

**The Chicago School—  
California, Inc.  
d/b/a The Chicago School of  
Professional Psychology**

Consolidated Financial Report  
May 31, 2022

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## Independent Auditor's Report

RSM US LLP

Board of Trustees  
The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

### Opinion

We have audited the consolidated financial statements of The Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology, which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Chicago, Illinois  
October 28, 2022

The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

Consolidated Statements of Financial Position  
May 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 43,127,970	\$ 50,582,907
Student accounts receivable, net of allowance of \$1,478,892 and \$1,905,691, respectively	2,224,879	1,868,170
Prepaid expenses	1,276,269	1,093,352
Other accounts receivable	1,145,043	511,925
Investments	86,026,053	76,842,594
Preferred stock in affiliate	29,365,331	30,387,335
Other assets	687,774	715,752
Property and equipment, net	31,059,634	30,271,005
Intangible assets	357,063	388,041
	<u>357,063</u>	<u>388,041</u>
<b>Total assets</b>	<b>\$ 195,270,016</b>	<b>\$ 192,661,081</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 445,507	\$ 237,449
Student refunds payable	4,275,377	2,656,423
Accrued compensation related expenses	6,702,515	6,165,154
Due to affiliates	219,716	212,065
Other accrued expenses	1,353,235	505,902
Deferred revenue and tuition deposits	19,435,775	21,548,344
Other payables	230,871	207,506
Deferred rent	7,324,622	8,079,778
Other liabilities	560,989	588,966
	<u>40,548,607</u>	<u>40,201,587</u>
<b>Total liabilities</b>	<b>40,548,607</b>	<b>40,201,587</b>
Net assets:		
Without donor restrictions	152,325,219	149,827,557
With donor restrictions	2,396,190	2,631,937
	<u>154,721,409</u>	<u>152,459,494</u>
<b>Total net assets</b>	<b>154,721,409</b>	<b>152,459,494</b>
	<u>154,721,409</u>	<u>152,459,494</u>
<b>Total liabilities and net assets</b>	<b>\$ 195,270,016</b>	<b>\$ 192,661,081</b>
	<u>\$ 195,270,016</u>	<u>\$ 192,661,081</u>

See notes to consolidated financial statements.

The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

Consolidated Statement of Activities  
Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition revenue	\$ 131,465,283	\$ -	\$ 131,465,283
Less scholarships	(4,731,303)	-	(4,731,303)
<b>Net tuition revenue</b>	<b>126,733,980</b>	<b>-</b>	<b>126,733,980</b>
Fee revenue	13,004,255	-	13,004,255
Contributions	38,337	49,400	87,737
Other school revenue	707,324	-	707,324
Grant revenue	5,879,815	-	5,879,815
Net assets released from restriction	27,130	(27,130)	-
<b>Total revenues</b>	<b>146,390,841</b>	<b>22,270</b>	<b>146,413,111</b>
Operating expenses:			
Program services:			
Educational services and facilities	63,491,020	-	63,491,020
Student services	24,422,174	-	24,422,174
<b>Total program services</b>	<b>87,913,194</b>	<b>-</b>	<b>87,913,194</b>
Management, general, and administration	47,305,475	-	47,305,475
Fundraising	815,480	-	815,480
<b>Total expenses</b>	<b>136,034,149</b>	<b>-</b>	<b>136,034,149</b>
<b>Increase in net assets before non-operating items</b>	<b>10,356,692</b>	<b>22,270</b>	<b>10,378,962</b>
Non-operating items:			
Interest and dividends, net of fees	1,665,062	-	1,665,062
Net losses on investments	(9,476,230)	(258,017)	(9,734,247)
Other non-operating items	(47,862)	-	(47,862)
<b>Total non-operating items</b>	<b>(7,859,030)</b>	<b>(258,017)</b>	<b>(8,117,047)</b>
<b>Changes in net assets</b>	<b>2,497,662</b>	<b>(235,747)</b>	<b>2,261,915</b>
Net assets, beginning of the year	149,827,557	2,631,937	152,459,494
Net assets, end of the year	\$ 152,325,219	\$ 2,396,190	\$ 154,721,409

See notes to consolidated financial statements.

**The Chicago School—California, Inc.**  
**d/b/a The Chicago School of Professional Psychology**

**Consolidated Statement of Activities**  
**Year Ended May 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues:</b>			
Tuition revenue	\$ 125,878,679	\$ -	\$ 125,878,679
Less scholarships	(4,595,425)	-	(4,595,425)
<b>Net tuition revenue</b>	<b>121,283,254</b>	<b>-</b>	<b>121,283,254</b>
Fee revenue	12,773,059	-	12,773,059
Contributions	51,954	66,259	118,213
Other school revenue	498,349	-	498,349
Grant revenue	1,591,864	-	1,591,864
Net assets released from restriction	167,471	(167,471)	-
<b>Total revenues</b>	<b>136,365,951</b>	<b>(101,212)</b>	<b>136,264,739</b>
<b>Operating expenses:</b>			
Program services:			
Educational services and facilities	56,128,970	-	56,128,970
Student services	22,038,604	-	22,038,604
<b>Total program services</b>	<b>78,167,574</b>	<b>-</b>	<b>78,167,574</b>
Management, general, and administration	43,378,747	-	43,378,747
Fundraising	1,081,376	-	1,081,376
<b>Total expenses</b>	<b>122,627,697</b>	<b>-</b>	<b>122,627,697</b>
<b>Increase (decrease) in net assets before non-operating items</b>	<b>13,738,254</b>	<b>(101,212)</b>	<b>13,637,042</b>
<b>Non-operating items:</b>			
Interest and dividends, net of fees	1,223,237	66,141	1,289,378
Net gains on investments	14,631,300	557,214	15,188,514
Other non-operating items	106,019	-	106,019
Loss on disposal of equipment	(62,606)	-	(62,606)
<b>Total non-operating items</b>	<b>15,897,950</b>	<b>623,355</b>	<b>16,521,305</b>
<b>Changes in net assets</b>	<b>29,636,204</b>	<b>522,143</b>	<b>30,158,347</b>
Net assets, beginning of the year	120,191,353	2,109,794	122,301,147
Net assets, end of the year	<u>\$ 149,827,557</u>	<u>\$ 2,631,937</u>	<u>\$ 152,459,494</u>

See notes to consolidated financial statements.

