AMERICAN HIGHER EDUCATION DEVELOPMENT CORPORATION AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Higher Education Development Corporation and Subsidiaries
New York, New York

We have audited the accompanying consolidated financial statements of American Higher Education Development Corporation and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE 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.

AUDITOR'S 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 audit 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 auditor's 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 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Higher Education Development Corporation and Subsidiaries as of December 31, 2017 and 2016, and the 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.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
April 16, 2018

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2017	December 31, 2016
CURRENT ASSETS		
Cash and cash equivalents	$ 2,667,326	$ 2,644,114
Accounts receivable, net of allowance for doubtful accounts of $1,577,843 and $2,757,601, respectively	1,508,040	1,508,209
Notes receivable - current portion	19,545	23,355
Inventory	259,847	230,440
Prepaid income taxes	22,700	49,300
Prepaid expenses and other current assets	189,131	571,939
Deferred tax asset	1,113,600	1,426,700
TOTAL CURRENT ASSETS	5,780,189	6,454,057
FURNITURE, EQUIPMENT AND IMPROVEMENTS		
Furniture and equipment	9,355,419	10,670,140
Leasehold improvements	4,966,207	5,139,278
	14,321,626	15,809,418
Less accumulated depreciation and amortization	(11,738,977)	(12,325,760)
	2,582,649	3,483,658
Construction in progress	0	1,440
NET FURNITURE, EQUIPMENT AND IMPROVEMENTS	2,582,649	3,485,098
OTHER ASSETS		
Deferred income taxes	0	1,392,400
Goodwill	18,500,968	18,500,968
Tradename	49,905	49,905
Curriculum development costs, net of accumulated amortization of $392,370 and $147,813, respectively	246,566	491,123
Notes receivable - noncurrent portion	0	5,892
Deposits	71,365	116,246
Fair value of interest rate swap contract	2,283	0
TOTAL OTHER ASSETS	18,871,087	20,556,534
TOTAL ASSETS	$ 27,233,925	$ 30,495,689

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2017	December 31, 2016
CURRENT LIABILITIES		
Accounts payable	$ 557,801	$ 428,550
Accrued liabilities	761,477	785,411
Student deposits	274,851	294,824
Deferred tuition and fees	717,058	473,475
Current portion of capital lease obligations	241,152	213,213
Current portion of note payable	381,060	366,320
Current portion of long-term line of credit	1,250,000	0
TOTAL CURRENT LIABILITIES	4,183,399	2,561,793
LONG-TERM LIABILITIES		
Deferred income taxes	218,500	0
Capital lease obligations, net of current portion	275,923	444,574
Long-term line of credit, net of current portion	0	1,000,000
Note payable, net of current portion	603,960	983,680
Tenant improvement allowances	337,876	105,857
Deferred rent	463,434	455,913
TOTAL LONG-TERM LIABILITIES	1,899,693	2,990,024
SHAREHOLDERS' EQUITY		
Common stock (par value $.01; 100,000 shares authorized; 56,639 issued and outstanding)	566	566
Additional paid-in capital	20,749,127	20,749,127
Retained earnings	398,857	4,194,179
Accumulated other comprehensive income	2,283	0
TOTAL SHAREHOLDERS' EQUITY	21,150,833	24,943,872
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,233,925	$ 30,495,689

See accompanying notes to consolidated financial statements.

American Higher Education Development Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2017	Years Ended December 31, 2016
REVENUES		
Tuition and fees	$ 24,158,707	$ 27,224,312
Bookstore sales	2,232,365	1,893,176
Training programs	1,723,085	1,462,249
Service revenue	96,123	135,692
Other income	55,781	39,387
TOTAL REVENUES	28,266,061	30,754,816
OPERATING EXPENSES		
Education	8,388,358	9,558,849
Marketing	4,597,980	5,245,371
Occupancy	3,654,694	3,825,354
Bookstore	2,832,215	1,926,840
General and administrative	8,338,568	9,540,384
Depreciation and amortization	1,371,853	1,306,281
TOTAL OPERATING EXPENSES	29,183,668	31,403,079
OPERATING LOSS BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES	(917,607)	(648,263)
OTHER INCOME (EXPENSE)		
Interest income	1,460	15,455
Interest expense	(117,670)	(134,232)
Other income (expense)	(5,718)	77,357
TOTAL OTHER INCOME (EXPENSE)	(121,928)	(41,420)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(1,039,535)	(689,683)
(Provision) credit for income taxes	(1,769,848)	698,711
(LOSS) INCOME FROM CONTINUING OPERATIONS	(2,809,383)	9,028
Loss from discontinued operations, net of income tax benefit	(985,939)	(1,384,487)
NET LOSS	$ (3,795,322)	$ (1,375,459)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended December 31, 2017	Years Ended December 31, 2016
NET LOSS	$ (3,795,322)	$ (1,375,459)
OTHER COMPREHENSIVE INCOME		
Unrealized gain in fair value of interest rate swap contract	2,283	0
TOTAL OTHER COMPREHENSIVE INCOME	2,283	0
TOTAL COMPREHENSIVE LOSS	$ (3,793,039)	$ (1,375,459)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Years Ended December 31, 2017 and 2016			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income
BALANCE AT DECEMBER 31, 2015	$ 566	$ 20,749,127	$ 5,569,638	$ 0
Net loss	0	0	(1,375,459)	0
BALANCE AT DECEMBER 31, 2016	566	20,749,127	4,194,179	0
Net loss	0	0	(3,795,322)	0
Total other comprehensive income	0	0	0	2,283
BALANCE AT DECEMBER 31, 2017	$ 566	$ 20,749,127	$ 398,857	$ 2,283

