

DRAFT 8.28.2023

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Financial Statements

For the Years Ended December 31, 2022 and 2021

with

Independent Auditors' Report

DRAFT 8.28.2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of American Career College Educational Foundation (the Foundation, a California nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Lake Forest, California
_____, 2023

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION
Statements of Financial Position
December 31, 2022 and 2021

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Assets

	2022	2021
Current assets:		
Cash	\$ 502,754	\$ 411,562
Contributions receivable	9,368	11,425
Prepaid expenses	10,150	22,301
Total current assets	522,272	445,288
Furniture and equipment, net of accumulated depreciation of \$86,798 for 2022 and \$66,844 for 2021	4,428	24,383
Total assets	\$ 526,700	\$ 469,671

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 14,199	\$ 15,794
Due to related party	32,661	13,467
Accrued expenses	217,666	230,964
Total current liabilities	264,526	260,225
Net assets:		
Without donor restrictions	124,185	57,677
With donor restrictions	137,989	151,769
Total net assets	262,174	209,446
Total liabilities and net assets	\$ 526,700	\$ 469,671

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Contribution revenues	\$ 2,109,449	\$ 236,459	\$ 2,345,908
Net assets released from restrictions	250,239	(250,239)	-
	<u>2,359,688</u>	<u>(13,780)</u>	<u>2,345,908</u>
Expenses:			
Program	2,195,791	-	2,195,791
Management and general	50,823	-	50,823
Fundraising	46,566	-	46,566
Total expenses	<u>2,293,180</u>	<u>-</u>	<u>2,293,180</u>
Change in net assets	66,508	(13,780)	52,728
Net assets, beginning of year	<u>57,677</u>	<u>151,769</u>	<u>209,446</u>
Net assets, end of year	<u>\$ 124,185</u>	<u>\$ 137,989</u>	<u>\$ 262,174</u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Contribution revenues	\$ 2,000,004	\$ 235,036	\$ 2,235,040
Net assets released from restrictions	242,492	(242,492)	-
	<u>2,242,496</u>	<u>(7,456)</u>	<u>2,235,040</u>
Expenses:			
Program	2,094,754	-	2,094,754
Management and general	54,137	-	54,137
Fundraising	42,999	-	42,999
Total expenses	<u>2,191,890</u>	<u>-</u>	<u>2,191,890</u>
Change in net assets	50,606	(7,456)	43,150
Net assets, beginning of year	7,071	159,225	166,296
Net assets, end of year	<u>\$ 57,677</u>	<u>\$ 151,769</u>	<u>\$ 209,446</u>

See notes to financial statements

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AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 52,728	\$ 43,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,955	22,142
Changes in assets and liabilities:		
Contributions receivable	2,057	(5,170)
Prepaid expenses	12,151	1,143
Accounts payable	(1,595)	10,058
Due to related party	19,194	4,653
Accrued expenses	(13,298)	(10,156)
Net cash provided by operating activities	91,192	65,820
Increase in cash	91,192	65,820
Cash, beginning of year	411,562	345,742
Cash, end of year	\$ 502,754	\$ 411,562

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION
Notes to Financial Statements
December 31, 2022 and 2021

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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, 2022 and 2021, 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 of 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; the Foundation received donated goods of approximately \$55,000 during the year ended December 31, 2022. At December 31, 2022 and 2021, contributions receivable of approximately \$6,000 and \$7,000, respectively, were restricted for use for the Foundation's programs. All contributions receivable are expected to be collected within one year of the date of the statement of financial position.

The Financial Accounting Standards Board (FASB) 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. The Foundation did not have any contracts with customers during the years ended December 31, 2022 or 2021.

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.

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.

Adoption of New Accounting Guidance

In February 2016, FASB issued *Accounting Standards Update (ASU) 2016-02, Leases*. The guidance in this *ASU* supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease liabilities and right of use assets on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Foundation adopted the guidance under *ASU 2016-02* effective January 1, 2022 and completed an assessment of its evaluation of the new standard's impact on its accounting policies and processes. The Foundation did not have any leases subject to this new guidance.

