



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

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

**For the Years Ended December 31, 2023 and 2022**



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

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine (an Illinois corporation) which comprises the balance sheet as of December 31, 2023, and the related statements of operations, stockholders' 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 Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine 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 Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine 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 Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine (an Illinois corporation) as of December 31, 2022 were audited by Sikich LLP, whose report dated June 29, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine ability to continue as a going concern for a reasonable period of time.

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

### **Report on Supplementary Information**

Our 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 DATE, 2024 on our consideration of Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of

Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine internal control over financial reporting and compliance.

*Sikich CPA LLC*

Naperville, Illinois  
June 26, 2024

## **FINANCIAL STATEMENTS**

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

BALANCE SHEETS

December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 140,485	\$ 437,954
Accounts receivable, net of allowance for credit losses of \$1,000 at December 31, 2023 and net of allowance for doubtful accounts of \$1,000 at December 31, 2022	57,468	100,468
Due from related parties	67,326	71,816
Prepaid expense	20,000	20,000
Prepaid supplies	33,018	13,190
Total current assets	318,297	643,428
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Buildings and improvements	212,299	212,299
Leasehold improvements	168,443	168,443
Vehicles	181,475	181,475
Equipment	118,657	118,657
Land	18,000	18,000
Subtotal	698,874	698,874
Less accumulated depreciation and amortization	(468,676)	(427,505)
Net property, plant, and equipment	230,198	271,369
<b>OTHER ASSETS</b>		
Investment in unconsolidated subsidiary	278,025	280,179
Deposits	30,404	30,404
Deferred tax asset	28,000	28,000
Operating lease right-of-use assets	82,341	191,369
Total other assets	418,770	529,952
<b>TOTAL ASSETS</b>	<b>\$ 967,265</b>	<b>\$ 1,444,749</b>

(This statement is continued on the following page.)



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

BALANCE SHEETS (Continued)

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 136,678	\$ 105,059
Notes payable, current portion	10,521	9,224
Line of credit, current portion	25,000	25,000
Deferred student tuition	24,121	54,574
Accrued wages	41,666	44,800
Operating lease liability, current portion	84,569	109,524
	<hr/>	<hr/>
Total current liabilities	322,555	348,181
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	42,895	51,332
Operating lease liability, net of current portion	-	84,569
	<hr/>	<hr/>
Total long-term liabilities	42,895	135,901
	<hr/>	<hr/>
Total liabilities	365,450	484,082
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, 1,000 shares of no par value stock authorized, issued and outstanding	1,000	1,000
Retained earnings	600,815	959,667
	<hr/>	<hr/>
Total stockholders' equity	601,815	960,667
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 967,265</u>	<u>\$ 1,444,749</u>

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>		
Tuition and fees, net of refunds	\$ 1,784,857	\$ 2,368,345
Clinic	105,578	81,319
Gain on disposal	-	3,092
	1,890,435	2,452,756
<b>OPERATING EXPENSES</b>		
Educational services	803,448	854,766
General and administrative	970,539	1,001,996
Marketing and admissions	159,795	139,185
Occupancy	264,650	431,370
Depreciation and amortization	41,171	35,498
	2,239,603	2,462,815
Total operating expenses	2,239,603	2,462,815
Loss from operations	(349,168)	(10,059)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	548	353
(Losses) earnings from unconsolidated subsidiary	(2,154)	46,237
Interest expense	(8,078)	(2,766)
	(9,684)	43,824
Total other income	(9,684)	43,824
(Loss) income before provision for income taxes	(358,852)	33,765
<b>PROVISION FOR INCOME TAXES</b>		
Deferred tax expense	-	10,500
	-	10,500
Total provision for income taxes	-	10,500
<b>NET (LOSS) INCOME</b>	<b>\$ (358,852)</b>	<b>\$ 23,265</b>

See accompanying notes to financial statements.