**The Chicago School—California, Inc.**  
**d/b/a The Chicago School of Professional Psychology**

**Consolidated Statements of Cash Flows**  
**Years Ended May 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Cash flow from operating activities:		
Change in net assets	\$ 2,261,915	\$ 30,158,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,950,228	2,573,461
Bad debt reserve	(426,799)	(265,966)
Forgiveness of loan receivable from officer	-	40,978
Net losses (gains) on investments	9,734,247	(15,188,514)
Other non-operating items	47,862	(106,019)
Loss on disposal of equipment	-	62,606
Changes in assets and liabilities:		
Student accounts receivable	70,090	117,795
Prepaid expenses	(182,917)	203,359
Other accounts receivable	(633,118)	177,053
Other assets	(19,884)	(119,831)
Accounts payable	208,058	(139,186)
Student refunds payable	1,618,954	1,313,354
Accrued compensation related expenses	537,361	1,029,249
Other accrued expenses	847,333	116,252
Deferred revenue and tuition deposits	(2,112,569)	6,660,721
Other payables	23,365	50,343
Deferred rent	(755,156)	1,212,638
Due to/from affiliates	7,651	213,590
Other liabilities	(27,977)	287,151
<b>Net cash provided by operating activities</b>	<b>14,148,644</b>	<b>28,397,381</b>
Cash flows from investing activities:		
Purchases of property and equipment	(3,707,878)	(6,285,438)
Purchases of investments	(46,458,943)	(45,540,466)
Proceeds from sales of investments	28,563,240	65,413,653
Purchase of preferred stock of affiliate	-	(31,750,000)
<b>Net cash used in investing activities</b>	<b>(21,603,581)</b>	<b>(18,162,251)</b>
Cash flows from financing activities:		
Payments on long-term note payable due to affiliates	-	(2,235,290)
<b>Net cash used in by financing activities</b>	<b>-</b>	<b>(2,235,290)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(7,454,937)</b>	<b>7,999,840</b>
Cash and cash equivalents, beginning of year	50,582,907	42,583,067
Cash and cash equivalents, end of year	<b>\$ 43,127,970</b>	<b>\$ 50,582,907</b>

See notes to consolidated financial statements.



**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies**

The Chicago School of Professional Psychology (the College) is a nonprofit, accredited institution with more than 5,000 students at campuses across the country (Chicago, Illinois; Los Angeles, Anaheim and San Diego, California; Washington, D.C.; Richardson, Texas and online). The College has been an innovator in the field of psychology and related behavioral science for more than 40 years. The College offers more than 25 degree programs and a wealth of opportunities for international experiences. Integrating theory, professional practice and innovation, the College provides an excellent education for careers in psychology and related behavioral and health sciences. The College is committed to service and embraces the diverse communities of our society. The College is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges and is an active member of the National Council of Schools and Programs of Professional Psychology, which has recognized the College for its distinguished service and outstanding contributions to cultural diversity and advocacy.

The College formed and is a part of a private, nonprofit system of colleges advancing student success and community impact, which are supported and coordinated by TCS Education System, a 501(c)(3) organization recognized by the Internal Revenue Service as a Type II supporting organization (the System). The System provides management services and conducts other support activities for the exclusive benefit of the supported organizations.

The following entities are included within the scope of the College's consolidated financial statements:

The Chicago School—California, Inc., a 501(c)(3) private, California public benefit organization that prepares professional psychologists who reflect, in practice, a commitment to respect and acknowledgment of individual and cultural differences. It is the sole member of the following subsidiary entities:

The Chicago School of Professional Psychology, a 501(c)(3) private, nonprofit educational College that operates campuses in Illinois.

The Chicago School—Washington D.C., Inc., a 501(c)(3) private, District of Columbia nonprofit public benefit corporation that operates a campus in the District of Columbia.

TCS Education—Texas, Inc. d/b/a The College of Nursing and Advanced Health Professions (CONAHP), a 501(c)(3) nonprofit corporation located in Dallas, Texas. In April 2018, the College's Board of Trustees approved a merger with TCS Education—Texas, Inc. d/b/a Dallas Nursing Institute (DNI), which is also part of the System.

**Accounting policies:** The College follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition. References to generally accepted accounting principles of the United States of America (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

**Principles of consolidation:** The consolidated financial statements include the accounts of the College and its related entities in which it has a controlling financial interest. All significant intercompany transactions and accounts are eliminated in consolidation.

**Management's use of estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

**Financial statement presentation:** To ensure observance of limitations and restrictions placed on the use of resources available to the College, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purposes. The assets, liabilities and net assets of the College are reported in two categories as follows:

**Without donor restrictions:** Net assets that are not subject to donor-imposed restrictions. Without donor restriction net assets include the revenues and expenses of the primary operations of the College.

**With donor restrictions:** Net assets subject to donor- or grant-imposed stipulations that require they be maintained permanently or that may or will be met either by actions of the College and/or the passage of time.

Revenues are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor-restricted support that increases that net asset class. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

**Cash and cash equivalents:** The College considers short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present an insignificant risk of change in value from changes in interest rates, and that have an original maturity of three months or less when purchased, to be cash equivalents. The College maintains funds in accounts that at times are in excess of the Federal Deposit Insurance Corporation insurance limit; however, the College minimizes this risk by maintaining deposits in high-quality financial institutions. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Student accounts receivable:** Student accounts receivable consist primarily of amounts due to the College from its students. The College maintains an allowance for doubtful accounts to reflect the expected amount of student accounts receivable that will not be realized based on past collection history and risks identified among uncollectible accounts. Student accounts receivable are charged to the allowance for doubtful accounts when the College determines the receivable is not collectible. Write-offs for the years ended May 31, 2022 and 2021, were \$1,318,544 and \$2,059,078, respectively. The College evaluates each student's creditworthiness on a case-by-case basis.

**Investments:** The College accounts for its investments at fair value. Realized gains and losses on sales of securities represent the difference between net proceeds received and the cost of the investments. Realized and unrealized gains and losses are included in the consolidated statements of activities and gains and/or losses are allocated to net asset classes, dependent upon donor specifications. If the underlying restriction is met in the same period, realized gains and/or losses are reported under net assets without donor restrictions.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Investment expenses are reported as a reduction of dividend and interest income on investments. The College's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rates, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the College's consolidated financial statements.

**Preferred stock in affiliate:** Preferred stock in affiliate is accounted for at fair value and represents the College's investment in the redeemable preferred shares of Kansas Health Science Center, Inc. as discussed in Note 2.

