

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Financial Statements

For the Years Ended December 31, 2018 and 2017

with

Independent Auditors' Report

ALMICH & ASSOCIATES

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, 2018 and 2017, 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, 2018 and 2017, 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
June 28, 2019

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statements of Financial Position

December 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current assets		
Cash	\$ 187,777	\$ 15,019
Account receivable	-	14,717
Prepaid expenses	<u>6,949</u>	<u>3,818</u>
Total current assets	194,726	33,554
Equipment, net of accumulated depreciation of \$6,565	<u>23,755</u>	<u>-</u>
Total assets	<u><u>\$ 218,481</u></u>	<u><u>\$ 33,554</u></u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 26,188	\$ 5,450
Due to related party	15,690	14,772
Accrued expenses	<u>102,278</u>	<u>50,357</u>
Total current liabilities	<u>144,156</u>	<u>70,579</u>
Net assets:		
Without donor restrictions	1,871	(46,125)
With donor restrictions	<u>72,454</u>	<u>9,100</u>
Total net assets	<u>74,325</u>	<u>(37,025)</u>
Total liabilities and net assets	<u><u>\$ 218,481</u></u>	<u><u>\$ 33,554</u></u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**Statement of Activities****For the Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Contribution revenues	\$ 1,367,757	\$ 116,969	\$ 1,484,726
Net assets released from restrictions	53,615	(53,615)	-
	<u>1,421,372</u>	<u>63,354</u>	<u>1,484,726</u>
Expenses:			
Program	1,294,480	-	1,294,480
Management and general	38,181	-	38,181
Fundraising	40,715	-	40,715
Total expenses	<u>1,373,376</u>	<u>-</u>	<u>1,373,376</u>
Change in net assets	47,996	63,354	111,350
Net assets, beginning of year	<u>(46,125)</u>	<u>9,100</u>	<u>(37,025)</u>
Net assets, end of year	<u>\$ 1,871</u>	<u>\$ 72,454</u>	<u>\$ 74,325</u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statement of Activities

For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
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
Management and general	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

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 111,350	\$ (46,778)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,565	-
Changes in assets and liabilities:		
Account receivable	14,717	(14,717)
Prepaid expenses	(3,131)	22,940
Accounts payable	20,738	(2,200)
Due to related party	918	(93,558)
Accrued expenses	51,921	32,716
Net cash provided (used) by operating activities	<u>203,078</u>	<u>(101,597)</u>
Cash flows from investing activities:		
Purchases of equipment	<u>(30,320)</u>	<u>-</u>
Net cash used by investing activities	<u>(30,320)</u>	<u>-</u>
Increase (decrease) in cash	172,758	(101,597)
Cash, beginning of year	<u>15,019</u>	<u>116,616</u>
Cash, end of year	<u><u>\$ 187,777</u></u>	<u><u>\$ 15,019</u></u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

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 Chairman of the Foundation who is also 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-completers of the communities surrounding the ACC campuses through the High School Equivalency program, inclusive of testing fees and costs. Additionally, the Foundation provides prospective and enrolled students of ACC with tuition assistance opportunities including, but not limited to, scholarships and grants.

During the year ended December 31, 2018, the Foundation started an Emergency Relief Program to provide financial relief for employees of the Foundation, ACC and two other for-profit entities owned by the sole shareholder of ACC, based upon an emergency situation that arises in these employees' personal lives. During the year ended December 31, 2018, the funds contributed to this program were from both the sole shareholder of ACC and employees covered under this program.

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. In accordance with *Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities*, beginning with the year ended December 31, 2018, net assets will be classified as either "net assets with donor restrictions" or "net assets without donor restrictions." The accompanying statements of financial position have been presented in accordance with the guidance provided by *ASU 2016-14*.

As of December 31, 2018 and 2017, the Foundation's net assets with donor restrictions are available for financial aid.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of 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 two classes of net assets.

Revenue Recognition

Gifts are recognized as contribution revenues when they are received or unconditionally pledged to the Foundation. Unconditional pledges to give to the Foundation are reflected as gifts receivable. The Foundation reports gifts of cash and other assets as contribution revenues without or with donor restrictions depending upon whether the donor places limitations on the use of the donated asset. Gifts of assets other than cash are recorded at estimated fair value at the date of the gift. All gifts received during the years ended December 31, 2018 and 2017 were cash.

Depreciation

Equipment are recorded at cost and are being depreciated over their estimated useful lives of 3 years using the straight-line method. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued *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.

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.

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, June 28, 2019, 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, 2018 and 2017, the Foundation received contribution revenues of \$1,312,383 and \$1,080,000, 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, 2018 and 2017 were approximately \$196,000 and \$170,000, respectively, which are reflected within program expenses and management and general expenses on the accompanying statements of activities. The amounts due to ACC under the Agreement as of December 31, 2018 and 2017, were \$15,690 and \$14,772, respectively, which are shown as due to related party on the accompanying statements of financial position.

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 year ended December 31, 2018, the discretionary percentage was equal to 100 percent of a participant's contribution up to 3 percent of a participant's base compensation. For the year ended December 31, 2017, the discretionary percentage was equal to 50 percent of a participant's contribution up to 4 percent of a participant's base compensation. During the years ended December 31, 2018 and 2017, matching contributions were approximately \$20,600 and \$9,600, respectively.

NOTE 4 – EXPENSES

The tables below represent expenses by both their nature and function for the years ended December 31, 2018 and 2017:

2018	Program Activities			Supporting Activities			Total Expenses
	HSE Program	Emergency Relief Program	Total	Management and General	Fund Raising	Total	
Salaries and benefits	\$ 1,055,184	\$ -	\$ 1,055,184	\$ -	\$ -	\$ -	\$ 1,055,184
HSE testing fees	115,840	-	115,840	-	-	-	115,840
Supplies	45,135	-	45,135	7,066	3,197	10,263	55,398
Training and travel	35,046	-	35,046	-	-	-	35,046
Marketing and professional fees	11,945	-	11,945	27,233	37,518	64,751	76,696
Software and licenses	11,359	-	11,359	-	-	-	11,359
Certificates and awards	9,625	-	9,625	-	-	-	9,625
Depreciation	6,565	-	6,565	-	-	-	6,565
Office and occupancy	726	-	726	3,882	-	3,882	4,608
Grants to recipients	-	3,055	3,055	-	-	-	3,055
	<u>\$ 1,291,425</u>	<u>\$ 3,055</u>	<u>\$ 1,294,480</u>	<u>\$ 38,181</u>	<u>\$ 40,715</u>	<u>\$ 78,896</u>	<u>\$ 1,373,376</u>

2017	Program Activities - HSE Program	Supporting Activities			Total Expenses
		Management and General	Fund Raising	Total	
Salaries and benefits	\$ 907,639	\$ -	\$ 52,845	\$ 52,845	\$ 960,484
HSE testing fees	137,485	-	-	-	137,485
Supplies	53,773	907	-	907	54,680
Training and travel	7,526	-	-	-	7,526
Marketing and professional fees	44,729	36,122	46,238	82,360	127,089
Software and licenses	27,113	-	-	-	27,113
Certificates and awards	509	-	-	-	509
Office and occupancy	3,556	-	-	-	3,556
Grants to recipients	998	-	-	-	998
	<u>\$ 1,183,328</u>	<u>\$ 37,029</u>	<u>\$ 99,083</u>	<u>\$ 136,112</u>	<u>\$ 1,319,440</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

At certain times during the years ended December 31, 2018 and 2017, the Foundation maintained cash balances with a bank in excess of the federally insured amount.