are contingent and are based on the achievement of certain financial targets such as revenue and EBITDA achievements. The measurement periods related to the earn-out liability recorded range from 2015 through 2023.

During the year ended September 30, 2020 contingent consideration of \$1,282 was recorded as a result of the USAS acquisition (see Note 6 – Business Combinations). During the years ended September 30, 2020 and 2019, a remeasurement gain of \$3,978 and \$228, respectively, was recorded. The gain is as a result of changes in the estimated fair value of earn-out provisions based on revised actual and expected results for acquired businesses. During the year ended September 30, 2020 a contingent payment of \$347 was made in connection with the Carwood acquisition.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 11 – MEMBER UNITS AND COMMON STOCK**

At September 30, 2020, Forsyth EMA Holdings, LLC had 34,640,846 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding. At September 30, 2019, Forsyth EMA Holdings, LLC had 35,035,175 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding.

Members holding Class A units have limited liability up to the value of such member's capital contribution to the Company.

**NOTE 12 – SHARE-BASED COMPENSATION**

In accordance with the Limited Liability Agreement, the Company is authorized to issue Classes B through N units of Forsyth EMA Holdings, LLC. These units are intended to constitute profit interests. These units do not have any voting rights, but offer the holder to participate in the appreciation of Class A units at levels above \$1.00 per unit for Class B, \$1.50 per unit for Class C, \$2.57 per unit for class D, \$2.64 per unit for Class E units, \$2.88 for class F units, \$3.97 for Class G units, \$4.02 for Class H units, \$4.32 for Class I units, \$5.40 for Class J units, \$5.71 for Class K units, \$6.82 for Class L units, \$6.99 for Class M units and \$8.30 for Class N units. The intrinsic value of the Class A units at September 30, 2020 and 2019 was \$10.30 and \$8.30, respectively.

Each unit vests ratably over a five-year period. The members have a right to require the Company to purchase a number of units equal to the applicable put portion as defined in the agreement, up to an amount of 30% and 60%, of such vested units, at five years and seven years, respectively. Accrued share-based compensation, current portion on the consolidated balance sheet represents the put portion as of September 30, 2020 for all profits interest units. Upon termination of employment for any reason other than death or disability, all units not vested will be immediately cancelled. Settlement of the awards is expected to be settled upon redemption in cash.

The intrinsic value of each unit award is determined using an Economic Value Added ("EVA") methodology. Profits Interests are re-measured at each financial reporting date through the date of settlement. The vested portion of the intrinsic value of units outstanding, which is recorded as a liability on the accompanying consolidated balance sheet, was \$23,183 and \$17,711 as of September 30, 2020 and 2019, respectively.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 12 – SHARE-BASED COMPENSATION (Continued)**

Compensation expense that has been charged against income for profit interests was \$7,193 and \$5,381 in 2020 and 2019, respectively. There is no income tax benefit associated with share-based compensation arrangements. There was \$2,913 and \$2,635 of total unrecognized compensation cost related to non-vested unit-based compensation arrangements at September 30, 2020 and 2019, respectively.

Following is a schedule showing the change in the accrued share-based payment liability at September 30:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 17,711	\$ 15,361
Share-based compensation expense	7,193	5,381
Shared-based compensation redemptions	(1,721)	(3,031)
Ending balance	<u>\$ 23,183</u>	<u>\$ 17,711</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 12 – SHARE-BASED COMPENSATION (Continued)**

A summary of unit activity (in thousands) is presented below:

For the year ended September 30, 2020:

Share-Based Compensation	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Class N	Total	Average Price per Unit
Outstanding at September 30, 2019	771	722	28	475	733	150	223	23	257	10	295	70	—	3,757	\$ 2.89
Units granted	—	—	—	—	—	—	—	—	—	—	—	—	348	348	8.30
Units forfeited	—	—	—	—	—	(16)	—	—	—	—	(8)	—	—	(24)	4.90
Units repurchased	—	(45)	(10)	(200)	(10)	(39)	—	—	—	—	(2)	—	—	(306)	2.67
Outstanding at September 30, 2020	771	677	18	275	723	95	223	23	257	10	285	70	348	3,775	\$ 3.39
Vested at September 30, 2020	771	677	18	275	723	76	179	14	103	4	57	14	—	2,910	\$ 2.33

For the year ended September 30, 2019:

Share-Based Compensation	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Class N	Total	Average Price per Unit
Outstanding at September 30, 2018	1,178	762	78	475	840	255	223	23	325	60	—	—	—	4,219	\$ 2.44
Units granted	—	—	—	—	—	—	—	—	—	—	295	70	—	365	6.86
Units forfeited	—	—	—	—	(87)	(82)	—	—	(54)	(50)	—	—	—	(273)	4.23
Units repurchased	(407)	(40)	(50)	—	(20)	(23)	—	—	(14)	—	—	—	—	(554)	1.48
Outstanding at September 30, 2019	771	722	28	475	733	150	223	23	257	10	295	70	—	3,757	\$ 2.89
Vested at September 30, 2019	771	722	28	475	587	90	134	9	51	2	—	—	—	2,869	\$ 2.13

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 13 – OPERATING LEASES**

The Company leases office, operating facilities and equipment under non-cancelable operating leases. Monthly payments under these leases range from \$1 to \$94, with escalating payments each year and expire at various dates through May 2029. In addition, the Company leases various equipment under month-to-month leases. Rent expense for the year ended September 30, 2020 and 2019 totaled \$5,953 and \$6,243, respectively.

The Company recognizes rent expense for building leases on a straight-line basis over the estimated lease term. At September 30, 2020 and 2019, deferred rent totaled \$3,021 and \$3,482, respectively. Deferred rent of \$618 and \$912 is included in other current liabilities as of September 30, 2020 and 2019, respectively.

The following is a schedule of minimum future rental payments under the non-cancelable operating leases for the next five years and in the aggregate:

Years ending September 30:	
2021	\$ 5,635
2022	5,096
2023	3,772
2024	2,832
2025	1,777
Thereafter	1,820
	<u>\$ 20,932</u>

**NOTE 14 – BENEFIT PLANS**

The Company has a 401(k) plan covering substantially all domestic employees. The plan includes a safe harbor Company matching contribution and a discretionary profit sharing contribution to be determined by the Company annually. The Company makes a safe harbor contribution in the amount of 100% of employee contributions of the first 3% of plan compensation and 50% of the next 2% of base compensation. Eligible employees may contribute up to the IRS limit. In May 2020, the Company suspended the safe harbor match to the plan. As a result the plan will not be considered a safe harbor plan for 2020, however, the Company intends to reinstate the plan to safe harbor status at a future date and to make a discretionary contribution in lieu of the forgone company match in 2020, to employees that would otherwise have qualified for such match.

For the years ended September 30, 2020 and 2019, matching contributions totaled \$1,503 and \$2,314, respectively. The Company has funded or accrued all calculated contributions as of the consolidated balance sheet dates. The Company also has a 401(k) plan that covers certain Eberl employees. The Eberl plan is not a safe harbor plan and provides for employee match of 50% of employee contributions up to 6% of compensation for participants, with the exception of highly compensated employees that are not eligible for a Company match. For the years ended September 30, 2020 and 2019, matching contributions totaled \$24 and \$56, respectively.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
(In thousands, except unit and share data)

**NOTE 15 – LEGAL MATTERS**

Various legal proceedings and claims, incidental to the ordinary course of business, are pending against the Company. In the opinion of management, after consultation with legal counsel, resolution of these matters are not expected to have a material effect on the Company's consolidated financial statements.

**NOTE 16 – INCOME TAXES**

Pre-tax income was taxed under the following jurisdictions for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Domestic	\$ 17,809	\$ 13,815
International	1,265	195
Total pre-tax income	<u>\$ 19,074</u>	<u>\$ 14,010</u>

The provision for income taxes is comprised of the following for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Current tax expense:		
Federal	\$ 6,278	\$ 4,266
State and local	1,638	1,280
International	642	414
Total current	<u>8,558</u>	<u>5,960</u>
Deferred tax expense (benefit):		
Federal	(1,840)	(345)
State and local	(461)	(87)
International	(599)	(108)
Total deferred	<u>(2,900)</u>	<u>(540)</u>
	<u>\$ 5,658</u>	<u>\$ 5,420</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 16 – INCOME TAXES (Continued)**

Deferred income taxes are comprised of the following at September 30:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Bad debt expense	\$ 1,216	\$ 895
Vacation accrual	687	646
Net Operating Loss carry forward	576	516
Intangibles amortization	962	320
Other accruals	3,648	2,112
Other	96	39
	<u>7,185</u>	<u>4,528</u>
Valuation allowance	(281)	(409)
Gross deferred tax assets	<u>6,904</u>	<u>4,119</u>
Deferred tax liabilities:		
Depreciation	(1,282)	(896)
Unbilled revenue	(1,154)	(1,374)
Other	(726)	(868)
Gross deferred tax liabilities	<u>(3,162)</u>	<u>(3,138)</u>
Net deferred tax asset	<u>\$ 3,742</u>	<u>\$ 981</u>

