DBJJDM Enterprises, LLC dba WyoTech

OPE ID No. 00915700

Balance Sheet

As of July 2, 2018

with

Independent Auditors' Report

DBJJDM Enterprises, LLC dba WyoTech

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ALMICH & ASSOCIATES
AN ACCOUNTANCY CORPORATION
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INDEPENDENT AUDITORS' REPORT ON THE BALANCE SHEET AND OTHER INFORMATION

To the Board of Directors and
Members of DBJJDM Enterprises, LLC:

Report on the Balance Sheet

We have audited the accompanying balance sheet and related notes of DBJJDM Enterprises, LLC dba WyoTech (the Company, a Wyoming limited liability company) as of July 2, 2018.

Management's Responsibility for the Balance Sheet

Management is responsible for the preparation and fair presentation of the balance sheet 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 a balance sheet that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the balance sheet based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the balance sheet, 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 balance sheet 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 balance sheet.

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 balance sheet referred to above presents fairly, in all material respects, the financial position of the Company as of July 2, 2018 in accordance with accounting principles generally accepted in the United States of America.

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Report on Required Supplementary Information and Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the balance sheet taken as a whole. The accompanying supplementary information beginning on page 9 on the Company's calculation of its Title IV 90/10 revenue test and on related party transactions is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the balance sheet. 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 balance sheet. Such information has been subjected to the auditing procedures applied in the audit of the balance sheet and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the balance sheet or to the balance sheet itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the balance sheet taken as a whole.

The Company is currently in the process of obtaining final approval of the change of ownership from the U.S. Department of Education. With the final approval of the change of ownership, the Company will be able to continue to participate in Title IV programs for the payment of student tuitions. Upon final approval, the Company will be subject to additional laws and regulations for institutions participating in Federal Student Financial Assistance Programs.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2018, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 Company's internal control over financial reporting and compliance.

Almich & Associates

Lake Forest, California
August 13, 2018

DBJJDM Enterprises, LLC dba WyoTech
Balance Sheet
July 2, 2018

Assets

Current assets:	
Cash and cash equivalents	$ 10,530,149
Accounts receivable	91,663
Prepaid expenses	23,195
Total current assets	10,645,007
Restricted cash	495,000
Furniture and equipment	10,521,771
	$ 21,661,778

Liabilities and Members' Equity

Current liabilities:	
Accounts payable	$ 286,572
Due to Member	200,000
Unearned tuition	91,663
Total current liabilities	578,235
Long-term debt	5,000,000
Total liabilities	5,578,235
Members' equity	16,083,543
	$ 21,661,778

DBJJDM Enterprises, LLC dba WyoTech
Notes to Balance Sheet
July 2, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

DBJJDM Enterprises, LLC (the Company) is a Wyoming limited liability company organized on February 28, 2018 for the purpose of acquiring certain net assets of an educational institution operating in Laramie, Wyoming under the name of WyoTech. Subsequent to the acquisition of net assets from WyoTech's former owner (the Seller) on July 2, 2018, the Company continues to operate under the WyoTech name.

WyoTech's primary focus is providing top-notch, concentrated training programs that prepare students for the growing demand for technicians in the automotive and diesel industries. Core programs offered by WyoTech include Automotive Technology, Collision Refinishing Technology and Diesel Technology, with numerous specialized programs also offered.

The accompanying balance sheet has been prepared as of July 2, 2018, the effective date the Company acquired the WyoTech net assets from the Seller, in order to comply with the U.S. Department of Education (ED)'s change of ownership process.

Cash and Cash Equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. Such investment consisted of a certificate of deposit as of July 2, 2018.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenues will be derived primarily from tuition on courses taught at the Company's career school. Tuition revenue will be recognized on a straight-line basis over the term of instruction taking into consideration expected refunds. Deferred tuition represents the amounts billed to students in excess of the amounts earned as of the balance sheet date.

Accounts receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized. The Company commenced instruction to its first class of students on July 2, 2018. As such, tuition charges billed to these students has been reflected as accounts receivable on the accompanying balance sheet with an equal amount reflected as deferred revenue. As the Company's accounts receivable are earned over the course of instruction, the Company will record an allowance for doubtful accounts associated with the Company's accounts receivable; such allowance will represent management's best estimate as to the collectability of accounts receivable. Management will continually monitor and adjust the allowance associated with the Company's accounts receivables to address any credit risks. When uncertainty exists as to the collection of receivables, the Company will record an allowance for doubtful accounts and a corresponding charge to bad debt expense.

