



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

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2022 and 2021

The background features a teal horizontal band at the top, followed by a large, abstract graphic of overlapping, semi-transparent geometric shapes in shades of gray and white, creating a sense of depth and movement. In the bottom right corner, there is an orange rectangular box containing the text 'SIKICH.COM'.

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**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine (the Company) (an Illinois corporation) which comprises the balance sheets as of December 31, 2022 and 2021, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine 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.

#### *New Accounting Standard Adopted*

As discussed in Notes 1 and 8 to the financial statements, the Company adopted the provisions of FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, which supersedes prior lease accounting principles generally accepted in the United States of America under ASC Topic 840. The adoption of this Topic resulted in a change to the accounting for the Company's leases; primarily resulting in the recognition of right-of-use assets and lease liabilities for operating leases. Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine 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 Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule A on the calculation of the Title IV 90/10 revenue test is required by the U.S. Department of Education and schedule B on Financial Responsibility, is required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix A to Subpart L of Part 668, and are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control over financial reporting and compliance.

*Sikich LLP*

Naperville, Illinois  
June 29, 2023

## **FINANCIAL STATEMENTS**

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

**BALANCE SHEETS**

December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 437,954	\$ 384,624
Accounts receivable, net	100,468	124,146
Due from related parties	71,816	74,316
Prepaid expense	20,000	20,000
Prepaid supplies	13,190	13,190
	643,428	616,276
 <b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Buildings and improvements	212,299	212,299
Leasehold improvements	168,443	168,443
Vehicles	181,475	141,548
Equipment	118,657	118,658
Land	18,000	18,000
	698,874	658,948
Subtotal	698,874	658,948
Less accumulated depreciation and amortization	(427,505)	(449,358)
	271,369	209,590
 <b>OTHER ASSETS</b>		
Investment in unconsolidated subsidiary	280,179	233,942
Deposits	30,404	30,404
Deferred tax asset	28,000	38,500
Operating lease right-of-use assets	191,369	-
	529,952	302,846
Total other assets	529,952	302,846
 <b>TOTAL ASSETS</b>	 <b>\$ 1,444,749</b>	 <b>\$ 1,128,712</b>

(This statement is continued on the following page.)

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

BALANCE SHEETS (Continued)

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 105,059	\$ 64,976
Notes payable, current portion	9,224	4,791
Line of credit, current portion	25,000	25,000
Deferred student tuition	54,574	46,229
Accrued wages	44,800	36,470
Operating lease liability, current portion	109,524	-
	<hr/>	<hr/>
Total current liabilities	348,181	177,466
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	51,332	13,844
Operating lease liability, net of current portion	84,569	-
	<hr/>	<hr/>
Total long-term liabilities	135,901	13,844
	<hr/>	<hr/>
Total liabilities	484,082	191,310
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, 1,000 shares of no par value stock authorized, issued and outstanding	1,000	1,000
Retained earnings	959,667	936,402
	<hr/>	<hr/>
Total stockholders' equity	960,667	937,402
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,444,749</b>	<b>\$ 1,128,712</b>
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See accompanying notes to financial statements.



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

STATEMENTS OF INCOME

For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>REVENUE</b>		
Tuition and fees, net of refunds	\$ 2,368,345	\$ 2,257,255
Clinic	81,319	61,092
Gain on disposal	3,092	42,869
	2,452,756	2,361,216
<b>OPERATING EXPENSES</b>		
Educational services	715,962	654,136
General and administrative	1,140,800	1,022,814
Marketing and admissions	139,185	140,415
Occupancy	431,370	413,815
Depreciation and amortization	35,498	19,583
	2,462,815	2,250,763
Total operating expenses		
	(10,059)	110,453
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	353	318
Earnings from unconsolidated subsidiary	46,237	47,579
Interest expense	(2,766)	(2,179)
	43,824	45,718
Total other income		
	33,765	156,171
Income before provision for income taxes		
<b>PROVISION FOR INCOME TAXES</b>		
Deferred tax expense (benefit)	10,500	(32,500)
	10,500	(32,500)
Total provision for income taxes		
	\$ 23,265	\$ 188,671
<b>NET INCOME</b>	<b>\$ 23,265</b>	<b>\$ 188,671</b>

See accompanying notes to financial statements.

