



**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

FEDERAL ID #: 20-4325935

OPE ID #: 04157700

UEI #: HF5FKNUAZUL3

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**For the Years Ended December 31, 2022 and 2021**



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**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Members  
Big Dreams, LLC  
d/b/a The Salon Professional Academy

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Big Dreams, LLC d/b/a The Salon Professional Academy (the Company) (a Wisconsin limited liability company), which comprises the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members' 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 Big Dreams, LLC d/b/a The Salon Professional Academy, 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 Big Dreams, LLC d/b/a The Salon Professional Academy 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 7 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 manner.

## **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 Big Dreams, LLC d/b/a The Salon Professional Academy's 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 Big Dreams, LLC d/b/a The Salon Professional Academy'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 Big Dreams, LLC d/b/a The Salon Professional Academy'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.

### **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 6, 2023 on our consideration of Big Dreams, LLC d/b/a The Salon Professional Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of Big Dreams, LLC d/b/a The Salon Professional Academy's 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 Big Dreams, LLC d/b/a The Salon Professional Academy's internal control over financial reporting and compliance.

*Sikich LLP*

Naperville, Illinois  
June 6, 2023

## **FINANCIAL STATEMENTS**

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

**BALANCE SHEETS**

December 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 543,827	\$ 323,932
Accounts receivable, net	51,237	87,396
Prepaid supplies	35,184	27,342
	<hr/>	
Total current assets	630,248	438,670
	<hr/>	
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Leasehold improvements	482,842	466,911
Furniture and fixtures	219,744	219,744
Equipment	94,000	103,895
Vehicle	42,085	42,085
	<hr/>	
Subtotal	838,671	832,635
Less accumulated depreciation and amortization	(720,071)	(707,633)
	<hr/>	
Net property, plant, and equipment	118,600	125,002
	<hr/>	
<b>OTHER ASSETS</b>		
Operating lease right-of-use assets	1,461,803	-
Finance lease right-of-use assets	3,147	-
	<hr/>	
Total other assets	1,464,950	-
	<hr/>	
<b>TOTAL ASSETS</b>	<b>\$ 2,213,798</b>	<b>\$ 563,672</b>
	<hr/> <hr/>	

(This statement is continued on the following page.)

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

BALANCE SHEETS (Continued)

December 31, 2022 and 2021

	2022	2021
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,191	\$ 62,141
Note payable, current portion	8,845	8,328
Capital lease obligations, current portion	-	3,130
Deferred student tuition	154,540	57,407
Accrued liabilities	46,502	40,825
Operating lease liability, current portion	130,957	-
Finance lease liability, current portion	1,508	-
	366,543	171,831
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	6,282	15,169
Capital lease obligations, net of current portion	-	3,463
Operating lease liability, net of current portion	1,330,846	-
Finance lease liability, net of current portion	2,795	-
	1,339,923	18,632
Total liabilities	1,706,466	190,463
<b>MEMBERS' EQUITY</b>	507,332	373,209
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	\$ 2,213,798	\$ 563,672

See accompanying notes to financial statements.



**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

STATEMENTS OF INCOME AND MEMBERS' EQUITY

For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>REVENUE</b>		
Tuition and fees, net of refunds	\$ 1,295,885	\$ 1,087,441
Clinic	395,388	353,209
Retail	74,127	55,803
Rental income	33,600	33,600
Grant income	-	14,416
	1,799,000	1,544,469
<b>OPERATING EXPENSES</b>		
Educational services	639,549	460,842
General and administrative	495,704	385,595
Marketing and admissions	70,465	81,579
Occupancy	223,516	223,151
Depreciation and amortization	34,732	40,194
Loss on disposal of property, plant, and equipment	1,003	1,270
	1,464,969	1,192,631
Income from operations	334,031	351,838
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	8,158	9,910
Interest expense	(4,555)	(7,518)
	3,603	2,392
<b>NET INCOME</b>	337,634	354,230
<b>MEMBERS' EQUITY, BEGINNING OF YEAR</b>	373,209	268,021
Distributions	(203,511)	(249,042)
<b>MEMBERS' EQUITY, END OF YEAR</b>	\$ 507,332	\$ 373,209

