

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Financial Statements

For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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
December 8, 2021

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statements of Financial Position

December 31, 2020 and 2019

Assets

	2020	2019
Current assets:		
Cash	\$ 345,742	\$ 274,781
Contributions receivable	6,255	52,500
Prepaid expenses	23,444	6,650
Total current assets	375,441	333,931
Furniture and equipment, net of accumulated depreciation of \$44,702 for 2020 and \$17,096 for 2019	46,525	64,311
Total assets	<u>\$ 421,966</u>	<u>\$ 398,242</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 5,736	\$ 14,557
Due to related party	8,814	67,671
Accrued expenses	241,120	170,645
Total current liabilities	255,670	252,873
Net assets:		
Without donor restrictions	7,071	43,478
With donor restrictions	159,225	101,891
Total net assets	166,296	145,369
Total liabilities and net assets	<u>\$ 421,966</u>	<u>\$ 398,242</u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**Statement of Activities****For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Contribution revenues	\$ 1,619,224	\$ 426,225	\$ 2,045,449
Net assets released from restrictions	368,891	(368,891)	-
	<u>1,988,115</u>	<u>57,334</u>	<u>2,045,449</u>
Expenses:			
Program	1,951,623	-	1,951,623
Management and general	33,362	-	33,362
Fundraising	39,537	-	39,537
Total expenses	<u>2,024,522</u>	<u>-</u>	<u>2,024,522</u>
Change in net assets	(36,407)	57,334	20,927
Net assets, beginning of year	<u>43,478</u>	<u>101,891</u>	<u>145,369</u>
Net assets, end of year	<u>\$ 7,071</u>	<u>\$ 159,225</u>	<u>\$ 166,296</u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**Statement of Activities****For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Contribution revenues	\$ 1,721,900	\$ 179,820	\$ 1,901,720
Net assets released from restrictions	150,383	(150,383)	-
	<u>1,872,283</u>	<u>29,437</u>	<u>1,901,720</u>
Expenses:			
Program	1,757,698	-	1,757,698
Management and general	22,906	-	22,906
Fundraising	50,072	-	50,072
Total expenses	<u>1,830,676</u>	<u>-</u>	<u>1,830,676</u>
Change in net assets	41,607	29,437	71,044
Net assets, beginning of year	<u>1,871</u>	<u>72,454</u>	<u>74,325</u>
Net assets, end of year	<u>\$ 43,478</u>	<u>\$ 101,891</u>	<u>\$ 145,369</u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION**Statements of Cash Flows****For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 20,927	\$ 71,044
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,604	10,531
Changes in assets and liabilities:		
Contributions receivable	46,245	(52,500)
Prepaid expenses	(16,794)	299
Accounts payable	(8,821)	(11,631)
Due to related party	(58,857)	51,981
Accrued expenses	70,477	68,367
Net cash provided by operating activities	<u>80,781</u>	<u>138,091</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	<u>(9,820)</u>	<u>(51,087)</u>
Net cash used by investing activities	<u>(9,820)</u>	<u>(51,087)</u>
Increase in cash	70,961	87,004
Cash, beginning of year	274,781	187,777
Cash, end of year	<u><u>\$ 345,742</u></u>	<u><u>\$ 274,781</u></u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

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.

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, the net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that need to be maintained permanently by the Foundation or whose restrictions will be met either by the actions of the Foundation or the passage of time.

As of December 31, 2020 and 2019, the Foundation's net assets with donor restrictions are available for scholarships and related programming.

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.

Liquidity and Availability Resources

The Foundation has a goal to maintain financial assets to meet current liabilities and a policy to structure its financial assets to be available as its general expenditures and obligations become due. The Foundation has experienced a consistent history of contribution revenues exceeding its operating expenses.

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 contributions 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 contributions receivable as of December 31, 2020 and 2019 were restricted for scholarships or related programming.

The Financial Accounting Standards Board issued *Accounting Standard Codification (ASC) Topic 606, 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. *ASC Topic 606* became effective for the Foundation for the year ended December 31, 2019. The Foundation did not have any contracts with customers during the years ended December 31, 2020 or 2019.