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

STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2023 and 2022

	<b>Shares of Common Stock Issued</b>		<b>Amount of Common Stock</b>		<b>Retained Earnings</b>		<b>Total</b>
<b>BALANCE, JANUARY 1, 2022</b>	1,000	\$	1,000	\$	936,402	\$	937,402
Net income	-		-		23,265		23,265
<b>BALANCE, DECEMBER 31, 2022</b>	1,000		1,000		959,667		960,667
Net income	-		-		(358,852)		(358,852)
<b>BALANCE, DECEMBER 31, 2023</b>	1,000	\$	1,000	\$	600,815	\$	601,815

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ (358,852)	\$ 23,265
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	41,171	35,498
Noncash lease expense (cash in excess of lease expense)	(496)	2,724
Losses (earnings) from unconsolidated subsidiary	2,154	(46,237)
Gain on disposal	-	(3,092)
Deferred tax expense	-	10,500
Changes in certain assets and liabilities		
Accounts receivable	43,000	23,678
Due from related parties	4,490	2,500
Prepaid supplies	(19,828)	-
Accounts payable	31,619	40,083
Deferred student tuition	(30,453)	8,345
Accrued wages	(3,134)	8,330
	<u>68,523</u>	<u>82,329</u>
Total adjustments		
Net cash from operating activities	<u>(290,329)</u>	<u>105,594</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of property	-	55,000
Payments for purchases of property, plant, and equipment	-	(149,185)
	<u>-</u>	<u>(94,185)</u>
Net cash from investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of notes payable	-	69,361
Principal payments on notes payable	(7,140)	(27,440)
	<u>(7,140)</u>	<u>41,921</u>
Net cash from financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(297,469)	53,330
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>437,954</u>	<u>384,624</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 140,485</u>	<u>\$ 437,954</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 8,078</u>	<u>\$ 2,766</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Operating lease assets recorded upon implementation of ASC 842	<u>\$ -</u>	<u>\$ 299,558</u>
<b>TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ 299,558</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

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

Basis of Accounting

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

Basis of Presentation

The Company has elected to apply the accounting alternative treatment for a private company for certain variable interest entities (VIEs) pursuant to with USGAAP. As such, the Company has various related entities as discussed in Note 8, that the Company is not required to evaluate or apply VIE guidance and are not consolidated in the accompanying financial statements.

Cash and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. The Company has no deposits at a financial institution in excess of federally insured limits 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 valuation allowance and a credit to trade accounts receivable. Accounts are considered delinquent when not collected within negotiated terms.

**ACUPUNCTURE CENTER, INC.**

**D/B/A MIDWEST COLLEGE OF ACUPUNCTURE AND HERBAL MEDICINE**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**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 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.

Allowance for Doubtful Accounts under ASC 310

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

Prepaid Supplies

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

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

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

Property, Plant, and Equipment

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

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

Leasehold improvements are amortized over the shorter of their useful lives or lease term. Leasehold improvements associated with a lease between entities under common control are amortized over the economic life. The net book value of leasehold improvements amortized over the economic life is \$110,298 at December 31, 2023. The remaining useful lives of these leasehold improvements is up to 24 years at December 31, 2023. Depreciation and amortization expense is \$41,171 and \$35,498 for the years ended December 31, 2023 and 2022, respectively.

Investment in Unconsolidated Subsidiary

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

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 weeks remaining in the program. This liability is liquidated when tuition revenue is recognized over the remainder of the program. Accounts receivable at January 1, 2022 was \$124,146 and deferred student tuition at January 1, 2022 was \$46,229.

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.

**ACUPUNCTURE CENTER, INC.**

**D/B/A MIDWEST COLLEGE OF ACUPUNCTURE AND HERBAL MEDICINE**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

Revenue Recognition (Continued)

The Company evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. The Company's contracts include only one material performance obligation, a promise for educational services. The Company provides clinic services to the general public.

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

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

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

The transaction price is stated in the contract and known at the time of contract inception, as such there is variable consideration for situations when a student drops from a program based on the Company's refund policy and additional charges if a student requires additional hours to complete the program beyond the contracted end date. The Company believes that its experience with these situations is of little predictive value, because the future performance of students is dependent on each individual and the amount of variable consideration is highly susceptible to factors outside of the Company's influence. Accordingly, no variable consideration has been included in the transaction price or recognized as income until the constraint has been eliminated. Revenue is allocated to each performance obligation based on



**ACUPUNCTURE CENTER, INC.**

**D/B/A MIDWEST COLLEGE OF ACUPUNCTURE AND HERBAL MEDICINE**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

Revenue Recognition (Continued)

its standalone selling price. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. The Company generally determines standalone selling prices based on prices charged to students. The Company excludes from revenue taxes assessed by a governmental authority as these are agency transactions collected on their behalf from the customer.