See accompanying notes to financial statements.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 337,634	\$ 354,230
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	34,732	40,194
Loss on disposal of property, plant, and equipment	1,003	1,270
Changes in certain assets and liabilities		
Accounts receivable	36,159	(2,276)
Prepaid supplies	(7,842)	3,991
Accounts payable	(37,950)	(1,871)
Deferred student tuition	97,133	4,539
Deferred income - Higher Education Emergency Relief Funds	-	(20,890)
Accrued liabilities	5,677	4,614
	<u>128,912</u>	<u>29,571</u>
Total adjustments		
Net cash from operating activities	<u>466,546</u>	<u>383,801</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property, plant, and equipment	<u>(29,333)</u>	<u>(43,728)</u>
Net cash from investing activities	<u>(29,333)</u>	<u>(43,728)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable	(8,370)	(7,880)
Payments on finance lease liability	(5,437)	(1,134)
Distributions to members	<u>(203,511)</u>	<u>(249,042)</u>
Net cash from financing activities	<u>(217,318)</u>	<u>(258,056)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	219,895	82,017
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>323,932</u>	<u>241,915</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 543,827</u>	<u>\$ 323,932</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 4,555</u>	<u>\$ 7,518</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Operating lease assets recorded upon implementation of ASC 842	\$ 1,590,644	\$ -
Finance lease assets recorded upon implementation of ASC 842	5,488	-
Issuance of capital lease obligation	<u>-</u>	<u>4,995</u>
<b>TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES</b>	<u>\$ 1,596,132</u>	<u>\$ 4,995</u>

See accompanying notes to financial statements.

**BIG DREAMS, LLC  
D/B/A THE SALON PROFESSIONAL ACADEMY**

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

Big Dreams, LLC d/b/a The Salon Professional Academy (the Company) was formed in the State of Wisconsin on February 14, 2006. The Company operates a cosmetology school in Onalaska, Wisconsin.

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 accounting principles generally accepted in the United States of America (USGAAP). As such, the Company has a related entity (KF Properties, LLC) as discussed in Note 11, that the Company is not required to evaluate or apply VIE guidance and is not consolidated in the accompanying financial statements.

Basis of Accounting

The books of account are maintained on the accrual basis in accordance with USGAAP.

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 \$182,000 at December 31, 2022. 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 allowance for doubtful accounts and a credit to trade accounts receivable. Accounts are considered delinquent when not collected within negotiated terms.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
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 \$0 and \$1,538 at December 31, 2022 and 2021, respectively. However, actual write-offs may exceed the allowance amount.

Prepaid Supplies

Prepaid supplies consist of various cosmetology 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 \$1,000. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	5-7
Furniture and fixtures	7
Equipment	5
Vehicle	5

Leasehold improvements are amortized over the shorter of the useful life 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 \$55,935 at December 31, 2022. The remaining useful lives of these leasehold improvements is 7 years at December 31, 2022. Depreciation and amortization expense is \$34,732 and \$40,194 for the years ended December 31, 2022 and 2021, respectively.

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. The deferred student tuition amount was calculated using the actual students' tuition based on the number of hours 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 \$85,120 and deferred student tuition at January 1, 2021 was \$52,868.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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 promises for educational services and course materials which are distinct performance obligations. The Company provides clinic services and sells retail product 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 deferred student tuition 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. Revenue associated with retail sales is recognized at the point in time when control transfers to the customer, which is at the point of sale.

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. The amount of the refund differs by school, program, and state, as some states require different policies. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

**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 expects to recognize the grant in the statement of income and members' equity 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 and members' equity.