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

STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2022 and 2021

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	<b>Shares of Common Stock Issued</b>		<b>Amount of Common Stock</b>		<b>Retained Earnings</b>		<b>Total</b>
<b>BALANCE, JANUARY 1, 2021</b>	1,000	\$	1,000	\$	747,731	\$	748,731
Net income	-		-		188,671		188,671
<b>BALANCE, DECEMBER 31, 2021</b>	1,000		1,000		936,402		937,402
Net income	-		-		23,265		23,265
<b>BALANCE, DECEMBER 31, 2022</b>	1,000	\$	1,000	\$	959,667	\$	960,667

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See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 23,265	\$ 188,671
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	35,498	19,583
Earnings from unconsolidated subsidiary	(46,237)	(47,579)
Gain on disposal	(3,092)	(42,869)
Deferred tax expense (benefit)	10,500	(32,500)
Noncash lease expense	2,724	-
Changes in certain assets and liabilities		
Accounts receivable	23,678	(84,548)
Due from related parties	2,500	(24,300)
Prepaid expenses	-	(20,000)
Deposits	-	10,055
Accounts payable	40,083	19,064
Deferred student tuition	8,345	(412,760)
Accrued wages	8,330	883
Total adjustments	82,329	(614,971)
Net cash from operating activities	105,594	(426,300)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of property	55,000	97,335
Payments for purchases of property, plant, and equipment	(149,185)	-
Net cash from investing activities	(94,185)	97,335
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of notes payable	69,361	-
Principal payments on notes payable	(27,440)	(13,488)
Net cash from financing activities	41,921	(13,488)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,330	(342,453)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	384,624	727,077
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 437,954	\$ 384,624
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 2,766	\$ 2,179
Income taxes paid	\$ -	\$ -
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Operating lease assets recorded upon implementation of ASC 842	\$ 299,558	\$ -
<b>TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES</b>	\$ 299,558	\$ -

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2022 and 2021

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine (the Company) was incorporated under the laws of the State of Illinois on February 14, 1985. The Company operates post-secondary schools offering education in oriental medicine in Racine, Wisconsin and Skokie, Illinois.

Basis of Accounting

The books of account are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America (USGAAP).

Basis of Presentation

The Company has elected to apply the accounting alternative treatment for a private company for certain variable interest entities (VIEs) pursuant to with USGAAP. As such, the Company has various related entities as discussed in Note 10, that the Company is not required to evaluate or apply VIE guidance and are not consolidated in the accompanying financial statements.

Cash and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. The Company has deposits at a financial institution in excess of federally insured limits of approximately \$240,000 and \$170,000 at December 31, 2022 and 2021, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Accounts are considered delinquent when not collected within negotiated terms.

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Allowance for Doubtful Accounts

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes the amount of the allowance for doubtful accounts based on history of past write-offs and collections and current credit conditions. Student receivables are written off as a charge against the allowance when students leave their respective programs of study. The allowance for doubtful accounts is \$1,000 at December 31, 2022 and 2021. However, actual write-offs may exceed the allowance amount.

Prepaid Supplies

Prepaid supplies consist of various oriental medicine products used in the student clinic.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. The Company has a capitalization threshold of \$500. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-40
Leasehold improvements	5-40
Vehicles	5
Equipment	5

Leasehold improvements are amortized over the shorter of their useful lives or lease term. Leasehold improvements associated with a lease between entities under common control are amortized over the economic life. The net book value of leasehold improvements amortized over the economic life is \$117,681 at December 31, 2022. The remaining useful lives of these leasehold improvements is up to 25 years at December 31, 2022. Depreciation and amortization expense is \$35,498 and \$19,583 for the years ended December 31, 2022 and 2021, respectively.

Investment in Unconsolidated Subsidiary

The Company has a 37.50% interest in Emerging Dragon, LLC, which is reported on the equity method with the investment capitalized and adjusted for the Company's share of its undistributed earnings or losses.

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contract Assets and Liabilities

Contract assets consist of accounts receivable. Contract liabilities consist of deferred student tuition which is the unearned portion of tuition for which a student is contracted. Tuition revenue is recognized ratably over the term of instruction. The deferred student tuition amount was calculated using the actual students' tuition based on the number of weeks remaining in the program. This liability is liquidated when tuition revenue is recognized over the remainder of the program. Accounts receivable at January 1, 2021 was \$39,598 and deferred student tuition at January 1, 2021 was \$458,989.