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income as a result of the following differences for the year ended September 30:

	<u>2020</u>	<u>2019</u>
Statutory U.S. rate	\$ 4,006	\$ 2,942
Changes resulting from:		
State and local income taxes, net of federal benefit	991	992
Changes in valuation allowance	(128)	227
Meals and entertainment	114	45
Foreign operations, non U.S. rates	18	42
Share-based compensation	1,511	1,131
Remeasurement of contingent consideration	(835)	(45)
Transition tax	–	(27)
Effective rate changes	–	31
Other	(19)	82
Total tax expense	<u>\$ 5,658</u>	<u>\$ 5,420</u>



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**NOTE 16 – INCOME TAXES (Continued)**

In response to the COVID-19 pandemic, the United States enacted the CARES Act on March 27, 2020. The CARES Act contains numerous income tax and employment provisions, including the ability to defer payment of the employer's portion of payroll taxes. The Company elected to defer a portion of its payroll taxes and, as a result, recorded a deferred payment of \$5,048 in other liabilities. The Company has recorded a deferred tax asset associated with payroll taxes that have been deferred and will become payable in 2021 and 2022. There was no other material impact of the CARES Act to the income tax provision.

**FORSYTH EMA HOLDINGS, LLC  
AND SUBSIDIARIES**

**MANAGEMENT REPORT**

**For the years ended September 30, 2020 and 2019**

# **FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**

## **MANAGEMENT REPORT**

**Years ended September 30, 2020 and 2019**

**(In thousands, except unit and share data)**

### **Primary activities**

Forsyth EMA Holdings, LLC and Subsidiaries, (the “Company”) is a multi-line commercial and personal insurance claims adjuster, claims administrator, forensic consultant and provider of technical restoration and machine repairs operating and located in the United States and internationally. The Company offer services related to the complexities of risk management, risk transfers, insurance coverage, claims adjustment and management, forensic consulting, forensic investigation and forensic engineering.

### **Principles of consolidation**

The consolidated financial statements include the accounts of Forsyth EMA Holdings, LLC and its wholly-owned subsidiary Forsyth Mezzanine, Inc. During the year ended September 30, 2018, the Company reorganized its operations to create a holding company, Cor Partners, Inc., which is wholly-owned by Forsyth Mezzanine, Inc. and wholly owns the following entities: Engle Martin & Associates, LLC. (“Engle Martin”), Eberl Claims Service, LLC (“Eberl”), Alliance Holdings, LLC, Alliance MRP, Inc., Envista Forensics, LLC, Envista Forensics Ltd., Envista Forensics PTE, Ltd., Envista Forensics PTY, Ltd., Envista Forensics PR LLC, LWG UK Consulting Ltd., Arepa Holding Denmark ApS, Arepa A/S, Arepa Danmark A/S, Arepa Sverige AB, Arepa Holding BV, Arepa Benelux B.V., Inspexx B.V., LWG Forensics, Inc., LWG Consulting Mexico S.A. de C.V., (collectively the “Company”). All intercompany transactions and balances have been eliminated on consolidation.

### **Change of accounting policies**

#### ***Revenue from Contracts with Customers***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service and requires expanded disclosures.

The Company adopted this new standard as of October 1, 2019 using the modified retrospective approach applied to all contracts at the date of adoption. The adoption of ASU 2014-09 had no material impact to the Company’s consolidated financial statements.

### **Unusual affairs**

There were no unusual affairs.

## **FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**

### **MANAGEMENT REPORT (Continued)**

**Years ended September 30, 2020 and 2019**

**(In thousands, except unit and share data)**

#### **Uncertainty relating to recognition and measurement**

There is no material uncertainty related to recognition and measurement of the Company's activities not otherwise disclosed in the audited financial statements.

#### **Development in the Company's activities and finances**

The Company generated \$305,407 in revenue for the year ended September 30, 2020. Revenue was up slightly over fiscal year 2020. The Company continued to generate strong revenue from late summer hurricanes and also experienced continued organic growth. The Company's financial performance in 2020 resulted in profit of \$13,416 due to strong operational results. Results were relatively flat over fiscal 2019 after adjusting for a one-time credit of \$3,978 to the Company's contingent consideration liability that favorably impacted the 2020 results.