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. Finance lease right of use "ROU" assets are included in "Other assets" and the corresponding lease liabilities are included in "Finance lease liability, current portion" and "Finance lease liability, net of current portion" on the balance sheet.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Leases (Continued)

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. 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 non-lease components, which are accounted for as a single lease component for all asset classes. Additionally, for certain equipment leases, the portfolio approach is applied to account for the operating lease ROU assets and lease liabilities. In the statements of income and members' equity, lease expense for operating lease payments is recognized on a straight-line basis over the lease term. For finance leases, interest expense is recognized on the lease liability and the ROU asset is amortized 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 \$18,194 and \$45,400, respectively.

Income Taxes

The Company operates as a limited liability company taxed as a subchapter S corporation. As such, income tax expense is not recorded. The net income for the Company flows through to its members and is taxed on their individual income tax returns.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Income Taxes (Continued)

The Company files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for years prior to 2019.

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 U.S. GAAP but does contain some targeted improvements to align with the new revenue recognition guidance, *Revenue from Contracts with Customers (Topic 606)*, issued in 2014.



**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
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. The Company elected the practical expedient provided for in ASU No. 2023-01, *Leases (Topic 842) Common Control Arrangements*, to use the written terms and conditions of a related party arrangement between entities under common control to determine whether that arrangement contains a lease.

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. NOTE PAYABLE**

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

	2022	2021
\$47,901 note payable to Dahl Toyota, dated August 27, 2018. Payable in 72 monthly installments of \$797, inclusive of interest at 6.04%. Secured by a vehicle.	\$ 15,127	\$ 23,497
Less current portion	(8,845)	(8,328)
<b>TOTAL NOTE PAYABLE, NET OF CURRENT PORTION</b>	<b>\$ 6,282</b>	<b>\$ 15,169</b>

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**2. NOTE PAYABLE (Continued)**

Future maturities of the note payable are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 8,845
2024	<u>6,282</u>
<b>TOTAL</b>	<b><u><u>\$ 15,127</u></u></b>

**3. EMPLOYEE RETENTION CREDIT**

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to a percentage of the qualified wages an eligible employer pays to employees after March 12, 2020, and before October 1, 2021. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. The Company has amended its payroll tax returns and received the credits. The Company recognized the \$45,473 credit in the statement of income and members' equity on a net basis as an offset against the related eligible expenses during the year ended December 31, 2021.

**4. PAYCHECK PROTECTION PROGRAM LOAN**

In February 2021, the Company received approval for a \$115,068 note payable through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The entire balance of the note has been forgiven. The Company recognized the government grant in the statement of income and members' equity on a net basis with the forgiven portion of the loan amount as an offset against the related eligible expenses and the loan was forgiven during the year ended December 31, 2021.

**5. HIGHER EDUCATION EMERGENCY RELIEF FUND**

In May 2020, the Company received approval for two grants totaling \$152,081 through the Higher Education Emergency Relief Fund (HEERF) as part of the CARES Act. No less than 50% of these funds are required to be provided to students for expenses related to the disruption of campus operations due to coronavirus. The remaining funds can be used to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. The Company recognized \$11,474 of the grants on the net basis as an offset against the related eligible expenses and \$9,416 on the gross basis as grant revenues for lost revenues and capitalized expenditures in the statement of income and members' equity during the year ended December 31, 2021.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**5. HIGHER EDUCATION EMERGENCY RELIEF FUND (Continued)**

In March 2021, the Company received approval for a grant totaling \$75,296 through HEERF II as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). These funds are required to be provided to students for expenses related to the disruption of campus operations due to coronavirus. The Company recognized the grant in the statement of income on a net basis as an offset against the related eligible expenses.

**6. REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

	<u>2022</u>	<u>2021</u>
<u>Nature of Services</u>		
Tuition revenues	\$ 1,060,509	\$ 954,490
Kit and textbook revenues	235,376	132,951
Clinic revenues	395,388	353,209
Retail revenues	74,127	55,803
	<u>                    </u>	<u>                    </u>
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>\$ 1,765,400</u>	<u>\$ 1,496,453</u>

	<u>2022</u>	<u>2021</u>
<u>Timing of Revenue Recognition</u>		
Services transferred over time	\$ 1,060,509	\$ 954,490
Goods and services transferred at a point in time	704,891	541,963
	<u>                    </u>	<u>                    </u>
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>\$ 1,765,400</u>	<u>\$ 1,496,453</u>

The Company offers programs of study that typically take up to 56 weeks 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.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)**

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.

