

# San Joaquin Valley College, Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended December 31, 2022



**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
Year Ended December 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of San Joaquin Valley College, Inc. and Subsidiaries

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

#### Opinion

We have audited the accompanying consolidated financial statements of San Joaquin Valley College, Inc. (a California corporation) and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of San Joaquin Valley College, Inc. and Subsidiaries as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of San Joaquin Valley College, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Joaquin Valley College, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, continued

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 consolidated 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 consolidated 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 San Joaquin Valley College, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Joaquin Valley College, Inc. and Subsidiaries' 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.

### Other Matters

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Note 14 on San Joaquin Valley College, Inc. and Subsidiaries' calculation of its Title IV 90/10 Revenue Test and Note 11 on related party transactions are required by the U. S. Department of Education and presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023 on our consideration of San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 San Joaquin Valley College, Inc. and Subsidiaries' 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 San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
May 30, 2023

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheet**  
December 31, 2022

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**ASSETS**

Current Assets:

Cash	\$ 21,846,679
Cash - restricted	5,164,122
Marketable securities	1,939,406
Accounts receivable - students, net of allowance for doubtful accounts	11,047,407
Accounts receivable - related parties	1,120,499
Accounts receivable - other	862,105
Current portion of retail installment contracts, net of allowance for doubtful accounts	11,516,080
Current portion of notes receivable - related parties	267,024
Inventory	2,433,424
Prepaid expenses	<u>2,612,746</u>
Total Current Assets	58,809,492

Noncurrent Assets:

Deposits	1,848,073
Retail installment contracts, net of current portion and allowance for doubtful accounts	17,816,287
Notes receivable, net of current portion - related parties	1,362,101
Operating lease right-of-use asset	34,800,391
Property and equipment, net of accumulated depreciation	<u>14,767,637</u>
	<u>70,594,489</u>
	<u>\$ 129,403,981</u>

**LIABILITIES AND EQUITY**

Current Liabilities:

Accounts payable	\$ 3,838,924
Accounts payable - related parties	461,126
Stockholder distributions payable	4,760,433
Accrued salaries and wages	4,337,780
Accrued compensated absences	4,253,989
Accrued profit sharing	1,200,000
Accrued other expenses	5,787,670
Current portion of operating lease liabilities	17,124,957
Unearned income	<u>27,370,223</u>
Total Current Liabilities	69,135,102

Noncurrent Liabilities:

Operating lease liabilities, net of current portion	<u>19,332,395</u>
Total Liabilities	88,467,497

Equity:

Common stock	340
Additional paid-in capital	10,000
Retained earnings	<u>40,926,144</u>
Total Equity	<u>40,936,484</u>
	<u>\$ 129,403,981</u>

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Income**  
Year Ended December 31, 2022

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Operating Income:	
Educational	\$ 274,780,899
Operating Expenses:	
General and administrative	121,768,580
Course instruction materials and services	90,851,485
Student recruitment	42,846,928
Depreciation	<u>4,765,743</u>
	<u>260,232,736</u>
Income from Operations	14,548,163
Other Income (Expense):	
Interest income	880,419
Interest expense	(85,362)
Investment expense	(345,028)
Other income	735,871
Other expense	<u>(953,258)</u>
	<u>232,642</u>
Income Before Income Taxes	14,780,805
Income Tax Expense - current, state	<u>609,044</u>
Net Income	<u>\$ 14,171,761</u>

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Changes in Equity**  
Year Ended December 31, 2022

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	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2021	\$ 340	\$ 10,000	\$ 41,431,442	\$ 41,441,782
Stockholder and Partner Distributions	-	-	(14,677,059)	(14,677,059)
Net Income	-	-	14,171,761	14,171,761
Balance at December 31, 2022	<u>\$ 340</u>	<u>\$ 10,000</u>	<u>\$ 40,926,144</u>	<u>\$ 40,936,484</u>