**Property and equipment:** Property and equipment, including acquisition fees and other acquisition costs incurred, are stated at cost or in the case of contributions, at fair value at the date of receipt. The College capitalizes property and equipment with a value of \$2,500 or more and an estimated useful life of one year or more. Expenditures for ordinary maintenance and repairs are expensed as they are incurred. Significant renovations and improvements which improve or extend the useful life of the asset are capitalized.

Depreciation and amortization of property and equipment are accounted for using the straight-line method over the estimated useful lives of the assets as follows:

Building and building improvements	39 years
Furniture and fixtures	5-7 years
Library	3 years
Test kits	3 years
Computer equipment and software	3 years
Leasehold improvements	Shorter of lease term or useful life

**Intangible assets:** Intangible assets relate to accreditation and is recorded at cost and amortized over the useful life using the straight-line method.

Definite lived intangible assets, along with long-lived assets used by the College, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, the College performs an analysis, comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The carrying value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted cash flows is less than book value. There was no impairment recorded during the years ended May 31, 2022 or 2021.

**Student refunds payable:** Student refunds payable represent the excess of loan proceeds over total tuition due that was subsequently paid to the students.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

**Revenue recognition and deferred revenue:** The College receives revenues from various sources. Revenues are recognized as follows:

Tuition revenues are recognized ratably over the length of a course when instructional services are provided. As part of the requirements for completion of courses, students are required to pay other fees associated with courses in addition to tuition, which include an Academic Success Lab Fee, Experiential Learning Technology Fee and Student Institutional Service Fee. These fees are recognized as service revenue over time corresponding to the instructional period, similar to tuition. The College also charges certain fees such as Deferred Tuition Plan Fee, Degree Conferral Fee, Duplicate Diploma Fee, Graduate Transfer Credit Fee and other administrative fees that are recognized at the time of assessment.

Tuition and fees are refunded 100% to students if withdrawn in the first week. After one week and up until the second week, withdrawal will result in a refund of 75% of tuition and fees. After two weeks and up until the third week, withdrawal will result in a refund of 50% of tuition and fees. After three weeks and up until the fourth week, withdrawal will result in a refund of 25% of tuition and fees. No refund is given if a student withdraws after the fourth week. These refunds reduce tuition and fee revenue at the point in time they occur. All refunds related to withdrawals are fully recognized by each semester end.

The College utilized the portfolio approach to apply the new revenue recognition standard to tuition and fee revenue. Tuition and fees received in advance of services rendered are recorded as deferred revenue. Scholarships and discounts are recorded net of revenues.

Grant revenue represents conditional contributions received from governmental agencies in connection with COVID-19 relief. Revenue is recognized when the related conditions are satisfied, generally when qualifying expenditures are incurred. The College also has exchange grants where revenue is recognized when performance requirements are met.

**Contributions:** Contributions in the form of an unconditional promise to give are recognized as revenue by the College in the period in which the promise is received. Conditional promises to give are recognized as revenue when the conditions are met. Amounts to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and the expected period of payment. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of discounts (if any) is included in contributions in the accompanying consolidated statements of activities. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as the age of the receivable, creditworthiness of parties, historical collection experience and type of contribution and nature of fundraising activity.

**Leases:** Operating leases are recognized on a straight-line basis over the term of the lease. Deferred rent in the consolidated statements of financial position is the result of rent escalation clauses in the building leases of the campuses and represents the differences between the straight-line rent expense recorded and the cash payment made on a monthly basis. Deferred rent also includes certain lease incentives discussed in Note 9. These lease incentives are amortized on a straight-line basis over the lease term.

**Advertising:** Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$20,874,685 and \$17,108,385 for the years ended May 31, 2022 and 2021, respectively.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

**Income taxes:** The College has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the College may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended May 31, 2022 and 2021. The campuses file Form 990s annually in the U.S. federal jurisdiction and in their respective state or district, if applicable.

**Recent accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for the College in the fiscal year ending May 31, 2023. The College is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The guidance in this ASU also requires an entity to disclose the contributed nonfinancial assets by category that identifies the type of nonfinancial asset and disclosure of certain required information. The new standard is effective for the College in the fiscal year ending May 31, 2023. The College is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

**Risks and uncertainties:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and, on March 11, 2020, declared COVID-19 a pandemic. COVID-19 has had minimal impact on the operations, financials, and academic program offerings at the College since its ground operations and programs were transitioned online. The College continues to experience strong enrollment growth despite the restrictions put in place by local governments to mitigate the spread of COVID-19. The College will continue to monitor the impacts of COVID-19 on future financial performance.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 2. Preferred Stock Purchase**

On December 7, 2020, the College entered into a Preferred Stock Purchase Agreement with Kansas Health Science Center, Inc. (KHSC), an affiliated organization through common ownership by the System. As part of the requirements to reach full accreditation, KHSC is required to deposit funds into escrow for an operating and tuition reserve. In order to fund the escrow, KHSC converted from a Member to a Stock Nonprofit Corporation and subsequently issued 31.6 million common shares and 2.9 million non-voting preferred shares. All common shares were issued to the System, whereby the System retained the voting rights it had previously as the sole member. The College acquired all 2.9 million non-voting preferred shares for \$31,750,000. The preferred shareholder shall receive preferred returns before the common shareholder, as defined in the agreement. Per the agreement, the preferred shares will earn dividends equal to the proportional market returns generated on the escrow investment account. KHSC shall automatically redeem 300,000 preferred shares one year after the release of the full escrow, anticipated in May 2028. The operating reserve will be released upon KHSC graduating its first class, estimated to be in May 2026. The tuition reserve will be released upon KHSC graduating its second class, estimated to be in May 2027.

After the initial 300,000 share redemption, KHSC will redeem 100,000 shares each quarter resulting in quarterly fixed payments of \$1,094,828 to the College that will continue through November 2034, the final redemption date. Dividends will continue to accrue through the final redemption date, at which time, the dividends will be paid on the preferred stock. As of May 31, 2022 and 2021, the College has a dividend receivable from KHSC of \$70,331 and \$7,335, respectively, which equals the dividend income incurred for fiscal years 2022 and 2021. The preferred shares are recorded as investments at fair value on the consolidated statements of financial position. The College recorded the \$31,750,000 investment at a discount of \$1,370,000 to par resulting in a fair value of \$30,380,000 plus accrued interest of \$70,331 and \$7,335 at May 31, 2022 and 2021, respectively, on the consolidated statements of financial position, and an unrealized loss of \$1,085,000 and \$1,370,000, respectively, included within net gains on investments on the consolidated statements of activities for the years ended May 31, 2022 and 2021, respectively. The KHSC escrow account is held in low risk, liquid money market and certificates of deposit with Intrust Bank.

