FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY

CHICAGO, ILLINOIS

AUDITED FINANCIAL STATEMENTS

Including Auditor's Report

For The Years Ended December 31, 2017 and 2016

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DOING BUSINESS AS WRIGHT GRADUATE UNIVERSITY
Board and Administration

*Officers of the Board*

| | |
|---|---|
| Mr. Thomas Terry | Chairman of the Board |
| Mr. Stan Smith | Treasurer |
| Mr. John Davidoff | Secretary |

*Members of the Board*

Mr. Richard Lyons

Ms. Karen Wilson Smithbauer

Mr. Arthur Silver

Mr. Scott Stephen

Mr. Don Delves

Dr. Judith Wright

Dr. Robert Wright

Mr. Dave Stamm

*Advisory Board*

Ms. Judy Kuipers

Ms. Judy Witt

Mr. Jim Morningstar

Dr. Robert M. (Uri) Heller

Dr. Bernard Luskin

MICHAEL J. ROBERTS
CERTIFIED PUBLIC ACCOUNTANT, LLC
P.O. BOX 296
135 WEST GENEVA STREET
ELKHORN, WI 53121
Telephone: (262) 723-6497
Fax: (262) 723-6913
Email: mikerobertscpa@elknet.net

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Foundation for the Realization of Human Potential, NFP
Chicago, IL

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Foundation for the Realization of Human Potential, NFP, which comprise the Statement of Financial Position as of December 31, 2017, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by Comptroller General of the United States. Those standards require that I plan and perform the audit 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for the Realization of Human Potential, NFP, as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated May 1, 2018 on my consideration of the Foundation for the Realization of Human Potential, NFP's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Foundation for the Realization of Human Potential, NFP's internal control over financial reporting and compliance.

Michael J. Roberts
Michael J. Roberts Certified Public Accountant, LLC

Elkhorn, Wisconsin
May 1, 2018

MICHAEL J. ROBERTS
CERTIFIED PUBLIC ACCOUNTANT, LLC
P.O. BOX 296
135 IST GENEVA STREET
ELKHORN, WI 53121
Telephone: (262) 723-6497
Fax: (262) 723-6913
Email: mikerobertscpa@elknet.net

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards***

To The Board of Directors
Foundation for the Realization of Human Potential, NFP
Chicago, IL

I 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 financial statements of the Foundation for the Realization of Human Potential, NFP, which comprise the Statement of Financial Position as of December 31, 2017, and the related Statements of Activities and Cash Flows for the year then ended and the related notes to the financial statements, and have issued my report thereon dated May 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Foundation for the Realization of Human Potential, NFP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation for the Realization of Human Potential, NFP's internal control. Accordingly, I do not express an opinion on the effectiveness of the Foundation for the Realization of Human Potential, NFP's internal control.

A *deficiency in internal control* 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 combination of deficiencies, in internal control, 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 the Foundation for the Realization of Human Potential, NFP's financial statements are free from material misstatement, I 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. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Michael J. Roberts
Michael J. Roberts Certified Public Accountant, LLC

Elkhorn, Wisconsin
May 1, 2018

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY
TABLE OF CONTENTS
For The Years Ended December 31, 2017 and 2016

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Petty Cash/Other | $ - | $ 559 |
| Checking (Notes 3 and 18) | 936,879 | 586,072 |
| Undeposited Funds | 61,787 | 31,501 |
| Marketable Securities (Note 4) | 203,624 | 246,908 |
| Accounts Receivable, Tuition (Note 5) | 62,554 | 122,757 |
| Account Receivable, Other (Note 5) | 11,600 | 1,286 |
| Student Loans Receivable (Note 5) | 323,028 | 382,612 |
| Due From Employees | 8,797 | 6,085 |
| Due From Wright Business Inc. (Note 14) | 43,973 | 59,640 |
| Due From Wright Graduate Institute Inc. (Note 14) | 3,495 | 5,719 |
| Prepaid Expenses (Note 6) | - | 18,797 |
| Prepaid Rent (Note 14) | 39,000 | 51,000 |
| TOTAL CURRENT ASSETS | 1,694,737 | 1,512,936 |
| PROPERTY AND EQUIPMENT | | |
| Office Equipment (Note 7) | 63,178 | 61,415 |
| Furniture & Fixtures (Note 7) | 8,551 | 8,551 |
| Equipment (Note 7) | 11,515 | 9,615 |
| Leasehold Improvements (Note 13) | 145,311 | 145,311 |
| Less: Accumulated Depreciation (Note 1) | (66,550) | (43,122) |
| TOTAL PROPERTY & EQUIPMENT | 162,005 | 181,770 |
| OTHER ASSETS | | |
| Organization & Accreditation (Note 8) | 235,038 | 235,038 |
| Less: Accumulated Amortization (Note 8) | (72,085) | (56,416) |
| Other Amortizable Costs (Note 8) | 25,352 | 25,352 |
| Less: Accumulated Amortization (Note 8) | (5,325) | (3,635) |
| Intangibles (Notes 2 and 8) | 1,999,000 | 1,999,000 |
| TOTAL OTHER ASSETS | 2,181,980 | 2,199,338 |
| TOTAL ASSETS | $ 4,038,722 | $ 3,894,044 |

