

To the Board of Directors  
Community Vocational Schools of Milwaukee, Inc.  
Chesterfield, Missouri

Management is responsible for the accompanying financial statements of Community Vocational Schools of Milwaukee, Inc. which comprise the balance sheet as of December 31, 2017, and the related statements of income, retained earnings, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I have performed compilation engagements in accordance with Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.

I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I am not independent with respect to Community Vocational Schools of Milwaukee, Inc., as during the year ended December 31, 2017, I was part of the management team of Community Vocational Schools of Milwaukee, Inc.

Mark I. Rothstein, CPA  
Chesterfield, Missouri

A handwritten signature in black ink, appearing to read "Mark I. Rothstein", followed by the letters "CPA" in a similar script.

February 6, 2018

COMMUNITY VOCATIONAL SCHOOLS OF MILWAUKEE, INC.  
BALANCE SHEET  
DECEMBER 31, 2017

Assets

Current assets:

Cash and cash equivalents	\$33,485
Accounts receivable (net)	205,350
Due from affiliated company	22,310
Prepaid expenses	500

Total current assets	261,645
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Property and equipment:

Furniture and fixtures	46,077
Leasehold improvements	31,000

77,077

Less accumulated depreciation	(77,077)
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Net property and equipment	0
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Other assets:

Lease deposit	8,824
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Total other assets	8,824
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Total assets	\$270,469
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Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable and accrued expenses	\$22,921
Due to parent company	7,714
Reserve for cancellations and withdrawals	11,034
Deferred tuition	120,411

Total current liabilities	162,080
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Stockholder's equity

Common stock, authorized 30,000 shares \$1 par value; issued and outstanding, 500 shares	500
Additional paid-in capital	75,000
Retained earnings	32,889

Total stockholder's equity	108,389
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Total liabilities and stockholder's equity	\$270,469
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COMMUNITY VOCATIONAL SCHOOLS OF MILWAUKEE, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
YEAR ENDED DECEMBER 31, 2017

Revenues:

Tuition revenue	\$533,344
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	533,344
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Operating expenses:

Payroll	189,433
Payroll taxes	15,582
Advertising and promotions	52,779
Bank service fees	5,398
Classroom supplies	22,366
Collection fees	29,591
Computer expenses	4,800
Consulting	2,400
Depreciation	370
Employee benefits	869
Insurance	3,950
Maintenance	685
Miscellaneous	2,139
Office supplies, printing and postage	6,987
Overhead allocation	91,753
Payroll service	2,212
Photography	3,605
Rent	83,963
Royalties	10,274
Taxes & licenses	2,312
Telephone	10,224
Travel and entertainment	287
Utilities	229
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	542,208
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Loss from operations	(8,864)
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Other income:

Interest income (net)	11,448
Recovery of bad debt	665
Other Income	74
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	12,187

Net income	3,323
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Retained earnings - beginning of year	69,566
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Dividends paid	(40,000)
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Retained earnings - end of year	\$32,889
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COMMUNITY VOCATIONAL SCHOOLS OF MILWAUKEE, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2017

Cash flows provided from Operating Activities:	
Net Loss	\$3,323
Adjustments to Reconcile Net Loss to	
Cash flows provided from Operating Activities:	
Depreciation and amortization	370
Decrease in accounts receivable	5,982
Increase in due from affiliated company	(433)
Decrease in prepaid expenses	1,123
Increase in accounts payable and accrued expenses	(3,668)
Decrease in due to parent company	11,936
Decrease in deferred tuition	43,019
Decrease in reserve for cancellations and withdraw	1,112
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Cash flows provided from Operating Activities:	\$62,764
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Cash flows used in Financing Activities:	
Dividends paid	(\$40,000)
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Net cash flows used in Financing Activities	(\$40,000)
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Increase in cash	\$22,764
Cash - beginning of year	\$10,721
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Cash - end of year	\$33,485
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SUPPLEMENTARY INFORMATION

Interest expense paid	\$0
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Income taxes paid	\$0
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COMMUNITY VOCATIONAL SCHOOLS OF MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

The Company operates a school to provide instruction for modeling, acting, and personal development. The Company provides credit in the normal course of business to students primarily located within the state of Wisconsin. Consequently, the Company's ability to collect the amount due from students is affected by economic fluctuations in that state.

