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ADVANCED WELDING INSTITUTE, LLC

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Member
Advanced Welding Institute, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Advanced Welding Institute, LLC (a Vermont limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of operations and member's equity, and cash flows for the year 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 Advanced Welding Institute, LLC as of December 31, 2023, and the results of its operations and its 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 Financial Statements section of our report. We are required to be independent of Advanced Welding Institute, LLC 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.

Prior Period Financial Statements

The financial statements of Advanced Welding Institute, LLC as of December 31, 2022 were audited by Sikich LLP, whose report dated June 15, 2023, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

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 Advanced Welding Institute, LLC'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 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 Advanced Welding Institute, LLC'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 Advanced Welding Institute, LLC'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 audit as of and for the year ended December 31, 2023 was 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 audit 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.

The audit as of and for the year ended December 31, 2022 was 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 audit of the financial statements by Sikich LLP 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 the opinion of Sikich LLP, the information was fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2024 on our consideration of Advanced Welding Institute, LLC'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 the effectiveness of Advanced Welding Institute, LLC'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 Advanced Welding Institute, LLC's internal control over financial reporting and compliance.

Sikich CPA LLC

Naperville, Illinois
June 29, 2024

FINANCIAL STATEMENTS

ADVANCED WELDING INSTITUTE, LLC

BALANCE SHEETS

December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 616,318	$ 755,680
Accounts receivable, net of allowance for credit losses of $300 at December 31, 2023 and net of allowance for doubtful accounts of $800 at December 31, 2022	113,878	122,232
Due from related party	21,055	-
Inventory	8,500	4,500
Prepaid supplies	71,539	104,513
Prepaid expenses	5,117	10,145
Total current assets	836,407	997,070
PROPERTY, PLANT, AND EQUIPMENT		
Furniture and equipment	1,270,721	1,158,492
Leasehold improvements	460,269	458,414
Vehicles	247,155	208,569
Subtotal	1,978,145	1,825,475
Less accumulated depreciation and amortization	(791,873)	(656,405)
Net property, plant, and equipment	1,186,272	1,169,070
TOTAL ASSETS	$ 2,022,679	$ 2,166,140

(This statement is continued on the following page.)

ADVANCED WELDING INSTITUTE, LLC

BALANCE SHEETS (Continued)

December 31, 2023 and 2022

	2023	2022
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 91,742	$ 34,233
Notes payable, current portion	10,615	9,989
Line of credit, current portion	18,438	-
Deferred student tuition	565,266	469,953
Accrued liabilities	17,939	16,150
Total current liabilities	704,000	530,325
LONG-TERM LIABILITIES		
Notes payable, net of current portion	10,314	20,958
Line of credit, net of current portion	-	96,656
Total long-term liabilities	10,314	117,614
Total liabilities	714,314	647,939
MEMBER'S EQUITY	1,308,365	1,518,201
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 2,022,679	$ 2,166,140

See accompanying notes to financial statements.

ADVANCED WELDING INSTITUTE, LLC

STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY

For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE		
Tuition and fees, net of refunds	$ 2,386,542	$ 2,246,683
Retail	73,280	66,004
Gain on disposal of property	-	8,466
Total revenue	2,459,822	2,321,153
OPERATING EXPENSES		
Educational services	779,981	812,521
General and administrative	507,574	447,111
Marketing and admissions	184,989	185,679
Occupancy	214,625	208,398
Depreciation and amortization	135,468	122,751
Total operating expenses	1,822,637	1,776,460
Income from operations	637,185	544,693
OTHER INCOME (EXPENSE)		
Interest income	1,370	187
Interest expense	(8,049)	(3,791)
Total other expense	(6,679)	(3,604)
NET INCOME	630,506	541,089
MEMBER'S EQUITY, BEGINNING OF YEAR	1,518,201	1,451,673
Contributions	295,556	-
Distributions	(1,135,898)	(474,561)
MEMBER'S EQUITY, END OF YEAR	$ 1,308,365	$ 1,518,201

See accompanying notes to financial statements.

