WESTON ENTERPRISES, INC. AND SUBSIDIARY

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

with

Independent Auditors' Report

ALMICH & ASSOCIATES
AN ACCOUNTANCY CORPORATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Weston Enterprises, Inc.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Weston Enterprises, Inc. (a Colorado corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Weston Enterprises, Inc. and Subsidiary'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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Weston Enterprises, Inc. and Subsidiary as of December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lake Forest, California
June 22, 2018

WESTON ENTERPRISES, INC. AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 2017 and 2016

Assets

	2017	2016
Current assets:		
Cash and cash equivalents	$ 112,255	$ 294,602
Accounts receivable, net of allowance for doubtful accounts of $515,238 for 2017 and $674,534 for 2016	7,218,512	9,692,818
Inventory	205,645	218,587
Other receivables	26,198	38,806
Prepaid expenses and other	88,484	133,886
Total current assets	7,651,094	10,378,699
Furniture, equipment and improvements, net of accumulated depreciation and amortization of $1,460,158 for 2017 and $1,608,550 for 2016	178,119	254,999
Deposits	97,126	51,346
	$ 7,926,339	$ 10,685,044

Liabilities and Stockholder's Equity

	2017	2016
Current liabilities:		
Accounts payable	$ 4,372	$ 167,828
Accrued expenses	380,746	545,426
Unearned tuition	1,349,732	2,052,991
Line of credit	225,000	500,000
Total current liabilities	1,959,850	3,266,245
Deferred rent	24,571	-
Total liabilities	1,984,421	3,266,245
Stockholder's equity:		
Common stock, no par value, 10,000 shares authorized, 100 shares issued and outstanding	20,695	20,695
Additional paid-in capital	5,170,832	4,552,476
Retained earnings	750,391	2,845,628
Total stockholder's equity	5,941,918	7,418,799
	$ 7,926,339	$ 10,685,044

WESTON ENTERPRISES, INC. AND SUBSIDIARY
Consolidated Statements of Operations
For the Years Ended December 31, 2017 and 2016

Net tuition revenues	$ 8,623,809	$ 12,227,550
Costs and expenses:		
Course materials, services and instruction	3,387,667	3,905,170
Selling and promotion	3,966,770	4,349,071
General and administrative	2,788,145	2,686,014
Facilities	418,291	397,510
Depreciation and amortization	94,767	164,034
Total costs and expenses	10,655,640	11,501,799
Income (loss) from operations	(2,031,831)	725,751
Other income (expense):		
Interest expense	(46,623)	(2,528)
Other income (expense)	(9,235)	62,558
Total other income (expense)	(55,858)	60,030
Income (loss) before provision for income taxes	(2,087,689)	785,781
Provision for income taxes	(7,548)	(10,645)
Net income (loss)	$ (2,095,237)	$ 775,136

See notes to consolidated financial statements

WESTON ENTERPRISES, INC. AND SUBSIDIARY
Consolidated Statements of Stockholder's Equity
For the Years Ended December 31, 2017 and 2016

	Common Stock		Additional Paid-in	Retained	Total Stockholder's
	Shares	Amount	Capital	Earnings	Equity
Balances at December 31, 2015	100	$ 20,695	$4,552,476	$ 3,808,171	$ 8,381,342
Distributions to stockholder	-	-	-	(1,737,679)	(1,737,679)
Net income	-	-	-	775,136	775,136
Balances at December 31, 2016	100	20,695	4,552,476	2,845,628	7,418,799
Contributions from stockholder	-	-	618,356	-	618,356
Net loss	-	-	-	(2,095,237)	(2,095,237)
Balances at December 31, 2017	100	$ 20,695	$5,170,832	$ 750,391	$ 5,941,918

See notes to consolidated financial statements

WESTON ENTERPRISES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net income (loss)	$ (2,095,237)	$ 775,136
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities -		
Depreciation and amortization	94,767	164,034
Changes in assets and liabilities -		
Accounts receivable, net	2,474,306	784,425
Inventory	12,942	73,634
Other receivables	12,608	(4,486)
Prepaid expenses and other	45,402	7,685
Deposits	(45,780)	(34,965)
Accounts payable	(163,456)	(54,224)
Accrued expenses	(164,680)	107,480
Unearned tuition	(703,259)	(884,603)
Deferred rent	24,571	-
Net cash provided (used) by operating activities	(507,816)	934,116
Cash flows from investing activities:		
Purchases of furniture, equipment and improvements	(17,887)	(119,974)
Net cash used by investing activities	(17,887)	(119,974)
Cash flows from financing activities:		
Decrease in due to related party	-	(284,674)
Principal borrowings on line of credit	285,000	500,000
Principal payments on line of credit	(560,000)	-
Contributions from stockholder	618,356	-
Distributions to stockholder	-	(1,737,679)
Net cash provided (used) by financing activities	343,356	(1,522,353)
Decrease in cash and cash equivalents	(182,347)	(708,211)
Cash and cash equivalents, beginning of year	294,602	1,002,813
Cash and cash equivalents, end of year	$ 112,255	$ 294,602
Supplemental cash flows information:		
Cash paid for -		
Interest	$ 46,623	$ 2,528
Income taxes	$ 7,548	$ 10,645

See notes to consolidated financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Weston Enterprises, Inc., dba At Home Professions is a Colorado corporation which, along with its subsidiary, provides postsecondary career level education to students through home study courses. Courses are offered in several business and medical related fields and are distributed through mail order and seminar channels.