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Cash Flows**  
Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Net income	\$ 14,171,761
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,765,743
Net realized and unrealized losses on investments	345,028
Loss on disposal of property and equipment	170,988
Non-cash operating lease expense	(1,126,843)
Changes in operating assets and liabilities:	
Accounts receivable - students, net	5,438,725
Accounts receivable - related parties	2,081,223
Accounts receivable - other	(351,424)
Retail installment contracts, net	(806,713)
Inventory	223,644
Prepaid expenses	399,824
Deposits	27,118
Accounts payable	(1,092,713)
Accounts payable - related parties	461,126
Accrued salaries and wages	1,783,175
Accrued compensated absences	(201,483)
Accrued profit sharing	200,000
Accrued other expenses	(343,226)
Unearned income	<u>(14,946,841)</u>
Net Cash Provided by Operating Activities	11,199,112
Cash Flows from Investing Activities:	
Purchases of marketable securities	(82,900)
Purchases of property and equipment	(2,292,813)
Proceeds from sale of property and equipment	44,000
Collections on notes receivable - related parties	<u>260,115</u>
Net Cash Used by Investing Activities	(2,071,598)
Cash Flows from Financing Activities:	
Payments of long-term debt	(1,924,195)
Stockholder and partner distributions	<u>(11,106,734)</u>
Net Cash Used by Financing Activities	<u>(13,030,929)</u>
Net Decrease in Cash and Restricted Cash	(3,903,415)
Cash and Restricted Cash, beginning	<u>30,914,216</u>
Cash and Restricted Cash, ending	<u>\$ 27,010,801</u>
Cash and Restricted Cash consist of the following:	
Cash	\$ 21,846,679
Cash - restricted	<u>5,164,122</u>
	<u>\$ 27,010,801</u>
Supplemental Disclosures of Cash Flow Information:	
Interest paid	\$ <u>133,546</u>
Income taxes paid	\$ <u>609,044</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:	
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 50,699,747</u>

See accompanying notes to consolidated financial statements.



## **SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

Year Ended December 31, 2022

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#### **Note 1 – Organization and Summary of Significant Accounting Policies**

##### Nature of Operations

San Joaquin Valley College, Inc.'s (SJVCi) had its beginnings in April 1977 when the original founders established a private junior college, San Joaquin Valley College (SJVC). In December 2018, SJVCi acquired Carrington College Holdings, LLC and Subsidiaries (collectively, Carrington).

Accredited by the Western Association of Schools and Colleges, SJVC is in the business of providing certificate and degree-granting courses. It currently operates seventeen campuses located in California. SJVC also provides education through online operations.

Accredited by the Western Association of Schools and Colleges, Carrington is in the business of providing certificate and degree-granting courses. It currently operates fifteen campuses located in Arizona, California, Idaho, Nevada, New Mexico, Oregon, and Washington. Carrington also provides education through online operations.

1977 Holdings, LLC (1977 Holdings) was formed to hold an airplane that is leased to SJVC. 1977 Holdings is a single member LLC whose sole member is SJVC.

##### Principles of Consolidation

The consolidated financial statements include the accounts of SJVC, Carrington, and 1977 Holdings (collectively, the Company). All significant intercompany transactions and balances have been eliminated. These consolidated financial statements are not those of a separate legal entity.

##### New Accounting Pronouncement

The Company adopted Accounting Standards Update (ASU) 2016-02, *Leases* as of January 1, 2022. The standard provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard supersedes previous accounting principles generally accepted in the United States of America (U.S. GAAP) guidance on leases and requires substantially all leases to be reported on the consolidated balance sheet as right-of-use assets and lease liabilities, as well as additional disclosures (See Note 7). The Company adopted this standard using the modified retrospective approach. Upon adoption the Company recognized right-of-use assets of \$45,148,712 and operating lease liabilities of \$47,932,516 and removed deferred rent lease liabilities from the previous standard of \$2,783,804.

##### Restricted Cash

Restricted cash represents amounts received from federal and state governments under grants and various student aid and loan programs. Such restricted funds are held in separate bank accounts.

##### Revenue Recognition

Revenues for SJVC and Carrington (collectively, the Colleges) primarily consist of tuition, fees and other educational products. The Colleges recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Colleges expect to be entitled to in exchange for those goods or services. These revenues are recognized net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by the Colleges related to student financing programs.

Educational income, composed of tuition and fees, represents costs to students for educational services provided by the Colleges. The Colleges charge tuition and fees at varying amounts, depending on the location of the institution, the type of program and specific curriculum. The Colleges bill students a single charge that covers tuition and required fees and program materials, such as textbooks and supplies. The tuition income and required fees and program materials are recognized over the duration of each class. Tuition income charged but not yet earned is recorded as unearned income. Therefore, tuition and required fees and program materials are recognized as a student attends class and progresses towards graduation.

Revenue from grants is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant authorized.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

Revenue Recognition, continued

Other educational products, which consists primarily of optional course materials, bookstore sales and enrollment and retake fees, are billed and recognized as goods or services are delivered.