On May 7, 2021, the College and KHSC entered into a joint revolving credit agreement as co-borrowers with UBS Bank USA for an amount not to exceed \$30,000,000, which will primarily be used for the benefit of KHSC and for which the College is jointly and severally liable for amounts borrowed thereunder. The College pledged cash and investments as collateral for the credit facility of \$34,500,348 and \$21,539,801 as of May 31, 2022 and 2021, respectively. As of May 31, 2022 and 2021, there was \$17,500,000 and \$0 drawn on the revolving credit facility, respectively, which is recorded as a liability within KHSC's financial statements.

**The Chicago School—California, Inc.  
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**Notes to Consolidated Financial Statements**

**Note 3. Financial Assets Availability and Liquidity**

The College regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers general expenditures to be all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities.

	2022	2021
Cash and cash equivalents	\$ 43,127,970	\$ 50,582,907
Student accounts receivable, net	2,224,879	1,868,170
Other accounts receivable	1,145,043	511,925
Investments	86,026,053	76,842,594
Preferred stock investment in affiliate	29,365,331	30,387,335
Retirement plan assets, included in other assets	560,989	588,966
Financial assets, May 31	162,450,265	160,781,897
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restrictions by donor with time or purpose restrictions	(193,489)	(180,497)
Donor-restricted endowments	(2,172,735)	(2,430,752)
Retirement plan assets	(560,989)	(588,966)
Preferred stock investment in affiliate	(29,365,331)	(30,387,335)
Board-designated (quasi) endowment fund	(67,906,372)	(71,857,381)
Financial assets available to meet cash needs, for general expenditures within one year	\$ 62,251,349	\$ 55,336,966

The College generally maintains available cash, cash equivalents and short-term investments to meet 90 days of normal operating expenses, which are, on average, approximately \$34,000,000 and \$31,000,000 in the fiscal years ended May 31, 2022 and 2021, respectively. Excess operating cash balances are invested in a money market deposit account, which offers daily liquidity. Although the College does not intend to spend from its quasi endowment in the fiscal years ended May 31, 2022 and 2021, these amounts could be made available if approved by the Board of Trustees. In addition, the College has access to a line of credit of \$17,500,000 through the affiliation with the System. The College also operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

**Note 4. Investments**

The College's investment strategy incorporates a diversified asset allocation approach. This strategy provides the College with a long-term and short-term asset mix that is most likely to meet the College's return goals with the appropriate level of risk. The College's management and the finance, investment and audit committee of the System's Board of Trustees review reports provided by the fund managers and attend meetings of the fund managers in order to evaluate the risk associated with these investments. In addition, the System's finance, investment and audit committee monitors its portfolio mix to ensure that it is in accordance with the Board of Trustees' policy.

**The Chicago School—California, Inc.  
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**Notes to Consolidated Financial Statements**

**Note 4. Investments (Continued)**

State law permits the Board of Trustees to appropriate as much of the net appreciation of the investments as is prudent considering the College's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The College has certain policies and procedures with respect to the maintenance and application of its funds.

The composition of investment assets held by the College is summarized as follows at May 31, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Equity mutual funds	\$ 48,034,950	\$ 51,581,678	\$ 34,154,699	\$ 52,178,646
Fixed income mutual funds	16,444,197	16,826,748	18,264,383	18,306,344
Real estate investment trust mutual funds	3,736,759	3,865,764	3,733,372	3,854,740
Preferred stock investment in affiliate	31,750,000	29,365,331	31,750,000	30,387,335
Commercial paper	7,793,927	7,787,325	-	-
Corporate bonds	5,971,858	5,964,538	2,296,667	2,257,256
Certificates of deposit	-	-	245,000	245,608
Total	<u>\$ 113,731,691</u>	<u>\$ 115,391,384</u>	<u>\$ 90,444,121</u>	<u>\$ 107,229,929</u>

**Note 5. Fair Value Measurements**

The College follows ASC Topic, Fair Value Measurements and Disclosures, which provides the framework for measuring fair value under U.S. GAAP. This Topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, 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. In determining fair value, the College uses various methods including market, income and cost approaches. Based on these approaches, the College often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The College utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the College is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.



**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 5. Fair Value Measurements (Continued)**

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1:** Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include listed equities, money market funds, government securities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2:** Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3:** Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

For fiscal years 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in previous years. The valuation methodologies used for instruments at fair value are described below:

The College holds investments in mutual funds comprised of equities, fixed income and real estate investment trusts. Investments in securities traded on a national securities exchange or reported on the NASDAQ national market are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. The fair value of corporate bonds is estimated using market price quotes corroborated by recently executed transactions observable in the market. The fair value of commercial paper is estimated using market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. For government bonds, the College utilizes recent market transactions for identical or similar bonds to corroborate pricing service fair value measurements. Certificates of deposit are held at amortized cost.

The College entered into a transaction during the year ended May 31, 2021, to purchase preferred stock in KHSC (see Note 2). The College determined the fair value of the preferred stock using the income approach and market approach. The income approach considers the expected returns on an investment which are discounted at an appropriate rate of return to reflect the College's risk and hazards. The market approach was utilized to determine a market yield to be used as the present worth factor in the discounted net cash flow analysis. The market yield utilized in the determination of the fair value was 5.50% and 3.00% for the years ended May 31, 2022 and 2021, respectively.