The accompanying consolidated financial statements include the accounts of Weston Enterprises, Inc. and its wholly-owned subsidiary Weston Distance Learning, Inc., dba U.S. Career Institute and McKinley College (collectively, the Company). All intercompany amounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the continued operations of the Company through a period extending one year from the date of the accompanying auditor's report, and the realization of assets and the settlement of liabilities and commitments in the normal course of business. During the year ended December 31, 2017, the Company incurred a significant net loss. Management's plans are to reduce expenses, revise the Company's marketing strategy to prioritize the most efficient mediums, revamp the course materials and student communication process to improve student progress through the courses, and accelerate the monthly payment plans for incoming students. The Company's stockholder is also committed to provide additional working capital as needed. Management believes that these plans, along with commitments of its stockholder to provide working capital as needed, will provide sufficient funds to meet the Company's obligations and commitments as they become due. However, there can be no assurance on the effects on the Company as a result of the outcome of these planned courses of action or the Company's return to profitability. The Company's long-term success is dependent upon management's ability to successfully execute its plans and, ultimately, to achieve sustained profitable operations. The accompanying consolidated financial statements do not include adjustments that might result from the above uncertainties.

Revenue Recognition, Unearned Tuition and Accounts Receivable

Revenues are derived primarily from tuition on courses taught by the Company. Tuition revenue is recognized as educational services are rendered over the term of instruction taking into consideration expected refunds. Unearned tuition is the portion of tuition payments received but not earned as of the consolidated balance sheet date.

Accounts receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized. Accounts receivable include tuition amounts earned less payments received and an allowance for doubtful accounts. The allowance for doubtful accounts is management's best estimate based upon historical experience, including the write-off policy described in the next paragraph. Management continually monitors and adjusts its allowance associated with the Company's receivables to address any known credit risks associated with the accounts receivable. When uncertainty exists as to the collection of receivables, the Company records an allowance for doubtful accounts and a corresponding charge to bad debt expense.

The Company writes-off on a student by student basis any account receivable or unearned tuition balance related to a student's account after one year with no activity from the student.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Depreciation and Amortization

Furniture and equipment are stated at cost and are being depreciated using accelerated methods over estimated useful lives which range from 5 to 7 years. Leasehold improvements are stated at cost and are being amortized using accelerated methods over their estimated useful lives or the remaining lease term, whichever is shorter. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to the Company's long-lived assets.

Inventory

Inventory consists primarily of course materials and promotional literature and is valued at the lower of cost or market determined on the first in, first out basis.

Course Service and Advertising Costs

Course service and advertising costs are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and reflected within course materials, services and instruction within the accompanying consolidated statements of operations.

Income Taxes

The Company operates as a Subchapter S Corporation. As such, income and expenses of the Company are passed through to the stockholder and reported on the individual income tax returns. For financial reporting purposes, the Company uses the asset and liability method of accounting for income taxes. The provision for income taxes reflected in the accompanying consolidated financial statements represents current state income taxes. Deferred tax assets and liabilities would be recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes were not material at December 31, 2017 and 2016.

Fair Value Measurements

The carrying value of the Company's financial instruments approximates fair value due to the relative short-term nature of these instruments.

The Company uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company has no financial instruments utilizing Level 2 or Level 3 inputs for measurement of fair value.

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 become effective for the Company for the year ending December 31, 2019. The Company is currently evaluating the effect the provisions of *ASU 2014-09* will have on the consolidated financial statements.

In February 2016, FASB issued *ASU No. 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 assets and lease liabilities on the consolidated balance sheet 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 consolidated statements of operations. This *ASU* will become effective for the Company for the year ending December 31, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Company is currently evaluating the effect the provisions of *ASU 2016-02* will have on the consolidated financial statements.

Estimates

The preparation of consolidated 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 consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through the date of the auditors' report, June 22, 2018, which is the date the accompanying consolidated financial statements were available to be issued.