Marketable Securities

The Company classifies its investments in marketable securities into one of three categories: held to maturity, available for sale, or trading. All marketable securities of the Company have been categorized as available for sale. Available for sale equity investments are stated at fair value in the consolidated financial statements, with realized and unrealized gains and losses included in income before taxes in the consolidated statement of income.

Accounts and Retail Installment Contracts Receivable

Accounts and retail installment contracts receivable are recorded at actual amounts billed. An allowance for doubtful accounts is recorded to adjust the receivables to estimated net realizable value and a corresponding recognition of bad debt expense is recorded to adjust educational income. The provision for uncollectible receivables and retail installment contracts has been estimated based on a percentage of accounts receivable that reflects historical actual uncollectible accounts and current conditions.

Inventory

Inventory consists primarily of iPads and miscellaneous class supplies. The items are valued at the lower of cost (specific identification method) or net realizable value.

Property and Equipment

The Company capitalizes all expenditures for property and equipment paid for with grant awards in excess of \$5,000 and all others in excess of \$10,000. Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation is provided using straight-line and accelerated methods over estimated useful lives of the assets of one to 39 years. Upon disposal, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are reflected in the consolidated statement of income.

Income Taxes

The Colleges have elected to be taxed under the provisions of subchapter S of the Internal Revenue Code. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Colleges do not incur federal income tax obligations.

Income of the Colleges is subject to California franchise tax. Income or loss of 1977 Holdings is that of the sole member for federal income tax purposes. Accordingly, no provision for federal income taxes is made in the accompanying consolidated financial statements. For state income tax purposes, 1977 Holdings is subject to income tax. Accordingly, a provision for state income taxes is made in the consolidated financial statements. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision.

The Company follows accounting standards related to the recognition of uncertain tax positions. These standards provide detailed guidance for consolidated financial statement recognition, measurement and disclosure of uncertain tax positions taken or expected to be taken on the income tax returns. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. Management has determined that the Company does not have any uncertain tax positions as of December 31, 2022.

Advertising

The cost of advertising is expensed as it is incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 1 – Organization and Summary of Significant Accounting Policies, continued**

Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2022 from prior years.

*Mutual Funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

The carrying value of cash, receivables, retail installment contracts, notes receivable, payables, and operating lease liabilities approximates fair value at December 31, 2022, due to the relative short maturities of these instruments.

Subsequent Events

The Company has evaluated subsequent events through May 30, 2023, which is the date the consolidated financial statements were available to be issued.

**Note 2 – Marketable Securities**

Marketable securities consist of the following and are categorized in the fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Intermediate-Term Bond	\$ 540,191	\$ -	\$ -	\$ 540,191
Short-Term Bond	393,870	-	-	393,870
World Bond	299,649	-	-	299,649
Bank Loan	281,490	-	-	281,490
High Yield Bonds	278,965	-	-	278,965
World Large Stock	66,364	-	-	66,364
Market Neutral	60,424	-	-	60,424
Multialternative	18,453	-	-	18,453
	<u>\$ 1,939,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,939,406</u>

Net realized and unrealized losses of \$345,028 have been reported in consolidated net income in the consolidated statement of income for the year ended December 31, 2022.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 3 – Accounts Receivable and Retail Installment Contracts**

The Colleges have entered into financing arrangements with some of their students. Accounts receivable and retail installment contracts consist of the following:

Accounts Receivable - Students:		
Current, net of allowance for doubtful accounts of \$5,783,278	\$	11,047,407
Retail Installment Contracts:		
Current, net of allowance for doubtful accounts of \$4,782,294		11,516,080
Noncurrent, net of allowance for doubtful accounts of \$5,373,023		<u>17,816,287</u>
	\$	<u><u>40,379,774</u></u>

**Note 4 – Property and Equipment**

Property and equipment consist of the following:

Leasehold improvements	\$	32,411,775
Classroom equipment		31,121,239
Furniture and office equipment		20,703,695
Transportation equipment		4,004,421
Construction in progress		<u>353,945</u>
		88,595,075
Less accumulated depreciation		<u>(73,827,438)</u>
	\$	<u><u>14,767,637</u></u>

**Note 5 – Common Stock**

SJVC is authorized to issue 5,000 shares of common stock, consisting of 4,000 shares of Series A common stock and 1,000 shares of Series B common stock. Series B common stock includes all rights, preferences, and privileges of Series A common stock, except for the right to vote. SJVC has 2,464 shares of Series A common stock and 616 shares of Series B common stock outstanding at December 31, 2022. The shares have a par value of \$.11. SJVC paid \$1 for the membership interest of Carrington stock outstanding as of December 31, 2022.