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,795,322)	$ (1,375,459)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debt	1,213,553	1,365,438
Depreciation and amortization	1,471,276	1,482,548
Loss (gain) on disposal of assets	104,496	(4,047)
Deferred income taxes	1,924,000	(950,900)
Deferred rent	7,521	12,547
Amortization of tenant improvement allowances	(30,342)	(13,232)
Decrease (increase) in:		
Accounts and notes receivables	(1,203,682)	(1,291,997)
Inventory	(29,407)	316,719
Prepaid income taxes	26,600	381,300
Prepaid expenses and other current assets	382,808	333,066
Deposits	44,881	(28,303)
Increase (decrease) in:		
Accounts payable	129,251	(371,612)
Accrued liabilities	(23,934)	(569,510)
Student deposits	(19,973)	126,844
Deferred tuition and fees	243,583	(337,134)
Total net operating adjustments	4,240,631	451,727
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	445,309	(923,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture, equipment and improvements	(375,608)	(1,154,096)
Proceeds from disposal of assets	19,342	4,798
Payments for curriculum development cost	0	(245,948)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(356,266)	(1,395,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term line of credit	250,000	1,000,000
Proceeds from note payable	0	1,350,000
Payments on capital lease obligations	(213,212)	(158,268)
Payments on note payable	(364,980)	(1,300,000)
Proceeds from tenant improvement allowance	262,361	0
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(65,831)	891,732
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,212	(1,427,246)
Cash and cash equivalents at beginning of year	2,644,114	4,071,360
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,667,326	$ 2,644,114

See accompanying notes to consolidated financial statements.

NOTE A - NATURE OF OPERATIONS

American Higher Education Development Corporation (Parent) is incorporated in the state of Delaware as a C Corporation and owns 100% of AHED of Ohio, Inc. and New Media Arts Training Centers, Inc.

AHED of Ohio, Inc. d/b/a Stautzenberger College (SC) provides proprietary, post-secondary, career-oriented educational programs which are business, allied health, massage therapy and nursing related, and a heating, ventilation and air conditioning program in Maumee and Brecksville, Ohio. The Company also provides comprehensive contractors licensing exam preparation and self-paced, online training for multiple industries under the name @HomePrep, a division of Stautzenberger College. During 2014, the Company acquired certain assets of @HomePrep Education, Inc. which is an online training company (Note H).

New Media Arts Training Centers, Inc. d/b/a Madison Media Institute (MMI) provides proprietary, post-secondary, career-oriented education programs in the fields of recording and music technology, video and motion graphics, and digital media design and production and operates under the name of Madison Media Institute in Madison, Wisconsin and Minneapolis Media Institute in Minneapolis, Minnesota. The Company also provides proprietary, post-secondary, career-oriented educational programs which are business and allied health related and operates under the name of Madison Media Institute - Rockford Career College (RCC) in Rockford, Illinois. During February 2017, the Board of Directors approved the closure of the Minneapolis location of MMI. The location completed its teach-out and was closed in December 2017. Management considers the closure of the Minneapolis location as a strategic shift. Accordingly, the results of operations of the Minneapolis location have been reported as discontinued operations on the accompanying consolidated statements of operations (Note Q).

East West College of Natural Medicine (EWC), a division of the Parent, is a private, proprietary school of higher education founded in 1994 and located in Sarasota, Florida, which offers a master's degree education in acupuncture and oriental medicine with adjunctive training in complementary and alternative medicine therapies and integrative western medical sciences. This education is specifically designed to prepare its students to enter the field of oriental medicine with competency as licensed primary healthcare providers.

SC and MMI are collectively referred to as the "Subsidiaries". The Subsidiaries and EWC are collectively referred to as the "Colleges". The Parent, the Subsidiaries and EWC are collectively referred to as the "Company".

The Colleges participate in Student Financial Aid (SFA) under the Title IV Programs administered by the U.S. Department of Education (ED) pursuant to the Higher Education Act of 1965, as amended (HEA). ED recognizes SC, MMI and EWC as three separate main locations. RCC is recognized as an additional location of MMI.

Management of the Company has evaluated subsequent events through April 16, 2018, the date the consolidated financial statements were available to be issued and, except for the disclosure in Note D, has no material subsequent events to report.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts and results of operations of the Parent and its wholly-owned Subsidiaries. All significant intercompany transactions and account balances have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and all short-term investments with an original maturity of 90 days or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts due to the Colleges from their students. Accounts receivables are recorded at the amounts originally billed, less payments received, and are non-interest bearing. Management has estimated an allowance for doubtful accounts based upon historical losses and the sum of the collection risks associated with each student's uncollected balance at year-end. Accounts with no activity between 90 and 120 days from the last payment date for withdrawn and graduated students are sent to a collection agency and written-off or reserved. Accounts will be reinstated if payment subsequently resumes.

Notes Receivable and Allowance for Doubtful Accounts

Notes receivable are amounts receivable from students for tuition and fees, and are recorded at the amounts originally billed, less payments received. These receivables are being collected via a third-party service agency and represent students with long-term loans which vary in length between one and seven years. These loans accrue interest at 3% until paid in full or the student is in default for 90 days, at which point the Colleges cancel the loans and record the outstanding balance back to the Colleges' accounts receivable. If no payment is received within 30 days, the account is sent to a collection agency. Management has determined that no allowance for doubtful accounts is deemed necessary as of December 31, 2017 and 2016.

Inventory

Inventory consists of text material and supplies, and is measured at the lower of cost (determined by the first-in, first-out basis), or net realizable value.

Furniture, Equipment and Improvements

Furniture, equipment and leasehold improvements are recorded at cost. Expenditures for renewals and betterments which extend the life of the assets are capitalized. Repairs and maintenance items are charged to expense as incurred. Gain or loss on retirement or disposal of assets is included in operations in the year of disposal. Depreciation and amortization expense are computed using the straight-line method based on the estimated useful lives of the assets. Improvements are being amortized over the length of the leases. Depreciation and amortization charged to operations for the years ended December 31, 2017 and 2016, was $1,226,719 and $1,262,698, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Tradename

Goodwill represents the excess of the cost of identified assets, including other intangible assets, acquired through business combinations over the estimated fair value of the net assets as of the purchase date.

The Company acquired other intangible assets through the @HomePrep business combination related to the value of the tradename. The tradename was originally measured based on its fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*. The Company utilized a third-party to determine the fair value of the tradename and the tradename is determined to have an indefinite useful life.