NOTE 2 – FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements consisted of the following as of December 31:

	2017	2016
Automobiles	$ 10,290	$ 38,184
Furniture and fixtures	56,435	92,789
Computer equipment	400,348	562,360
Machinery and equipment	1,055,377	1,070,113
Leasehold improvements	115,827	100,103
	1,638,277	1,863,549
Less: accumulated depreciation and amortization	(1,460,158)	(1,608,550)
	$ 178,119	$ 254,999

Depreciation and amortization expense related to furniture, equipment and improvements for the years ended December 31, 2017 and 2016 was $94,767 and $164,034, respectively.

NOTE 3 – COMMITMENTS

The Company previously leased its primary operating facilities from its stockholder. During the year ended December 31, 2017, the stockholder sold the facilities to an unrelated third party and the Company entered into leases with the buyer under the terms of non-cancelable operating lease agreements which expire at various dates through June 2027. The leases contain scheduled increases in base rent and require the Company to pay certain operating expenses associated with the facilities. Rent expense is recognized ratably over the term of the leases. The difference between the rent expense recorded and amounts paid is reflected as deferred rent on the accompanying consolidated balance sheet. The leases also provide for options to renew up to one additional ten year period. One of the leases also includes an additional security deposit of $63,438 which is included within deposits on the accompanying 2017 consolidated balance sheet; $12,688 of the deposit will be credited toward the Company's March rent payment each year from 2018 through 2022.

The Company also leased additional space under the terms of a non-cancelable operating lease which expired in April 2017. The lease required the Company to pay certain operating expenses associated with the facility.

The Company also leases certain equipment under the terms of non-cancelable operating leases which expire at various dates through November 2021.

Future minimum lease payments over the remaining terms of non-cancelable operating leases were as follows as of December 31, 2017:

Year Ending December 31,	Facility Leases	Equipment Leases	Total
2018	$ 337,355	$ 28,142	$ 365,497
2019	345,788	17,100	362,888
2020	354,433	17,100	371,533
2021	363,294	15,675	378,969
2022	372,376	-	372,376
Thereafter	1,744,889	-	1,744,889
	$ 3,518,135	$ 78,017	$ 3,596,152

Facility rent expense for the years ended December 31, 2017 and 2016, was approximately $328,000 and $325,000, respectively (of which approximately $89,000 and $200,000 was paid to the stockholder for the years ended December 31, 2017 and 2016, respectively), and is reflected within facilities expense in the accompanying consolidated statements of operations.

Equipment rent expense for the years ended December 31, 2017 and 2016, was approximately $30,000 and $34,000, respectively, and is reflected within facilities expense in the accompanying consolidated statements of operations.

NOTE 4 – CONTINGENCIES

Litigation

The Company was party to various claims and lawsuits as of December 31, 2016 that primarily related to another educational institution owned by the sole stockholder of the Company which filed bankruptcy in November 2016. During the year ended December 31, 2017, settlements were reached to resolve these matters. The sole stockholder of the Company has assumed responsibility for all amounts due pursuant to the settlements as the claims and lawsuits in question were not related to the Company's business. As such, no amounts related to the settlements have been recognized by the Company.

Insurance

The Company self-insures for health care benefits provided to its employees. The Company has purchased stop loss insurance to cover individual claims which exceed $15,000. The health insurance plan is fully funded and therefore no liability for unreported claims has been recorded. If the Company were to terminate the plan, the Company would be responsible to cover certain administrative costs and any claims incurred during the termination process. As of December 31, 2017, the estimated terminal liability would be $1,204.

NOTE 5 – LINE OF CREDIT

The Company has a $500,000 line of credit with a bank which expired on June 11, 2018. The line of credit bore interest at the prime rate plus 1.0% (4.50% at December 31, 2017), with outstanding principal and unpaid interest payable at expiration. Borrowings under the line of credit are limited to the lesser of $500,000 or the borrowing base, as defined in the agreement. Outstanding balances are secured by substantially all assets of the Company and are guaranteed by the stockholder of the Company. The outstanding balance as of December 31, 2017 and 2016 was $225,000 and $500,000, respectively.

The line of credit has certain financial covenants with which the Company must comply. As of December 31, 2017, the Company was in compliance with the covenants.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company advanced and received funds with another educational corporation owned by the Company's stockholder. As of December 31, 2015, net amounts received were $284,674; such amounts were unsecured, non-interest bearing, and had no stipulated repayment provisions. This amount was repaid during the year ended December 31, 2016.

See Note 3 regarding related party transactions pertaining to the Company's primary operating facilities.

NOTE 7 – 401(K) RETIREMENT PLAN

The Company has a 401(k) retirement plan (the Plan) covering virtually all employees not belonging to a collective bargaining unit who have attained the age of 21 and completed at least three months of service. The Company at its sole discretion may make discretionary contributions to the Plan. Employee contributions to the Plan vest immediately. Company contributions vest over a five year period. The Company did not make any contributions to the Plan during the years ended December 31, 2017 and 2016.

NOTE 8 – CONCENTRATION OF CREDIT RISK

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