**Note 6 – Revenue Recognition**

Disaggregated Revenue

The following table presents the Colleges' educational income based on the revenue source for the year ended December 31, 2022:

Performance obligations satisfied over time:		
Tuition	\$	273,647,846
Performance obligations satisfied at a point in time:		
Retake fees		510,220
Supplies		356,477
Other course materials		<u>266,356</u>
Total	\$	<u><u>274,780,899</u></u>

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 6 – Revenue Recognition, continued**

Contract Balances

The timing of billings, cash collections and revenue recognition results in accounts receivable (contract assets) and unearned income (contract liabilities) on the consolidated balance sheet. The Colleges have various billing and academic cycles and recognize student receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that it is probable that the Colleges will collect substantially all of the consideration to which they are entitled to in exchange for the goods and services that will be transferred to the student.

For each session, the portion of tuition and fee payments billed to students but not yet earned is recorded as a contract liability and is reported as unearned income on the consolidated balance sheet. A contract asset is recorded for each student for the current session for which they are enrolled for the amount billed for the current session that has not yet been received as payment and to which the Colleges do not have the unconditional right to receive payment because the student has not reached the point in the student’s current academic session at which the amount billed is no longer refundable to the student.

The contract asset is offset against the unearned income balance for the current session and the net unearned income balance is reflected within current liabilities on the consolidated balance sheet. Accounts receivable are recorded once the student reaches the point in the academic session when amounts are no longer refundable to the student.

The beginning and ending contract balances are as follows at December 31:

	2022	2021
Accounts receivable - students, net of allowance for doubtful accounts	\$ 11,047,407	\$ 16,486,132
Retail installment contracts receivable, net of allowance for doubtful accounts	\$ 29,332,367	\$ 28,525,654
Unearned income	\$ 27,370,223	\$ 42,317,064

Performance Obligations

The Colleges performance obligation is to provide educational services in the form of instruction during the academic session. The performance obligation for tuition is satisfied over time on a daily straight-line basis over the course of an academic session. The transaction price is determined based on gross price, net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by the Colleges related to student financing programs. Other educational product revenue is recognized when products are shipped or students receive access to electronic materials. Under certain circumstances, the Colleges report revenue from these transactions on a net basis because the performance obligation is to facilitate a transaction between the student and a vendor.

For tuition, arrangements for payment are agreed on prior to registration of the student’s first academic session. Students finance costs through a variety of funding sources, including, among others, federal loan and grant programs, institutional payment plans, Veterans’ Administration and other military funding and grants, private and institutional scholarships and cash payments. The majority of students obtain Title IV or other financial aid resulting in the Colleges receiving a significant amount of the transaction price at the beginning of the academic session. Students utilizing private funding or funding through the Colleges’ institutional loan program generally pay during or after the academic session is complete. Students who have not applied for any type of financial aid generally set up a payment plan with the Colleges and make payments on a monthly basis per the terms of the payment plan.

If a student withdraws from classes prior to the completion of the academic session, the extent of the student’s obligation for tuition and fees depends on when that student withdraws during the academic session. The Colleges reduce the student’s obligation based on the Colleges institutional refund policies. According to the refund policy, if a student withdrew from school after attending classes for at least 60% of a session, the student would not be eligible for any refund of tuition.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 6 – Revenue Recognition, continued**

Performance Obligations, continued

Accordingly, the student would owe the Colleges the balance of tuition and fees that has not been received already either in the form of financial aid or payments from the student. However, if a student withdraws from school prior to attending classes for at least 60% of a session, the Colleges may reduce the amount of a student's obligation for tuition and fees ratably under which, in general, the greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the Colleges for the tuition and fees related to that academic session. There is no remaining performance obligation for students who have withdrawn from classes, and once the refund calculation is performed and funds are returned to the student, if necessary, no further consideration is due back to the student.

Significant Judgments

The Colleges analyze revenue recognition on a portfolio approach under ASC Topic 606, *Revenue from Contracts with Customers*. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. The Colleges have determined that all of the students can be grouped into one portfolio. Based on past experience, students at different campuses, in different programs or with different funding, all behave similarly.