The College assesses the levels of financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the College's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for fiscal years 2022 or 2021.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

**Note 5. Fair Value Measurements (Continued)**

The following tables present the College's fair value hierarchy for those assets measured at fair value on a recurring basis as of May 31, 2022 and 2021:

Description	2022			Total
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
<b>Investments:</b>				
Mutual funds:				
Equity securities	\$ 51,581,678	\$ -	\$ -	\$ 51,581,678
Fixed income	16,826,748	-	-	16,826,748
Real estate investment trusts	3,865,764	-	-	3,865,764
Total mutual funds	72,274,190	-	-	72,274,190
Commercial paper	-	7,787,325	-	7,787,325
Preferred stock investment in affiliate	-	-	29,365,331	29,365,331
Corporate bonds	-	5,964,538	-	5,964,538
Total investments	\$ 72,274,190	\$ 13,751,863	\$ 29,365,331	115,391,384
<b>Other assets:</b>				
Investments held for deferred compensation:				
Equity securities	\$ 494,138	\$ -	\$ -	\$ 494,138
Fixed income	66,851	-	-	66,851
Total investments held for deferred compensation	560,989	-	-	560,989
Total other assets	\$ 560,989	\$ -	\$ -	\$ 560,989
<b>2021</b>				
Description	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<b>Investments:</b>				
Mutual funds:				
Equity securities	\$ 52,178,646	\$ -	\$ -	\$ 52,178,646
Fixed income	18,306,344	-	-	18,306,344
Real estate investment trusts	3,854,740	-	-	3,854,740
Total mutual funds	74,339,730	-	-	74,339,730
Preferred stock investment in affiliate	-	-	30,387,335	30,387,335
Corporate bonds	-	2,257,256	-	2,257,256
Total equity and fixed income	\$ 74,339,730	\$ 2,257,256	\$ 30,387,335	106,984,321
Certificates of deposit				245,608
Total investments				\$ 107,229,929
<b>Other assets:</b>				
Investments held for deferred compensation:				
Equity securities	\$ 542,449	\$ -	\$ -	\$ 542,449
Fixed income	46,517	-	-	46,517
Total investments held for deferred compensation	588,966	-	-	588,966
Total other assets	\$ 588,966	\$ -	\$ -	\$ 588,966

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

**Note 6. Property and Equipment**

Depreciation expense recognized on all depreciable assets was \$2,919,249 and \$2,542,482 for the years ended May 31, 2022 and 2021, respectively. Property and equipment at May 31, 2022 and 2021, consist of the following:

	2022	2021
Building	\$ 20,946,197	\$ 18,812,012
Building improvements	5,415,673	5,315,823
Land	912,450	-
Furniture and fixtures	5,467,121	5,249,545
Library	384,473	384,473
Test kits	620,431	368,765
Computer equipment and software	4,562,022	4,529,019
Medical equipment	229,445	229,445
Leasehold improvements	20,324,079	20,322,086
Construction in progress	57,155	-
	<u>58,919,046</u>	<u>55,211,168</u>
Less accumulated depreciation	<u>(27,859,412)</u>	<u>(24,940,163)</u>
Total	<u>\$ 31,059,634</u>	<u>\$ 30,271,005</u>

**Note 7. Intangible Assets**

As part of the affiliation with CONAHP, the College attained a definite-lived intangible asset related to accreditation with an amortization period of 20 years. Intangible assets at May 31 consist of the following:

	2022	2021
Accreditation	\$ 620,000	\$ 620,000
Less accumulated amortization	<u>(262,937)</u>	<u>(231,959)</u>
Total	<u>\$ 357,063</u>	<u>\$ 388,041</u>

Amortization expense recognized on intangible assets was \$30,979 for both the years ended May 31, 2022 and 2021. Aggregate future amortization expense is as follows:

Years ending May 31:	
2023	\$ 30,979
2024	31,064
2025	30,979
2026	30,979
2027	30,979
Thereafter	<u>202,083</u>
Total	<u>\$ 357,063</u>

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 8. Related-Party Transactions**

The College is part of the System, a nonprofit system of colleges advancing student success and community impact. The System provides management services and conducts other support activities for the exclusive benefit of the support organizations. The provision of those services and the allocation of costs related thereto could result in operating results or a financial position of the College that is significantly different from those that would have been obtained if the College operated independently.

In addition to the management services and support activities, the System has billed the College for certain costs incurred on its behalf. Total management and support expenses for the years ended May 31, 2022 and 2021, were \$46,764,076 and \$42,016,901, respectively. The total amounts due to the System as of May 31, 2022 and 2021, were \$219,716 and \$212,065, respectively.

On September 29, 2021, the College purchased the building in Richardson, Texas from the System for \$3,300,000 in cash.

The College has a preferred stock investment in KHSC, an affiliated organization through common ownership by the System. The College is also jointly and severally liable for a line of credit drawn by KHSC and has pledged certain cash and investments for the line. See Note 2.

**Note 9. Commitments and Contingencies**

**Minimum future operating lease obligations:** The College has various operating leases for several classroom and administrative facilities in Chicago, Illinois; Los Angeles, Orange County and San Diego, California; and Washington, D.C.

In June 2020, the College entered into a 10-year and six-month lease for a new location in Anaheim, California commencing July 2020. The Irvine campus relocated to Anaheim in March 2021. The lease includes a tenant improvement allowance of approximately \$2,200,000 and 10 months of abatement spread out over the first 5 years of the lease. In May 2022, the College renewed their San Diego lease to extend the term. The lease now ends in October 2027. Beginning November 2021, the College extended one of their DC leases' terms. This lease now ends July 2025. On September 29, 2021, the College purchased the building in Richardson, Texas from the System for \$3,300,000 in cash. The lease between the System and the College on the building was terminated on that date. The amounts from these leases are recorded within deferred rent on the consolidated statement of activities.

The minimum annual future lease payments are as follows:

Fiscal years ending May 31:	
2023	\$ 5,819,724
2024	5,603,961
2025	4,358,532
2026	3,301,694
2027	3,108,922
Thereafter	8,040,676
Total	<u>\$ 30,233,509</u>

Rent expense for the years ended May 31, 2022 and 2021, was \$5,796,681 and \$6,113,606, respectively.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 10. Employee Benefit Plans**

The College offers eligible employees a basic contributory 403(b) retirement program. Employees' contributions to this plan are tax deferred. The College contributes a discretionary amount of an employee's salary. Expense related to the 403(b) plan for the years ended May 31, 2022 and 2021, was \$2,828,919 and \$2,562,229, respectively.

The College has a nonqualified 457(b) deferred compensation plan and a 457(f) deferred compensation plan for its president. Contributions to the plan are invested in equity securities. The College made contributions of \$20,025 and \$254,128 for the fiscal years ended May 31, 2022 and 2021, respectively. At May 31, 2022 and 2021, \$560,989 and \$588,966, respectively, was accrued as a liability and set aside in a separate account for this benefit. The assets held in this account are the property of the College and are subject to the claims of the general creditors. The College accounts for the assets held by this plan as investments held for deferred compensation recorded in other assets, as described in Note 5, with the related liability recorded in other liabilities on the consolidated statements of financial position.