ADVANCED WELDING INSTITUTE, LLC

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 630,506	$ 541,089
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	135,468	122,751
Provision for credit losses	46,741	-
Gain on disposal of fixed assets	-	(8,466)
Changes in certain assets and liabilities		
Accounts receivable	(38,387)	(18,638)
Due from related party	(21,055)	-
Inventory	(4,000)	(450)
Prepaid supplies	32,974	(28,782)
Prepaid expenses	5,028	1,081
Accounts payable	57,509	(80,588)
Deferred student tuition	95,313	122,577
Deferred income - CARES Act	-	14,064
Accrued liabilities	1,789	-
Total adjustments	311,380	123,549
Net cash from operating activities	941,886	664,638
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	37,500
Payments for the purchase of property, plant and equipment	(152,670)	(373,559)
Net cash from investing activities	(152,670)	(336,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on notes payable	(10,018)	(5,897)
Proceeds from issuance of debt	-	31,722
Principal repayments on line of credit	(151,218)	(176,874)
Advances on line of credit	73,000	173,500
Contribution from member	295,556	-
Distributions to member	(1,135,898)	(474,561)
Net cash from financing activities	(928,578)	(452,110)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(139,362)	(123,531)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	755,680	879,211
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 616,318	$ 755,680
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 8,049	$ 3,791
Income taxes paid	$ -	$ -

See accompanying notes to financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advanced Welding Institute, LLC (the Company) was formed under the laws of the State of Vermont in 2003. The Company operates welding schools in South Burlington, Vermont and Eagle River, 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 with accounting principles generally accepted in the United States of America (USGAAP). As such, the Company has various related entities as discussed in Note 7, that the Company is not required to evaluate or apply VIE guidance and are not consolidated in the accompanying financial statements

Basis of Accounting

The books of account are maintained on an 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 one financial institution in excess of federally insured limits of approximately $220,000 at December 31, 2023. 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 credit losses and a credit to trade accounts receivable. Accounts are considered delinquent when not collected within negotiated terms.

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

Allowance for Credit Losses under ASC 326

The Company operates in the post-secondary education industry and its accounts receivables are primarily derived from contracts with students. At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Company's historical losses based on the student enrollment status as of each fiscal year end. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segment have remained constant since the Company's inception.

The Company writes off receivables within one year when students leave their respective programs of study. If any recoveries are made from any accounts previously written off, they will be recognized in income in the year of recovery. The total amount of write-offs was $47,241 for the year ended December 31, 2023.

Allowance for Doubtful Accounts under ASC 326

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 deemed uncollectible which is usually within one year of students leaving their respective programs of study students leave their respective programs of study. The allowance for doubtful accounts is $800 at December 31, 2022. However, actual write-offs may exceed the allowance amount.

Inventory

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventories consist of clothing and various welding supplies.

Prepaid Supplies

Prepaid supplies consist of various materials and equipment used during instruction.

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

Property, Plant, and Equipment

Property and equipment are stated at cost. The Company does not have a formal capitalization policy. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	Years
Furniture and equipment	3-10
Vehicles	5
Leasehold improvements	15-40

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 $400,906 at December 31, 2023. The remaining useful lives of these leasehold improvements is 3 years to 36 years at December 31, 2023. Depreciation and amortization expense is $135,468 and $122,751 for the years ended December 31, 2023 and 2022, 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 scheduled months remaining in the program. This liability is liquidated when tuition revenue is recognized over the remainder of the program. Accounts receivable at January 1, 2022 was $103,594, and deferred student tuition at January 1, 2022 was $347,376.

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. The Company sells retail product to the general public.

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

Revenue Recognition (Continued)

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 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.

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. 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.

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

Revenue Recognition (Continued)

Significant judgments include 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.

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 contain a lease.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2023 and 2022 is $28,310 and $40,644, 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 the member and is taxed on his individual income tax return.

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 2020.

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.