**7. LEASE COMMITMENTS UNDER ASC 842**

The Company has operating and finance leases for its facilities and equipment. The Company's leases have remaining lease terms of 1 year to 11 years. Some leasing arrangements require variable payments that are dependent on usage, output, or may vary for other reasons, such as insurance and tax payments. The variable lease payments are not determinable at the commencement of the lease and are not included in the lease measurements of the initial ROU asset or lease liability. The Company's lease agreements do not contain any material restrictive covenants.

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

Lease Cost	Year Ended December 31, 2022
Operating lease cost	\$ 153,600
Finance lease cost	
Amortization of right-of-use assets	2,341
Interest on lease liabilities	693
Total finance lease cost	3,034
Short-term lease cost	-
Variable lease cost	1,078
Sublease income (See Note 8)	(33,600)
<b>TOTAL LEASE COST</b>	<b>\$ 124,112</b>

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Supplemental cash flow information related to leases is as follows:  
Cash paid for amounts included in the measurement of the lease liabilities:

	Year Ended December 31, 2022
Operating cash flows from operating leases	\$ 154,678
Operating cash flows from finance leases	693
Financing cash flows from finance leases	2,289

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

Lease Position	Year Ended December 31, 2022
Operating lease right-of-use assets	<u>\$ 1,461,803</u>
Operating lease liability, current	\$ 130,957
Operating lease liability, net of current portion	<u>1,330,846</u>
<b>TOTAL OPERATING LEASE LIABILITIES</b>	<u><b>\$ 1,461,803</b></u>
Finance lease right-of-use assets	<u>\$ 3,147</u>
Finance lease liability, current	\$ 1,508
Finance lease liability, net of current portion	<u>2,795</u>
<b>TOTAL FINANCE LEASE LIABILITIES</b>	<u><b>\$ 4,303</b></u>

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

Lease Term and Discount Rate	Year Ended December 31, 2022
Weighted-average remaining lease term (years)	
Operating leases	10.3
Finance leases	2.0
Weighted-average discount rate	
Operating leases	1.63%
Finance leases	12.90%

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Maturity of Lease Liabilities at December 31, 2022	Operating Leases	Finance Leases
2023	\$ 153,600	\$ 1,955
2024	153,600	1,612
2025	153,600	736
2026	153,600	-
2027	153,600	-
2028 and thereafter	819,200	-
Total future undiscounted lease payments	1,587,200	4,303
Less interest	(125,397)	-
PRESENT VALUE OF LEASE LIABILITIES	<u>\$ 1,461,803</u>	<u>\$ 4,303</u>

**8. LEASE COMMITMENTS UNDER ASC 840**

The Company leases its facility from KF Properties, LLC under a 21-year noncancelable operating lease that commenced on May 1, 2012. Monthly rent is \$12,800. Total rent expense under ASC 840 for the year ended December 31, 2021 is \$153,600.

The operating lease right-of-use assets for this lease that the Company entered into prior to December 15, 2018 is \$1,461,803 at December 31, 2022, and the operating lease liability for this lease that the Company entered into prior to December 15, 2018 is \$1,461,803 at December 31, 2022.

The Company subleases a portion of this facility to Sue Kolve's Hair Studio, under a 21-year noncancelable operating lease that commenced under ASC 840 on May 1, 2012. Monthly rental income is \$2,800. Rental income under ASC 840 for the year ended December 31, 2021 is \$33,600.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. LEASE COMMITMENTS UNDER ASC 840 (Continued)**

Future minimum rental proceeds under the terms of the lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 33,600
2024	33,600
2026	33,600
2026	33,600
2027	33,600
Thereafter	<u>179,200</u>
 TOTAL	 <u>\$ 347,200</u>

**9. CAPITAL LEASE OBLIGATION UNDER ASC 840**

The Company leases equipment under two capital leases expiring through March 2025. The capital leases call for monthly payments ranging from \$114 to \$126.