See accompanying notes to financial statements and Auditor's Report

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| LIABILITIES & NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | $ 19,485 | $ 41,447 |
| Credit Cards Payable | 83,614 | 30,506 |
| Payroll Liabilities | 2,240 | - |
| Unearned Revenue | 10,257 | 14,542 |
| Due to Wright Business Inc. (Note 14) | - | 15,667 |
| TOTAL CURRENT LIABILITIES | 115,596 | 102,162 |
| TOTAL LIABILITIES | 115,596 | 102,162 |
| NET ASSETS (Note 9) | | |
| Net Assets, Beginning of Year | 3,791,882 | 3,721,367 |
| Increase in Net Assets | 131,244 | 70,515 |
| TOTAL NET ASSETS | 3,923,126 | 3,791,882 |
| TOTAL LIABILITIES AND NET ASSETS | $ 4,038,722 | $ 3,894,044 |

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| REVENUES | | |
| Graduate University Revenues | | |
| Tuition | $ 316,991 | $ 390,348 |
| Application Fees | - | 5 |
| Non Credit Revenues | | |
| Program Services Revenues (Note 18) | 2,626,312 | 2,799,253 |
| Management Fees (Note 18) | - | - |
| TOTAL EDUCATION REVENUES | 2,943,303 | 3,189,606 |
| Other Revenues | | |
| Donations and Contributions (Note 10) | 840,648 | 598,618 |
| Interest on Loans (Note 5) | 19,153 | 19,345 |
| Miscellaneous | 4,095 | - |
| TOTAL OTHER REVENUES | 863,896 | 617,963 |
| TOTAL REVENUES | 3,807,198 | 3,807,569 |
| OPERATING EXPENSES | | |
| Program Supplies, Meals & Expenses | 143,017 | 122,773 |
| Fundraising Expenses (Note 11) | 101,697 | 39,993 |
| Accreditation | 94,172 | 90,677 |
| Tuition Option Fees | 2,961 | 2,915 |
| Mentoring Fees | 1,500 | 1,280 |
| Chancellor Salary (Note 15) | 60,000 | 60,000 |
| Faculty Salaries (Note 15) | 58,091 | 60,860 |
| President Salary (Note 12) | 144,000 | 120,000 |
| CEO Salary (Note 12) | 144,000 | 120,000 |
| Employee Health Insurance | 97,965 | 120,029 |
| Consulting (Note 14) | 90,000 | 90,000 |
| License & Fees | 4,014 | 154 |
| Miscellaneous | 23,171 | 12,374 |
| Accounting | 19,632 | 13,839 |
| Employee Wages & Payroll Taxes | 1,099,607 | 1,060,394 |
| Payroll Processing Fees | 3,149 | 4,504 |
| Work Study & Fellowship | 81,736 | 66,910 |
| Human Resource Expenses | 17,742 | 16,470 |
| Employee Training & Development | 8,712 | 7,801 |
| Legal Fees | 15,911 | 59,819 |
| Other Professional Fees | 42,561 | 6,413 |
| Outside Contract Services | 45,638 | 114,570 |
| Audio Visual | 8,100 | 6,701 |
| Computer Expenses | 107,453 | 118,489 |
| Repairs & Maintenance | 2,017 | 6,474 |
| Rent Expense & Parking (Note 13) | 348,342 | 441,640 |
| Software Leases (Note 16) | 23,333 | 23,347 |
| Utilities | 11,521 | 10,145 |