The FASB ASC Topic 350, *Goodwill and Other Intangible Assets*, requires that goodwill and other intangible assets be subject to annual impairment testing. Management reviews the valuation of goodwill and other intangible assets at least annually or more frequently if events or circumstances indicate that goodwill or other intangible assets might be impaired. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill or other intangible assets are impaired, the Company compares the fair value of the reporting unit to which the goodwill and other intangible assets are assigned, to the reporting unit's carrying amount, including goodwill and other intangible assets. The fair value of the reporting unit is estimated using a combination of income, or discounted cash flows approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of the reporting unit goodwill and other intangible assets to their carrying amounts. In calculating the implied fair value of the reporting unit goodwill and other intangible assets, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. An impairment loss would be recognized when the carrying amount of goodwill or other intangible assets exceeds their implied fair value. The Company's evaluation of goodwill completed during the years ended December 31, 2017 and 2016 resulted in no impairment losses.

Curriculum Development Costs

The Company internally develops curriculum, which is primarily provided as online content and accessed via the Internet. The Company also creates textbooks and other materials that are complementary to online content.

The Company capitalizes curriculum development costs incurred during the application development stage of the project in accordance with FASB ASC Topic 350, *Goodwill and Other Intangible Assets*. Many of the Company's new courses leverage off of proven delivery platforms and are primarily content, which has no technological hurdles. As a result, a significant portion of the Company's courseware development costs qualify for capitalization due to the concentration of its development efforts on the content of the courseware. Capitalization ends when a course is available for educational instruction, at which time they are amortized on a straight-line basis over three years. Amortization charged to operations for the years ended December 31, 2017 and 2016, was $244,557 and $147,813, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Deposits

Amounts remitted by students, or on behalf of students through financial aid sources, in excess of tuition and fees, are recorded as student deposits. Deposits may be refunded or utilized by the student to pay future tuition and fees.

Deferred Tuition and Fees and Revenue Recognition

Revenues from student tuition and fees are recognized ratably over the term of enrollment. Revenue for the massage therapy program is recognized ratably over the clock-hours in the program. Training revenue is recognized when the training occurs or when the curriculum is provided to the student. Tuition adjustments for students who withdraw are calculated in accordance with federal, state, and accrediting agency standards. Bookstore revenue is recognized at the time of sale. Service revenue is recognized when the service is rendered or at the time of sale.

Tenant Improvement Allowances

The Company was reimbursed by lessors for improvements made to several leased properties. The reimbursements were capitalized as leasehold improvements and a long-term liability was established. The tenant improvement allowances are being amortized on a straight-line basis over the corresponding lease terms. Amortization of the tenant improvement allowance for the years ended December 31, 2017 and 2016, was $30,342 and $13,232, respectively, and is reflected as a reduction of occupancy expense.

Deferred Rent

The Company has entered into operating leases for its educational facilities which contain provisions for escalating rent. The Company recognizes rent expense on the straight-line method over the lives of the leases. The Company has recorded monthly rent expense equal to the total of the payments due over the lease term, amortized over the number of months of the lease. The difference between rent expense recorded and rent paid is charged to deferred rent. This deferred rent will be used to offset future rent expense for financial statement purposes.

Income Taxes

The Company is a C Corporation and files a consolidated federal income tax return, and the Subsidiaries will file separate state income tax returns. The Parent does not have a tax-sharing agreement with its Subsidiaries, and currently, all current and deferred federal taxes are recorded on the Parent's books and the applicable state income taxes are recorded by the Subsidiaries. The Company provides for deferred income taxes under the asset and liability method of accounting. This method requires the recognition of deferred income taxes based upon the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement basis and the tax basis of existing assets and liabilities. The deferred taxes represent the future tax return consequences of the difference between the basis of certain assets and liabilities for financial and tax reporting.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Swap Contract

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-03, *Derivatives and Hedging – Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach* allows a private company to elect a hedge accounting alternative if certain requirements are met. The Company met the requirements. As a result, the interest rate swap contract, which is a financial instrument and qualifies as cash flow hedge, is reported at settlement value. The gain or loss on the effective portion of the hedge is initially recorded as a component of other comprehensive income, and is subsequently reclassified into earnings when interest on the related debt is paid.

Advertising

The Company incurred approximately $3,535,000 and $4,611,000 in advertising costs for the years ended December 31, 2017 and 2016, respectively. Advertising costs are expensed as incurred.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Topic 718, *Compensation – Stock Compensation* of the FASB Accounting Standards Codification which requires the options to be recognized at their fair value as of the grant date. The Company calculates the fair value of stock-based compensation using the calculated value method for nonpublic companies. A nonpublic company that is unable to estimate the expected volatility of the price of its underlying share may measure awards based on a “calculated value,” which substitutes the volatility of an appropriate index for the volatility of the entity’s own share price. Management has determined that it is unable to estimate the volatility of its share price as all of the common stock is privately held. The volatility was estimated by reviewing the historical volatility of post-secondary schools which trade on over the counter markets.

Financial Instruments

The fair values and carrying amounts of the Company’s financial instruments, primarily current assets and liabilities, are approximately equivalent.

Use of Estimates in the Preparation of Consolidated Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition* and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, deferring the effective date of this amendment by one year. This ASU will be effective for the Company's year ended December 31, 2019, with a one-year early adoption for the Company's year ended December 31, 2018. The Company is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory*. This ASU simplifies the measurement of inventory by requiring inventory to be measured at the lower of cost or net realizable value. This ASU is effective for the Company's year ended December 31, 2017. The Company evaluated the adoption of this ASU and has determined that there is no material impact on its financial statements or financial statement disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU supersedes existing guidance on accounting for leases in Accounting Standards Codification Topic 840, *Leases*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU will be effective for the Company's year ended December 31, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

NOTE C - CONCENTRATION OF CREDIT RISK

The Company, at times, has cash deposits which exceed $250,000 in an individual bank. The Federal Deposit Insurance Corporation (FDIC) insures only the first $250,000 of funds at member banks.

The accounts receivable and the notes receivable represent amounts due from students for tuition and fees. A majority of the Colleges' students are eligible for federal government loan and grant programs and state grant programs which are administered by the Colleges. These receivables are unsecured.

The Company maintains an interest rate swap contract (see Note F) with a financial institution. The Company's ability to maintain its fixed interest rate is dependent upon the credit worthiness of the financial Institution.