The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. The total value of the assets under the capital lease amounts to \$10,295 and is included in equipment. Total accumulated depreciation associated with these assets was \$4,808 as of December 31, 2021. Depreciation of assets under the capital leases is included in depreciation expense.

The interest rate on the leases range from 10.58% to 13.13%. The interest rates are computed based on the lower of the incremental borrowing rate at the inception of the lease or the lessor's implied rate of return. The title of the equipment will transfer to the Company at the end of the term with a cost of \$1.

The finance lease right-of-use assets for these leases that the Company entered into prior to December 15, 2018 is \$3,147 at December 31, 2022, and the finance lease liability for these leases that the Company entered into prior to December 15, 2018 for this lease is \$4,303 at December 31, 2022.

**10. RETIREMENT PLAN**

The Company sponsors a 401(k) plan for certain employees. The plan provides for the Company to make a required matching contribution. During the years ended December 31, 2022 and 2021, the Company made contributions of \$2,592 and \$2,462, respectively.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. 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:

Rent Income

The Company subleases a portion of its facility to Sue Kolve's Hair Studio, Inc., a company owned by 50% member, Sue Kolve-Feehan. Rental income for the years ended December 31, 2022 and 2021 is \$33,600, respectively.

Facility Lease

The Company leases its facility from KF Properties, LLC, a company owned by 50% members, Sue Kolve-Feehan and William Feehan. Rent expense for the years ended December 31, 2022 and 2021 is \$153,600.

**12. 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, non-recognized subsequent events).

Management has evaluated subsequent events through June 6, 2023, which was the date that these financial statements were available for issuance, and determined that there were no significant non-recognized 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 Members  
Big Dreams, LLC  
d/b/a The Salon Professional Academy

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 Big Dreams, LLC d/b/a The Salon Professional Academy, which comprise the balance sheet as of December 31, 2022, and the related statements of income and members’ equity and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated June 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Big Dreams, LLC d/b/a The Salon Professional internal control over financial reporting (internal control) as a basis for designing 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 Big Dreams, LLC d/b/a The Salon Professional Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Big Dreams, LLC d/b/a The Salon Professional Academy’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether Big Dreams, LLC d/b/a The Salon Professional Academy's 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 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.

### **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 Big Dreams, LLC d/b/a The Salon Professional Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Dreams, LLC d/b/a The Salon Professional Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Naperville, Illinois  
June 6, 2023

**SUPPLEMENTARY SCHEDULES**

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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:

	<u>Amount</u> <u>Disbursed</u>	<u>Adjusted</u> <u>Amount</u>
<b>Adjusted Student Title IV Revenue</b>		
Subsidized loans	\$ 273,993	\$ 273,993
Unsubsidized loans	329,397	329,397
PLUS loans	76,546	76,546
Federal Pell grants	<u>304,063</u>	<u>304,063</u>
<b>Student Title IV Revenue</b>	<u>\$ 983,999</u>	983,999
Revenue adjustment		(111,848)
Title IV funds returned for students under 34 C.F.R. §668.22		<u>(35,021)</u>
<b>Adjusted Student Title IV Revenue</b>		837,130

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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		<u>580,531</u>
<b>Student Non-Title IV Revenue</b>	<b>\$</b>	<b><u>580,531</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))	\$	395,388
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>395,388</u></b>

<b>Total Non-Title IV Revenue</b>		<u>\$ 975,919</u>
<b>Total Revenue</b>		<u>\$ 1,813,049</u>
<b>Numerator</b>	<u>\$ 837,130</u>	46%
<b>Denominator</b>	\$ 1,813,049	