Enrollment agreements all contain similar terms, refund policies are similar across all student contracts, and the majority of students work with the campus to obtain some type of funding. The Colleges do not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if we were to assess each student contract separately.

Significant judgment is also required to assess collectability, particularly as it relates to students seeking funding under Title IV programs. Because students are required to provide documentation, and in some cases extensive documentation, to the Department of Education to be eligible and approved for funding, the timeframe for this process can sometimes span between 90 to 120 days. The Colleges monitor the progress of students through the eligibility and approval process and assess collectability for the portfolio each reporting period to monitor that the collectability threshold is met.

**Note 7 – Leasing Arrangements**

The Company has operating leases of office buildings, copiers and vehicle agreements with contractual periods ranging from one to seven years. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Some of the leases contain one or more options to extend. The exercise of lease renewal options is generally at the Company's sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Certain lease agreements also contain lease incentives, such as tenant improvement allowances and rent holidays. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees. The Company elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed the Company to carry forward the historical lease classification.

The Company has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g. maintenance and operating services), excluding real estate leases. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred.

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Company determines the discount rate, the lease term, and the lease payments.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 7 – Leasing Arrangements, continued**

When the discount rate implicit in a lease is not readily determinable, the Company calculates the lease liability using the incremental borrowing rate, which is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. These are estimated using actual borrowing costs and making necessary adjustments.

The following summarizes the operating leases as of December 31, 2022:

Operating Leases

Operating lease right-of-use assets	\$ 34,800,391
Current portion of operating lease liabilities	17,124,957
Operating lease liabilities, net of current portion	<u>19,332,395</u>
Total operating lease liabilities	<u>\$ 36,457,352</u>

The amounts contractually due on operating lease liabilities as of December 31, 2022 were as follows:

2023	\$ 17,124,957
2024	11,028,294
2025	7,724,731
2026	5,321,638
2027	4,339,484
Thereafter	<u>3,063,447</u>
Total lease payments	48,602,551
Less interest	<u>(12,145,199)</u>
Present value of lease liabilities	<u>\$ 36,457,352</u>

The following summarizes the line items in the consolidated statement of income which include the components of lease expense for the year ended December 31, 2022:

Operating lease expense included in occupancy expense	\$ 18,441,092
Short-term lease expense included in occupancy expense	<u>273,700</u>
Total lease cost	<u>\$ 18,714,792</u>

Supplemental cash flow information related to leases for the year ended December 31, 2022 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 19,567,935
Right-of-use assets obtained in exchange for operating lease liabilities at adoption of ASU 2016-12	\$ 45,148,712
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 5,551,035

Supplemental consolidated balance sheet information related to leases as of December 31, 2022 was as follows:

Weighted-average remaining lease term in years for operating leases	3.71
Weighted-average discount rate for operating leases	6.36%

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 7 – Leasing Arrangements, continued**

Related party leases include the following at December 31, 2022:

Operating right-of-use assets	\$	2,222,511
Operating lease liabilities	\$	2,343,258
Operating lease expense	\$	2,290,774
Operating cash flows from operating lease	\$	2,431,939

Under previous leasing standards, future minimum lease payments for the non-cancellable operating leases at December 31, 2021 required under the above operating leases are as follows:

2022	\$	20,118,602
2023		15,295,575
2024		9,069,163
2025		5,177,618
2026		3,284,069
Thereafter		<u>2,015,605</u>
	\$	<u>54,960,632</u>

Rent expense under all operating lease agreements was approximately \$21,300,000 for the year ended December 31, 2021.

**Note 8 – Line of Credit**

The Company maintains a line of credit with a financial institution with a current borrowing limit of \$2,000,000, maturing December 2028. Interest is variable, based on the bank's prime rate of interest. At December 31, 2022, the Company had no outstanding balance. The line is collateralized by the Company's real property and requires the maintenance of certain financial covenants. Management is not aware of any violations of the financial covenants at December 31, 2022.

**Note 9 – Defined Contribution Retirement Plan**

The Company sponsors a defined contribution profit sharing plan covering substantially all of its employees. The 401(k) element allows employees to elect to contribute to the plan up to a specified percent of their salaries, subject to specified limits of the law. The plan also provides for a discretionary matching provision. Employer contributions are discretionary and are determined annually by management. The Company made \$1,200,000 in contributions to the plan for the year ended December 31, 2022.