NOTE D - LONG-TERM LINE OF CREDIT AND SUBSEQUENT EVENT

During 2016, the Company obtained a $1,250,000 long-term line of credit with a bank, with monthly interest payments and the principal payment due at maturity. On March 14, 2018, the Company entered into a temporary three-month extension of the line of credit, extending its maturity date to June 15, 2018 (maturity date was previously March 15, 2018), while the Company is in the process of securing a long-term extension to its line of credit. The line of credit bears interest at the Daily LIBOR Rate plus 3.0%. The interest rate on the line of credit was 4.56% as of December 31, 2017. The outstanding balance on the line of credit was $1,250,000 and $1,000,000 as of December 31, 2017 and 2016, respectively. The long-term line of credit is governed by a loan and security agreement (Note E).

NOTE E - NOTES PAYABLE

During 2016, the Company entered into a loan and security agreement with a bank which includes a $1,350,000 term note payable and a $1,250,000 long-term line of credit (Note D).

The $1,350,000 note payable is due in 41 monthly principal payments, plus interest, beginning on January 31, 2017 with any unpaid interest and principal due on June 15, 2020. The note payable bears interest at the LIBOR Rate plus 2.50%. The interest rate on the note payable was 3.97% as of December 31, 2017. The outstanding balance on the note payable was $985,020 and $1,350,000 as of December 31, 2017 and 2016, respectively.

The loan and security agreement which governs the $1,350,000 note payable and the $1,250,000 long-term line of credit is secured by the capital stock and all assets of the Company. The loan and security agreement also contains various financial and non-financial covenants which are common to credit agreements of this nature. The Company was in compliance with the covenants for the year ended December 31, 2017. During 2017, the Company entered into a swap agreement with a bank on the term note payable (Note F).

The Company had a credit agreement with a bank which included a $2,000,000 note payable. The note was due in 59 monthly principal installments of $33,333, plus interest at the Adjusted LIBOR Rate plus 2.75%, beginning on April 15, 2014 with any unpaid interest and principal due on March 15, 2019. The note was secured by various assets of the Company. The outstanding balance of the note was repaid in full during 2016.

The aggregate annual amounts of principal payments required on the note payable for the years subsequent to December 31, 2017, and in the aggregate, are as follows:

Years Ending December 31,	
2018	$ 381,060
2019	398,292
2020	205,668
	$ 985,020

NOTE F - INTEREST RATE SWAP CONTRACT

During 2017, the Company entered into an interest rate swap contract (Swap) and the Company records the Swap, which is a financial instrument and qualifies as a cash flow hedge, at settlement value. The purpose of the Swap is to hedge the interest paid on a note payable (Note E). At December 31, 2017, the settlement value of the Swap was $2,283. The settlement value of the Swap was estimated by a financial institution issuing the hedge contract based upon the net present value of expected future cash flows. These estimates may change due to changes in the estimate of future market interest rates.

The Company intends to retain the Swap related to the note payable agreement until its scheduled maturity on June 15, 2020. The Fixed Rate of interest appurtenant to the Swap is 1.70%. The floating rate of interest is based upon USD-LIBOR-BBA and is adjusted monthly. The interest expense, related to the Swap, was approximately $6,400 for the year ended December 31, 2017. The notional amount of the Swap equals the outstanding principal balance of the related note payable, as more fully described in Note E.

NOTE G - CAPITAL LEASE OBLIGATIONS

The Company leases computers and equipment under capital lease obligations. The following is a schedule of future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments under the capital leases as of December 31, 2017:

Years Ending December 31,		
2018	$	266,513
2019		225,419
2020		39,066
2021		21,011
2022		5,087
Total minimum lease payments		557,096
Less: amount representing interest		(40,021)
		517,075
Less: current portion		(241,152)
Long-term portion	$	275,923

The cost and accumulated amortization of capital lease equipment at December 31, 2017 were $854,820 and $333,687, respectively. The cost and accumulated amortization of capital lease equipment at December 31, 2016 were $782,320 and $138,611, respectively. Amortization expense of capital lease equipment for the years ended December 31, 2017 and 2016 of $195,076 and $124,320, respectively, are included within depreciation and amortization under operating expenses in the accompanying consolidated statements of operations.

NOTE H - COMMITMENTS

Leases

The Company leases its administrative and instructional facilities, and equipment under operating leases expiring at various dates through September 2025. The Company has options to extend some of these leases for additional terms of up to five years, and to lease additional space at the then current rates of the leases. Future minimum lease payments are subject to annual increases, and the Company is responsible for supplemental lease payments to reimburse the landlords for their proportionate share of the buildings' operating costs on several of the leases.

The Company also leases equipment under several operating leases.

Minimum future rental payments under non-cancelable operating leases with remaining lease terms in excess of one year as of December 31, 2017, for each of the next five years and in the aggregate are as follows:

Years Ending December 31,		
2018	$	1,704,500
2019		1,811,100
2020		1,642,700
2021		1,332,300
2022		615,400
Thereafter		1,498,400
	$	8,604,400

Rental expense for all operating leases charged to operations during the years ended December 31, 2017 and 2016, was approximately $2,342,000 and $2,590,000, respectively.

Earned Liability

In relation to SC's acquisition of @HomePrep (Note A), the asset purchase agreement included an additional purchase price adjustment up to a total of $950,000 that could be earned by the seller based upon revenue levels achieved (Earnout). The final balance of $475,000 owed to the seller was fully paid during 2016.

Employment Agreement

The Company has an employment agreement with a key executive which terminates in July 2019. The agreement can be terminated, without cause, by the Company at any time by giving 30 days written notice. Depending upon the reason for any termination, the key executive could receive severance equal to six months of base payroll.