See accompanying notes to financial statements and Auditor's Report

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY
STATEMENTS OF ACTIVITIES (continued)
For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| OPERATING EXPENSES (CONTINUED) | | |
| Credit Card Processing Fees | 87,924 | 81,707 |
| Bank Service Charges | 385 | 4,632 |
| Books, Dues & Subscriptions | 46,593 | 75,635 |
| Office/Administrative Expense | 83,848 | 113,992 |
| Moving, Storage & Equipment Rental | 120 | 4,530 |
| Bad Debt Expense (Note 5) | 5,837 | 959 |
| Telephone & Internet | 68,707 | 67,628 |
| Advertising (Note 17) | 114,093 | 218,210 |
| Insurance | 32,593 | 21,017 |
| Website | 13,519 | 59,270 |
| Meals & Entertainment | 4,056 | 16,933 |
| Travel & Meetings | 32,533 | 114,931 |
| Other Program Expense | 144,865 | 122,843 |
| Automobile Expense | 10,730 | 4,157 |
| Graduation Expenses | 19,611 | - |
| Property Taxes (Note 20) | 174,300 | - |
| Donations | 1,600 | 499 |
| Gifts | 8,522 | 9,015 |
| Other NonCredit Expenses | 12,303 | - |
| Depreciation (Note 1) | 23,428 | 21,987 |
| Amortization (Note 8) | 17,359 | 17,359 |
| TOTAL OPERATING EXPENSES | 3,702,969 | 3,753,873 |
| INCOME FROM CONTINUING OPERATIONS | 104,229 | 53,696 |
| OTHER INCOME AND EXPENSE | | |
| Interest Expense | (88) | (128) |
| Gain on Sale of Donated Stock (Note 4) | 27,103 | 16,947 |
| TOTAL OTHER INCOME AND EXPENSE | 27,015 | 16,819 |
| INCREASE (DECREASE) IN NET ASSETS | 131,244 | 70,515 |
| NET ASSETS, BEGINNING OF YEAR | 3,791,882 | 3,721,367 |
| NET ASSETS, END OF YEAR | $ 3,923,126 | $ 3,791,882 |

See accompanying notes to financial statements and Auditor's Report

FOUNDATION FOR THE REALIZATION OF HUMAN POTENTIAL, NFP
DBA WRIGHT GRADUATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (Decrease) In Net Assets | $ 131,244 | $ 70,515 |
| Adjustments To Reconcile Increase In Net Assets To Net Cash: | | |
| Depreciation | 23,428 | 21,987 |
| Amortization | 17,359 | 17,359 |
| Changes In Assets And Liabilities: | | |
| Marketable Securities | 43,284 | (45,718) |
| Undeposited Funds | (30,285) | (28,867) |
| Accounts Receivable, Tuition | 60,203 | (28,537) |
| Account Receivable, Other | (10,314) | (240) |
| Student Loans Receivable | 59,585 | (5,728) |
| Due From Employees | (2,712) | (4,177) |
| Due From Wright Business Inc. | 15,667 | (59,640) |
| Due From Wright Graduate Institute Inc. | 2,224 | - |
| Prepaid Expenses | 18,797 | (1,197) |
| Prepaid Rent | 12,000 | 12,000 |
| Accreditation Costs | - | (2,250) |
| Accounts Payable | (21,962) | 23,357 |
| Credit Cards Payable | 53,109 | 19,257 |
| Payroll Liabilities | 2,240 | - |
| Unearned Revenue | (4,285) | 14,542 |
| Due To Wright Business Inc. | (15,667) | (94,920) |
| Rounding | (2) | 2 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 353,911 | (92,255) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital Expenditures For Fixed Assets (Net) | (3,663) | (15,353) |
| NET CASH USED BY INVESTING ACTIVITIES | (3,663) | (15,353) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds From Long-Term Debt (Net Of Principle Payments) | - | - |
| Reduction In Debt | - | - |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | - | - |
| NET INCREASE (DECREASE) IN CASH | 350,248 | (107,608) |
| CASH AT BEGINNING OF YEAR | 586,631 | 694,239 |
| CASH AT END OF YEAR | $ 936,879 | $ 586,631 |

See accompanying notes to financial statements and Auditor's Report

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

The Foundation for the Realization of Human Potential, NFP, is a nonprofit Corporation organized in 2007 in the State of Illinois. The Foundation has been granted 501(c)(3) nonprofit organization status. The Foundation offers accredited Master of Arts and Doctorate of Education degrees and graduate certificate programs through the Wright Graduate University (previously known as the Wright Graduate Institute), which is wholly owned by the Foundation. The Wright Graduate University is authorized by the Wisconsin Educational Approval Program to do business as a private postsecondary school in Wisconsin. The Illinois location of Wright Graduate University is authorized to do business as a school in Illinois by the Illinois Board of Higher Education. The Foundation leases administrative offices located in Chicago, Illinois. See Note 13. The Foundation leases additional space in Elkhorn, Wisconsin from The Center Inc. for graduate school activities and its non credit program services. See Notes 2, 13 and 18.