**Note 10 – Advertising**

Advertising expense was \$25,729,959 for the year ended December 31, 2022.

**Note 11 – Related Party Transactions**

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

SJVC leases multiple office spaces from three different related parties, Perry Enterprises 8344, LLC, Perry Brothers Enterprises, LLC, and a board member.



## SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Year Ended December 31, 2022

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#### Note 11 – Related Party Transactions, continued

Transactions and balances with related parties are reflected in the accompanying consolidated financial statements as follows:

Related party receivables	\$	1,120,499
Related party payables	\$	461,126
Related party revenue	\$	203,475
Related party expense	\$	2,290,774

The Company has notes receivable due from the two majority shareholders of \$1,629,125. The notes receivable bear interest at 3% and are expected to be repaid in equal annual payments by December 2027. The Company also has accounts payable of \$375,946 due to the two majority shareholders which is included in accounts payable – related parties on the consolidated balance sheet at December 31, 2022.

#### Note 12 – Contingencies

The Company is occasionally engaged in legal proceedings incidental to its normal business activities. In the opinion of management, these proceedings are not material relative to the Company's consolidated financial position.

##### Grants and Contracts

Through the U.S. Department of Education, the Colleges were allocated \$24,487,465 in grants through the Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act Higher Education Emergency Relief Fund (HEERF), of which a minimum of \$12,243,730 must have been awarded as emergency financial aid grants to students with the remaining amounts available to be used on qualified institutional expenses. Through the U.S. Department of Education, the Colleges were also allocated \$23,169,077 in grants through the Education Stabilization Fund Under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) Economic Security Act HEERF, of which all funds must be awarded as emergency financial aid grants to students.

These grants are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits would not be material.

#### Note 13 – Concentrations of Credit Risk

##### Cash

The Company maintains cash accounts at various financial institutions. The balances at time may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

##### Educational Income

The Colleges' tuition charges are generally funded by various federal, state and local agencies in the form of student loans and grants. Most of the funds are provided over the duration of each applicable course. The funding is subject to annual reviews by various agencies involved and to ongoing changes in federal and state legislation.

Federal legislation has established financial responsibility ratios, and the Rule 90/10 Revenue Test for cash receipts compliance (Note 14), that must be maintained in order to retain Title IV student loans and grant funding, a significant source of the Colleges' revenue. In addition, student loan default rates are monitored and student loan funding can be lost temporarily by any institution that exceeds allowable student default rates for three consecutive years. Any disruption in the Colleges' eligibility to participate in Title IV programs would materially and adversely impact the Colleges' business and financial condition. The Colleges carefully monitor proper compliance with regulatory guidelines and maintain communication with Department of Education personnel in order to properly interpret regulations and stay in compliance with changes in federal requirements.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

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**Note 14 – Rule 90/10 Revenue Test**

The Department of Education enforces the Rule 90/10 Revenue Test, which provides that an institution receiving Title IV and HEA program funding used to satisfy tuition, fees and other institutional charges to students, monitor the percentage of these funds to total funds received from all sources for tuition, fees and other institutional charges for eligible programs. The percentage of Title IV and HEA program funding cannot exceed 90% of the total funds received from all sources. SJVC is composed of one Office of Postsecondary Education Identification (OPE ID) number, assigned by the U.S. Department of Education which is used to identify schools that have Program Participation Agreements (PPA) so that its students are eligible to participate in Federal Student Financial Assistance programs under Title IV regulations. SJVC is composed of one OPE ID and Carrington is composed of four OPE ID numbers.

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

**Note 14 – Rule 90/10 Revenue Test, continued**

A summary of revenues received for San Joaquin Valley College OPE ID #02120700 for the year ended December 31, 2022 from all sources for eligible program funding follows:

	<u>Amount Disbursed</u>	<u>Adjusted Amount</u>	
<b>Student Title IV Revenue</b>			
Subsidized Loan	\$ 24,986,723	\$ 24,986,723	
Unsubsidized Loan	32,156,489	32,156,489	
Federal Pell Grant	33,938,390	33,938,390	
FSEOG (subject to matching reduction)	1,199,874	899,906	
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	
Federal Direct PLUS Loan	7,754,580	7,754,580	
All Other Title IV Loans and Grants	-	-	
<b>Student Title IV Revenue</b>	<u>\$ 100,036,056</u>	<u>\$ 99,736,088</u>	
Revenue Adjustment:			
If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees.	-	(189,360)	
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue	-	(5,485,784)	
<b>Adjusted Student Title IV Revenue</b>	<u>\$ 100,036,056</u>	<u>\$ 94,060,944</u>	
<b>Student Non-Title IV Revenue</b>			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ 1,978,968	\$ 1,940,758	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	-	-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-	-	
Institutional scholarships disbursed to the student	-	-	
Student payments	35,022,147	28,453,803	
<b>Student Non-Title IV Revenue</b>	<u>\$ 37,001,115</u>	<u>\$ 30,394,561</u>	
<b>Revenue from Other Sources</b>			
Activities conducted by the institution that are necessary for education and training	\$ -	\$ -	
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training programs that is not eligible	-	-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-	-	
<b>Total Revenue from Other Sources</b>	<u>\$ -</u>	<u>\$ -</u>	
<u>Adjusted Title IV Revenue</u>		<u>\$ 94,060,944</u>	
<u>Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources</u>		<u>\$ 124,455,505</u>	75.58%

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

**Note 14 – Rule 90/10 Revenue Test, continued**

A summary of revenues received for Carrington College – California OPE ID #00974800 for the year ended December 31, 2022 from all sources for eligible program funding follows:

	<u>Amount Disbursed</u>	<u>Adjusted Amount</u>	
<b>Student Title IV Revenue</b>			
Subsidized Loan	\$ 13,783,914	\$ 13,783,914	
Unsubsidized Loan	16,091,998	16,091,998	
Federal Pell Grant	16,235,996	16,235,996	
FSEOG (subject to matching reduction)	571,482	428,477	
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	
Federal Direct PLUS Loan	2,728,718	2,728,718	
All Other Title IV Loans and Grants	-	-	
<b>Student Title IV Revenue</b>	<u>\$ 49,412,108</u>	<u>\$ 49,269,103</u>	
Revenue Adjustment:			
If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees.	-	(794,256)	
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue	-	(1,957,273)	
<b>Adjusted Student Title IV Revenue</b>	<u>\$ 49,412,108</u>	<u>\$ 46,517,574</u>	
<b>Student Non-Title IV Revenue</b>			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ 1,437,601	\$ 1,586,837	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	-	-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-	-	
Institutional scholarships disbursed to the student	-	-	
Student payments	19,798,830	16,134,297	
<b>Student Non-Title IV Revenue</b>	<u>\$ 21,236,431</u>	<u>\$ 17,721,134</u>	
<b>Revenue from Other Sources</b>			
Activities conducted by the institution that are necessary for education and training	\$ -	\$ -	
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training programs that is not eligible	-	-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-	-	
<b>Total Revenue from Other Sources</b>	<u>\$ -</u>	<u>\$ -</u>	
<u>Adjusted Title IV Revenue</u>		<u>\$ 46,517,574</u>	
<u>Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources</u>		<u>\$ 64,238,708</u>	72.41%

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

**Note 14 – Rule 90/10 Revenue Test, continued**

A summary of revenues received for Carrington College – Phoenix North OPE ID #02100600 for the year ended December 31, 2022 from all sources for eligible program funding follows:

	<u>Amount Disbursed</u>	<u>Adjusted Amount</u>	
<b>Student Title IV Revenue</b>			
Subsidized Loan	\$ 11,331,115	\$ 11,331,115	
Unsubsidized Loan	14,203,323	14,203,323	
Federal Pell Grant	13,282,756	13,282,756	
FSEOG (subject to matching reduction)	417,738	313,400	
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	
Federal Direct PLUS Loan	1,658,196	1,658,196	
All Other Title IV Loans and Grants	-	-	
<b>Student Title IV Revenue</b>	<u>\$ 40,893,128</u>	<u>\$ 40,788,790</u>	
Revenue Adjustment:			
If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees.	-	(527,249)	
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue	-	(1,470,823)	
<b>Adjusted Student Title IV Revenue</b>	<u>\$ 40,893,128</u>	<u>\$ 38,790,718</u>	
<b>Student Non-Title IV Revenue</b>			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ 1,105,830	\$ 1,396,455	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	-	-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-	-	
Institutional scholarships disbursed to the student	-	-	
Student payments	13,474,701	10,233,618	
<b>Student Non-Title IV Revenue</b>	<u>\$ 14,580,531</u>	<u>\$ 11,630,073</u>	
<b>Revenue from Other Sources</b>			
Activities conducted by the institution that are necessary for education and training	\$ -	\$ -	
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training programs that is not eligible	-	-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-	-	
<b>Total Revenue from Other Sources</b>	<u>\$ -</u>	<u>\$ -</u>	
<u>Adjusted Title IV Revenue</u>		<u>\$ 38,790,718</u>	
<u>Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources</u>		<u>\$ 50,420,791</u>	76.93%

