

**AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**

**Financial Statements**

**For the Years Ended December 31, 2017 and 2016**

**with**

**Independent Auditors' Report**

# ALMICH & ASSOCIATES

AN ACCOUNTANCY CORPORATION

• Certified Public Accounting and Business Services •

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
American Career College Educational Foundation:

We have audited the accompanying financial statements of American Career College Educational Foundation (a California nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Career College Educational Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Lake Forest, California  
November 28, 2018

**AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**

**Statements of Financial Position**

**December 31, 2017 and 2016**

**Assets**

	<u>2017</u>	<u>2016</u>
Current assets		
Cash	\$ 15,019	\$ 116,616
Account receivable	14,717	-
Prepaid expenses	<u>3,818</u>	<u>26,758</u>
Total current assets	<u>\$ 33,554</u>	<u>\$ 143,374</u>

**Liabilities and Net Assets**

Current liabilities:		
Accounts payable	\$ 5,450	\$ 7,650
Due to related party	14,772	108,330
Accrued expenses	<u>50,357</u>	<u>17,641</u>
Total current liabilities	<u>70,579</u>	<u>133,621</u>
Net assets:		
Unrestricted	(46,125)	4,253
Temporarily restricted	<u>9,100</u>	<u>5,500</u>
Total net assets	<u>(37,025)</u>	<u>9,753</u>
Total liabilities and net assets	<u>\$ 33,554</u>	<u>\$ 143,374</u>

See notes to financial statements

**AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION****Statement of Activities****For the Year Ended December 31, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Contribution revenues	\$ 1,185,000	\$ 87,662	\$ 1,272,662
Net assets released from restrictions	84,062	(84,062)	-
	<u>1,269,062</u>	<u>3,600</u>	<u>1,272,662</u>
Expenses:			
Program	1,183,328	-	1,183,328
General and administrative	37,029	-	37,029
Fundraising	99,083	-	99,083
Total expenses	<u>1,319,440</u>	<u>-</u>	<u>1,319,440</u>
Change in net assets	(50,378)	3,600	(46,778)
Net assets, beginning of year	<u>4,253</u>	<u>5,500</u>	<u>9,753</u>
Net assets, end of year	<u>\$ (46,125)</u>	<u>\$ 9,100</u>	<u>\$ (37,025)</u>

See notes to financial statements

**AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**

**Statement of Activities**

**For the Year Ended December 31, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Contribution revenues	<u>\$ 512,309</u>	<u>\$ 4,600</u>	<u>\$ 516,909</u>
Expenses:			
Program	478,060	-	478,060
General and administrative	47,146	-	47,146
Fundraising	<u>67,100</u>	<u>-</u>	<u>67,100</u>
Total expenses	<u>592,306</u>	<u>-</u>	<u>592,306</u>
Change in net assets	(79,997)	4,600	(75,397)
Net assets, beginning of year	<u>84,250</u>	<u>900</u>	<u>85,150</u>
Net assets, end of year	<u><u>\$ 4,253</u></u>	<u><u>\$ 5,500</u></u>	<u><u>\$ 9,753</u></u>

See notes to financial statements

**AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**

**Statements of Cash Flows**

**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (46,778)	\$ (75,397)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Account receivable	(14,717)	-
Prepaid expenses	22,940	(23,958)
Accounts payable	(2,200)	2,200
Due to related party	(93,558)	108,330
Accrued expenses	32,716	17,641
Net cash provided (used) by operating activities	(101,597)	28,816
Cash, beginning of year	116,616	87,800
Cash, end of year	<u>\$ 15,019</u>	<u>\$ 116,616</u>

See notes to financial statements

# AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

## Notes to Financial Statements

December 31, 2017 and 2016

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### *Organization and Basis of Accounting*

American Career College Educational Foundation (the Foundation) is a California nonprofit public benefit corporation formed in September 2012. The Foundation was initially established with funds contributed by the sole shareholder of American Career College, Inc. (ACC, a California corporation). Directors of the Foundation are designated by the board of advisors of ACC.

The primary purpose of the Foundation is to provide educational opportunities to high school non-completeness of the communities surrounding the ACC campuses through the High School Equivalency Academy program, inclusive of testing fees and costs. Additionally, the Foundation would provide prospective and enrolled students of ACC with tuition assistance opportunities including, but not limited to, scholarships and grants.

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

#### *Basis of Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that need to be maintained permanently by the Foundation.

As of December 31, 2017 and 2016, the Foundation had unrestricted and temporarily restricted net assets. Temporarily restricted net assets are available for financial aid. The Foundation has no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

#### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. This ASU will be effective for the Foundation for the year ending December 31, 2019. The Foundation is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In August 2016, FASB issued *ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities*. *ASU 2016-14* will be effective for the Foundation for its fiscal year ending December 31, 2018. The most significant provisions of *ASU 2016-14* are:

- reduction of the classes of net assets from three to two; net assets will be classified as either “net assets with donor restrictions” or “net assets without donor restrictions”
- there will be a requirement to disclose on the face of the financial statements, on a separate statement, or in the notes the amounts of expenses by both natural and functional classification
- there will be requirements for various new footnote disclosures which FASB believed were necessary for more useful financial reporting, including information about underwater endowment funds

#### *Income Taxes*

The Foundation has received a determination letter from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also received a determination letter from the California Franchise Tax Board. Accordingly, no provision has been made for income taxes.

#### *Reclassification*

Certain amounts in the accompanying 2016 statement of activities have been reclassified to conform with the current year presentation.

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

#### *Subsequent Events*

The Foundation has evaluated subsequent events through the date of the auditors’ report, November 28, 2018, which is the date the accompanying financial statements were available to be issued.

### NOTE 2 – RELATED PARTY TRANSACTIONS

#### *Contribution Revenues*

During the years ended December 31, 2017 and 2016, the Foundation received contribution revenues of \$1,080,000 and \$511,000, respectively, from the Chairman of the Foundation.

#### *Administrative Services Agreement*

In April 2016, the Foundation entered into an Administrative Services Agreement (the Agreement) with ACC for a term of one (1) year with automatic renewal for another year. Under the Agreement, ACC shall provide various management and administrative services, equipment, supplies and other goods and services to the Foundation with the compensation to be determined based upon actual costs and expenses



incurred by ACC. The expenses incurred under this agreement for the years ended December 31, 2017 and 2016 were \$14,772 and \$108,330, respectively, which are shown as due to related party and reflected within program expenses and general and administrative expenses on the accompanying financial statements.

#### NOTE 3 – 401(K) PLAN

The Foundation's eligible employees participate in ACC's 401(k) plan in which the Foundation may make a matching contribution at a discretionary percentage. Employees are eligible to participate in the Foundation matching after three months of service. For the years ended December 31, 2017 and 2016, the discretionary percentage was equal to 50 percent of a participant's contribution up to 4 percent of a participant's base compensation. Foundation matching contributions vest in-full after three years of service. During the years ended December 31, 2017 and 2016, matching contributions were approximately \$9,600 and \$4,800, respectively.

#### NOTE 4 – CONCENTRATION OF CREDIT RISK

At certain times during the years ended December 31, 2017 and 2016, the Foundation maintained cash balances with a bank in excess of the federally insured amount.