Revenue Recognition

The Company identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. The Company's contracts include only one material performance obligation, a promise for educational services. The Company provides clinic services to the general public.

Tuition revenue is primarily derived from postsecondary education services provided to students. Generally, tuition and other fees are paid upfront and recorded in contract liabilities in advance of the date when education services are provided to the student. A tuition receivable is recorded for the portion of tuition not paid in advance. In some instances, installment billing is available to students which reduces the amount of cash consideration received in advance of performing the service. The contractual terms and conditions associated with installment billing indicate that the student is liable for the total contract price; therefore, mitigating the Company's exposure to losses associated with nonpayment. The Company determined the installment billing does not represent a significant financing component.

Tuition revenue is recognized ratably over the instruction period. The Company generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of tuition services. Revenue associated with distinct course materials is recognized at the point of time when control transfers to the student, generally when the materials are delivered to the student. Revenue associated with clinic services is recognized at the point of time when the service is performed.

The Company's refund policy may permit students who do not complete a course to be eligible for a refund for the portion of the course they did not attend. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

The transaction price is stated in the contract and known at the time of contract inception, as such there is variable consideration for situations when a student drops from a program based on the Company's refund policy and additional charges if a student requires additional hours to complete the program beyond the contracted end date. The Company believes that its experience with these situations is of little predictive value, because the future performance of students is dependent on each individual and the amount of variable consideration is highly susceptible to factors outside of the Company's influence. Accordingly, no variable consideration has been included in the transaction price or recognized as income until the constraint has been eliminated. Revenue is allocated to each performance obligation based on its standalone selling price. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. The Company generally determines standalone selling prices based on prices charged to students. The Company excludes from revenue taxes assessed by a governmental authority as these are agency transactions collected on their behalf from the customer.

Significant judgments include the allocation of the contract price across performance obligations, the methodology for earning tuition ratably over the instruction period, estimates for the amount of variable consideration included in the transaction price as well as the determination of the impact of the constraints preventing the variable consideration from being recognized in revenue.

Government Grants

The Company analogized to International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*, to account for government grants. The Company recognizes the grant proceeds in income when any and all conditions are met. The Company recognizes the grant in the statement of income on a net basis as an offset against the related eligible expenses. Should the conditions not be met by the balance sheet date, proceeds will be recorded as deferred income and subsequently recorded on a gross basis in the statement of income.

Leases

The Company determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Company has the right to control the asset. The Company uses the written terms and conditions of a related party arrangement between entities under common control to determine whether that arrangement contains a lease.

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Leases (Continued)

Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date or adoption date based on the present value of lease payments over the remaining lease term. For the Company's related party leases, if any, the rate implicit in the lease is required to be used to determine the present value of lease payments, as that rate is readily determinable. If the implicit rate isn't readily determinable, the Company has elected to apply a risk free rate to determine the present value of the lease payments. For the Company's third-party leases, the rate implicit in the lease is not readily determinable, and the Company has elected to apply a risk free rate to determine the present value of lease payments. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that Management will exercise the option.

Leases typically contain rent escalators over the lease term and lease expense is recognized on a straight-line basis over the lease term. Tenant incentives used to fund leasehold improvements are recognized when earned and reduce the ROU assets related to the lease. The tenant incentives are amortized through the ROU asset as reductions of rent expense over the lease term.

The Company has lease agreements with lease and nonlease components, which are accounted for as a single lease component for all asset classes. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the nonlease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common areas maintenance and real estate taxes, are recognized in operating expenses in the period in which the obligation for those payments was incurred. In the statements of income, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2022 and 2021 is \$52,699 and \$62,850, respectively.



**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

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

New Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, to introduce the current expected credit losses methodology for estimating allowances for credit losses. The new guidance makes targeted improvements to the accounting for credit losses and applies to all financial instruments carried at amortized cost (including loans held for investment and held to maturity debt securities, as well as trade receivables, notes receivable, reinsurance recoverables, and receivables that related to repurchase agreements and securities lending agreements). In November 2018, FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326 Financial Instruments – Credit Losses*, to mitigate transition complexity by amending the effecting date for nonpublic entities fiscal to years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the impact of this new standard.