Subsequent Events

The Foundation has evaluated subsequent events through the date of the auditors' report, _____, 2023, which is the date the accompanying financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

Contribution Revenues

During the year ended December 31, 2022, the Foundation received contribution revenues of \$2,038,000 from a not-for-profit organization founded by the Foundation's Chairman. During the year ended December 31, 2021, the Foundation received contribution revenues of \$1,996,795 from both the Chairman of the Foundation and a not-for-profit organization founded by the Foundation's Chairman.

Administrative Services Agreement

The Foundation has 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, 2022 and 2021 were approximately \$169,000 and \$ 161,000, respectively, which are reflected within program and management and general expenses on the accompanying financial statements. The amounts due to ACC under the Agreement as of December 31, 2022 and 2021, were \$32,661 and \$13,467, 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 are eligible to participate in the plan. Safe harbor matching contributions are equal to 100% of a participant's annual contributions up to the first 3% of a participant's eligible annual compensation, and then 50% of a 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, 2022 and 2021, matching contributions were approximately \$40,000 and \$39,000, respectively.

NOTE 4 – EXPENSES

The tables below represent expenses by both their nature and function for the years ended December 31, 2022 and 2021:

2022	Program Activities			Supporting Activities			Total Expenses
	HSE Program	Emergency Relief Program	Total	Management and General	Fund Raising	Total	
Salaries and benefits	\$ 1,789,430	\$ -	\$ 1,789,430	\$ -	\$ -	\$ -	\$ 1,789,430
HSE testing fees	157,737	-	157,737	-	-	-	157,737
Insurance	-	-	-	32,525	-	32,525	32,525
Supplies	76,474	-	76,474	-	1,513	1,513	77,987
Training and travel	4,480	-	4,480	-	-	-	4,480
Marketing and professional fees	99,403	-	99,403	16,458	46,892	63,350	162,753
Software and licenses	7,999	-	7,999	-	-	-	7,999
Certificates and awards	4,306	-	4,306	-	-	-	4,306
Depreciation	19,955	-	19,955	-	-	-	19,955
Grants to recipients	20,108	15,900	36,008	-	-	-	36,008
	<u>\$ 2,179,892</u>	<u>\$ 15,900</u>	<u>\$ 2,195,792</u>	<u>\$ 48,983</u>	<u>\$ 48,405</u>	<u>\$ 97,388</u>	<u>\$ 2,293,180</u>

2021	Program Activities			Supporting Activities			Total Expenses
	HSE Program	Emergency Relief Program	Total	Management and General	Fund Raising	Total	
Salaries and benefits	\$ 1,741,964	\$ -	\$ 1,741,964	\$ -	\$ -	\$ -	\$ 1,741,964
HSE testing fees	166,021	-	166,021	-	-	-	166,021
Insurance	-	-	-	31,195	-	31,195	31,195
Supplies	14,571	-	14,571	713	-	713	15,284
Training and travel	10,844	-	10,844	-	-	-	10,844
Marketing and professional fees	98,903	-	98,903	22,229	42,999	65,228	164,131
Software and licenses	13,405	-	13,405	-	-	-	13,405
Certificates and awards	2,897	-	2,897	-	-	-	2,897
Depreciation	22,142	-	22,142	-	-	-	22,142
Grants to recipients	4,190	19,817	24,007	-	-	-	24,007
	<u>\$ 2,074,937</u>	<u>\$ 19,817</u>	<u>\$ 2,094,754</u>	<u>\$ 54,137</u>	<u>\$ 42,999</u>	<u>\$ 97,136</u>	<u>\$ 2,191,890</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

As of December 31, 2022 and 2021, the Foundation maintained cash balances with a bank in excess of the federally insured amount.