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

Leases

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

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

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

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

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

Leases (Continued)

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

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2023 and 2022 is \$80,500 and \$52,699, respectively.

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.

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 recoverables, and receivables that related to repurchase agreements and securities lending agreements). In November 2018, FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326 Financial Instruments - Credit Losses*, to mitigate transition complexity by amending the effecting date for nonpublic entities fiscal to years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2022.

The Company 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.

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

**2. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY**

The Company owns a 37.50% share of Emerging Dragon, LLC as a limited member with Dr. William Dunbar, 50% stockholder of the Company, owning the remaining 62.50% as a managing member. The Company accounts for the investment on the equity method. For the years ended December 31, 2023 and 2022, Emerging Dragon, LLC reported the following on its financial statements:

	2023	2022
Assets	\$ 969,815	\$ 1,142,897
Liabilities	442,670	529,586
<b>EQUITY</b>	<b>\$ 527,145</b>	<b>\$ 613,311</b>
Revenues	\$ 135,850	\$ 312,801
Expenses	141,595	189,500
<b>NET INCOME</b>	<b>\$ (5,745)</b>	<b>\$ 123,301</b>

**3. INCOME TAXES**

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

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

The statutory tax rates applied by the Company are 21% at December 31, 2023 and 2022.

The Company's total deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

	2023	2022
Net operating losses	\$ 129,000	\$ 28,000
Accumulated depreciation	(5,000)	-
Subtotal	124,000	28,000
Less valuation allowance	(96,000)	-
<b>NET DEFERRED TAX ASSET</b>	<b>\$ 28,000</b>	<b>\$ 28,000</b>

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

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**3. INCOME TAXES (Continued)**

There is no current income tax expense for the years ended December 31, 2023 and 2022, respectively

The components of current tax expense (benefit) for the years ended December 31, 2023 and 2022 are:

	2023	2022
Federal	\$ -	\$ 7,420
State	-	3,080
	\$ -	\$ 10,500
DEFERRED TAX (BENEFIT)	\$ -	\$ 10,500

**4. NOTES PAYABLE**

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

	2023	2022
\$39,279 note payable to Landmark Credit Union dated April 5, 2022 Payable in 75 monthly installments of \$593 inclusive of interest at 4.03%. Secured by a vehicle.	\$ 29,264	\$ 33,346
\$30,082 note payable to GM Financial of Wisconsin dated August 8, 2022. Payable in 75 monthly installments of \$475 inclusive of interest at 5.54%. Secured by a vehicle.	24,152	27,210
Total debt	53,416	60,556
Less current portion	(10,521)	9,224
TOTAL NOTES PAYABLE, NET OF CURRENT PORTION	\$ 42,895	\$ 51,332

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

**4. NOTES PAYABLE (Continued)**

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 10,521
2025	11,025
2026	11,551
2027	12,104
2028	<u>8,215</u>
 TOTAL	 <u>\$ 53,416</u>

**5. LINE OF CREDIT**

The Company has a \$25,000 line of credit with Community State Bank dated March 21, 2019. Advances on the line bear interest at 3.25% at the Wall Street Journal Prime less 1.25% (7.25% at December 31, 2023). The line has been renewed until May 20, 2026. The outstanding balance on the line is \$25,000 at December 31, 2023 and 2022. The line is collateralized by business assets and a personal guarantee of a stockholder.

**6. REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

Nature of Services and Timing of Revenue Recognition

	<u>2023</u>	<u>2022</u>
Tuition revenues - Services transferred over time	\$ 1,784,857	\$ 2,368,345
Clinic revenues - Goods and services transferred at a point in time	<u>105,578</u>	<u>81,319</u>
 TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	 <u>\$ 1,890,435</u>	 <u>\$ 2,449,664</u>

The Company offers programs of study that typically take up to three years to complete. Students come from a wide variety of backgrounds. Many of the students receive federal financial aid under programs authorized by Title IV of the Higher Education Act (HEA) to fund their programs of study. For disbursing financial aid, the programs are broken up into payment periods, and financial aid is typically disbursed at the start of a payment period.

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

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

Qualitative economic factors that affect revenue recognition and cash flows include student attendance, program content, instructor availability and willingness of the general public to participate in the clinic.