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

Adoption of New Accounting 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 recoverable, 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 adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

2. NOTE PAYABLE

The Company has the following note payable at December 31, 2023 and 2022:

	2023	2022
$31,722 note payable to GM Financial dated November 23, 2022, payable in 36 monthly installments of $966 inclusive of interest at 6.09%. Secured by a vehicle.	$ 20,929	$ 30,947
Total debt	20,929	30,947
Less current portion	(10,615)	(9,989)
TOTAL NOTE PAYABLE, NET OF CURRENT PORTION	$ 10,314	$ 20,958

2. NOTE PAYABLE (Continued)

Future maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2024	$ 10,615
2025	10,314
TOTAL	$ 20,929

3. LINE OF CREDIT

The Company has a $100,000 line of credit with Peoples State Bank originally dated September 15, 2020. On August 15, 2022, the credit line was increased to $250,000 with a maturity date of August 15, 2024. Advances on the line bear interest at the Wall Street Journal Prime rate. The interest is 8.5% at December 31, 2023. The outstanding balance on the line is $18,438 and $96,656 at December 31, 2023 and 2022, respectively.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue for the years ended December 31, 2023 and 2022 are as follows:

Nature of Services

	2023	2022
Tuition and fees - transferred over time	$ 2,386,542	$ 2,246,683
Retail revenues	73,280	66,004
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	$ 2,459,822	$ 2,312,687

Timing of Revenue Recognition

	2023	2022
Services transferred over time	$ 2,386,542	$ 2,246,683
Goods and services transferred at a point in time	73,280	66,004
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	$ 2,459,822	$ 2,312,687

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

The Company offers programs of study that typically take up to 15-24 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 of 1965, as amended (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 and instructor availability.

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.

5. LEASE COMMITMENTS

The Company has operating leases for its facilities. The Company's leases have remaining lease terms of one year or less. The Company's lease agreements do not contain any material restrictive covenants.

The components of lease expense for operating leases are included in the occupancy expense line items of the income statement for the year ended December 31, 2023 and 2022 are summarized as follows:

Lease Cost	2023	2022
Short- term lease cost	$ 126,802	$ 120,000
Total lease cost	$ 126,802	$ 120,000

6. RETIREMENT PLAN

The Company offers a SIMPLE IRA with a matching contribution up to 3% of the annual salary for all employees. The Company's contribution to the plan is $12,682 and $11,178 for the years ended December 31, 2023 and 2022, respectively.

7. RELATED PARTY TRANSACTIONS

The Company participates in federal programs authorized by Title IV of the HEA, 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, 2023 and 2022 are as follows:

Due from Related Party

The Company is owed $21,055 from Vermont Nondestructive Testing, Inc., owned 100% by Rick Irick, at December 31, 2023, for advances made less repayments. The amounts are unsecured, interest-free, and due on demand.

Facility Lease

The Company leases its Eagle River facility from Eagle River Properties, LLC, a company owned by member, Richard Irick, on a month-to-month basis. See Note 5 for details. Lease cost is $57,600 for the years ended December 31, 2023 and 2022, respectively.

8. SUBSEQUENT EVENTS

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

Management has evaluated subsequent events through June 29, 2024, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

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

To the Member
Advanced Welding Institute, LLC

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 Advanced Welding Institute, LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of operations and member's equity, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Advanced Welding Institute, LLC's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Advanced Welding Institute, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Advanced Welding Institute, LLC's internal control.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS 2023-01 that we consider to be a material weakness.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advanced Welding Institute, LLC'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 2023 edition of the U.S. Department of Education's *Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide and are described in the accompanying schedule of findings and questioned costs as item FS 2023-01.

Entity's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on Advanced Welding Institute, LLC's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Advanced Welding Institute, LLC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Sikich CPA LLC

Naperville, Illinois
June 29, 2024

FS 2023-01 - Retention of Source Documentation

Criteria: Effective internal controls over retention of source documentation provide reasonable assurance of the reliability of the 90/10 revenue percentage.

Condition: Source documentation and support was not provided for transactions selected for the 90/10 revenue percentage testing.

Cause: Management did not implement a document retention policy and management was unaware that transaction records were not maintained.

Effect: The 90/10 revenue percentage may contain material misstatements caused by error or omission that might go undetected by management.

Recommendation: We recommend that management implement internal controls over retention of source documentation for all transactions entered into and recorded by the Company.

Management Response and Corrective Action: Management acknowledged the lack of source documentation prevalent within the Company. Management agreed to organize and retain all support documents, in order to provide evidence of transactions included in the 90/10 revenue percentage.