#### **Events after the balance sheet date**

On November 19, 2020, the Company acquired the assets of Stephenson Consulting Group, LLC ("SCG"). SCG, based in Arlington, Texas, provides property and building services to commercial insurers, property owners and legal professionals. The purchase price of \$3,000 comprises cash of \$2,210 and equity of \$790. Cash paid at close was funded through available cash. In addition to the purchase price of \$3,000, the acquisition provides for a total possible contingent consideration of \$800.

#### **Outlook**

The Company expects to generate approximately \$341,000 in revenue for the year ending September 30, 2021. This represents an increase of approximately 12%, over fiscal year 2020 results. The Company expects fiscal year 2021 Earnings Before Interest, Tax and Depreciation ("EBITDA") to be approximately \$42,000, with margin levels that are approximately the same as fiscal year 2020.

Some of the significant initiatives that may influence this forecast include: strategic decisions to accelerate or defer investments in certain service lines; ongoing monitoring of hiring plans and the timing of hiring and training new experts; possible increases or decreases in work from key customers; major storm activity that can significantly increase or decrease demand for the Company's services.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**MANAGEMENT REPORT** (Continued)  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

**Particular risks**

The Company has not identified any significant risks regarding individual customers or partners.

The Company is not significantly exposed to changes in exchange rates and interest rates. The Company's individual companies conduct business in local currencies.

**Intellectual capital resources**

The most significant intellectual capital resources consist of the Company's employees who will continue to significantly contribute to the company's earnings in the coming years.

**Environmental affairs**

The Company does not have any formal policies regarding its environmental affairs as there is no significant environmental impact in connection with the Company's operations. The company is not liable to prepare green accounts and has no significant environmental approvals.

**Research and development activities**

The Company is a service provider and does not have any formal research and development activities.

**Disclosures about own shares**

***Member units and common stock***

At September 30, 2020, Forsyth EMA Holdings, LLC had 34,640,846 Class A units, with a stated value of \$1 per unit, authorized, issued and outstanding. At September 30, 2019, Forsyth EMA Holdings, LLC had 35,035,175 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding.

At September 30, 2020 and 2019, Forsyth EMA Mezzanine, Inc. had 100 shares, no par value, authorized, issued and outstanding. Forsyth EMA Holdings, LLC owned 100% of Forsyth EMA Mezzanine, Inc.

At September 30, 2020, Cor Partners, Inc. had 100 shares, no par value, authorized, issued and outstanding. Forsyth EMA Mezzanine, Inc. owned 100% of Cor Partners, Inc.

At September 30, 2020, Engle Martin & Associates, LLC had 1,000 membership units authorized, with a par value of \$1 per unit and 360 units issued and outstanding. Cor Partners Inc. owned 100% of Engle Martin & Associates, LLC.

## **FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**

### **MANAGEMENT REPORT (Continued)**

**Years ended September 30, 2020 and 2019**

**(In thousands, except unit and share data)**

At September 30, 2020, Envista Forensics, LLC had 1,200 member units authorized, no par value and 1,078 units issued and outstanding. Cor Partners Inc. owned 100% of Envista Forensics, LLC.

At September 30, 2020, Eberl Claims Services LLC had 1,000 membership units authorized, with no par value and 100% units issued and outstanding. Cor Partners Inc. owned 100% of Eberl Claims Services LLC.

At September 30, 2020, Alliance MRP, Inc had 100 shares, \$0.01 par value, authorized, issued and outstanding. Alliance Holding, LLC owned 97.667% of Alliance MRP, Inc. Cor Partners Inc. owned 100% of Alliance Holdings, LLC.

### ***Share-based compensation***

In accordance with the Limited Liability Agreement, the Company is authorized to issue Classes B through N units of Forsyth EMA Holdings, LLC. These units are intended to constitute profit interests. These units do not have any voting rights, but offer the holder to participate in the appreciation of Class A units at levels above \$1.00 per unit for Class B, \$1.50 per unit for Class C, \$2.57 per unit for class D, \$2.64 per unit for Class E units, \$2.88 for class F units, \$3.97 for Class G units, \$4.02 for Class H units, \$4.32 for Class I units, \$5.40 for Class J units, \$5.71 for Class K units, \$6.82 for Class L units, \$6.99 for Class M units and \$8.30 for Class N units. The intrinsic value of the Class A units at September 30, 2020 and 2019 was \$10.30 and \$8.30, respectively.

