

FEDERAL ID #: 36-3414252

OPE #: 03061200

03061201

DUNS #: 013436167

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF
ORIENTAL MEDICINE
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	2 - 3
Balance Sheets	4
Statements of Income (Loss) and Retained Earnings	5
Statements of Cash Flows	6 - 7
Notes to the Financial Statements	8 - 18
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20



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INDEPENDENT AUDITORS' REPORT

To the Stockholders
Acupuncture Center, Inc.
d/b/a Midwest College of Oriental Medicine

Report on the Financial Statements

We have audited the accompanying financial statements of Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine (an Illinois corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income (loss) and retained earnings and statements of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting and compliance.

Kuntle & Associates, P.C.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 110,674	\$ 174,789
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$100, Respectively)	36,179	8,652
Note Receivable - Related Party	0	10,000
Due from Related Parties	57,816	46,016
Prepaid Expenses	15,532	0
Prepaid Supplies	18,527	24,606
TOTAL CURRENT ASSETS	<u>238,728</u>	<u>264,063</u>
FIXED ASSETS		
Buildings and Improvements	494,873	494,873
Vehicles	134,006	134,006
Equipment	118,658	118,658
Land	25,000	25,000
	<u>772,537</u>	<u>772,537</u>
Less -- Accumulated Depreciation and Amortization	445,216	412,525
TOTAL FIXED ASSETS	<u>327,321</u>	<u>360,012</u>
OTHER ASSETS		
Investment in Unconsolidated Subsidiary	121,612	100,558
Deferred Tax Asset	0	1,000
Deposits	40,459	40,459
TOTAL OTHER ASSETS	<u>162,071</u>	<u>142,017</u>
TOTAL ASSETS	<u><u>\$ 728,120</u></u>	<u><u>\$ 766,092</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY		
	2017	2016
CURRENT LIABILITIES		
Accounts Payable	\$ 66,750	\$ 64,092
Notes Payable	59,827	65,817
Income Taxes Payable	432	10,611
Student Deposits	54,585	60,274
Accrued Wages	15,099	13,965
Accrued Liabilities	7,618	12,649
TOTAL CURRENT LIABILITIES	204,311	227,408
LONG-TERM LIABILITIES		
Notes Payable	34,213	49,786
Deferred Tax Liability	3,000	0
TOTAL LONG-TERM LIABILITIES	37,213	49,786
TOTAL LIABILITIES	241,524	277,194
STOCKHOLDERS' EQUITY		
Common Stock, 1,000 Shares of No Par Value		
Stock Authorized, Issued and Outstanding	1,000	1,000
Retained Earnings	485,596	487,898
TOTAL STOCKHOLDERS' EQUITY	486,596	488,898
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 728,120	\$ 766,092

See The Accompanying Notes To The Financial Statements.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
REVENUE		
Tuition and Fees, Net of Refunds	\$ 2,346,082	\$ 2,423,283
Clinic	170,056	180,968
TOTAL REVENUE	<u>2,516,138</u>	<u>2,604,251</u>
OPERATING EXPENSES		
Educational Services	706,504	731,347
General and Administrative	1,123,340	1,248,779
Marketing and Admissions	146,018	172,067
Occupancy	502,033	524,029
Depreciation and Amortization	32,691	32,534
TOTAL OPERATING EXPENSES	<u>2,510,586</u>	<u>2,708,756</u>
INCOME (LOSS) FROM OPERATIONS	<u>5,552</u>	<u>(104,505)</u>
OTHER INCOME (EXPENSE)		
Interest Income	111	15
Earnings from Unconsolidated Subsidiary	21,054	11,737
Insurance Proceeds	0	92,833
Interest Expense	(1,597)	(770)
TOTAL OTHER INCOME	<u>19,568</u>	<u>103,815</u>
NET INCOME (LOSS) BEFORE TAXES	<u>25,120</u>	<u>(690)</u>
PROVISION FOR INCOME TAXES		
Current Tax Expense	11,422	3,021
Deferred Tax Expense	4,000	9,000
TOTAL PROVISION FOR INCOME TAXES	<u>15,422</u>	<u>12,021</u>
NET INCOME (LOSS)	<u>9,698</u>	<u>(12,711)</u>
RETAINED EARNINGS,		
BEGINNING OF YEAR	487,898	561,109
DIVIDENDS	<u>(12,000)</u>	<u>(60,500)</u>
END OF YEAR	<u><u>\$ 485,596</u></u>	<u><u>\$ 487,898</u></u>