### Accreditation & Title IV HEA Programs

The Foundation initially received accreditation from the Accrediting Council for Independent Colleges and Schools (ACICS) on December 27, 2013. On December 12, 2016, the U.S Department of Education withdrew its recognition of ACICS to accredit postsecondary educational institutions. The Foundation signed a Provisional Program Participation Agreement with the U.S. Department of Education to continue accreditation and access to financial aid through Title IV Higher Education Act (HEA) programs for 18 months, until June 12, 2018, subject to certain conditions, including attaining new institutional accreditation prior to June 12, 2018. On July 14, 2017, the Foundation attained new accreditation through the Distance Education Accrediting Commission, an accrediting organization recognized by the U.S. Department of Education. On September 5, 2017, the Foundation was granted recertification to participate in Federal Student Financial Aid Programs through June 30, 2023.

The Foundation received Title IV status from the U.S. Department of Education for masters degrees and graduate certificate programs on October 3, 2014, providing access to financial aid through Title IV Higher Education Act (HEA) programs. The Doctorate of Education program became eligible for Title IV financial aid on September 5, 2017. The Foundation also received a Waiver from the Department of Education exempting the Foundation from a Title IV audit for the year ended December 31, 2016. For 2017, the Foundation will seek a waiver or conduct a Title IV compliance audit by its due date, which is due June 1, 2018.

Total Title IV funds of $255,185 and $295,376 were awarded for the years ended December 31, 2017 and 2016, respectively.

### Acquisition of Assets

On April 27, 2012, the Foundation purchased substantially all the assets of the Wright Graduate Institute, Inc. See Note 2.

### Basis of Presentation

The Foundation's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles.

### Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts and disclosures. These may include an estimate for the allowance for doubtful accounts, accrued expenses, and the valuation of certain accounts, such as marketable securities and inventories. This is normal accounting practice, and if any major difference were to arise between previously estimated amounts and actual results, this would be the subject of a separate note with full disclosure of the effects.

### Accounts Receivable and Provisions for Bad Debts

Accounts receivable are reported at the amount of principal outstanding. Balances are written off through charges to earnings only after management has exhausted reasonable collection efforts and concluded that additional collection efforts are not cost-effective. See Note 5.

**NOTE 1 - continued**

Income Taxes
The Foundation is a tax-exempt status organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Unrelated business income is taxable by both the Federal and State governments. At this time, the Foundation has no taxable unrelated business income.

Cash & Cash Equivalents
For purposes of the Statements of Cash Flows, the Foundation considers all unrestricted highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Foundation maintains its cash balance in financial institutions which may at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on its cash balance.

Investments
Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Those investments for which fair value is not readily determinable are carried at cost. Investments are subject to market risk. Investment income or loss and unrealized gains or losses are included in the Statement of Activities.

Public Support and Revenue:
Contributions are recognized when the donor makes an unconditional promise to donate to the Foundation. Conditional promises to donate are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor. Contributions of donated noncash assets are recorded at their fair values in the year received.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. See Note 9.

Contributed Services, Materials, and Facilities:
Contributed services, materials and/or facilities are recognized at fair market value if the services, materials and/or facilities received (a) create or exchange long lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not donated to the Foundation.

Going Concern
The accompanying financial statements have been prepared on a going concern basis. See Note 2.

Property & Equipment
Fixed Assets are stated at cost, or if donated, at fair value at the date of donation. Equipment is depreciated on the straight line basis over the estimated useful service life of each class of depreciable asset, and is computed using the straight line method. Fixed assets are items with a unit cost of $500 or more and a useful life of more than one year. Leasehold Improvements are amortized over the shorter of the useful life of the asset or the length of the related lease term on the straight line basis. The term of the lease includes renewal option periods only in instances in which the exercise of the renewal option can be reasonably assured and failure to exercise such option would result in an economic penalty. Upon retirement or sale, the cost of the assets disposed of and their related accumulated depreciation are removed from the accounts. Any resulting gain or loss is credited or charged to operations. Maintenance and repairs are charged to expense as incurred, while betterments are capitalized.

**NOTE 1 - continued**

Classification of Net Assets

The financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

*Unrestricted* net assets are the net assets of the Foundation that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted* net assets are those whose use by the Foundation has been limited by donors to a specific time or purpose.

*Permanently restricted* net assets are those restricted by donors to be maintained by the Foundation in perpetuity.

All net assets of the Foundation are Unrestricted net assets.

Subsequent Events

There are no subsequent events that could have a material effect on the figures reported for the Foundation's economic and financial position on the next or future years.