Adoption of New Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, and associated ASUs related to Topic 842, which requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance requires that a lessee recognize assets and liabilities for leases, and recognition, presentation and measurement in the financial statements will depend on its classification as a finance or operating lease. In addition, the new guidance requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting remains largely unchanged from legacy USGAAP but does contain some targeted improvements to align with the new revenue recognition guidance, *Revenue from Contracts with Customers (Topic 606)*, issued in 2014.

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Adoption of New Accounting Pronouncements (Continued)

The Company adopted the new standard effective January 1, 2022, using the modified retrospective transition approach, applying the new standard to all leases existing at the date of initial adoption. In addition, the Company has elected the package of practical expedients permitted under the transition guidance within the new standard which does not require reassessment of prior conclusions related to contracts containing a lease, lease classification and initial direct lease costs. As an accounting policy election, the Company excluded short-term leases (term of 12 months or less) from the balance sheet and accounts for nonlease and lease components in a contract as a single component for all asset classes.

On March 27, 2023, FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*, which provides a practical expedient for private companies to use the written terms and conditions of a common control arrangement to determine whether a lease exists and the classification of and accounting for that lease. The ASU also requires the Company's leasehold improvements associated with the lease to be amortized over the useful life of the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease. The Company has adopted this ASU concurrently with the adoption of Topic 842, *Leases* as of January 1, 2022.

**2. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY**

The Company owns a 37.50% share of Emerging Dragon, LLC as a limited member with Dr. William Dunbar, 50% stockholder of the Company, owning the remaining 62.50% as a managing member. The Company accounts for the investment on the equity method. For the years ended December 31, 2022 and 2021, Emerging Dragon, LLC reported the following on its financial statements:

	<u>2022</u>	<u>2021</u>
Assets	\$ 1,142,897	\$ 963,986
Liabilities	<u>529,586</u>	<u>455,635</u>
<b>EQUITY</b>	<u>\$ 613,311</u>	<u>\$ 508,351</u>
Revenues	\$ 312,801	\$ 298,257
Expenses	<u>189,500</u>	<u>171,381</u>
<b>NET INCOME</b>	<u>\$ 123,301</u>	<u>\$ 126,876</u>

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**3. INCOME TAXES**

The Company operates as a C corporation, and as such, a provision for income taxes is made on the financial statements. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes arise from the different basis of assets and liabilities recorded for financial statements and income tax reporting purposes. The deferred assets and liabilities represent future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled.

Deductible temporary differences giving rise to the deferred tax assets and liabilities relate primarily to the net operating losses and property and equipment depreciation.

The Company's total deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

	2022	2021
Net operating losses	\$ 28,000	\$ 49,000
Accumulated depreciation	-	(10,500)
<b>NET DEFERRED TAX ASSET</b>	<b>\$ 28,000</b>	<b>\$ 38,500</b>

There is no current income tax expense for the years ended December 31, 2022 and 2021, respectively

The components of current tax expense (benefit) for the years ended December 31, 2022 and 2021 are:

	2022	2021
Federal	\$ 7,420	\$ (22,980)
State	3080	(9,520)
<b>DEFERRED TAX (BENEFIT)</b>	<b>\$ 10,500</b>	<b>\$ (32,500)</b>

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. NOTES PAYABLE**

The Company has the following notes payable at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
\$39,279 note payable to Landmark Credit Union dated April 5, 2012. Payable in 75 monthly installments of \$593 inclusive of interest at 4.03%. Secured by a vehicle.	\$ 33,346	\$ -
\$30,082 note payable to GM Financial of Wisconsin dated August 8, 2022. Payable in 75 monthly installments of \$475 inclusive of interest at 5.54%. Secured by a vehicle.	27,210	-
\$29,301 note payable to JP Morgan Chase dated September 20, 2019. Payable in 72 monthly installments of \$478 inclusive of interest at 5.39% through October 2025. Secured by a vehicle.	-	18,635
Total debt	60,556	18,635
Less current portion	9,224	4,791
<b>TOTAL NOTES PAYABLE, NET OF CURRENT PORTION</b>	<u>\$ 51,332</u>	<u>\$ 13,844</u>

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 9,224
2024	10,522
2025	11,025
2026	11,551
2027	12,104
Thereafter	6,130
<b>TOTAL</b>	<u>\$ 60,556</u>

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**5. LINE OF CREDIT**

The Company has a \$25,000 line of credit with Community State Bank dated March 21, 2019. Advances on the line bear interest at 3.25%. The line matured on May 20, 2022 and was renewed until May 20, 2023. The outstanding balance on the line is \$25,000 at December 31, 2022 and 2021. The line is collateralized by business assets and a personal guarantee of a stockholder.