SUPPLEMENTARY SCHEDULES

A. ATTESTATION OF REVENUE SOURCES

Advanced Welding Institute, LLC derives a substantial portion of its revenues from Federal educational assistance received directly by the school or by its students. To continue to participate in the programs authorized by Title IV of the HEA, the company must comply with the regulations promulgated under the HEA. The regulations require a proprietary school to derive at least 10% of its cash basis revenues for each fiscal year from sources other than Federal funds. If a school receives more than 90% of its cash basis revenues from Federal funds during its fiscal year, the school becomes provisionally certified for the next two fiscal years. If a school fails to satisfy this 90/10 requirement for two consecutive years, the school will lose its ability to participate in Title IV programs.

For the fiscal year ended December 31 2023, the Company's cash basis calculation is:

	Amount Disbursed	Adjusted Amount
STUDENT TITLE IV REVENUE		
Title IV Credit Balance Carried Over from Prior Year	$ 36,978	$ 36,978
Federal Direct Loan	591,450	591,450
Federal Pell Grant	225,948	225,948
FSEOG (subject to matching reduction)	-	-
FWS (subject to matching reduction)	-	-
Total Student Title IV Revenue	854,376	854,376
Revenue Adjustment and Refunds Paid to Students	-	(198,978)
Adjusted Student Title IV Revenue	854,376	655,398

A. ATTESTATION OF REVENUE SOURCES (Continued)

	Amount Disbursed	Adjusted Amount
STUDENT/OTHER FEDERAL FUNDS PAID DIRECTLY TO STUDENTS		
Veteran's Affair's / GI Bill	$ -	$ -
Total Student/Other Federal Funds Paid Directly to Students	-	-
Revenue Adjustment	-	-
Adjusted Student/Other Federal Funds Paid Directly to Students	-	-
STUDENT/OTHER FEDERAL FUNDS PAID DIRECTLY TO THE INSTITUTION		
Veteran's Affair's / GI Bill	81,607	81,607
Federal Funds - WIOA	96,260	96,260
Federal Funds - Other	500	500
Federal Portion of Other Funds	-	520
Total Student/Other Federal Funds Paid Directly to the Institution	178,367	178,887
Revenue Adjustment	-	(11,898)
Adjusted Student/Other Federal Funds Paid Directly to the Institution	178,367	166,989
Adjusted Student Federal Revenue	$ 1,032,743	$ 822,387

A. ATTESTATION OF REVENUE SOURCES (Continued)

	Amount Disbursed	Adjusted Amount
STUDENT NON-FEDERAL REVENUE		
Grant funds for the student from non-Federal public agencies or private sources independent of the institution		
Grant Funds - State Grant	$ 498,992	$ 498,992
Grant Funds - Other	77,991	77,471
Funds provided for the student under a contractual arrangement with a Federal, State, or local agency for the purpose of providing job training to low-income individuals	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	42,195	42,195
Qualified institutional scholarships disbursed to students	-	-
Student payments		
Third Party Loans	139,363	139,363
Third Party Loans-Related Party/Institutional Loans	-	-
ISA Institutional or Related Party	-	-
ISA	-	-
Student Cash	933,075	933,075
Student Non-Federal Revenue	1,691,616	1,691,096
Revenue Adjustment	-	(114,811)
Adjusted Student Non-Federal Revenue	$ 1,691,616	$ 1,576,285

A. ATTESTATION OF REVENUE SOURCES (Continued)

	Amount Disbursed	Adjusted Amount
REVENUE FROM OTHER SOURCES		
Activities conducted by the institution that are necessary for education and training	$ -	$ -
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-	-
Revenue from other sources	-	-
Adjusted Student Non-Federal Revenue	1,691,616	1,576,285
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	1,691,616	1,576,285
Adjusted Student Federal Revenue	1,032,743	822,387
Total Federal and Non-Federal Revenue	$ 2,724,359	$ 2,398,672
Adjusted Student Federal Revenue		$ 822,387
Adjusted Student Federal Revenue + Sum of Non-Federal Revenue and Revenue from Other Sources		$ 2,398,672
90/10 Percentage		34.29%

A. ATTESTATION OF REVENUE SOURCES (Continued)

As more than 10% of revenue is received outside Student Federal Revenue, the Company is in compliance with this eligibility requirement for the years ended December 31, 2023. The Company failed to provide supporting documentation for all requested payment sources.

For the fiscal year ended December 31, 2022, the Company received $703,178 of revenues from Title IV programs out of $2,246,637 of eligible cash basis revenue totaling 31.30%. As more than 10% of revenue is received outside Title IV programs, the Company is in compliance with this eligibility requirement for the years ended December 31, 2022.