NOTE I - INCOME TAXES

There is a timing difference regarding depreciation and amortization for financial statement and income tax purposes. For financial statement reporting, the Company uses accounting methods and lives that recognize depreciation slower than for income tax reporting. As a result, the basis of property and equipment for financial reporting purposes exceeds its basis for tax purposes. The covenant not to compete was amortized slower for tax purposes than for financial statement reporting purposes and, as such, the basis for tax purposes exceeds its basis for financial statement reporting purposes. The Company amortizes goodwill and acquisition costs for income tax purposes but not for financial statement purposes. As a result, the basis of goodwill for financial statement purposes exceeded its basis for tax purposes. The Company has recorded an expense for allowance for doubtful accounts, accrued vacation and stock-based compensation which are currently not deducted for tax purposes. The Company recognizes rent expense on a straight-line basis which has caused rent expense to be higher for financial statement purposes than income tax purposes.

The Company has a federal net operating loss carryover (NOL) of approximately $3,448,000. This NOL will be carried back to the 2015 tax return after the 2017 tax return is filed, and any remaining NOL will be carried forward and begin to expire in 2037.

The Company has state NOL's for Illinois, Minnesota, and Wisconsin totaling approximately $6,272,000. The state NOL's cannot be carried back, so they will be carried forward and begin to expire in 2030. No valuation allowance is provided for deferred taxes because management believes that future taxable income will be sufficient to realize the assets.

The sources of the deferred tax assets and liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax asset (liability) - depreciation and amortization	$ 99,800	$ (41,000)
Deferred tax asset (liability) - goodwill and covenant	(1,246,700)	714,300
Deferred tax asset - stock-based compensation	256,500	361,100
Deferred tax asset - accrued vacation and allowance	447,400	1,101,400
Deferred tax asset - deferred rent and tenant improvement	170,000	167,500
Deferred tax asset - net operating loss	1,168,100	515,800
Net deferred tax asset	$ 895,100	$ 2,819,100

The Company's deferred tax assets and liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax asset - current	$ 1,113,600	$ 1,426,700
Deferred tax liability - current	0	0
	1,113,600	1,429,700
Deferred tax asset - long-term	1,028,200	1,433,400
Deferred tax liability - long-term	(1,246,700)	(41,000)
	(218,500)	1,392,400
Net deferred tax asset	$ 895,100	$ 2,819,100

The Company's net deferred tax assets by tax jurisdiction as of December 31, 2017 and 2016 are as follows:

	2017	2016
Federal	$ 299,500	$ 1,782,200
State	595,600	1,036,900
	$ 895,100	$ 2,819,100

NOTE I - INCOME TAXES (CONTINUED)

The provision (credit) for income taxes for the years ended December 31, 2017 and 2016 is comprised of the following

	2017	2016
Current:		
Federal	$ 0	$ 0
Federal - prior year over accrual	(401,547)	(5,877)
State	24,312	3,500
State - prior year over accrual	(17,917)	(434)
	(395,152)	(2,811)
Deferred:		
Federal	1,482,600	(648,600)
State	441,400	(302,300)
	1,924,000	(950,900)
Total	1,528,848	(953,711)
Discontinued operations credit	(241,000)	(255,000)
Continuing operations	$ 1,769,848	$ (698,711)

The income tax expense is reflective of a permanent difference in goodwill between book and tax purposes, and the change in the effective federal tax rates.

NOTE J - RETIREMENT SAVINGS PLANS

The Company has a 401(k) Retirement Savings and Profit Sharing Plan for all eligible employees as defined by the Plan. The employees may contribute a percentage of their salary not to exceed certain limits of the Internal Revenue Code. The Company may also make a discretionary match to the Plan and the Company matched 50% of an employee's compensation up to 4%. For the years ended December 31, 2017 and 2016, the discretionary match charged to operations was approximately $41,000 and $51,000, respectively.

NOTE K - STOCKHOLDERS' AGREEMENT

The Company has a Stockholders' Agreement by and among the Company and all shareholders which stipulates the procedures in which Company shares of stock are issued and places restrictions on the sale of Company shares of stock by the shareholders. Under certain conditions, the Company may repurchase Company shares of stock from the shareholders at the original price paid or the fair market value.

NOTE L - RELATED PARTY TRANSACTIONS

The Colleges participate in SFA under the Title IV Programs administered by ED pursuant to the HEA, as amended. The Colleges 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 consolidated financial statements.

During 2017 and 2016, the Company had no related party transactions.

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

NOTE M - 90/10 CALCULATION

The Colleges derive a substantial portion of its revenue from SFA received by their students under the Title IV Programs administered by the ED pursuant to the HEA. To continue to participate in the SFA programs, the Colleges 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 more than 90% from the Title IV Programs. The failure of the Colleges to meet the 90% limitation for two consecutive years will result in the loss of the Colleges' ability to participate in Title IV Programs. If a school receives more than 90% 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 ED and is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. For the year ended December 31, 2017, the Colleges' cash basis calculations are:

	(SC)	(MMI)	(EWC)
SCHOOL OPEID #	**00486600**	**01091300**	**03429700**
Adjusted Student Title IV Revenue			
Subsidized Loan	$ 4,081,267	$ 2,337,613	$ 43,302
Unsubsidized Loan	6,364,356	4,062,907	2,137,972
Plus Loan	594,265	326,811	451,905
Federal Pell Grant	4,503,424	3,060,634	14,545
FSEOG (subject to matching reduction)	43,859	24,265	0
Federal Work Study Applied to Tuition and Fees (subject to matching reduction)	0	0	0
Student Title IV Revenue	15,587,171	9,812,230	2,647,724
Revenue Adjustment	(3,023,653)	(1,221,071)	(1,259,901)
Title IV funds returned for a student under 34 C.F.R. § 668.22 (withdrawal)	(957,240)	(566,033)	(16,924)
Adjusted Student Title IV Revenue	$11,606,278	$ 8,025,126	$ 1,370,899
Adjusted Student Non-Title IV Revenue			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution.	$ 43,238	$ 5,525	$ 3,658
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	123,609	6,455	0
Institutional scholarships disbursed to the student	0	0	0
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	11,710	0	0
Student payments	1,562,379	1,749,826	360,862
Student Non-Title IV Revenue	1,740,936	1,761,806	364,520
Revenue Adjustment	(335,147)	(337,607)	(70,591)
Adjusted Student Non-Title IV Revenue	$ 1,405,789	$ 1,424,199	$ 293,929
Revenue From Other Sources			
Activities conducted by the institution that are necessary for education and training	$ 206	$ 1,750	$ 68,670
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	2,117,502	0	0
Allowable student payments + allowable amounts from account receivable or institutional loan sales – any required payments under a recourse agreement	0	0	0
Revenue from Other Sources	$ 2,117,708	$ 1,750	$ 68,670
Adjusted Student Title IV Revenue	$11,606,278	$ 8,025,126	$ 1,370,899
Adjusted Student Title IV Revenue + Adjusted Student Non-Title IV Revenue + Revenue from Other Sources	$15,129,775	$ 9,451,075	$ 1,733,498
	76.71%	84.91%	79.08%