See The Accompanying Notes To The Financial Statements.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Students and Customers	\$ 2,482,922	\$2,668,588
Insurance Proceeds Received	0	92,833
Interest Received	111	15
Paid to Suppliers and Employees	(2,488,587)	(2,646,552)
Interest Paid	(1,597)	(770)
Income Taxes Paid	(21,601)	(44,470)
	<hr/>	<hr/>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(28,752)	69,644
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Property	0	(23,408)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	0	(23,408)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments from Related Parties	2,200	0
Advances to Related Parties	(4,000)	(3,600)
Proceeds from Issuance of Long-Term Debt	0	68,408
Principal Payments on Long-Term Debt	(21,563)	(19,594)
Dividends to Stockholders	(12,000)	(60,500)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(35,363)	(15,286)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(64,115)	30,950
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	174,789	143,839
	<hr/>	<hr/>
END OF YEAR	\$ 110,674	\$ 174,789
	<hr/> <hr/>	<hr/> <hr/>

See The Accompanying Notes To The Financial Statements.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Net Income (Loss)	\$ 9,698	\$ (12,711)
Adjustments to Reconcile Net Income (Loss) to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	32,691	32,534
Earnings from Unconsolidated Subsidiary	(21,054)	(11,737)
Allowance for Doubtful Accounts	0	(8,900)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(27,527)	60,396
Prepaid Expenses	(15,532)	15,153
Prepaid Supplies	6,079	7,754
Deferred Tax Asset	1,000	9,000
Accounts Payable	2,658	11,163
Income Taxes Payable	(10,179)	(41,449)
Student Deposits	(5,689)	12,841
Accrued Wages	1,134	3,535
Accrued Liabilities	(5,031)	(7,935)
Deferred Tax Liability	3,000	0
Total Adjustments	(38,450)	82,355
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (28,752)	\$ 69,644

See The Accompanying Notes To The Financial Statements.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine (the "Company") was incorporated in the state of Illinois on February 14, 1985. The Company operates post-secondary educational oriental medicine schools in Evanston, Illinois and Racine, Wisconsin.

A) Basis of Accounting

The books of account are maintained on the accrual basis.

B) Cash and Cash Equivalents

For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

C) Accounts Receivable and Student Deposits

The Company and its students enter into a contract for the Company to provide its training program for a fee. Accounts receivable are stated at net realizable value and represent the amount of the contract that has been billed and not yet paid. The Company earns tuition revenue as it provides education and training to the students measured in months attended. At December 31, 2017 and 2016, respectively, the fall semester was completed. Student deposits recorded on the financial statements are payments received for future quarters.

D) Allowance for Doubtful Accounts

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes the amount of the allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. Student receivables are written off as a charge against the allowance after students leave their respective programs of study. The allowance for doubtful accounts at December 31, 2017 and 2016 is \$100 respectively.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Fixed Assets

Fixed assets are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation of furniture and equipment is computed using the straight-line method over varying useful lives. Leasehold improvements are amortized using the straight-line method over the lesser of the useful lives of the assets or the lease term, which generally includes options. Depreciation and amortization expense is \$32,691 and \$32,534 for the years ended December 31, 2017 and 2016, respectively.