**6. PAYCHECK PROTECTION PROGRAM LOAN**

In March 2021, the Company received approval for a \$230,135 note payable through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). All or a portion of this note may be forgiven under the terms of the CARES Act depending on the use of the funds. The Company accounted for this loan as a government grant. The Company recognized the government grant in income on a net basis as an offset against the related eligible expenses and the loan was forgiven during the year ended December 31, 2021.

**7. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Disaggregation of revenue as of the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Nature of Services and Timing of Revenue Recognition</u>		
Tuition revenues - Services transferred over time	\$ 2,368,345	\$ 2,257,255
Clinic revenues - Goods and services transferred at a point in time	81,319	61,092
	<u>81,319</u>	<u>61,092</u>
<b>TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<u>\$ 2,449,664</u>	<u>\$ 2,318,347</u>

The Company offers programs of study that typically take up to three years to complete. Students come from a wide variety of backgrounds. Many of the students receive federal financial aid under programs authorized by Title IV of the Higher Education Act (HEA) to fund their programs of study. For disbursing financial aid, the programs are broken up into payment periods, and financial aid is typically disbursed at the start of a payment period. Qualitative economic factors that affect revenue recognition and cash flows include student attendance, program content, instructor availability and willingness of the general public to participate in the clinic.

The Company receives a significant portion of its revenue from Title IV sources. Continuing participation in Title IV programs requires compliance with numerous federal regulations. Future noncompliance with these regulations, or a change in the laws governing these programs, would severely impact the operations of the Company.

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. LEASE COMMITMENTS UNDER ASC 842**

The Company has an operating lease for its facility. The Company's lease has a remaining lease term of two years. The Company's lease agreement does not contain any material restrictive covenants.

The components of lease expense for operating leases are included in the line items of the income statement for the year ended December 31, 2022 and are summarized as follows:

<u>Lease Cost</u>	<u>Year Ended December 31, 2022</u>
Operating lease cost	\$ 119,229
Short-term lease cost	<u>280,000</u>
<b>TOTAL LEASE COST</b>	<b><u>\$ 399,229</u></b>

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

	<u>Year Ended December 31, 2022</u>
Operating cash flows from operating leases	\$ 116,240

The following table summarizes the lease-related assets and liabilities recorded in the consolidated balance sheets at December 31, 2022:

<u>Lease Position</u>	<u>December 31, 2022</u>
Operating lease right-of-use assets	<u>\$ 191,369</u>
Operating lease liability, current	\$ 109,524
Operating lease liability, net of current portion	<u>84,569</u>
<b>TOTAL OPERATING LEASE LIABILITIES</b>	<b><u>\$ 194,093</u></b>

**ACUPUNCTURE CENTER, INC.**  
**D/B/A MIDWEST COLLEGE OF ORIENTAL MEDICINE**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. LEASE COMMITMENTS UNDER ASC 842 (Continued)**

The Company utilizes the risk free interest rate in determining the present value of lease payments unless the implicit rate is readily determinable.

<u>Lease Term and Discount Rate</u>	<u>Year Ended December 31, 2022</u>
Weighted-average remaining lease term (years)	
Operating leases	1.7
Weighted-average discount rate	
Operating leases	0.78%

The following table provides the maturities of lease liabilities at December 31, 2022:

<u>Maturity of Lease Liabilities at December 31, 2022</u>	<u>Operating Leases</u>
2023	\$ 110,577
2024	<u>84,789</u>
Total future undiscounted lease payments	195,366
Less interest	<u>(1,273)</u>
<b>PRESENT VALUE OF LEASE LIABILITIES</b>	<b><u>\$ 194,093</u></b>

**9. LEASE COMMITMENTS UNDER ASC 840**

Racine, Wisconsin

The Company leased this facility from Emerging Dragon, LLC, an unconsolidated subsidiary, under an operating lease that expired June 30, 2016. The Company continues to lease the facility on a month-to-month basis.