NOTE N - REGULATORY

The Colleges participate in SFA under the Title IV Programs administered by ED pursuant to the HEA. Political and budgetary concerns can significantly affect the Title IV Programs, and Congress must reauthorize the HEA approximately every six years. The Colleges must also demonstrate to ED its compliance with the HEA and the regulations promulgated thereunder on an ongoing basis.

To participate in the Title IV Programs, an institution is subject to extensive regulation and periodic reviews by the federal and state governmental agencies, and accrediting bodies involved. An institution must be authorized to offer its programs of instruction by the relevant agencies of the state in which it is located, accredited by an accrediting agency recognized by ED, and certified as eligible by ED. On a periodic basis, an institution must be re-approved by these agencies and bodies to continue to receive Title IV funds. As of December 31, 2017 and 2016, the Colleges were properly authorized by the regulatory agencies involved and no regulatory reviews were being conducted by the respective agencies.

Regulations have been established which impose limitations on institutions whose former students default on the repayment of their federally guaranteed or funded student loans above a specific Cohort Default Rate (CDR). An institution whose CDR equals or exceeds 30% for three consecutive years will no longer be eligible to participate in the William D. Ford Federal Direct Loan (Direct Loan) and Federal Pell Grant programs for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years. An institution whose CDR exceeds 40% will lose Direct Loan program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years. The Colleges' most recent official three-year CDR's (FY2014) published by ED, are as follows:

Stautzenberger College	13.3%
Madison Media Institute	13.4%
East West College of Natural Medicine	5.4%

Under the federal regulations mentioned above, ED calculates the institution's composite score based on a three-factor financial responsibility ratio. An institution which does not meet ED's minimum composite score of 1.5 can demonstrate financial responsibility by meeting the "zone alternative" or posting a letter of credit in favor of ED. The "zone alternative" includes a delayed method of cash funding for Title IV aid, and the providing of additional information to ED, upon request. As of December 31, 2017 and 2016, the Company had a composite score of 1.1 and 1.6, respectively, out of a possible score of 3.0.

In October 2014, ED issued Gainful Employment regulations that measure our students' ability to repay their educational loans and debts, incurred at our institution, subsequent to their enrollment. These regulations are effective for all of our Title IV eligible programs. The regulations require a debt-to-earnings ratio (D/E Rate) be computed which is based upon the median debt loan repayment compared to their earnings as provided by the Social Security Administration (SSA). This D/E Rate is computed separately for each Title IV eligible program. An institution may appeal the loan and debt information compiled by ED and has the right to submit alternative earnings in lieu of the SSA information under specific conditions and requirements. Each individual program subject to Gainful Employment is deemed to be either passing, failing, or in the zone. An individual program is deemed to be ineligible for Title IV aid if it fails two out of three consecutive years or has a combination of zone and failing rates for four consecutive years. A program deemed to be ineligible will lose Title IV aid beginning on the date ED notifies the institution or the institution voluntarily discontinues a failing program or program in the zone.

NOTE N - REGULATORY (CONTINUED)

In October 2016, ED issued draft 2015 year Gainful Employment D/E Rates and in January 2017, issued final D/E Rates. Based on the final rates, the Company had programs that passed, were in the zone and that failed. The Rates are public information and are available on ED's Federal Student Aid Website. The Company reduced tuition rates subsequent to this specific D/E Rate cohort measurement period and management expects the future D/E Rates will improve. The Company taught out some Associate Degree programs with failing rates and has implemented Diploma programs. The Company also filed an earnings appeal with ED for one of its failing programs. In July 2017, ED announced a new negotiated rule making session in regard to Gainful Employment regulations and these rules making sessions were held in late 2017 and early 2018. At this point in time, management can not anticipate the impact of potential changes, if any, to the regulations.

On December 12, 2016, the Secretary of Education upheld ED's decision made on September 22, 2016 to cease recognition of Accrediting Council for Independent Colleges and Schools (ACICS) as a recognized accrediting agency. ED will continue the participation of schools accredited by ACICS in the federal student aid programs through provisional certification that may last up to 18 months. The Secretary of Education's decision on December 12, 2016 is considered final and officially starts an 18-month time period for institutions accredited by ACICS to find another accreditor in order to continue participating in federal student aid programs. ED may impose certain additional requirements if a school does not meet certain milestones in their accreditation process. The Colleges applied for accreditation with the ACCSC and SC, MMI and RCC have been approved and are officially accredited by ACCSC. For EWC, the milestones established by ED have been met, the onsite visit was completed, and management anticipates final approval by ACCSC in June 2018. On Tuesday, April 3, 2018, the Secretary of Education issued an Order notifying ACICS that the U.S. Department of Education has restored ACICS's status as a federally recognized agency as of December 12, 2016. ACICS has until May 30, 2018, to submit additional documents and information concerning its appeal status to come into compliance with regulatory standards within 12 months and ED will review this information by July 30, 2018.

NOTE O - SUPPLEMENTAL DISCLOSURES FOR STATEMENT OF CASH FLOWS

Cash paid for interest during the years ended December 31, 2017 and 2016, was \$117,853 and \$63,720, respectively.

Cash paid for income taxes during the years ended December 31, 2017 and 2016, was \$5,000 and \$0, respectively.

The Company entered into capital lease obligations for the purchase of computers and equipment during the years ended December 31, 2017 and 2016 in the amount of \$72,500 and \$659,820, respectively.