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

**Note 14 – Rule 90/10 Revenue Test, continued**

A summary of revenues received for Carrington College – Boise OPE ID #02218000 for the year ended December 31, 2022 from all sources for eligible program funding follows:

	<u>Amount Disbursed</u>	<u>Adjusted Amount</u>	
<b>Student Title IV Revenue</b>			
Subsidized Loan	\$ 3,440,184	\$ 3,484,631	
Unsubsidized Loan	4,651,362	4,711,457	
Federal Pell Grant	2,267,565	2,296,862	
FSEOG (subject to matching reduction)	61,951	46,463	
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	
Federal Direct PLUS Loan	688,546	697,441	
All Other Title IV Loans and Grants	-	-	
<b>Student Title IV Revenue</b>	<u>\$ 11,109,608</u>	<u>\$ 11,236,854</u>	
Revenue Adjustment:			
If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees.	-	-	
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue	-	(351,737)	
<b>Adjusted Student Title IV Revenue</b>	<u>\$ 11,109,608</u>	<u>\$ 10,885,117</u>	
<b>Student Non-Title IV Revenue</b>			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ 192,940	\$ 686,130	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	-	-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-	-	
Institutional scholarships disbursed to the student	-	-	
Student payments	8,369,351	5,951,599	
<b>Student Non-Title IV Revenue</b>	<u>\$ 8,562,291</u>	<u>\$ 6,637,729</u>	
<b>Revenue from Other Sources</b>			
Activities conducted by the institution that are necessary for education and training	\$ -	\$ -	
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training programs that is not eligible	-	-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-	-	
<b>Total Revenue from Other Sources</b>	<u>\$ -</u>	<u>\$ -</u>	
Adjusted Title IV Revenue		<u>\$ 10,885,117</u>	
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources		<u>\$ 17,522,846</u>	62.12%

**SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2022

**Note 14 – Rule 90/10 Revenue Test, continued**

A summary of revenues received for Carrington College – Portland OPE ID #03042500 for the year ended December 31, 2022 from all sources for eligible program funding follows:

	<u>Amount Disbursed</u>	<u>Adjusted Amount</u>	
<b>Student Title IV Revenue</b>			
Subsidized Loan	\$ 1,657,993	\$ 1,657,993	
Unsubsidized Loan	2,019,782	2,019,782	
Federal Pell Grant	2,241,894	2,241,894	
FSEOG (subject to matching reduction)	93,800	70,350	
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	
Federal Direct PLUS Loan	190,218	190,218	
All Other Title IV Loans and Grants	-	-	
<b>Student Title IV Revenue</b>	<u>\$ 6,203,687</u>	<u>\$ 6,180,237</u>	
Revenue Adjustment:			
If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees.	-	(241,181)	
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue	-	(234,018)	
<b>Adjusted Student Title IV Revenue</b>	<u>\$ 6,203,687</u>	<u>\$ 5,705,038</u>	
<b>Student Non-Title IV Revenue</b>			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ 111,337	\$ 147,050	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	-	-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-	-	
Institutional scholarships disbursed to the student	-	-	
Student payments	1,842,814	1,457,676	
<b>Student Non-Title IV Revenue</b>	<u>\$ 1,954,151</u>	<u>\$ 1,604,726</u>	
<b>Revenue from Other Sources</b>			
Activities conducted by the institution that are necessary for education and training	\$ -	\$ -	
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training programs that is not eligible	-	-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-	-	
<b>Total Revenue from Other Sources</b>	<u>\$ -</u>	<u>\$ -</u>	
<u>Adjusted Title IV Revenue</u>		<u>\$ 5,705,038</u>	
<u>Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources</u>		<u>\$ 7,309,764</u>	78.05%

**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 Board of Directors  
of San Joaquin Valley College, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of San Joaquin Valley College, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income, changes in equity, and cash flows, for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 30, 2023.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting.

*A deficiency in internal control over financial reporting* 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 consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the San Joaquin Valley College, Inc. and Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. Such tests included compliance tests as set forth in the *Guide For Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties 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.



**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*, CONTINUED**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
May 30, 2023