Skokie, Illinois

In September 2020, the Company signed a two-year noncancelable operating lease for a new location. The lease calls for initial monthly payments of \$8,104 plus additional amounts for property taxes and annual increases. There are two additional two-year renewal options.

Total rent expense for the year ended December 31, 2021 is \$346,327.

## **10. RELATED PARTY TRANSACTIONS**

The Company participates in federal programs authorized by Title IV of the HEA of 1965, as amended, which are administered by the U.S. Department of Education. The Company must comply with regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. Related party transactions for the years ended December 31, 2022 and 2021 are as follows:

### Due from Related Parties

The Company is owed \$34,416 from Emerging Dragon, LLC, an unconsolidated subsidiary owned 37.50% by the Company, and 62.50% by Dr. William Dunbar, 50% stockholder, at December 31, 2022 and 2021, respectively, for advances made less repayments. The amounts are unsecured, interest-free, and due on demand.

The Company is owed \$37,400 and \$39,900 from Dr. William Dunbar, 50% stockholder, at December 31, 2022 and 2021, respectively, for advances made less repayments. The amounts are unsecured, interest-free, and due on demand.

### Facility Leases

The Company leases its Racine facility from Emerging Dragon, LLC, an unconsolidated subsidiary owned 37.50% by the Company, and 62.50% by Dr. William Dunbar, 50% stockholder. See Note 9 for terms. Rent paid to Emerging Dragon, LLC is \$280,000 and \$242,000 for the years ended, December 31, 2022 and 2021, respectively.

### Line of Credit Guarantee

The line of credit with Community State Bank, as detailed in Note 5, is personally guaranteed by 50% stockholder, Dr. William Dunbar.

## **11. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, nonrecognized subsequent events).

Management has evaluated subsequent events through June 29, 2023, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.



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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Acupuncture Center, Inc. d/b/a Midwest College of Oriental Medicine, which comprise the balance sheet as of December 31, 2022, and the related statements of income, stockholders’ equity, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 29, 2023.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item FS 2022-01 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. Such tests included compliance tests as set forth in the 2016 edition of 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 and percentage of revenue derived from Title IV programs. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

## **Entity's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acupuncture Center, Inc.'s d/b/a Midwest College of Oriental Medicine internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Naperville, Illinois  
June 29, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2022

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**FS 2022-01 - Accounting Records Not Maintained on a Full Accrual Basis (Material Weakness) (Repeat Finding)**

*Criteria:* Management bears the responsibility for presenting the Company's financial statements, including disclosures, in accordance with USGAAP.

*Condition:* The Company must present financial statements in accordance with USGAAP.

*Cause:* The Company did not record the required accrual entries in the accounting records.

*Effect:* The accounting records are not fairly stated in accordance with USGAAP.

*Recommendation:* The accounting records should be prepared on the accrual basis.

*Management Response and Corrective Action:* Management has reviewed and approved the proposed audit adjustments and disclosures.

**SUPPLEMENTARY SCHEDULES**

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

**SUPPLEMENTARY SCHEDULES**

For the Years Ended December 31, 2022 and 2021

**A. ATTESTATION OF REVENUE SOURCES**

The Company derives a substantial portion of its revenues from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, the Company must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges from eligible programs to not be more than 90% from Title IV programs. The failure of the Company to meet the 90% limitation for two consecutive years will result in the loss of the Company's ability to participate in Title IV programs. If a school receives more than 90% of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years.

For the fiscal year ended December 31, 2022, the Company's cash basis calculation is:

	Amount Disbursed	Adjusted Amount
<b>Adjusted Student Title IV Revenue</b>		
Subsidized loans	\$ 32,656	\$ 32,656
Unsubsidized loans	1,909,196	1,909,196
PLUS loans	833,666	833,666
Federal Pell grants	21,033	21,033
<b>Student Title IV Revenue</b>	<b>\$ 2,796,551</b>	2,796,551
Revenue adjustment		(822,885)
Title IV funds returned for students under 34 C.F.R. §668.22		(121,269)
<b>Adjusted Student Title IV Revenue</b>		<b>1,852,397</b>