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

**7. LEASE COMMITMENTS**

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

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

<u>Lease Cost</u>	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 110,082	\$ 119,229
Short-term lease cost	120,000	280,000
Variable lease cost	5,931	-
<b>TOTAL LEASE COST</b>	<b><u>\$ 236,013</u></b>	<b><u>\$ 399,229</u></b>

Supplemental cash flow information:

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

	<u>2023</u>	<u>2022</u>
Operating cash flows from operating leases	\$ 110,577	\$ 116,240

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

**7. LEASE COMMITMENTS (Continued)**

The following table summarizes the lease-related assets and liabilities recorded in the consolidated balance sheets at December 31, 2023 and 2022:

Lease Position	2023	2022
Operating lease right-of-use assets	\$ 82,341	\$ 191,369
Operating lease liability, current	\$ 84,569	\$ 109,524
Operating lease liability, net of current portion	-	84,569
<b>TOTAL OPERATING LEASE LIABILITIES</b>	<b>\$ 84,569</b>	<b>\$ 194,093</b>

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

Lease Term and Discount Rate	2023	2022
Weighted-average remaining lease term (years)		
Operating leases	0.7	1.7
Weighted-average discount rate		
Operating leases	0.78%	0.78%

The following table provides the maturities of lease liabilities at December 31, 2023:

Maturity of Lease Liabilities at	Operating Leases
2024	\$ 84,789
Total future undiscounted lease payments	84,789
Less interest	(220)
<b>PRESENT VALUE OF LEASE LIABILITIES</b>	<b>\$ 84,569</b>

**ACUPUNCTURE CENTER, INC.**

**D/B/A MIDWEST COLLEGE OF ACUPUNCTURE AND HERBAL MEDICINE**

NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RELATED PARTY TRANSACTIONS**

The Company participates in federal programs authorized by Title IV of the HEA of 1965, as amended, which are administered by the U.S. Department of Education. The Company must comply with regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. Related party transactions for the years ended December 31, 2023 and 2022 are as follows:

Due from Related Parties

The Company is owed \$34,416 from Emerging Dragon, LLC, an unconsolidated subsidiary owned 37.50% by the Company, and 62.50% by Dr. William Dunbar, 50% stockholder, at December 31, 2023 and 2022, respectively, for advances made less repayments. The amounts are unsecured, interest-free, and due on demand.

The Company is owed \$32,910 and \$37,400 from Dr. William Dunbar, 50% stockholder, at December 31, 2023 and 2022, respectively, for advances made less repayments. The amounts are unsecured, interest-free, and due on demand.

Facility Leases

The Company leases its Racine facility from Emerging Dragon, LLC, an unconsolidated subsidiary owned 37.50% by the Company, and 62.50% by Dr. William Dunbar, 50% stockholder. Rent paid to Emerging Dragon, LLC is \$120,000 and \$280,000 for the years ended, December 31, 2023 and 2022, respectively.

Line of Credit Guarantee

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

**9. 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 26, 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 Stockholders  
Acupuncture Center, Inc.  
d/b/a Midwest College of Acupuncture and Herbal Medicine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine, which comprise the balance sheet as of December 31, 2023, and the related statements of operations, stockholders’ equity, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 26, 2024.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item FS 2023-01 that we consider to be a material weakness.

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

As part of obtaining reasonable assurance about whether Acupuncture Center, Inc.'s d/b/a Midwest College of Acupuncture and Herbal Medicine financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. Such tests included compliance tests as set forth in the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

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

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

## **Purpose of this Report**

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

*Sikich CPA LLC*

Naperville, Illinois  
June 26, 2024

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2023

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**FS 2023-01 - Accounting Records Not Maintained on a Full Accrual Basis (Material Weakness) (Repeat Finding)**

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

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

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

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

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

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

**SUPPLEMENTARY SCHEDULES**

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

**SUPPLEMENTARY SCHEDULES**

For the Years Ended December 31, 2023 and 2022

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**A. ATTESTATION OF REVENUE SOURCES**

Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine 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, Acupuncture Center, Inc. d/b/a Midwest College of Acupuncture and Herbal Medicine 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

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

	<u>Amount Disbursed</u>	<u>Adjusted Amount</u>
<b>STUDENT TITLE IV REVENUE</b>		
Title IV Credit Balance Carried Over from Prior Year	\$ -	\$ -
Federal Direct Loan	2,088,078	2,088,078
Federal Pell Grant	35,306	35,306
FSEOG (subject to matching reduction)	-	-
FWS (subject to matching reduction)	-	-
	<hr/>	
Total Student Title IV Revenue	2,123,384	2,123,384
	<hr/>	
Revenue Adjustment and Refunds Paid to Students	-	(608,534)
	<hr/>	
Adjusted Student Title IV Revenue	2,123,384	1,514,850
	<hr/>	