Each unit vests ratably over a five-year period. The members have a right to require the Company to purchase a number of units equal to the applicable put portion as defined in the agreement, up to an amount of 30% and 60%, of such vested units, at five years and seven years, respectively. Accrued share-based compensation, current portion on the consolidated balance sheet represents the put portion as of September 30, 2020 for all profits interest units. Upon termination of employment for any reason other than death or disability, all units not vested will be immediately cancelled. Settlement of the awards is expected to be settled upon redemption in cash.

The intrinsic value of each unit award is determined using an Economic Value Added ("EVA") methodology. Profits Interests are re-measured at each financial reporting date through the date of settlement. The vested portion of the intrinsic value of units outstanding, which is recorded as a liability on the accompanying consolidated balance sheet, was \$23,183 and \$17,711 as of September 30, 2020 and 2019, respectively.

## **FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**

### **MANAGEMENT REPORT (Continued)**

**Years ended September 30, 2020 and 2019**

**(In thousands, except unit and share data)**

Compensation expense that has been charged against income for profit interests was \$7,193 and \$5,381 in 2020 and 2019, respectively. There is no income tax benefit associated with share-based compensation arrangements. There was \$2,913 and \$2,635 of total unrecognized compensation cost related to non-vested unit-based compensation arrangements at September 30, 2020 and 2019, respectively.

Following is a schedule showing the change in the accrued share-based payment liability at September 30:

	<u>2020</u>		<u>2019</u>
Beginning balance	\$ 17,711	\$	15,361
Share-based compensation expense	7,193		5,381
Share-based compensation redemptions	(1,721)		(3,031)
Ending balance	<u>\$ 23,183</u>	<u>\$</u>	<u>17,711</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**MANAGEMENT REPORT (Continued)**  
**Years ended September 30, 2020 and 2019**  
**(In thousands, except unit and share data)**

A summary of unit activity (in thousands) is presented below:

For the year ended September 30, 2020:

Share-Based Compensation	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Class N	Total	Average Price per Unit
Outstanding at September 30, 2019	771	722	28	475	733	150	223	23	257	10	295	70	—	3,757	\$ 2.89
Units granted	—	—	—	—	—	—	—	—	—	—	—	—	348	348	8.30
Units forfeited	—	—	—	—	—	(16)	—	—	—	—	(8)	—	—	(24)	4.90
Units repurchased	—	(45)	(10)	(200)	(10)	(39)	—	—	—	—	(2)	—	—	(306)	2.67
Outstanding at September 30, 2020	771	677	18	275	723	95	223	23	257	10	285	70	348	3,775	\$ 3.39
Vested at September 30, 2020	771	677	18	275	723	76	179	14	103	4	57	14	—	2,910	\$ 2.33



**FORSYTH EMA HOLDINGS, LLC  
AND SUBSIDIARIES**

**SUPPLEMENTARY INFORMATION**

**For the years ended September 30, 2020 and 2019**

# FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

September 30, 2020

(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 50	\$ -	\$ 20,143	\$ -	\$ 20,193
Cash, client trust accounts	-	-	56,516	-	56,516
Accounts receivable, net	-	-	62,774	-	62,774
Unbilled revenue, net	-	-	25,959	-	25,959
Prepaid expenses and other assets	65	-	5,865	-	5,930
Total current assets	115	-	171,257	-	171,372
<b>PROPERTY AND EQUIPMENT, NET</b>	-	-	7,625	-	7,625
<b>INTERCOMPANY NOTES RECEIVABLE</b>	6,295	-	27,561	(33,856)	-
<b>INVESTMENT IN SUBSIDIARY</b>	133,657	133,657	-	(267,314)	-
<b>OTHER ASSETS</b>					
Goodwill	-	-	67,564	-	67,564
Intangibles, net	-	-	46,870	-	46,870
Deferred tax asset, net	-	-	3,742	-	3,742
Other assets	-	-	514	-	514
Total other assets	-	-	118,690	-	118,690
<b>TOTAL ASSETS</b>	<b>\$ 140,067</b>	<b>\$ 133,657</b>	<b>\$ 325,133</b>	<b>\$ (301,170)</b>	<b>\$ 297,687</b>

## FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES

### CONSOLIDATING BALANCE SHEET (Continued)

September 30, 2020

(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Current maturities of long-term debt	\$ 1,313	\$ -	\$ 3,136	\$ -	\$ 4,449
Accounts payable and accrued expenses	-	-	11,402	-	11,402
Accrued compensation	-	-	27,709	-	27,709
Client trust accounts	-	-	56,516	-	56,516
Contingent consideration, current portion	-	-	339	-	339
Deferred revenue, current portion	-	-	862	-	862
Accrued share-based compensation, current portion	-	-	10,198	-	10,198
Income tax payable	-	-	3,125	-	3,125
Other current liabilities	-	-	649	-	649
Total current liabilities	1,313	-	113,936	-	115,249
<b>OTHER LIABILITIES</b>					
Long-term debt less current maturities	2,605	-	46,355	-	48,960
Intercompany notes payable	27,561	-	6,295	(33,856)	-
Contingent consideration, less current portion	-	-	4,428	-	4,428
Accrued share-based compensation, less current portion	-	-	12,985	-	12,985
Deferred rent, less current portion	-	-	2,403	-	2,403
Other liabilities	-	-	5,074	-	5,074
<b>TOTAL LIABILITIES</b>	31,479	-	191,476	(33,856)	189,099
<b>MEMBERS' EQUITY</b>					
Total members' equity	108,588	133,657	133,657	(267,314)	108,588
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	\$ 140,067	\$ 133,657	\$ 325,133	\$ (301,170)	\$ 297,687

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
For the year ended September 30, 2020  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>Revenues</b>					
Revenue, net	\$ -	\$ -	\$ 305,407	\$ -	\$ 305,407
Operating expenses:					
Cost of revenues	-	-	178,041	-	178,041
Selling, general and administrative expenses	14	-	99,597	-	99,611
Depreciation and amortization expenses	-	-	10,428	-	10,428
Remeasurement of contingent consideration	-	-	(3,978)	-	(3,978)
Total operating expenses	14	-	284,088	-	284,102
<b>Income from operations</b>	(14)	-	21,319	-	21,305
Other income (expense):					
Income from subsidiary	13,832	13,832	-	(27,664)	-
Interest expense, net	(304)	-	(1,927)	-	(2,231)
<b>Income before income taxes</b>	13,514	13,832	19,392	(27,664)	19,074
Provision for income taxes expense (benefit)	98	-	5,560	-	5,658
<b>Net income</b>	13,416	13,832	13,832	(27,664)	13,416
Other comprehensive income (loss):					
Foreign currency translation gain (loss)	818	818	818	(1,636)	818
<b>Comprehensive income</b>	\$ 14,234	\$ 14,650	\$ 14,650	\$ (29,300)	\$ 14,234

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF MEMBERS' AND STOCKHOLDERS' EQUITY**

For the year ended September 30, 2020

(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>COMMON STOCK</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>ADDITIONAL PAID-IN CAPITAL</b>					
Balance, September 30, 2019	-	75,105	75,105	(150,210)	-
Capital contributions	-	101	101	(202)	-
Balance, September 30, 2020	-	75,206	75,206	(150,412)	-
<b>MEMBERS' EQUITY AND RETAINED EARNINGS</b>					
Balance, September 30, 2019	97,408	43,592	43,592	(87,184)	97,408
Unit redemptions	(3,363)	-	-	-	(3,363)
Unit issuances	100	-	-	-	100
Net income	13,416	13,832	13,832	(27,664)	13,416
Balance, September 30, 2020	107,561	57,424	57,424	(114,848)	107,561
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>					
Balance, September 30, 2019	209	209	209	(418)	209
Foreign currency translation gain (loss)	818	818	818	(1,636)	818
Balance, September 30, 2020	1,027	1,027	1,027	(2,054)	1,027
<b>MEMBERS' EQUITY</b>	\$ 108,588	\$ 133,657	\$ 133,657	\$ (267,314)	\$ 108,588

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the year ended September 30, 2020**  
**(In thousands, except unit and share data)**