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

**A. ATTESTATION OF REVENUE SOURCES (Continued)**

**Student Non-Title IV Revenue**

Grant funds for the student from nonfederal public agencies or private sources independent of the school	\$	-
Funds provided for the student under a contractual arrangement with federal, state, or local government agencies for the purpose of providing job training to low-income individuals		-
Funds used by student from savings plans for educational expenses established by or on behalf of the student that qualify for special treatment under the Internal Revenue Code		-
School scholarships disbursed to the students		-
Student payments on current charges		<u>522,190</u>
<b>Student Non-Title IV Revenue</b>	<b>\$</b>	<b><u>522,190</u></b>

**Revenue from Other Sources**

Activities conducted by the school that are necessary for education and training (34 C.F.R. §668.28(a)(3)(ii))	\$	81,319
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training program that is not eligible (34 C.F.R. §668.28(a)(3)(iii))		-
Allowable student payments plus allowable amounts from account receivable or institutional loan sales less any required payments under a recourse agreement		<u>-</u>
<b>Revenue from Other Sources</b>	<b>\$</b>	<b><u>81,319</u></b>

<b>Total Non-Title IV Revenue</b>		<u>\$ 603,509</u>
<b>Total Revenue</b>		<u><u>\$ 2,455,906</u></u>
<b>Numerator</b>	<u>\$ 1,852,397</u>	75.42%
<b>Denominator</b>	\$ 2,455,906	

For the fiscal year ended December 31, 2021, the Company received \$1,632,290 of revenues from Title IV programs out of \$2,212,914 of eligible cash basis revenue totaling 74%.

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

**A. ATTESTATION OF REVENUE SOURCES (Continued)**

As more than 10% of revenue is received outside the Student Financial Assistance (SFA) Programs, the Company is in compliance with this eligibility requirement for the years ended December 31, 2022 and 2021.

**B. FINANCIAL RESPONSIBILITY**

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

The required disclosure of the components of the composite score for the year ended December 31, 2022 are below:

Primary Reserve Ratio

	<u>Adjusted Equity</u>	
Balance sheet - stockholders' equity	Total equity	\$ 960,667
Balance sheet - due from related parties	Secured and unsecured related party receivables and/or other related party assets	\$ 71,816
Balance sheet - due from related parties	Unsecured related party receivables and/or other related party assets	71,816
Balance sheet - net fixed assets	Property, plant, and equipment, net - including construction in progress	271,369
Table 1 - Line A	Property, plant, and equipment, net - including pre-implementation less any construction in progress	142,387
Table 1 - Line B	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt	128,982
Table 1 - Line D	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt	-

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

**B. FINANCIAL RESPONSIBILITY (Continued)**

Primary Reserve Ratio (Continued)

	<u>Adjusted Equity (Continued)</u>	
N/A	Construction in progress	\$ -
Balance sheet – deferred tax asset	Intangible assets	28,000
N/A	Post-employment and defined pension plan liabilities	-
Balance sheet - note payable	Long-term debt - for long-term purposes and construction in process debt	\$ 85,556
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation	-
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant, and equipment	60,556
Table 2 - Line D	Long-term debt not for the purchase of property, plant, and equipment	25,000
Table 3 - Line A	Lease right-of-use assets - pre-implementation	-
Table 3 - Line B	Lease right-of-use assets - post-implementation	191,369
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation	-
Table 4 - Line B	Lease right-of-use liabilities - post-implementation	191,369
Statement of income and stockholders' equity - total operating expenses and interest expense	Total expenses and losses	2,465,582



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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

**B. FINANCIAL RESPONSIBILITY (Continued)**

Equity Ratio

	<u>Modified Equity</u>	
Balance sheet - stockholders' equity	Total equity	\$ 960,667
Table 3 - Line A	Lease right-of-use assets - pre-implementation	-
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation	-
Balance sheet – deferred tax asset	Intangible assets	28,000
Balance sheet - due from related parties	Secured and unsecured related party receivables and/or other related party assets	\$ 71,816
Balance sheet - due from related parties	Unsecured related party receivables and/or other related party assets	71,816
	<u>Modified Assets</u>	
Balance sheet - total assets	Total assets	1,444,749
Table 3 - Line A	Lease right-of-use assets - pre-implementation	-
Balance sheet – deferred tax asset	Intangible assets	28,000
Balance sheet - due from related parties	Secured and unsecured related party receivables and/or other related party assets	71,816
Balance sheet - due from related parties	Unsecured related party receivables and/or other related party assets	71,816