**Note 11. Net Assets**

Net assets with donor restrictions consist of the following as of May 31, 2022 and 2021:

	2022	2021
Subject to expenditure for specific purpose:		
Student financial assistance	\$ 153,756	\$ 143,779
General purpose	39,733	36,718
Subject to the College or Naomi Ruth Cohen Institute's spending policy and appropriation:		
Investments in perpetuity (including original gift amount of \$1,381,121 as of May 31, 2022 and 2021) expendable support scholarships	2,202,701	2,451,440
Total net assets with donor restrictions	\$ 2,396,190	\$ 2,631,937

The College's Board of Trustees has designated \$67,906,372 and \$71,857,381 in net assets without donor restrictions (quasi-endowment) for general institutional support as of May 31, 2022 and 2021, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the fiscal years ended May 31, 2022 and 2021:

	2022	2021
Purpose restrictions accomplished:		
Student financial assistance	\$ 26,960	\$ 99,224
General purpose	64	-
Naomi Ruth Cohen Institute	106	68,247
Total net assets released from restrictions	\$ 27,130	\$ 167,471

The Naomi Ruth Cohen Institute for Mental Health Education is dedicated to eradicating the stigma associated with mental illness. The institute annually plans and promotes a community mental health conference.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

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**Note 12. Endowment**

As of May 31, 2022, the College's endowment consisted of donor-restricted funds for scholarships and a Board-designed fund for general institutional support. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Underwater endowment funds:** Endowment funds are recorded in accordance with state-approved Uniform Prudent Management of Institutional Funds Act (UPMIFA). The College has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift contributed to a donor-restricted endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument (underwater funds). The College has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with UPMIFA, the College considers the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- i. The duration and preservation of the fund
- ii. The purpose of the donor-restricted endowment fund
- iii. General economic conditions
- iv. The possible effect of inflation and deflation
- v. The expected total return from income and the appreciation of investments
- vi. Other resources of the College
- vii. The investment policies of the College

As of May 31, 2022 and 2021, there were no underwater endowment funds.

**Endowment use and restrictions:** Subject to donor requirements, appropriations from the College's donor-restricted endowment fund shall not exceed 5% of the fair market value of the donor-restricted endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made. The Board appropriated \$0 from the Board-designated endowment fund in fiscal years 2022 and 2021.

Endowment net asset composition by type of fund is summarized as follows:

	2022	2021
Donor-restricted endowment funds	\$ 2,172,735	\$ 2,430,752
Quasi endowment funds	67,906,372	71,857,381
Total endowment funds	<u>\$ 70,079,107</u>	<u>\$ 74,288,133</u>

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

**Note 12. Endowment (Continued)**

Changes in endowment net assets for the years ended May 31, 2022 and 2021, are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 71,857,381	\$ 2,430,752	\$ 74,288,133
Investment return:			
Interest and dividends, net	897,927	-	897,927
Net depreciation, realized and unrealized	(4,848,936)	(258,017)	(5,106,953)
Total investment return	(3,951,009)	(258,017)	(4,209,026)
Endowment net assets end of year	\$ 67,906,372	\$ 2,172,735	\$ 70,079,107
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 54,809,151	\$ 1,875,146	\$ 56,684,297
Investment return:			
Interest and dividends, net	1,077,448	66,141	1,143,589
Net appreciation, realized and unrealized	15,970,782	557,214	16,527,996
Total investment return	17,048,230	623,355	17,671,585
Appropriation for expenditure	-	(67,749)	(67,749)
Endowment net assets end of year	\$ 71,857,381	\$ 2,430,752	\$ 74,288,133

**Return objectives and risk parameters:** The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the value of endowment assets. Under this policy, as approved by the College's finance and investment committee, and Board of Trustees, the benchmarks for the equity portion of the endowment shall be the S&P 500 Index and the MCSI All Country World ex-US Index. For fixed income investments, the benchmark portion shall be the Barclays Aggregate Bond Index and the Barclays Global Aggregate ex-US TR Hdg USD Index. For real estate investment trusts (REIT), the benchmark portion shall be the MSCI US REIT Gross Index. Actual returns in any year may vary from this amount.

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy, without regard to capital gains and income. To provide consistent long-term growth, the College targets a diversified asset allocation strategy. Current investment policy guidelines disallow more than 65% of equity investments in the total investment fund at purchase. Due to market fluctuations, asset allocation variances up to 5% above or below the 65% threshold are deemed acceptable.

**The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology**

**Notes to Consolidated Financial Statements**

**Note 13. Classification of Expenses**

The following reflects the classification of the College's expenses, by both the underlying nature of the expense and the function, for the years ended May 31, 2022 and 2021, respectively. An individual expense is allocated to the underlying function to which it was incurred. The consolidated statement of activities includes certain expenses which must be allocated on a reasonable basis. Facilities related and depreciation expenses have been allocated based on faculty and staff headcount. Certain senior leadership expenses are allocated based on time spent by function.

Expenses are classified as follows:

	2022				
	Program services		Management, General and Administrative	Fundraising	Total
	Educational Services and Facilities	Student Services			
Compensation and employee	\$ 48,457,686	\$ 11,230,985	\$ 5,511,297	\$ 570,309	\$ 65,770,277
Facility and office	6,534,418	2,054,263	140,583	92,976	8,822,240
Services and other	6,478,504	10,457,393	41,431,654	123,853	58,491,404
Depreciation and amortization	2,020,412	679,533	221,941	28,342	2,950,228
Total	\$ 63,491,020	\$ 24,422,174	\$ 47,305,475	\$ 815,480	\$ 136,034,149

  

	2021				
	Program services		Management, General and Administrative	Fundraising	Total
	Educational Services and Facilities	Student Services			
Compensation and employee	\$ 45,414,119	\$ 9,912,950	\$ 6,364,490	\$ 837,722	\$ 62,529,281
Facility and office	6,547,102	1,652,779	498,205	104,735	8,802,821
Services and other	2,356,974	9,985,272	36,266,951	112,937	48,722,134
Depreciation and amortization	1,810,775	487,603	249,101	25,982	2,573,461
Total	\$ 56,128,970	\$ 22,038,604	\$ 43,378,747	\$ 1,081,376	\$ 122,627,697

**Note 14. Subsequent Events**

Management has evaluated all events or transactions that occurred after May 31, 2022, through October 28, 2022, the date the consolidated financial statements are available for issuance, for potential recognition or disclosure in the consolidated financial statements.