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, 2023 are below:

Primary Reserve Ratio

	Adjusted Equity		
Balance sheet - member's equity	Total equity		$ 1,308,365
Balance sheet - due from related party	Secured and unsecured related party receivables and/or other related party assets	$ 21,055	
Balance sheet - due from related party	Unsecured related party receivables and/or other related party assets		21,055
Balance sheet - property, plant and equipment, net	Property, plant, and equipment, net - including construction in progress	1,186,272	
Table 1 - Line A	Property, plant, and equipment, net - including pre-implementation less any construction in progress		103,069
Table 1 - Line B	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		47,942
Table 1 - Line D	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		1,035,261

B. FINANCIAL RESPONSIBILITY (Continued)

Primary Reserve Ratio (Continued)

	Adjusted Equity (Continued)		
N/A	Construction in progress		$ -
N/A	Intangible assets		-
N/A	Post-employment and defined pension plan liabilities		-
Balance sheet - notes payable and line of credit (both current and long-term)	Long-term debt - for long-term purposes and construction in process debt	$ 39,367	
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation		-
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant and equipment		20,929
N/A	Line of credit for construction in process		-
N/A	Lease right-of-use assets - pre-implementation		-
N/A	Lease right-of-use assets - post-implementation		-
N/A	Lease right-of-use liabilities - pre-implementation		-
N/A	Lease right-of-use liabilities - post-implementation		-
Statement of operations and member's equity - total operating expenses and interest expense	Total expenses and losses		1,830,686

B. FINANCIAL RESPONSIBILITY (Continued)

Equity Ratio

	Modified Equity				
Balance sheet - member's equity	Total equity			$	1,308,365
N/A	Lease right-of-use assets - pre-implementation				-
N/A	Lease right-of-use liabilities - pre-implementation				-
N/A	Intangible assets				-
Balance sheet - due from related party	Secured and unsecured related party receivables and/or other related party assets	$	21,055		
Balance sheet - due from related party	Unsecured related party receivables and/or other related party assets				21,055
	Modified Assets				
Balance sheet - total assets	Total assets				2,022,679
N/A	Lease right-of-use assets - pre-implementation				-
N/A	Intangible assets				-
Balance sheet - due from related party	Secured and unsecured related party receivables and/or other related party assets		21,055		
Balance sheet - due from related party	Unsecured related party receivables and/or other related party assets				21,055

Net Income Ratio

Statement of operations and member's equity - net income before income taxes	Income before taxes	$	630,506
Statement of operations and member's equity - total revenue and interest income	Total revenues and gains		2,461,192

B. FINANCIAL RESPONSIBILITY (Continued)

Table 1 - Net Property, Plant, and Equipment

A	Pre-implementation property, plant, and equipment		$	103,069
B	Post-implementation property, plant, and equipment			47,942
	Furniture and equipment	$ -		
	Leasehold improvements	-		
	Vehicles	47,942		
C	Construction in progress			-
D	Post-implementation property, plant, and equipment			1,035,261
	TOTAL		$	1,186,272

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.

B. FINANCIAL RESPONSIBILITY (Continued)

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

A Pre-implementation long-term debt		$ -
B Allowable post-implementation long-term debt		20,929
Furniture and equipment	$ -	
Leasehold improvements	-	
Vehicles	20,929	
C Construction in progress - debt		-
D Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value		18,438
TOTAL		$ 39,367

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

B - This is the lesser of actual outstanding debt of each assets or the value of the asset. See Note 2 to the attached basic financial statements for the terms of the debt involved which includes the $31,722 note payable to GM Financial.

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

D - Long-term debt not for the purchase of property, plant, and equipment. See Note 3 to the attached basic financial statements for the terms of the debt involved which includes the $100,000 line of credit with Peoples State Bank.

B. FINANCIAL RESPONSIBILITY (Continued)

The Company's composite scores are calculated as follows:

	2023	2022
Primary reserve ratio	0.400	0.900
Equity ratio	1.200	1.200
Net income ratio	0.900	0.900
SUM OF ALL RATIOS	2.500	3.000
COMPOSITE SCORE	2.5	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, 2023 and 2022.