**NOTE 2 - ACQUISITION OF ASSETS**

On April 27, 2012, the Foundation entered into a contract (Agreement) to purchase the assets of the Wright Graduate Institute, Inc. (WGI), an Illinois corporation. WGI was owned by Robert and Judith Wright (see Note 14). WGI operated a graduate school approved by the State of Wisconsin Educational Approval Board, offering Master of Arts and Education Doctorate degrees in Human Development, Transformational Leadership, and Transformational Learning and Coaching. Assets acquired from WGI were all rights, title and interest in and to all personal, tangible, intangible and other assets, properties and rights of any kind owned or held for use by the Seller related to or used in the operations of the graduate school. The Foundation also acquired the approval issued to the Wright Graduate Institute Inc. by the Educational Approval Board. This approval allows the Foundation to operate and grant degrees in the State of Wisconsin.

The Purchase price of the acquired assets from WGI was $2,000,000. See Note 8. The terms of the purchase were $100,000 down, and a Promissory Note and Security Agreement for $1,900,000 ($1.9 Million Dollars). The Promissory Note and Security agreement were replaced and superseded by a Replacement Note Payable of $900,000 dated December 31, 2013, resulting in the forgiveness of debt of $1,038,475. The terms of the Replacement Note were interest of 6.5%, quarterly installments, amortized over 30 years, with the first quarterly payment due on January 1, 2014, and the Maturity Date of December 31, 2043. The Note Payable was terminated on December 31, 2015, resulting in the forgiveness of debt of $900,000 for the year ended December 31, 2015.

**NOTE 3 - RESTRICTED CASH**

There was no restricted cash as of December 31, 2017 and 2016.

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments consist of the following as of December 31, 2017 and 2016:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Beginning Marketable Securities | $ 246,908 | $ 201,190 |
| Less: Securities Sold | (246,908) | (201,190) |
| Plus: Securities Donated | 203,624 | 246,908 |
| Ending Marketable Securities | $ 203,624 | $ 246,908 |

On July 26, 2017, the Foundation sold stock securities that were donated by a Board member on December 16, 2016. A gain of $27,103 is included in the Statement of Activities, reporting the difference between the sales proceeds and the fair market value of the stock at the date of the donation.

On December 21, 2017, the Foundation received an unrestricted donation of 2,171 shares of Fidelity securities from a Board member. The donation was recorded at fair value as of that date.

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation's own data).

The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

| | Level 1 | Level 2 | Level 3 | Totals |
|---|---|---|---|---|
| Investments | | | | |
| Marketable Securities | $ 203,624 | $ - | $ - | $ 203,624 |

## NOTE 5 - TUITION & STUDENT LOANS RECEIVABLES

The Foundation has receivables in the normal course of conducting graduate school activities (see Note 1), which appear on the financial statements as "Accounts Receivable, Tuition". The Foundation also incurs receivables when providing student loans, which appear on the financial statements as "Student Loans Receivable". Loans are reported at the principal balance outstanding. The Foundation provides loans to doctoral students to attend the Wright Graduate University. Students applying for loans from the Foundation must meet certain requirements to be eligible for a Foundation loan. Effective December 1, 2015, these requirements include, but are not limited to: submitting three letters of recommendation and enrollment in the Wright Graduate University doctoral degree program (now conducted by the Foundation, see Note 2). The repayment terms on these student loans vary from 24 months to 120 months, depending upon the amount of the loan granted to a student.

Management assesses the adequacy of the allowance for doubtful accounts annually. See Note 1. Accounts Receivable, Tuition is reported net of an allowance for uncollectible accounts of $5,837 and $0 as of December 31, 2017 and 2016, respectively.

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Accounts Receivable, Tuition | $ 68,391 | $ 122,757 |
| Allowance for Doubtful Accounts | (5,837) | - |
| Accounts Receivable, Tuition | $ 62,554 | $ 122,757 |

The Foundation accrues interest on the unpaid principal balance of these loans at an annual interest rate of eight percent, effective December 1, 2015. Prior to December 1, 2015, all students in the graduate degree program were eligible for Foundation loans, and the interest rate was based upon the Federal Direct Unsubsidized Loan interest rate in effect at the time of student enrollment. Students may prepay their loan, in full or in part, at any time without penalty. Total interest revenues on loans for the years ended December 31, 2017 and 2016 was $19,153 and $19,345, respectively.

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Interest Revenues on Loans | $ 19,153 | $ 19,345 |

Loans to current and former students appear on the financial statements as "Student Loans Receivable" accounts receivables. Management assesses the adequacy of the allowance for doubtful accounts annually. See Note 1. Student Loans Receivable is reported net of an allowance for uncollectible accounts of $0 and $959 as of December 31, 2017 and 2016, respectively.