## **Supplementary Information**



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Trustees  
The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

We have audited the consolidated financial statements of The Chicago School—California, Inc. d/b/a The Chicago School of Professional Psychology (the College) as of and for the years ended May 31, 2022 and 2021, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were 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 rather than to present the financial position, results of operations and cash flows of the individual companies 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 themselves, 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.

*RSM US LLP*

Chicago, Illinois  
October 28, 2022

The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

Consolidating Schedule of Financial Position  
May 31, 2022

	TCSPP Illinois	The Chicago School— California, Inc.	The Chicago School—Washington D.C., Inc.	College of Nursing and Advanced Health Professions	Eliminations	TCSPP Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,420,586	\$ 39,836,780	\$ 604,668	\$ 265,936	\$ -	\$ 43,127,970
Student accounts receivable, net	420,312	1,395,810	265,617	143,140	-	2,224,879
Due from affiliates	21,322,776	8,861,376	7,377,239	-	(37,561,391)	-
Prepaid expenses	317,972	753,388	181,658	23,251	-	1,276,269
Other accounts receivable	714,656	101,507	34,061	294,819	-	1,145,043
Investments	42,461,866	43,564,187	-	-	-	86,026,053
Preferred stock in affiliate	-	29,365,331	-	-	-	29,365,331
Other assets	-	630,257	57,517	-	-	687,774
Property and equipment, net	15,179,655	12,137,850	436,272	3,305,857	-	31,059,634
Intangible assets, net	-	-	-	357,063	-	357,063
<b>Total assets</b>	<b>\$ 82,837,823</b>	<b>\$ 136,646,486</b>	<b>\$ 8,957,032</b>	<b>\$ 4,390,066</b>	<b>\$ (37,561,391)</b>	<b>\$ 195,270,016</b>
<b>Liabilities and Net Assets</b>						
Accounts payable	\$ 52,029	\$ 340,726	\$ 36,038	\$ 16,714	\$ -	\$ 445,507
Student refunds payable	658,168	2,573,165	752,064	291,980	-	4,275,377
Accrued compensation related expenses	1,289,318	4,446,113	458,302	508,782	-	6,702,515
Due to affiliate	-	28,919,731	-	8,861,376	(37,561,391)	219,716
Other accrued expenses	106,843	747,263	55,149	443,980	-	1,353,235
Deferred revenue and tuition deposits	4,010,468	12,641,149	1,960,784	823,374	-	19,435,775
Other payables	14,994	211,183	3,408	1,286	-	230,871
Deferred rent	244,621	6,442,544	637,457	-	-	7,324,622
Other liabilities	-	560,989	-	-	-	560,989
<b>Total liabilities</b>	<b>6,376,441</b>	<b>56,882,863</b>	<b>3,903,202</b>	<b>10,947,492</b>	<b>(37,561,391)</b>	<b>40,548,607</b>
Net assets (deficit):						
Without donor restrictions	74,207,791	79,636,170	5,049,582	(6,568,324)	-	152,325,219
With donor restrictions	2,253,591	127,453	4,248	10,898	-	2,396,190
<b>Total net assets (deficit)</b>	<b>76,461,382</b>	<b>79,763,623</b>	<b>5,053,830</b>	<b>(6,557,426)</b>	<b>-</b>	<b>154,721,409</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 82,837,823</b>	<b>\$ 136,646,486</b>	<b>\$ 8,957,032</b>	<b>\$ 4,390,066</b>	<b>\$ (37,561,391)</b>	<b>\$ 195,270,016</b>

The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

Consolidating Schedule of Financial Position  
May 31, 2021

	TCSP Illinois	The Chicago School— California, Inc.	The Chicago School—Washington D.C., Inc.	College of Nursing and Advanced Health Professions	Eliminations	TCSP Total
<b>Assets</b>						
Cash and cash equivalents	\$ 5,760,561	\$ 44,491,213	\$ 187,384	\$ 143,749	\$ -	\$ 50,582,907
Student accounts receivable, net	315,460	897,891	209,872	444,947	-	1,868,170
Due from affiliates	8,996,298	3,244,373	5,940,808	-	(18,181,479)	-
Prepaid expenses	284,846	606,930	173,980	27,596	-	1,093,352
Other accounts receivable	357,182	79,554	8,298	66,891	-	511,925
Investments	53,649,984	23,192,610	-	-	-	76,842,594
Preferred stock in affiliate	-	30,387,335	-	-	-	30,387,335
Other assets	-	658,235	57,517	-	-	715,752
Property and equipment, net	15,868,913	13,607,750	717,458	76,884	-	30,271,005
Intangible assets, net	-	-	-	388,041	-	388,041
<b>Total assets</b>	\$ 85,233,244	\$ 117,165,891	\$ 7,295,317	\$ 1,148,108	\$ (18,181,479)	\$ 192,661,081
<b>Liabilities and Net Assets</b>						
Accounts payable	\$ 71,075	\$ 124,681	\$ 7,971	\$ 33,722	\$ -	\$ 237,449
Student refunds payable	526,576	1,661,065	409,159	59,623	-	2,656,423
Accrued compensation related expenses	1,252,737	3,884,508	537,460	490,449	-	6,165,154
Due to affiliate	-	15,149,171	-	3,244,373	(18,181,479)	212,065
Other accrued expenses	285,454	161,145	25,983	33,320	-	505,902
Deferred revenue and tuition deposits	4,448,286	14,099,991	2,471,421	528,646	-	21,548,344
Other payables	66,824	136,461	2,935	1,286	-	207,506
Deferred rent	97,336	7,084,468	897,974	-	-	8,079,778
Other liabilities	-	588,966	-	-	-	588,966
<b>Total liabilities</b>	6,748,288	42,890,456	4,352,903	4,391,419	(18,181,479)	40,201,587
Net assets (deficit):						
Without donor restrictions	75,984,880	74,158,639	2,938,199	(3,254,161)	-	149,827,557
With donor restrictions	2,500,076	116,796	4,215	10,850	-	2,631,937
<b>Total net assets (deficit)</b>	78,484,956	74,275,435	2,942,414	(3,243,311)	-	152,459,494
<b>Total liabilities and net assets (deficit)</b>	\$ 85,233,244	\$ 117,165,891	\$ 7,295,317	\$ 1,148,108	\$ (18,181,479)	\$ 192,661,081