NOTE P - STOCK OPTION PLAN

The Company has a nonqualified stock option plan for its key employees. Under this plan, options are granted which are convertible into shares of common stock upon exercise. The options vest 20% each year based upon years of service, and the options are exercisable until ten years from the date of grant. The exercise privileges may be accelerated or forfeited in the event of a change in control of the Company, or a change in the option holder's service relationship with the Company. As of December 31, 2017 and 2016, the plan has reserved 7,723 shares of common stock for the exercise of options. The options for each key employee is split one-half into two lots. For the first lot, the exercise price is $351.72 per share. For the second lot, the exercise price ranges from $520.97 to $539.09 per share and the price per share increases 15% per annum beginning on September 1, 2007 until the second lot of shares are exercised. For one executive, the second lot exercise price is $351.72 and the price per share increases 8% per annum until the shares are exercised.

Option activity is as follows:

		Exercise Price
Outstanding as of December 31, 2015	4,919	$427.18 weighted average
Granted	0	
Exercised	0	
Cancelled	0	
Outstanding as of December 31, 2016	4,919	$427.18 weighted average
Granted	0	
Exercised	0	
Cancelled	(1,288)	
Outstanding as of December 31, 2017	3,631	$427.18 weighted average
Vested shares	3,631	
Nonvested shares	0	
Outstanding as of December 31, 2017	3,631	

NOTE Q - DISCONTINUED OPERATIONS

As discussed in Note A, management ceased admissions activities at the Minneapolis location of MMI and completed teaching out the final graduation class in December 2017. The following is a summary of the loss from operations of the discontinued Minneapolis location for the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Loss from Operations:		
Revenues	$ 418,894	$ 1,594,958
Operating expenses	(1,581,413)	(3,234,619)
Interest expense	0	(576)
(Loss) gain on disposal	(64,420)	750
Loss before income taxes	(1,226,939)	(1,639,487)
Income tax benefit	241,000	255,000
Net loss	$ (985,939)	$ (1,384,487)

The main elements of the cash flow of the Minneapolis location discontinued operations were as follows for the year ended December 31, 2017 and 2016:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash flow from discontinued operations:		
Net cash provided by (used in) operating activities	$ (1,064,600)	$ (1,410,907)
Net cash provided by (used in) investing activities	(938)	(263,175)
Net cash provided by (used in) financing activities	1,068,108	1,675,254
Net increase (decrease) in cash and cash equivalents	2,570	1,172
Cash at beginning of year	2,368	1,196
Cash at end of year	$ 4,938	$ 2,368

CONSOLIDATING INFORMATION

MCCLINTOCK
& ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT
ON CONSOLIDATING INFORMATION

To the Board of Directors
American Higher Education Development Corporation and Subsidiaries
New York, New York

We have audited the consolidated financial statements of American Higher Education Development Corporation and Subsidiaries as of and for the year ended December 31, 2017, and our report thereon dated April 16, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
April 16, 2018

American Higher Education Development Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET

ASSETS

December 31, 2017

	AHEDC		SC		MMI			
	CORPORATE OFFICE	EAST WEST COLLEGE OF NATURAL MEDICINE	AHED OF OHIO, INC.	@HOME PREP	NEW MEDIA ARTS TRAINING CENTERS, INC.	ROCKFORD CAREER COLLEGE	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS								
Cash and cash equivalents	$ 182,925	$ 80,575	$ 1,241,186	$ 410,368	$ 0	$ 752,272	$ 0	$ 2,667,326
Accounts receivable, net of allowance	0	62,604	412,444	35,345	461,816	535,831	0	1,508,040
Notes receivable - current portion	0	0	0	0	19,545	0	0	19,545
Inventory	0	25,774	64,905	169,168	0	0	0	259,847
Prepaid income taxes	0	8,000	5,900	0	5,800	3,000	0	22,700
Prepaid expenses and other current assets	0	6,976	44,667	2,195	46,834	88,459	0	189,131
Deferred tax asset	990,200	0	6,200	0	36,600	80,600	0	1,113,600
TOTAL CURRENT ASSETS	1,173,125	183,929	1,775,302	617,076	570,595	1,460,162	0	5,780,189
FURNITURE, EQUIPMENT AND IMPROVEMENTS								
Furniture and equipment	89,168	127,948	4,055,004	3,418	4,038,698	2,164,874	(1,123,691)	9,355,419
Leasehold improvements	0	56,202	3,300,338	0	524,594	1,113,995	(28,922)	4,966,207
	89,168	184,150	7,355,342	3,418	4,563,292	3,278,869	(1,152,613)	14,321,626
Less accumulated depreciation and amortization	(76,167)	(171,774)	(6,179,532)	(895)	(4,228,097)	(2,235,125)	1,152,613	(11,738,977)
NET FURNITURE, EQUIPMENT AND IMPROVEMENTS	13,001	12,376	1,175,810	2,523	335,195	1,043,744	0	2,582,649
INVESTMENTS IN SUBSIDIARIES	15,076,319	0	0	0	0	0	(15,076,319)	0
OTHER ASSETS								
Deferred income taxes	0	0	0	0	431,500	123,400	(554,900)	0
Goodwill and intangible assets	2,819,460	850,940	7,231,851	0	0	2,251,757	5,346,960	18,500,968
Tradename	0	0	49,905	0	0	0	0	49,905
Curriculum development costs	0	0	87,411	0	61,750	97,405	0	246,566
Deposits	0	27,297	4,646	2,599	8,509	28,314	0	71,365
Fair value of interest rate swap contract	2,283	0	0	0	0	0	0	2,283
Intercompany receivables	2,894,378	0	1,930,416	1,591,211	0	100,453	(6,516,458)	0
TOTAL OTHER ASSETS	5,716,121	878,237	9,304,229	1,593,810	501,759	2,601,329	(1,724,398)	18,871,087
TOTAL ASSETS	$ 21,978,566	$ 1,074,542	$ 12,255,341	$ 2,213,409	$ 1,407,549	$ 5,105,235	$ (16,800,717)	$ 27,233,925

See Independent Auditor's Report on Supplementary Information.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