Depreciation

Furniture and equipment are recorded at cost and are being depreciated over their estimated useful lives of 3 to 5 years using the straight-line method. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

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.

Risks and Uncertainties

The Foundation is subject to risks and uncertainties as a result of the recent novel coronavirus (COVID-19). While management continues to monitor the situation and its financial impact on the Foundation, the extent to which the COVID-19 pandemic ultimately affects the Foundation's financial position, cash flows and results of operations currently remains uncertain.

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, December 8, 2021, 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, 2020 and 2019, the Foundation received contribution revenues of \$1,616,200 and \$1,722,264, 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, which includes a provision for annual automatic renewals. 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 costs incurred under this agreement for the years ended December 31, 2020 and 2019 were approximately \$209,000 and \$147,000, respectively, which are reflected within program and management and general expenses, as well as furniture and equipment on the accompanying financial statements. The amounts due to ACC under the Agreement as of December 31, 2020 and 2019, were \$8,814 and \$67,671, 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 fully-vested safe harbor matching contributions and discretionary matching contributions which vest after three years of service. Substantially all employees of the Foundation who have reached age 21 and have completed at least three months of service are eligible to participate in the plan; effective June 30, 2020, the three month service requirement was removed. Safe harbor matching contributions are equal to 100% of participant's annual contributions up to the first 3% of participant's eligible annual compensation, and then 50% of participant's annual contribution up to the next 2% of the participant's eligible annual compensation. Discretionary matching contribution cannot exceed 4% of the participant's eligible annual compensation. During the years ended December 31, 2020 and 2019, matching contributions were approximately \$33,000 and \$31,000, respectively.

NOTE 4 – EXPENSES

The tables below represent expenses by both their nature and function for the years ended December 31, 2020 and 2019:

2020	Program Activities			Supporting Activities			Total Expenses
	HSE Program	Emergency Relief Program	Total	Management and General	Fund Raising	Total	
Salaries and benefits	\$ 1,623,125	\$ -	\$ 1,623,125	\$ -	\$ -	\$ -	\$ 1,623,125
HSE testing fees	122,912	-	122,912	-	-	-	122,912
Insurance	-	-	-	16,502	-	16,502	16,502
Supplies	17,145	-	17,145	2,785	-	2,785	19,930
Training and travel	11,764	-	11,764	-	-	-	11,764
Marketing and professional fees	99,408	-	99,408	14,075	39,537	53,612	153,020
Software and licenses	14,073	-	14,073	-	-	-	14,073
Certificates and awards	1,917	-	1,917	-	-	-	1,917
Depreciation	27,605	-	27,605	-	-	-	27,605
Grants to recipients	21,425	12,249	33,674	-	-	-	33,674
	<u>\$ 1,939,374</u>	<u>\$ 12,249</u>	<u>\$ 1,951,623</u>	<u>\$ 33,362</u>	<u>\$ 39,537</u>	<u>\$ 72,899</u>	<u>\$ 2,024,522</u>

2019	Program Activities			Supporting Activities			Total Expenses
	HSE Program	Emergency Relief Program	Total	Management and General	Fund Raising	Total	
Salaries and benefits	\$ 1,369,438	\$ -	\$ 1,369,438	\$ -	\$ -	\$ -	\$ 1,369,438
HSE testing fees	163,852	-	163,852	-	-	-	163,852
Supplies	53,859	-	53,859	2,912	6,279	9,191	63,050
Training and travel	28,516	-	28,516	-	-	-	28,516
Marketing and professional fees	86,109	-	86,109	19,994	43,793	63,787	149,896
Software and licenses	10,885	-	10,885	-	-	-	10,885
Certificates and awards	10,568	-	10,568	-	-	-	10,568
Depreciation	10,531	-	10,531	-	-	-	10,531
Grants to recipients	4,000	19,940	23,940	-	-	-	23,940
	<u>\$ 1,737,758</u>	<u>\$ 19,940</u>	<u>\$ 1,757,698</u>	<u>\$ 22,906</u>	<u>\$ 50,072</u>	<u>\$ 72,978</u>	<u>\$ 1,830,676</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

As of December 31, 2020 and 2019, the Foundation maintained cash balances with a bank in excess of the federally insured amount.