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Student Loans Receivable | $ 323,028 | $ 383,572 |
| Allowance for Doubtful Accounts | - | (959) |
| Student Loans Receivable | $ 323,028 | $ 382,612 |

**NOTE 5 - continued**

All remaining accounts receivables appear on the financial statements as "Other" accounts receivables.

Accounts Receivable, Other consist of the following:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Fund Raising Receivables | $ - | $ - |
| Other | 11,600 | 1,286 |
| Total Accounts Receivable, Other | $ 11,600 | $ 1,286 |

**NOTE 6 - PREPAID EXPENSES**

Prepaid Expenses as of December 31, 2017 and 2016 were as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Prepaid Expenses | $ - | $ 18,797 |

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and Equipment consist of the following:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Office Equipment | $ 63,178 | $ 61,415 |
| Furniture & Fixtures | 8,551 | 8,551 |
| Equipment | 11,515 | 9,615 |
| Leasehold Improvements (see Note 13) | 145,311 | 145,311 |
| Less: Accumulated Depreciation (see Note 1) | (66,550) | (43,122) |
| Total Fixed Assets | $ 162,005 | $ 181,770 |

**NOTE 8 - OTHER ASSETS**

Other Assets consist of the following:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Accreditation Costs | $ 235,038 | $ 235,038 |
| Less: Accumulated Amortization for Accreditation Costs | (72,085) | (56,416) |
| Other Amortizable Costs | 25,352 | 25,352 |
| Less: Accumulated Amortization for Other Amortizable Costs | (5,325) | (3,635) |
| Intangibles | 1,999,000 | 1,999,000 |
| Total Other Assets | $ 2,181,980 | $ 2,199,338 |

The Accreditation Costs represent consulting, marketing, and other expenses related to the Foundation obtaining initial accreditation. See Note 19. These costs are being amortized on the straight line basis over 15 years. Other amortizable costs represent expenses related to the Foundation obtaining Title IV status with the U.S. Department of Education. The Foundation obtained Title IV status on October 3, 2014. The Other Amortizable Costs are being amortized over 15 years, beginning with October 2014, the month that the Foundation received Title IV status. The Intangibles are not being amortized because they have no term of life or useful life. The Foundation will test the intangibles annually for impairment.

**NOTE 8 - continued**

Total capitalized costs and related accumulated amortization for the years ended December 31, 2017 and 2016 are as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Beginning Accreditation Costs | $ 235,038 | $ 232,788 |
| Current Year Accreditation Costs | - | 2,250 |
| Total Accreditation Costs | $ 235,038 | $ 235,038 |
| | | |
| Beginning Other Amortizable Costs | $ 25,352 | $ 25,352 |
| Current Year Other Amortizable Costs | - | - |
| Total Other Accreditation Costs | $ 25,352 | $ 25,352 |
| | | |
| Amortization Expense on Accreditation Costs | $ 15,669 | $ 15,669 |
| Amortization Expense on Other Costs | 1,690 | 1,690 |
| Total Amortization Expense | $ 17,359 | $ 17,359 |

**NOTE 9 - RESTRICTED NET ASSETS**

There were no restricted assets as of December 31, 2017 and 2016.

**NOTE 10 - DONATIONS AND CONTRIBUTIONS FROM BOARD MEMBERS**

In 2017, the Foundation received a donation of securities valued at $203,624 from a Board member. The $203,624 of donations could be used for any purpose of the Foundation, and is therefore an unrestricted donation. See Notes 3, 4, and 9.

In 2017, the Foundation received cash donations of $683,312 from various Board members. The cash donations of $683,312 could be used for any purpose of the Foundation, and therefore are unrestricted donations. See Notes 3, 4, and 9.

**NOTE 11 - FUNDRAISING EXPENSES**

Fundraising expenses for the years ended December 31, 2017 and 2016 were as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Fundraising Expenses | $ 101,697 | $ 39,993 |

**NOTE 12 - COMPENSATION TO RELATED PARTIES**

On January 1, 2016, the Foundation contracted with Judith Wright to serve as President. Judith Wright's contract states that she is to receive a base salary of $120,000 for 2016, $144,000 for 2017, and then $250,000 annually for 2018 through 2030. Beginning January 1, 2018, Judith Wright's compensation will be tied to annual increases in the Consumer Price Index. Judith Wright's compensation agreement also requires the Foundation to provide her with a vehicle, and she is eligible for annual bonuses after 2016. For the year 2017, the Foundation and Judith Wright agreed to limit Judith Wright's compensation to $144,000 and eliminate any bonuses. Total compensation paid to Judith Wright for services for the years ended December 31, 2017 and 2016 was as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| President Salary | $ 144,000 | $ 120,000 |