F) Investment in Unconsolidated Subsidiary

Investment in unconsolidated subsidiary, in which the Company has a 37.5% interest, is reported on the equity method with the investment capitalized and adjusted for the Company's share of its undistributed earnings or losses. At December 31, 2017 and 2016, the Company has an investment in an unconsolidated subsidiary of \$121,612 and \$100,558, respectively.

G) Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. At December 31, 2017 and 2016, the Company has no costs associated with direct-response advertising. Advertising expense for the years ended December 31, 2017 and 2016 is \$56,195 and \$87,093, respectively.

H) Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - RELATED PARTY TRANSACTIONS

The Company participates in Federal programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA), which are administered by the U.S. Department of Education. The Company must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. Related party transactions for the years ended December 31, 2017 and 2016 are as follows:

Note Receivable - Related Party - The Company had a \$50,000 note receivable from Dr. William Dunbar, fifty percent stockholder, dated December 27, 2012. The note was due in five annual payments of \$10,000 through December 15, 2017, plus interest at 1.65%. The note was secured by real property. The unencumbered value of the real property was greater than the \$10,000 receivable at December 31, 2016. The note was paid in full at December 31, 2017.

Due from Related Parties - At December 31, 2017 and 2016, the Company is owed \$32,416, respectively, from Emerging Dragon, LLC, an unconsolidated subsidiary which is owned 37.5% by the Company and 62.5% by Dr. William Dunbar, fifty percent stockholder, for advances less repayments. The amount is interest-free, unsecured, and due on demand.

At December 31, 2017 and 2016, the Company is owed \$25,400 and \$13,600, respectively, from Dr. William Dunbar, fifty percent stockholder, for advances less repayments. The amount is interest-free, unsecured and due on demand.

Operating Lease - The Company rents its Racine school facility from Emerging Dragon, LLC, an unconsolidated subsidiary which is owned 37.5% by the Company and 62.5% by Dr. William Dunbar, fifty percent stockholder. Rent expense is \$221,588 and \$264,873 for the years ended December 31, 2017 and 2016, respectively. See Note 5 for details.

Note Guaranty - The note with Community State Bank dated November 4, 2016, as detailed in Note 4, is secured by a personal guaranty of Dr. William Dunbar, fifty percent stockholder.

Lease Guaranty - The lease for the Evanston location, as detailed in Note 5, is secured by a personal guaranty of Dr. William Dunbar, fifty percent stockholder.

Disclosure of immaterial transactions is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 - INCOME TAXES

The Company operates as a regular corporation, and as such, a provision for income taxes is made on the financial statements. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes arise from the different basis of assets and liabilities recorded for financial statements and income tax reporting purposes. The deferred assets and liabilities represent future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for net operating losses that are available to offset future taxable income. Deductible temporary differences giving rise to the deferred tax assets and liabilities relate to the allowance for doubtful accounts and depreciation differences.

The Company's total deferred tax assets and liabilities are as follows:

	2017	2016
Deferred Tax Asset	\$ 0	\$ 1,000
Deferred Tax Liability	(3,000)	0
Net Deferred Tax (Liability) Asset	<u>\$ (3,000)</u>	<u>\$ 1,000</u>

The components of current income tax expense are:

	2017	2016
Federal	\$ 7,294	\$ 1,929
State		
Illinois	2,064	546
Wisconsin	2,064	546
Income Tax Expense	<u>\$ 11,422</u>	<u>\$ 3,021</u>

The Company files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for the years prior to 2014.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - NOTES PAYABLE

The Company has the following notes payable:

	2017	2016
\$45,000 note payable to Community State Bank dated November 4, 2016, due in one lump sum on May 22, 2018 with interest at 5.75%, secured by a personal guaranty by Dr. William Dunbar, fifty percent stockholder. On May 29, 2018, \$22,500 was paid down on the note and the maturity date for the remaining \$22,500 was extended to November 29, 2018.	\$ 45,000	\$ 45,000
\$31,091 note payable to Community State Bank dated March 17, 2016, due in 35 monthly payments of \$500, inclusive of interest at 5.5% with a balloon payment of \$17,552 due in March 2019. Secured by real property.	22,083	26,646
\$23,408 note payable to Liberty Auto City, Inc. dated June 8, 2016, due in 48 monthly payments of \$497, inclusive of interest at 0.90% through June 2020, secured by a vehicle.	14,725	20,527
\$27,316 note payable to Huntington National Bank dated August 15, 2014, due in 66 monthly payments of \$454, inclusive of interest at 3.34% through February 2020, secured by a vehicle.	10,245	15,696
\$25,341 note payable to Ally Financial dated June 13, 2013, due in 60 monthly payments of \$479, inclusive of interest at 4.99% through June 2018, secured by a vehicle.	1,987	7,734
Total Debt	\$ 94,040	\$ 115,603
Less: Current Portion	59,827	65,817
Total Long-Term Debt	<u>\$ 34,213</u>	<u>\$ 49,786</u>

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - NOTES PAYABLE (CONTINUED)

Future maturities of long-term debt are as follows:

For the year ended December 31, 2019	\$	31,246
2020		<u>2,967</u>
	\$	<u><u>34,213</u></u>

NOTE 5 - LEASE COMMITMENTS

Racine - The Company leases this school facility from Emerging Dragon, LLC, an unconsolidated subsidiary, under a five year operating lease that expired June 30, 2016. The Company continues to lease the facility on a month-to-month basis at \$20,000 per month.

Evanston - In September 2015, the Company entered into a sixty month non-cancellable operating lease for this facility through September 2020. Monthly rent is \$15,153 with annual increases. There is one five year renewal option.

Total rent expense for the years ended December 31, 2017 and 2016 is \$410,879 and \$460,177, respectively.

Future minimum rental payments under the terms of the leases are as follows:

For the year ended December 31, 2018	187,784
2019	191,977
2020	<u>143,983</u>
	<u><u>\$ 523,744</u></u>

NOTE 6 - ECONOMIC DEPENDENCY

During the years ended December 31, 2017 and 2016, the Company received a significant portion of its revenue from Title IV sources. Continuing participation in Title IV programs requires compliance with numerous federal regulations. Future non-compliance with these regulations, or a change in the laws governing these programs, would severely impact the operations of the Company.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 - OTHER DISCLOSURES

A) Attestation of Revenue Sources

The Company derives a substantial portion of its revenues from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, the Company must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges from eligible programs to not be more than 90 percent from Title IV programs. The failure of the Company to meet the 90 percent limitation for two consecutive years will result in the loss of the Company's ability to participate in Title IV programs. If a school receives more than 90 percent of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years. This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements. For the fiscal year ended December 31, 2017 the Company's cash basis calculation is:

Adjusted Student Title IV Revenue	Amount Disbursed	Adjusted Amount
Subsidized Loan	\$ 130,474	\$ 130,474
Unsubsidized Loan	1,965,034	1,965,034
PLUS Loan	517,316	517,316
Federal Pell Grant	57,594	57,594
	<hr/>	<hr/>
Student Title IV Revenue	2,670,418	2,670,418
	<hr/>	<hr/>
Revenue Adjustment		(472,231)
Title IV funds returned for a student under 34 C.F.R. §668.22		(247,656)
		<hr/>
Adjusted Student Title IV Revenue		1,950,531

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 - OTHER DISCLOSURES (CONTINUED)

A) Attestation of Revenue Sources (Continued)

Student Non-Title IV Revenue

Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$	0
Funds provided for the student under a contractual arrangement with Federal, State, or local government agency for the purpose of providing job training to low-income individuals		0
Funds used by student from savings plan for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code		0
School scholarships disbursed to the student		0
Student payments on current charges		403,569
		<hr/>
Student Non-Title IV Revenue	\$	403,569
		<hr/> <hr/>