REVENUE RECOGNITION

The Company's retail installment contract to train individual students requires the company to perform various duties in the course the student is enrolled in. These duties are recognized for financial statement purposes on a pro-rata basis over the student's term of training.

CASH

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable is shown net of an allowance for doubtful accounts estimated to be \$22,817 based on collection experience.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. Depreciation is computed using the modified accelerated cost recovery method over a five or seven year useful life for both financial reporting and income tax purposes. Depreciation for leasehold improvements is being computed on the straight line basis over five years. Maintenance and repairs are charged to expense as incurred while renewals and improvements are capitalized.

DEFERRED TUITION

Deferred tuition is calculated by a ratio of class sessions remaining to the total number of classes offered for the program the student is enrolled in times the program cost.

RESERVE FOR CANCELLATIONS AND WITHDRAWALS

The Company has established a reserve for cancellations and withdrawals based on the company history of refunds and credit card adjustments. The charge against income in the amount of \$11,034 has been offset against tuition revenue.

INCOME TAXES

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay corporate income taxes on its income. The stockholders of the Company are liable for income taxes on their respective share of the Company's taxable income. Accordingly, the Company shows no provision for income taxes.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### USE OF ESTIMATES

The use of estimates in the preparation of the financial statements requires management to make assumptions that affect the reported amounts of the assets and liabilities and the related revenues and expenses. Actual results could differ from those estimated amounts.

### FINANCIAL INSTRUMENTS

The carrying amount cash and cash equivalents, receivables, prepaid expenses, accounts payable and accrued expenses, due to franchisor, and reserve for cancellations and withdrawals approximates fair value due to the short-term nature of these instruments.

### ADVERTISING

The Company expenses advertising as incurred.

### SUBSEQUENT EVENTS

In preparing the financial statements, the Company has evaluated events and transactions for possible recognition or disclosure through February 14, 2017, the date the financial statements were available.

## NOTE 2 - RELATED PARTY TRANSACTIONS

The following transactions occurred between the Company and other affiliated companies:

- A) Advance from JC Corporate Management, Inc. amounted to \$7,714 at December 31, 2017. The Company received \$200 in interest income for the year ended December 31, 2017. The Company received management services from JC Corporate Management, Inc. in the amount of \$91,753 for the year ended December 31, 2017. JC Corporate Management, Inc. is the Company's parent corporation.
- B) The Company paid collection fees to National Educational Acceptance Corp., in the amount of \$36,631 for year ended December 31, 2017. National Educational Acceptance Corp. is affiliated by common ownership.
- C) The Company incurred \$10,274 in royalties, \$25,170 in supplies, and \$4,800 in computer licensing costs to Image Marketing Enterprises, LLC for the year ended December 31, 2017. The Company owed Image Marketing Enterprises, LLC, \$7,456 at December 31, 2017 included in accounts payable and accrued expenses. Image Marketing Enterprises, LLC is the Company's franchisor and is affiliated by common ownership. The Company negotiate a reduced royalty fee resulting in an amount due of \$22,310 from Image Marketing Enterprises, LLC at December 31, 2017 included in due from affiliated company.

NOTE 3 - LEASING ARRANGEMENTS

The Company leases its facility under an operating lease with minimum monthly payments of \$4,147. The lease is scheduled to expire in February 28, 2019.

Following is a schedule of future minimum rental payments required under the operating lease:

Year ending December 31,	Amount
2018	49,474
2019	8,295
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	<u>\$57,769</u>
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Rent expense amounted to \$83,963 for the year ended December 31, 2017.