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 13,416	\$ 13,832	\$ 13,832	\$ (27,664)	\$ 13,416
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	-	-	10,428	-	10,428
Bad debt expense	-	-	2,021	-	2,021
Deferred taxes	-	-	(2,761)	-	(2,761)
Share based compensation expense	-	-	7,193	-	7,193
Share based compensation redemptions	-	-	(606)	-	(606)
Remeasurement of contingent consideration	-	-	(3,978)	-	(3,978)
Income from subsidiary	(13,832)	(13,832)	-	27,664	-
Changes in operating assets and liabilities:					
Accounts receivable	-	-	(15,502)	-	(15,502)
Unbilled revenue	-	-	(6,016)	-	(6,016)
Prepaid expenses and other assets	-	-	(1,098)	-	(1,098)
Accounts payable and accrued expenses	(136)	-	(556)	-	(692)
Accrued compensation	-	-	7,153	-	7,153
Deferred revenue	-	-	260	-	260
Deferred rent	-	-	(167)	-	(167)
Income taxes payable/receivable	97	-	3,764	-	3,861
Other assets/liabilities	-	-	4,688	-	4,688
Net cash provided by (used in) operating activities	(455)	-	18,655	-	18,200
<b>INVESTING ACTIVITIES</b>					
Purchases of property and equipment	-	-	(3,655)	-	(3,655)
Cash paid for acquisition, net of cash acquired	-	-	(9,850)	-	(9,850)
Net cash used in investing activities	-	-	(13,505)	-	(13,505)
<b>FINANCING ACTIVITIES</b>					
Principal payments on debt	(730)	-	(56,373)	-	(57,103)
Borrowings on debt	-	-	67,255	-	67,255
Proceeds from issuance of related-party notes payable	3,301	-	(3,301)	-	-
Purchase of Class A Units	(2,117)	-	-	-	(2,117)
Payment of contingent consideration	-	-	(347)	-	(347)
Net cash provided by (used in) financing activities	454	-	7,234	-	7,688
Effects of exchange rates on cash and cash equivalents	-	-	100	-	100
<b>NET CHANGE IN CASH</b>	(1)	-	12,484	-	12,483
<b>CASH, Beginning</b>	51	-	7,659	-	7,710
<b>CASH, Ending</b>	\$ 50	\$ -	\$ 20,143	\$ -	\$ 20,193

# FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

September 30, 2019

(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 51	\$ -	\$ 7,659	\$ -	\$ 7,710
Cash, client trust accounts	-	-	69,804	-	69,804
Accounts receivable, net	-	-	48,454	-	48,454
Unbilled revenue, net	-	-	19,732	-	19,732
Prepaid expenses and other assets	-	-	4,817	-	4,817
Income tax receivable	161	-	575	-	736
Total current assets	212	-	151,041	-	151,253
<b>PROPERTY AND EQUIPMENT, NET</b>	-	-	6,199	-	6,199
<b>INTERCOMPANY NOTES RECEIVABLE</b>	4,520	-	23,595	(28,115)	-
<b>INVESTMENT IN SUBSIDIARY</b>	118,906	118,906	-	(237,812)	-
<b>OTHER ASSETS</b>					
Goodwill	-	-	60,371	-	60,371
Intangibles, net	-	-	49,963	-	49,963
Deferred tax asset, net	-	-	981	-	981
Other assets	-	-	503	-	503
Total other assets	-	-	111,818	-	111,818
<b>TOTAL ASSETS</b>	<b>\$ 123,638</b>	<b>\$ 118,906</b>	<b>\$ 292,653</b>	<b>\$ (265,927)</b>	<b>\$ 269,270</b>

## FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES

### CONSOLIDATING BALANCE SHEET (Continued)

September 30, 2019

(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Current maturities of long-term debt	730	\$ —	\$ 37,821	\$ —	\$ 38,551
Accounts payable and accrued expenses	136	—	11,045	—	11,181
Accrued compensation	—	—	20,556	—	20,556
Client trust accounts	—	—	69,804	—	69,804
Contingent consideration, current portion	—	—	347	—	347
Deferred revenue, current portion	—	—	602	—	602
Accrued share-based compensation, current portion	—	—	4,014	—	4,014
Other current liabilities	—	—	916	—	916
Total current liabilities	866	—	145,105	—	145,971
<b>OTHER LIABILITIES</b>					
Long-term debt less current maturities	1,557	—	380	—	1,937
Intercompany notes payable	23,598	—	4,517	(28,115)	—
Contingent consideration, less current portion	—	—	7,463	—	7,463
Accrued share-based compensation, less current portion	—	—	13,697	—	13,697
Deferred rent, less current portion	—	—	2,570	—	2,570
Other liabilities	—	—	15	—	15
<b>TOTAL LIABILITIES</b>	26,021	—	173,747	(28,115)	171,653
<b>MEMBERS' EQUITY</b>					
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	97,617	118,906	118,906	(237,812)	97,617
	\$ 123,638	\$ 118,906	\$ 292,653	\$ (265,927)	\$ 269,270