The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

Consolidating Schedule of Activities  
Year Ended May 31, 2022

	TCSPP Illinois	The Chicago School— California, Inc.	The Chicago School—Washington D.C., Inc.	College of Nursing and Advanced Health Professions	Eliminations	TCSPP Total
Operating revenues:						
Tuition revenue	\$ 30,576,525	\$ 78,217,591	\$ 15,386,427	\$ 7,284,740	\$ -	\$ 131,465,283
Less scholarships	(2,086,704)	(1,843,899)	(584,401)	(216,299)	-	(4,731,303)
Net tuition revenue	28,489,821	76,373,692	14,802,026	7,068,441	-	126,733,980
Fee revenue	2,732,422	8,478,465	1,467,991	325,377	-	13,004,255
Contributions	17,935	62,207	780	6,815	-	87,737
Other school revenue	169,558	483,735	16,106	37,925	-	707,324
Grant revenue	1,755,968	3,310,053	610,217	203,577	-	5,879,815
Intercompany revenue	-	15,003,371	-	-	(15,003,371)	-
Total revenues	33,165,704	103,711,523	16,897,120	7,642,135	(15,003,371)	146,413,111
Operating expenses:						
Program services:						
Educational services and facilities	17,601,426	39,526,490	7,486,146	4,860,279	(5,983,321)	63,491,020
Student services	4,871,634	16,385,297	2,797,192	2,166,039	(1,797,988)	24,422,174
Total program services	22,473,060	55,911,787	10,283,338	7,026,318	(7,781,309)	87,913,194
Management, general, and administration	8,351,834	37,172,917	4,401,793	3,889,171	(6,510,240)	47,305,475
Fundraising	188,773	1,197,195	100,573	40,761	(711,822)	815,480
Total expenses	31,013,667	94,281,899	14,785,704	10,956,250	(15,003,371)	136,034,149
Increase (decrease) in net assets before non-operating items	2,152,037	9,429,624	2,111,416	(3,314,115)	-	10,378,962
Non-operating items:						
Interest and dividends	958,513	706,549	-	-	-	1,665,062
Net losses on investments	(5,134,124)	(4,600,123)	-	-	-	(9,734,247)
Other non-operating items	-	(47,862)	-	-	-	(47,862)
Total non-operating items	(4,175,611)	(3,941,436)	-	-	-	(8,117,047)
Changes in net assets (deficit)	(2,023,574)	5,488,188	2,111,416	(3,314,115)	-	2,261,915
Net assets (deficit), beginning of the year	78,484,956	74,275,435	2,942,414	(3,243,311)	-	152,459,494
Net assets (deficit), end of the year	\$ 76,461,382	\$ 79,763,623	\$ 5,053,830	\$ (6,557,426)	\$ -	\$ 154,721,409

The Chicago School—California, Inc.  
d/b/a The Chicago School of Professional Psychology

Consolidating Schedule of Activities  
Year Ended May 31, 2021

	TCSP Illinois	The Chicago School— California, Inc.	The Chicago School—Washington D.C., Inc.	College of Nursing and Advanced Health Professions	Eliminations	TCSP Total
Operating revenues:						
Tuition revenue	\$ 30,326,266	\$ 73,370,535	\$ 16,983,321	\$ 5,198,557	\$ -	\$ 125,878,679
Less scholarships	(1,905,588)	(1,931,555)	(553,082)	(205,200)	-	(4,595,425)
<b>Net tuition revenue</b>	<b>28,420,678</b>	<b>71,438,980</b>	<b>16,430,239</b>	<b>4,993,357</b>	<b>-</b>	<b>121,283,254</b>
Fee revenue	2,754,441	8,294,421	1,559,042	165,155	-	12,773,059
Contributions	12,190	101,294	1,225	3,504	-	118,213
Other school revenue	73,562	373,065	22,300	37,487	(8,065)	498,349
Grant revenue	759,106	485,454	131,375	215,929	-	1,591,864
Intercompany revenue	-	13,331,754	-	-	(13,331,754)	-
<b>Total revenues</b>	<b>32,019,877</b>	<b>94,024,968</b>	<b>18,144,181</b>	<b>5,415,432</b>	<b>(13,339,819)</b>	<b>136,264,739</b>
Operating expenses:						
Program services:						
Educational services and facilities	17,134,400	33,240,725	7,262,770	3,807,757	(5,316,682)	56,128,970
Student services	4,857,333	14,451,042	2,700,941	1,626,951	(1,597,663)	22,038,604
<b>Total program services</b>	<b>21,991,733</b>	<b>47,691,767</b>	<b>9,963,711</b>	<b>5,434,708</b>	<b>(6,914,345)</b>	<b>78,167,574</b>
Management, general, and administration	8,268,146	33,806,819	5,096,691	2,000,051	(5,792,960)	43,378,747
Fundraising	183,592	1,400,545	100,763	28,990	(632,514)	1,081,376
<b>Total expenses</b>	<b>30,443,471</b>	<b>82,899,131</b>	<b>15,161,165</b>	<b>7,463,749</b>	<b>(13,339,819)</b>	<b>122,627,697</b>
<b>Increase (decrease) in net assets before non-operating items</b>	<b>1,576,506</b>	<b>11,125,837</b>	<b>2,983,016</b>	<b>(2,048,317)</b>	<b>-</b>	<b>13,637,042</b>
Non-operating items:						
Interest and dividends	1,140,031	149,347	-	-	-	1,289,378
Net gains (losses) on investments	16,510,238	(1,321,724)	-	-	-	15,188,514
Other non-operating items	-	106,019	-	-	-	106,019
Loss on disposal of property and equipment	-	(62,606)	-	-	-	(62,606)
<b>Total non-operating items</b>	<b>17,650,269</b>	<b>(1,128,964)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,521,305</b>
<b>Changes in net assets (deficit)</b>	<b>19,226,775</b>	<b>9,996,873</b>	<b>2,983,016</b>	<b>(2,048,317)</b>	<b>-</b>	<b>30,158,347</b>
Net assets (deficit), beginning of the year	59,258,181	64,278,562	(40,602)	(1,194,994)	-	122,301,147
Net assets (deficit), end of the year	\$ 78,484,956	\$ 74,275,435	\$ 2,942,414	\$ (3,243,311)	\$ -	\$ 152,459,494