On January 1, 2016, the Foundation contracted with Robert Wright to serve as CEO. Robert Wright's contract states that he is to receive a base salary of $120,000 for 2016, $144,000 for 2017, and then $250,000 annually for 2018 through 2030. Beginning January 1, 2018, Robert Wright's compensation will be tied to increases in the Consumer Price Index. Robert Wright's compensation agreement also states that he is eligible for annual bonuses after 2016. For the year 2017, the Foundation and Robert Wright agreed to limit Robert Wright's compensation to $144,000 and eliminate any bonuses. Although Robert Wright's compensation agreement stipulates that the Foundation will provide him with a vehicle, Robert Wright has chosen to use his own personal vehicle. In the event that this Agreement is terminated but the Agreement with Judith Wright remains in effect, Judith Wright will automatically become the successor CEO. Total compensation paid to Robert Wright for services for the years ended December 31, 2017 and 2016 was as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| CEO Salary | $ 144,000 | $ 120,000 |

Robert and Judith Wright both became members of the Board of Directors in 2016.

No Board Members are compensated for services rendered as Board Members.

**NOTE 13 - OPERATING LEASES WITH RELATED PARTY**

Robert Wright, CEO of the Foundation, and Judith Wright, President of the Foundation, own The Center Inc. The Center Inc. leases an administrative building in Elkhorn, Wisconsin from Robert and Judith Wright. The Center Inc. subleases the administrative building to the Foundation at the base rate of $1,000 per month, beginning April 27, 2012 and ending July 31, 2019, to support the Wright Graduate University activities. The rent is adjusted by increases in the Consumer Price Index. The Lease Agreement states that the Foundation will receive a credit against future rents for each $1,000 paid by the Foundation to renovate the leased administrative building and premises. The Foundation made no Leasehold Improvements expenditures for the years ended December 31, 2017 and 2016, but has previously made Leasehold Improvements now subject to rent offsets, as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Prepaid Rent as of January 1 | $ 51,000 | $ 63,000 |
| Less: Rent Expense | (12,000) | (12,000) |
| Prepaid Rent as of December 31 | $ 39,000 | $ 51,000 |
| Leasehold Improvements | $ 145,311 | $ 145,311 |

**NOTE 13 - continued**

If the lease is terminated by either The Center Inc. or the Foundation, ownership of all leasehold improvements reverts to The Center Inc.

The Center Inc. also leases the grounds and buildings at the Elkhorn, Wisconsin property at the rate of $1,700 per month, or $100 per student for each weekend that the Wright Graduate University activities are conducted on the property, whichever amount is greater. No rents were owed to The Center Inc. for weekend graduate school activities as of December 31, 2017 and 2016. This portion of the rental Agreement cannot be offset by prepaid rent or leasehold improvements.

Minimum future rental payments under these lease agreements to support the Wright Graduate University consist of the following at December 31, 2017:

| | Payable to The Center |
|---|---|
| 2018 | $ 20,400 |
| 2019 | 11,900 |
| Total | $ 32,300 |

In addition, the Foundation leases facilities from The Center Inc. for its various non credit program services. See Note 18. The Foundation assumed the remaining terms of the lease through the Management Agreement (see Note 18) at a monthly rate of $10,000 per month, beginning January 1, 2016 and ending July 31, 2019. For the year ended December 31, 2017, the Foundation paid $120,000 to The Center Inc. to rent the facilities for the non credit program services.

The Foundation leases offices in Chicago, Illinois from a non-related party. The lease term is on a month to month basis. The rents paid for the Chicago offices for the years ended December 31, 2017 and December 31, 2016 are $138,373 and $135,673, respectively.

**NOTE 14 - RELATED PARTIES**

As stated in Note 13, Robert Wright, CEO of the Foundation, and Judith Wright, President of the Foundation, own Wright Business, Inc. As of December 31, 2017, the Foundation was owed $43,973 from Wright Business Inc. for managing various programs of Wright Business Inc. See Note 18. In addition to the Management Agreement, Wright Business, Inc. and the Foundation entered into a Consulting Agreement for the performance of services by Wright Business Inc. to the Foundation in conjunction with the Management Agreement program services. See Note 18. Total consulting expenses paid to Wright Business Inc. for the years ended December 31, 2017 and 2016 were $90,000 and $90,000, respectively.