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**

For the year ended September 30, 2019  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>Revenues</b>					
Revenue, net	\$ -	\$ -	\$ 302,680	\$ -	\$ 302,680
Operating expenses:					
Cost of revenues	-	-	174,854	-	174,854
Selling, general and administrative expenses	13	-	101,165	-	101,178
Depreciation and amortization expenses	-	-	10,562	-	10,562
Remeasurement of contingent consideration	-	-	(228)	-	(228)
Total operating expenses	13	-	286,353	-	286,366
<b>Income from operations</b>	(13)	-	16,327	-	16,314
Other income (expense):					
Income from subsidiary	8,906	8,906	-	(17,812)	-
Interest expense, net	(408)	-	(1,896)	-	(2,304)
<b>Income before income taxes</b>	8,485	8,906	14,431	(17,812)	14,010
Provision for income taxes expense (benefit)	(105)	-	5,525	-	5,420
<b>Net income</b>	8,590	8,906	8,906	(17,812)	8,590
Other comprehensive income (loss):					
Foreign currency translation gain (loss)	(640)	(640)	(640)	1,280	(640)
<b>Comprehensive income</b>	\$ 7,950	\$ 8,266	\$ 8,266	\$ (16,532)	\$ 7,950

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF MEMBERS' AND STOCKHOLDERS' EQUITY**

For the year ended September 30, 2019

(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>COMMON STOCK</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>ADDITIONAL PAID-IN CAPITAL</b>					
Balance, September 30, 2018	-	74,575	74,575	(149,150)	-
Capital contributions	-	530	530	(1,060)	-
Balance, September 30, 2019	-	75,105	75,105	(150,210)	-
<b>MEMBERS' EQUITY AND RETAINED EARNINGS</b>					
Balance, September 30, 2018	95,985	34,686	34,686	(69,372)	95,985
Unit redemptions	(7,796)	-	-	-	(7,796)
Unit issuances	629	-	-	-	629
Net income	8,590	8,906	8,906	(17,812)	8,590
Balance, September 30, 2019	97,408	43,592	43,592	(87,184)	97,408
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>					
Balance, September 30, 2018	849	849	849	(1,698)	849
Foreign currency translation gain (loss)	(640)	(640)	(640)	1,280	(640)
Balance, September 30, 2019	209	209	209	(418)	209
<b>MEMBERS' EQUITY</b>	\$ 97,617	\$ 118,906	\$ 118,906	\$ (237,812)	\$ 97,617

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the year ended September 30, 2019**  
**(In thousands, except unit and share data)**

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Consolidated Balances
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 8,590	\$ 8,906	\$ 8,906	\$ (17,812)	\$ 8,590
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	-	-	10,562	-	10,562
Bad debt expense	-	-	549	-	549
Deferred taxes	-	-	(651)	-	(651)
Share based compensation expense	-	-	5,381	-	5,381
Remeasurement of contingent consideration	-	-	(228)	-	(228)
Income from subsidiary	(8,906)	(8,906)	-	17,812	-
Changes in operating assets and liabilities:					
Accounts receivable	-	-	(1,069)	-	(1,069)
Unbilled revenue	-	-	2,702	-	2,702
Prepaid expenses and other assets	2	-	(786)	-	(784)
Accounts payable and accrued expenses	136	-	2,057	-	2,193
Accrued compensation	-	-	(4,537)	-	(4,537)
Deferred revenue	-	-	(704)	-	(704)
Deferred rent	-	-	(279)	-	(279)
Income taxes payable/receivable	(105)	-	(551)	-	(656)
Other assets/liabilities	-	-	(231)	-	(231)
Net cash provided by (used in) operating activities	(283)	-	21,121	-	20,838
<b>INVESTING ACTIVITIES</b>					
Purchases of property and equipment	-	-	(2,293)	-	(2,293)
Cash paid for acquisition, net of cash acquired	-	-	(745)	-	(745)
Net cash provided used in investing activities	-	-	(3,038)	-	(3,038)
<b>FINANCING ACTIVITIES</b>					
Principal payments on debt	(963)	-	(21,279)	-	(22,242)
Borrowings on debt	762	-	13,781	-	14,543
Proceeds from issuance of related-party notes payable	8,166	-	(8,166)	-	-
Proceeds from issuance of Class A Units	99	-	-	-	99
Purchase of Class A Units	(7,796)	-	762	-	(7,034)
Share-based compensation redemptions	-	-	(3,031)	-	(3,031)
Net cash provided by (used in) financing activities	268	-	(17,933)	-	(17,665)
Effects of exchange rates on cash and cash equivalents	-	-	80	-	80
<b>NET CHANGE IN CASH</b>	(15)	-	230	-	215
<b>CASH, Beginning</b>	66	-	7,429	-	7,495
<b>CASH, Ending</b>	\$ 51	\$ -	\$ 7,659	\$ -	\$ 7,710