For the fiscal year ended December 31, 2021, the Company received \$713,570 of revenues from Title IV programs out of \$1,391,095 of eligible cash basis revenue totaling 51%.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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 - total members' equity	Total equity	\$ 507,332
N/A	Secured and unsecured related party receivables and/or other related party assets	\$ -
N/A	Unsecured related party receivables and/or other related party assets	-
Balance sheet - property, plant, and equipment, net	Property, plant, and equipment, net - including construction in progress	118,600
Table 1 - Line A	Property, plant, and equipment, net - including pre-implementation less any construction in progress	5,249
Table 1 - Line B	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt	3,163
Table 1 - Line D	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt	110,188

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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	\$ -
N/A	Intangible assets	-
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	\$ 15,127
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation	15,127
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant, and equipment	-
N/A	Line of credit for construction in process	-
Table 3 - Line A	Lease right-of-use assets - pre-implementation	1,462,068
Table 3 - Line B	Lease right-of-use assets - post-implementation	2,882
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation	1,462,138
Table 4 - Line B	Lease right-of-use liabilities - post-implementation	2,882
Statement of income and members' equity - total operating expenses and interest expense	Total expenses and losses	1,469,524

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

**B. FINANCIAL RESPONSIBILITY (Continued)**

Equity Ratio

	<u>Modified Equity</u>	
Balance sheet - members' equity	Total equity	\$ 507,332
Table 3 - Line A	Lease right-of-use assets - pre-implementation	1,462,068
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation	1,462,138
N/A	Intangible assets	-
N/A	Secured and unsecured related party receivables and/or other related party assets	\$ -
N/A	Unsecured related party receivables and/or other related party assets	-
	<u>Modified Assets</u>	
Balance sheet - total assets	Total assets	2,213,798
Table 3 - Line A	Lease right-of-use assets - pre-implementation	1,462,068
N/A	Intangible assets	-
N/A	Secured and unsecured related party receivables and/or other related party assets	-
N/A	Unsecured related party receivables and/or other related party assets	-

Net Income Ratio

Statement of income and members' equity - net income	Income before taxes	\$ 337,634
Statement of income and members' equity - total revenue and interest income	Total revenues and gains	1,807,158



**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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		\$	5,249
B	Post-implementation property, plant, and equipment			3,163
	Vehicle	\$	3,163	
	Furniture		-	
	Computers		-	
C	Construction in progress			-
D	Post-implementation property, plant, and equipment			<u>110,188</u>
	TOTAL		\$	<u><u>118,600</u></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.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2022 and 2021

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**B. FINANCIAL RESPONSIBILITY (Continued)**

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

A	Pre-implementation long-term debt		\$	5,249
B	Allowable post-implementation long-term debt			-
	Vehicles	\$	-	
	Equipment		-	
	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			<u>9,878</u>
	TOTAL		\$	<u><u>15,127</u></u>

A - This is the ending balance of the last financial statement submission prior to the implementation of the regulations - less in repayments. See Note 2 to the attached basic financial statements for the terms of the note payable with Dahl Toyota.

B - This is the lesser of actual outstanding debt of each assets or the value of the asset.

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 and the excess of the value of the assets over the long-term debt in Line A.

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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	\$ 1,462,068
B	Lease right-of-use assets - post-implementation	<u>2,882</u>
	TOTAL	<u><u>\$ 1,464,950</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. See Note 7 to the attached basic financial statements for terms of the leases involved.

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 7 to the attached basic financial statements for terms of the leases involved.

Table 4 - Lease Right-of-Use Liabilities

A	Lease right-of-use liabilities- pre-implementation	\$ 1,462,138
B	Lease right-of-use liabilities - post-implementation	2,882
C	Lease right-of-use liabilities - post-implementation - in excess of right of use asset	<u>1,086</u>
	TOTAL	<u><u>\$ 1,466,106</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. See Note 8 and 9 to the attached basic financial statements for terms of the leases involved.

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 7 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

**BIG DREAMS, LLC**  
**D/B/A THE SALON PROFESSIONAL ACADEMY**

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:

	2022	2021
Primary reserve ratio	0.900	0.900
Equity ratio	1.200	1.200
Net income ratio	0.900	0.900
 SUM OF ALL RATIOS	 3.000	 3.000
 COMPOSITE SCORE	 3.0	 3.0

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.