Net Income Ratio

Statement of income and stockholders' equity - net income	Income before taxes	\$ 33,765
Statement of income and stockholders' equity - total revenue	Total revenues and gains	2,499,347

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

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**B. FINANCIAL RESPONSIBILITY (Continued)**

Table 1 - Net Property, Plant, and Equipment

A	Pre-implementation property, plant, and equipment		\$ 142,387
B	Post-implementation property, plant, and equipment		128,982
	Vehicles	\$ 128,982	
	Furniture	-	
	Computers	-	
C	Construction in progress		-
D	Post-implementation property, plant, and equipment		<u>-</u>
	TOTAL		<u>\$ 271,369</u>

A -This is the ending balance on the last financial statement submission prior to the implementation of the regulations - less any depreciation or disposals.

B - This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.

C - Asset value of the construction in progress.

D - Post-implementation property, plant, and equipment with no outstanding debt.

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

**B. FINANCIAL RESPONSIBILITY (Continued)**

Table 2 - Long-Term Debt for Long-Term Purposes

A	Pre-implementation long-term debt	\$	-
B	Allowable post-implementation long-term debt		60,556
	Vehicles	\$ 60,556	
	Furniture	-	
	Computers	-	
C	Construction in progress - debt		-
D	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		25,000
	<b>TOTAL</b>		<b>\$ 85,556</b>

A - This is the ending balance of the last financial statement submission prior to the implementation of the regulations - less in repayments.

B - This is the lesser of actual outstanding debt of each assets or the value of the asset. See Note 4 for the terms of the debt which includes the note payable to GM Financial of Wisconsin and Landmark Credit Union.

C - All debt associated with construction in progress up to the asset value for construction in process is included.

D - Long-term debt not for the purchase of property, plant, and equipment. See note 5 for the terms of the debt.

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

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**B. FINANCIAL RESPONSIBILITY (Continued)**

Table 3 - Lease Right-of-Use Assets

A Lease right-of-use assets - pre-implementation	\$ -
B Lease right-of-use assets - post-implementation	<u>191,369</u>
 TOTAL	 <u><u>\$ 191,369</u></u>

A - This is the ending balance of the right-of-use assets related to all leases the Company entered into or modified prior to December 15, 2018.

B - This is the ending balance of the right-of-use assets related to all leases the Company entered into or modified on or after December 15, 2018. See Note 9 to the attached basic financial statements for terms of the leases involved.

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

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**B. FINANCIAL RESPONSIBILITY (Continued)**

Table 4 - Lease Right-of-Use Liabilities

A	Lease right-of-use liabilities - pre-implementation	\$ -
B	Lease right-of-use liabilities - post-implementation	191,369
C	Lease right-of-use liabilities - post-implementation - in excess of right-of-use asset	<u>2,724</u>
	TOTAL	<u>\$ 194,093</u>

A - This is the ending balance of the right-of-use assets related to all leases the Company entered into or modified prior to December 15, 2018.

B - This is the ending balance of the right-of-use liabilities related to all leases the Company entered into or modified on or after December 15, 2018 up to the amount of the corresponding right-of-use assets. See Note 9 to the attached basic financial statements for terms of the leases involved.

C - This is the ending balance of the right-of-use liabilities related to all leases the Company entered into or modified on or after December 15, 2018 in excess of the corresponding right-of-use assets.

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

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**B. FINANCIAL RESPONSIBILITY (Continued)**

The Company's composite scores are calculated as follows:

	<u>2022</u>	<u>2021</u>
Primary reserve ratio	0.900	0.900
Equity ratio	1.200	1.200
Net income ratio	<u>0.435</u>	<u>0.900</u>
 SUM OF ALL RATIOS	 <u>2.535</u>	 <u>3.000</u>
 COMPOSITE SCORE	 <u>2.5</u>	 <u>3.0</u>

As the composite scores are between 1.5 and 3.0, the Company is considered financially responsible under this general standard for the years ended December 31, 2022 and 2021, respectively.