Revenue from Other Sources

Activities conducted by the institution that are necessary for education and training (34 C.F.R. §668.28(a)(3)(ii))	\$	170,056
Funds paid to institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs (34 C.F.R. §668.28(a)(3)(iii))		0
Allowable student payments and amounts from accounts receivable or institutional loan sales net of any required payments under a recourse agreement		0
		<hr/>
Revenue from Other Sources	\$	170,056
		<hr/> <hr/>

Total Non-Title IV Revenue		\$	573,625
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Total Revenue		\$	2,524,156
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Numerator		1,950,531	
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Denominator		2,524,156	77%
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ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 7 - OTHER DISCLOSURES (CONTINUED)

A) Attestation of Revenue Sources (Continued)

For the fiscal year ended December 31, 2016, the Company received \$1,882,546 of revenues from Title IV programs out of \$2,668,588 of eligible cash basis revenue totaling 71%.

As more than ten percent of revenue is received outside the Student Financial Assistance Programs, the Company is in compliance with this eligibility requirement for the years ended December 31, 2017 and 2016, respectively.

B) Composite Score

In order to participate in the SFA Program, a school must demonstrate that it is financially responsible. One of the general standards for proprietary schools is the composite score standard in 34 CFR 668.171(b). The composite score combines different measures of fundamental elements of financial health to yield a single measure of a school's overall financial health.

The Company's composite scores are calculated as follows:

	2017	2016
Primary Reserve Ratio	0.467	0.440
Equity Ratio	1.200	1.200
Net Income Ratio	0.399	0.298
Sum of All Ratios	<u>2.066</u>	<u>1.938</u>
Composite Score	<u>2.1</u>	<u>1.9</u>

As the composite scores are between 1.5 and 3.0, the Company is considered financially responsible under the standard for the years ended December 31, 2017 and 2016, respectively.

This information is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 - OTHER DISCLOSURES (CONTINUED)

C) Gainful Employment

Effective July 1, 2015, the U.S. Department of Education (the "Department") has issued regulations requiring schools to demonstrate that its programs lead to gainful employment for its students. For each program offered by the school, the Department calculates debt to earnings rates using the debt and earnings of students who completed the program during a specified cohort period.

Scores are categorized as follows:

Pass	Programs whose graduates have annual loan payments less than or equal to 8% of total earnings ("Annual Rate") OR less than or equal to 20% of discretionary earnings ("Discretionary Rate").
Zone	Programs that have rates calculated but are neither passing nor failing.
Fail	Programs whose graduates have annual loan payments greater than 12% of total earnings AND greater than 30% of discretionary earnings

As an alternative calculation during the transition period, transitional draft rates are computed using the median loan debt of students who completed the program in the most recently completed award year, rather than the specified cohort period. The Department then assesses each program's compliance using the lower of the standard or transitional rates.

A program becomes ineligible for Title IV funding if it fails two of any three consecutive award years for which rates were calculated or has a combination of zone and failing rates for four consecutive award years for which rates were calculated.

**ACUPUNCTURE CENTER, INC.
D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 - OTHER DISCLOSURES (CONTINUED)

C) Gainful Employment (Continued)

The Company's 2016 gainful employment debt-to-earnings rates for debt measure year (DMYR) 2015, the first year calculated by the Department, are as follows:

CIP	Program	Standard Rates		Transitional Rates		Result
		Annual	Discretionary	Annual	Discretionary	
51.3302	Traditional Chinese Medicine and Chinese Herbology	23.07	56.37	N/A	N/A	Fail

The Company has appealed the rates for the above program.

This information is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

NOTE 8 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 19, 2018, the date the financial statements were available to be issued.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Acupuncture Center, Inc.
d/b/a Midwest College of Oriental Medicine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income (loss) and retained earnings and statements of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combinations of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such tests included compliance tests as set forth in the *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagement of Third-Party Servicers Administering Title IV Programs*, issued by the U.S. Department of Education, Office of the Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Knuttle & Associates, P.C.