Robert Wright, CEO of the Foundation, and Judith Wright, President of the Foundation, are the shareholders of the Wright Graduate Institute Inc. As of December 31, 2017 and 2016, the Foundation was owed $5,719 from the Wright Graduate Institute Inc. for Wright Graduate Institute bills incurred prior to the Asset Purchase (referenced in Note 2) paid by the Foundation.

Michael Zwell is the Chancellor of the Foundation, and a Faculty member. Lori Zwell is the wife of Michael Zwell. Lori Zwell was employed by the Foundation as Director of Development and Alumni Relations through May of 2017.

## NOTE 15 - CHANCELLOR COMPENSATION

Zwell International, Inc. is a company solely owned by Michael Zwell. The Foundation has contracted with Michael Zwell to serve as Chancellor for a term of 12 months, beginning April 27, 2012, at an annual rate of $60,000. The employment contract with Mr. Zwell was subsequently revised to be perpetual in duration. The Foundation has also contracted with Michael Zwell to serve as a Faculty member. Michael Zwell's Chancellor and Faculty compensation paid to Zwell International, Inc. for the years ended December 31, 2017 and 2016 were as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Chancellor Wages | $ 60,000 | $ 60,000 |
| Faculty Wages | $ 12,000 | $ 12,000 |

## NOTE 16 - SOFTWARE LEASES

The Foundation has contracted with Desire2Learn to lease computer software for a term of five years, from June 14, 2014 to June 14, 2018, at a base annual rate of $8,500, plus initial training and implementation fees of $4,750.

The Foundation paid a monthly rate of $1,000 to Great Exposure Inc. for use of computer software for the years ended December 31, 2017 and 2016.

Total expenses paid to Desire2Learn and Great Exposure for the years ended December 31, 2017 and 2016 were as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Desire2Learn expenses | $ 10,333 | $ 10,347 |
| Great Exposure Inc. expenses | 13,000 | 13,000 |
| Total Software Lease expense | $ 23,333 | $ 23,347 |

## NOTE 17 - ADVERTISING AND PROMOTION

The Foundation incurred various advertising and promotional expenses for the years ended December 31, 2017 and 2016, as follows:

| | 12/31/17 | 12/31/16 |
|---|---|---|
| Marketing with Forward Progress | $ 13,945 | $ 10,508 |
| Google | 2,060 | 4,615 |
| Prepaid Search Optimization Fee | - | 17,600 |
| Promotional Products | 1,218 | 119 |
| Other | 96,870 | 185,368 |
| Total Advertising Expenses | $ 114,093 | $ 218,210 |

## NOTE 18 - MANAGEMENT AGREEMENT

Wright Business Inc. is owned by Robert and Judith Wright. Wright Business, Inc. provides a variety of sales, management, leadership, coaching, educational, personal growth and development training, classes, programs and other services. The Foundation and Wright Business, Inc. entered into a Management Agreement, effective August 1, 2015, for the Foundation to operate and manage the various programs of Wright Business, Inc. The Agreement requires the Foundation to pay Wright Business, Inc. a royalty of six percent of the programs' gross revenues, excluding donations, up to a maximum of $500,000 per year if, and to the extent, the programs are profitable. No payments are required for 2015, 2016, and 2017. The Agreement has provisions to offset any operation costs in excess of revenues.

## NOTE 19 - ACCREDITATION

As stated in Note 1, the Foundation received accreditation from the Accrediting Council for Independent Colleges and Schools (ACICS) on December 27, 2013. ACICS accreditation provided students access to financial aid through Title IV Higher Education Act (HEA) programs. On December 12, 2016, the U.S Department of Education withdrew its recognition of ACICS to accredit postsecondary educational institutions. The Foundation signed a Provisional Program Participation Agreement with the U.S. Department of Education to continue accreditation for 18 months, until June 12, 2018, subject to certain conditions, including attaining new institutional accreditation prior to June 12, 2018. On July 14, 2017, the Foundation attained new accreditation through the Distance Education Accrediting Commission, an accrediting organization recognized by the U.S. Department of Education, which is effective through June 2020. On September 5, 2017, the Foundation was granted recertification to participate in Federal Student Financial Aid Programs through June 30, 2023.

## NOTE 20 - PROPERTY TAXES

In 2017, the Foundation paid property taxes of $174,300 to Cook County, Illinois. In 2018 and future years, Cook County has granted the Foundation an exemption from paying property taxes. The Foundation has filed an appeal with Cook County for a refund of the $174,300 property taxes that were paid in 2017, on the basis that the Foundation is exempt from property taxes.