Depreciation and Amortization

Furniture and equipment are recorded at estimated fair market value as of the date of acquisition based on an appraisal performed by an independent third-party. Key factors in the determination of fair values by the appraiser included historical costs, comparative data, assessed furniture and equipment condition and an understanding that such acquired furniture and equipment will be used for continuing operations of the Company and remain in their current location for use. Furniture and equipment will be depreciated over their estimated useful lives ranging from 5 to 8 years using the straight-line method.

Maintenance, repairs, and minor renewals and betterments will be expensed as incurred. Depreciation of furniture and equipment will commence with operations on July 2, 2018.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets would be adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. Management has not identified any such factors pertaining to the Company's long-lived assets as of July 2, 2018.

Fiscal Year

The Company will operate with a fiscal year end of December 31.

Income Taxes

The Company operates as a limited liability company. As such, revenues and expenses of the Company will be passed through to the members and reported on the individuals' income tax returns. As a limited liability company, the Company will not be required to pay federal or state income taxes but may be subject to certain state fees.

Fair Value Measurements

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

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

Advertising, Course Service and Instruction Costs

Advertising, course service and instruction costs will be expensed as incurred.

Estimates

The preparation of a balance sheet in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the balance sheet and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through the date of the auditors' report, August 13, 2018, which is the date the accompanying balance sheet was available to be issued.

NOTE 2 – BUSINESS ACQUISITION

Effective July 2, 2018, the Company acquired substantially all furniture and equipment utilized in the operations of WyoTech from the Seller pursuant to the terms of an Asset Purchase Agreement (the Agreement) for a purchase price of $1,000,000. Upon closing of the transaction, the Company received furniture and equipment with an appraised fair market value of $10,521,771, resulting in a gain on purchase of $9,521,771 which has been included within members' equity on the accompanying balance sheet

The Company believes that the acquisition is a strategic transaction in the Southern Wyoming marketplace and that through its financial commitments and professional experience of its members, it will be able to continue the growth of the student population and program offerings of the institution.

Pursuant to the Agreement, the Company entered into a Transition Services Agreement (TSA) with the Seller. Under the terms of the TSA, the Seller will continue to provide admissions, financial aid and information technology services to the Company through October 1, 2018; the TSA may be mutually terminated at any time by the two parties. Certain services contain provisions for one-time or monthly charges.

The purchase has been accounted for by the acquisition method of accounting under *Accounting Standards Codification 805 – Business Combinations*. The excess of the adjusted purchase price over the net assets acquired has been allocated to goodwill, which is expected to be deductible for income tax purposes. In accordance with the acquisition method of accounting, transaction related expenses totaling approximately $436,000 were incurred and expensed by the Company as of July 2, 2018 and are included within members' equity on the accompanying balance sheet.

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of July 2, 2018:

Automotive tools and equipment	$ 5,686,059
Administrative, classroom and dormitory	2,088,565
Heavy equipment	1,476,652
Vehicles and engines	1,270,495
	$ 10,521,771

NOTE 4 – NOTE PAYABLE

In June 2018, the Company borrowed $5,000,000 under the terms of a Promissory Note and Loan Agreement with the Wyoming Business Council, an instrumentality of the State of Wyoming. Outstanding borrowings under the note bear interest at 2.5% and are secured by the Company's furniture and equipment. Annual payments of interest only are required on the note through June 2022, at which time three annual payments of principal and interest in the amount of $787,477 commence with one final balloon payment of approximately $3.0 million due upon maturity in June 2025.

Future minimum principal payments under the terms of the note were as follows as of July 2, 2018:

12 Months Ending July 2,		
2019	$	-
2020		-
2021		-
2022		662,477
2023		679,039
Thereafter		3,658,484
	$	5,000,000

NOTE 5 – DUE TO MEMBER

As of July 2, 2018, the Company had received advanced funds totaling $200,000 from one of its members. The advanced funds were non-interest bearing, held no stipulated terms of repayment and were repaid in-full to the member by the Company in July 2018.