December 31, 2017

	AHEDC		SC		MMI			
	CORPORATE OFFICE	EAST WEST COLLEGE OF NATURAL MEDICINE	AHED OF OHIO, INC.	@HOME PREP	NEW MEDIA ARTS TRAINING CENTERS, INC.	ROCKFORD CAREER COLLEGE	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES								
Accounts payable	$ 4,978	$ 14,561	$ 270,879	$ 27,965	$ 172,931	$ 66,487	$ 0	$ 557,801
Accrued liabilities	750	49,375	304,465	32,848	225,273	148,766	0	761,477
Student deposits	0	0	162,647	0	31,320	80,884	0	274,851
Deferred tuition and fees	0	0	313,357	0	140,142	263,559	0	717,058
Current portion of capital lease obligations	0	0	37,876	0	66,939	136,337	0	241,152
Current portion of note payable	381,060	0	0	0	0	0	0	381,060
Current portion of long-term line of credit	1,250,000	0	0	0	0	0	0	1,250,000
TOTAL CURRENT LIABILITIES	1,636,788	63,936	1,089,224	60,813	636,605	696,033	0	4,183,399
LONG-TERM LIABILITIES								
Deferred income taxes	702,500	0	70,900	0	0	0	(554,900)	218,500
Capital lease obligations, net of current portion	0	0	101,582	0	54,903	119,438	0	275,923
Note payable, net of current portion	603,960	0	0	0	0	0	0	603,960
Tenant improvement allowance	0	0	337,876	0	0	0	0	337,876
Deferred rent	0	0	225,255	0	163,390	74,789	0	463,434
Intercompany payables	0	1,293,191	0	0	5,223,267	0	(6,516,458)	0
TOTAL LONG-TERM LIABILITIES	1,306,460	1,293,191	735,613	0	5,441,560	194,227	(7,071,358)	1,899,693
SHAREHOLDERS' EQUITY								
Common stock	566	0	1	0	10	0	(11)	566
Additional paid-in capital	20,749,128	961,124	5,757,654	0	0	2,357,540	(9,076,319)	20,749,127
Retained earnings (deficit)	(1,716,659)	(1,243,709)	4,672,849	2,152,596	(4,670,626)	1,857,435	(653,029)	398,857
Accumulated other comprehensive income	2,283	0	0	0	0	0	0	2,283
TOTAL SHAREHOLDERS' EQUITY	19,035,318	(282,585)	10,430,504	2,152,596	(4,670,616)	4,214,975	(9,729,359)	21,150,833
TOTAL LIABILITIES AND EQUITY	$ 21,978,566	$ 1,074,542	$ 12,255,341	$ 2,213,409	$ 1,407,549	$ 5,105,235	$ (16,800,717)	$ 27,233,925

American Higher Education Development Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31, 2017							
	AHEDC		SC		MMI			
	CORPORATE OFFICE	EAST WEST COLLEGE OF NATURAL MEDICINE	AHED OF OHIO, INC.	@HOME PREP	NEW MEDIA ARTS TRAINING CENTERS, INC.	ROCKFORD CAREER COLLEGE	ELIMINATIONS	CONSOLIDATED
REVENUES								
Tuition and fees	$ 0	$ 1,693,622	$ 12,906,844	$ 0	$ 2,477,378	$ 7,080,863	$ 0	$ 24,158,707
Management fees	1,195,000	0	0	0	0	0	(1,195,000)	0
Bookstore sales	0	62,673	19,439	2,124,035	0	26,218	0	2,232,365
Training programs	0	0	42,850	1,680,235	0	0	0	1,723,085
Service revenue	0	94,167	206	0	0	1,750	0	96,123
Other revenue	0	54,884	0	897	0	0	0	55,781
TOTAL REVENUES	1,195,000	1,905,346	12,969,339	3,805,167	2,477,378	7,108,831	(1,195,000)	28,266,061
OPERATING EXPENSES								
Education	0	997,214	3,865,866	179,227	1,164,576	2,181,475	0	8,388,358
Marketing	0	170,203	2,162,541	298,929	927,582	1,038,725	0	4,597,980
Occupancy	11,856	304,353	1,587,694	36,345	903,294	811,152	0	3,654,694
Bookstore	0	24,227	702,169	1,767,615	0	338,204	0	2,832,215
General and administrative	1,306,820	654,083	2,749,762	662,694	1,040,599	1,924,610	0	8,338,568
Depreciation and amortization	6,631	25,028	671,194	1,290	250,908	416,802	0	1,371,853
Management fee	0	10,000	880,000	165,000	0	140,000	(1,195,000)	0
TOTAL OPERATING EXPENSES	1,325,307	2,185,108	12,619,226	3,111,100	4,286,959	6,850,968	(1,195,000)	29,183,668
OPERATING INCOME (LOSS) BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES	(130,307)	(279,762)	350,113	694,067	(1,809,581)	257,863	0	(917,607)
OTHER INCOME (EXPENSE)								
Interest income	0	0	1,460	0	0	0	0	1,460
Interest expense	(95,303)	0	(8,053)	0	(6,166)	(8,148)	0	(117,670)
Other income (expense)	0	0	(24,653)	0	11,650	7,285	0	(5,718)
TOTAL OTHER INCOME (EXPENSE)	(95,303)	0	(31,246)	0	5,484	(863)	0	(121,928)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(225,610)	(279,762)	318,867	694,067	(1,804,097)	257,000	0	(1,039,535)
(Provision) credit for income taxes	(2,155,782)	0	(33,300)	(1,500)	196,634	224,100	0	(1,769,848)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(2,381,392)	(279,762)	285,567	692,567	(1,607,463)	481,100	0	(2,809,383)
Loss from discontinued operations, net of income tax benefit	0	0	0	0	(985,939)	0	0	(985,939)
NET INCOME (LOSS)	(2,381,392)	(279,762)	285,567	692,567	(2,593,402)	481,100	0	(3,795,322)
Retained earnings (deficit) at beginning of year	664,733	(963,947)	4,387,282	1,460,029	(2,077,224)	1,376,335	(653,029)	4,194,179
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ (1,716,659)	$ (1,243,709)	$ 4,672,849	$ 2,152,596	$ (4,670,626)	$ 1,857,435	$ (653,029)	$ 398,857

See Independent Auditor's Report on Supplementary Information.