

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Financial Statements

For the Year Ended December 31, 2015

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 statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Lake Forest, California
September 21, 2016

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statement of Financial Position

December 31, 2015

Assets

Current assets:

Cash	\$ 87,800
Prepaid expenses	<u>2,800</u>
Total current assets	<u><u>\$ 90,600</u></u>

Liabilities and Net Assets

Total current liabilities - accounts payable	<u>\$ 5,450</u>
Net assets:	
Unrestricted	84,250
Temporarily restricted	<u>900</u>
Total net assets	<u>85,150</u>
Total liabilities and net assets	<u><u>\$ 90,600</u></u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statement of Activities

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Contribution revenues	<u>\$ 161,183</u>	<u>\$ 900</u>	<u>\$ 162,083</u>
Expenses:			
Professional fees	59,983	-	59,983
Testing fees	<u>11,340</u>	<u>-</u>	<u>11,340</u>
Total expenses	<u>71,323</u>	<u>-</u>	<u>71,323</u>
Change in net assets	89,860	900	90,760
Net assets, beginning of year	<u>(5,610)</u>	<u>-</u>	<u>(5,610)</u>
Net assets, end of year	<u><u>\$ 84,250</u></u>	<u><u>\$ 900</u></u>	<u><u>\$ 85,150</u></u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Statement of Cash Flows

For the Year Ended December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 90,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Prepaid expenses	(2,800)
Accounts payable	(295)
Net cash provided by operating activities	87,665
Cash, beginning of year	135
Cash, end of year	<u>\$ 87,800</u>

See notes to financial statements

AMERICAN CAREER COLLEGE EDUCATIONAL FOUNDATION

Notes to Financial Statements

December 31, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization

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). The Foundation has three (3) directors, all of which are designated by the board of advisors of ACC.

The primary purpose of the Foundation is to provide educational opportunities to the residents of the communities surrounding the ACC campuses through the provision of a General Education Development test Preparation 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.

Basis of Accounting

The 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, 2015, 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.

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.

New Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). 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

Subsequent Events

The Foundation has evaluated subsequent events through the date of the auditors’ report, September 21, 2016, which is the date the accompanying financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

Contribution Revenues

Unrestricted contribution revenues of approximately \$100,000 and \$60,000 were from the Chairman of the Foundation, and ACC, respectively.

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.