NOTE 6 – FACILITY LEASES

The Company leases its operating and administrative facilities under the terms of three non-cancelable sub-lease agreements with the Seller expiring through December 2026. Future minimum lease payments over the remaining terms of the non-cancelable facility sub-lease agreements were as follows as of July 2, 2018:

12 Months Ending July 2,		
2019	$	169,660
2020		262,622
2021		251,958
2022		268,862
2023		266,606
Thereafter		727,729
	$	1,947,437

NOTE 7 – MEMBERS' EQUITY

Pursuant to the Company's operating agreement, the Company is authorized to issue three classes of ownership units; Class A Preferred Units (voting), Class B Common Units (voting) and Class C Management Units (non-voting). As of July 2, 2018, 6,950,000 Class A Preferred Units had been issued for $6,950,000 and 50,000 Class B Common Units had been issued for $50,000; no Class C Management Units had been issued.

The sole holder of Class A Preferred Units is entitled to a preferred dividend of 2.5% annually, compounding on the initial capital contribution until such time the distribution is made. In the event of any liquidation, dissolution or winding up of the Company's affairs, the holder of Class A Preferred Units holds preference over Class B Common Unit holders and shall recover their investment prior to any distribution of Company assets to the holders of Class B Common Units.

NOTE 8 – CONCENTRATION OF CREDIT RISK AND REGULATORY CONSIDERATIONS

As of July 2, 2018, the Company had deposits with banks in excess of the federally-insured amount.

The Company is currently in the process of obtaining final approval of the change of ownership from ED. With the final approval of the change of ownership, the Company will be able to continue to participate in Title IV programs for the payment of student tuition. Collections of substantial portions of the accounts receivable and future tuitions are dependent on the Company's continued participation in the Title IV programs.

In July 2018, the Company posted a letter of credit in favor of ED in the amount of $495,000 as required by ED in connection with the change of ownership. The letter of credit is scheduled to expire In July 2019 and is secured by cash on deposit with the issuing financial institution; such cash has been presented as restricted and included within noncurrent assets on the accompanying balance sheet as it is expected that the letter of credit will be renewed upon expiration in July 2019.

DBJJDM Enterprises, LLC dba WyoTech
Supplementary Information
(Information Required by the U.S. Department of Education)
July 2, 2018

<u>Institution's Calculation of 90/10 Revenue Test</u>

DBJJDM Enterprises, LLC (the Institution) is currently in the process of obtaining final approval of the change of ownership from the U.S. Department of Education (ED) related to its acquisition of certain net assets of the institution operating under the name of WyoTech in Laramie, Wyoming. Upon final approval of the change of ownership, the Institution will be required to comply with the Title IV 90/10 Revenue Test. The accompanying balance sheet has been prepared solely for the purpose of obtaining final approval of the change of ownership. As such, the Title IV 90/10 Revenue Test calculation is not applicable to this balance sheet.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the balance sheet.

<u>Related Party Transactions</u>

The Institution participates in Student Financial Aid (SFA) under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). The Institution must comply with the regulations promulgated under HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the balance sheet.

Organization

The Institution is a Wyoming limited liability company organized on February 28, 2018 for the purpose of acquiring certain net assets of an educational institution operating in Laramie, Wyoming under the name of WyoTech. Subsequent to the acquisition of net assets from WyoTech's former owner on July 2, 2018, the Institution continues to operate the under the WyoTech name.

WyoTech's primary focus is providing top-notch, concentrated training programs that prepare students for the growing demand for technicians in the automotive and diesel industries. Core programs offered by WyoTech include Automotive Technology, Collision Refinishing Technology and Diesel Technology, with numerous specialized programs also offered.

Business Acquisition

The acquisition, as referenced above, was consummated under the terms of an Asset Purchase Agreement and provided for an initial purchase price of $1,000,000. After giving consideration to the fair market value of assets acquired by the Institution in the transaction, the acquisition resulted in a gain on purchase of $9,521,771.

Due to Member

As of July 2, 2018, the Institution had received advanced funds totaling $200,000 from one of its members. The advanced funds were non-interest bearing, held no stipulated terms of repayment and were repaid in-full to the member by the Institution in July 2018.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the balance sheet.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF A BALANCE SHEET PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and
Members of DBJJDM Enterprises, LLC:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the balance sheet and related notes of DBJJDM Enterprises, LLC dba WyoTech (the Company, a Wyoming limited liability company), and have issued our report thereon dated August 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the balance sheet, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the balance sheet, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's balance sheet is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of balance sheet amounts. Such tests included compliance tests as set forth in the *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs, issued by the U.S. Department of Education, Office of Inspector General* (the Guide), including those relating to related parties. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

Almich & Associates

Lake Forest, California
August 13, 2018