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

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

	Amount Disbursed	Adjusted Amount
<b>STUDENT/OTHER FEDERAL FUNDS PAID</b>		
<b>DIRECTLY TO STUDENTS</b>		
Veteran's Affairs / GI Bill	\$ -	\$ -
Federal Funds 1	-	-
Federal Funds 2	-	-
	-	-
Total Student/Other Federal Funds Paid Directly to Students	-	-
Revenue Adjustment	-	-
	-	-
Adjusted Student/Other Federal Funds Paid Directly to Students	-	-
	-	-
<b>STUDENT/OTHER FEDERAL FUNDS PAID</b>		
<b>DIRECTLY TO THE INSTITUTION</b>		
Veteran's Affairs / GI Bill	42,935	42,935
Federal Portion of Other Funds	-	2,500
	-	2,500
Total Student/Other Federal Funds Paid Directly to the Institution	42,935	45,435
Revenue Adjustment	-	(2,500)
	-	(2,500)
Adjusted Student/Other Federal Funds Paid Directly to the Institution	42,935	42,935
	42,935	42,935
Adjusted Student Federal Revenue	\$ 2,166,319	\$ 1,557,785

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

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

	Amount Disbursed	Adjusted Amount
<b>STUDENT NON-FEDERAL REVENUE</b>		
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ -	\$ -
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	2,500	-
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	-	-
Qualified institutional scholarships disbursed to students	-	-
Student payments	-	-
Third Party Loans	-	-
Third Party Loans-Related Party/Institutional Loans	-	-
ISA Institutional or Related Party	-	-
ISA	-	-
Student Cash	252,757	252,757
Student Non-Federal Revenue	255,257	252,757
Revenue Adjustment	-	(6,342)
Adjusted Student Non-Federal Revenue	\$ 255,257	\$ 246,415

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

**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	\$ 105,578	\$ 105,578
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	105,578	105,578
Adjusted Student Non-Federal Revenue	255,257	246,415
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	360,835	351,993
Adjusted Student Federal Revenue	2,166,319	1,557,785
Total Federal and Non-Federal Revenue	\$ 2,527,154	\$ 1,909,778
Adjusted Student Federal Revenue		\$ 1,557,785
Adjusted Student Federal Revenue + Sum of Non-Federal Revenue and Revenue from Other Sources		\$ 1,909,778
90/10 Percentage		81.57%



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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

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**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 year ended December 31, 2023.

For the fiscal year ended December 31, 2022, the Company received \$1,852,397 of revenues from Title IV programs out of \$2,455,906 of eligible cash basis revenue totaling 75.42%. As more than 10% of revenue is received outside Title IV programs, the Company is in compliance with this eligibility requirement for the year ended December 31, 2022.

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 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

	<u>Adjusted Equity</u>		
Balance sheet - stockholders' equity	Total equity	\$	601,815
Balance sheet - due from related parties	Secured and unsecured related party receivables and/or other related party assets	\$	67,326
Balance sheet - due from related parties	Unsecured related party receivables and/or other related party assets		-
Balance sheet - property, plant, and equipment, net	Property, plant, and equipment, net - including construction in progress	230,198	
Table 1 - Line A	Property, plant, and equipment, net - including pre-implementation less any construction in progress		131,053
Table 1 - Line B	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		99,145
Table 1 - Line D	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		-

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

**B. FINANCIAL RESPONSIBILITY (Continued)**

Primary Reserve Ratio (Continued)

	<u>Adjusted Equity (Continued)</u>		
N/A	Construction in progress	\$	-
Balance sheet - deferred tax asset	Intangible assets		28,000
N/A	Post-employment and defined pension plan liabilities		-
Balance sheet - notes payable and line of credit (both current and long-term)	Long-term debt - for long-term purposes and construction in process debt	\$	78,416
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation		25,000
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant, and equipment		53,416
Balance sheet - notes payable and line of credit for construction in process	Line of credit for construction in process		-
Table 3 - Line A	Lease right-of-use assets - pre-implementation		-
Table 3 - Line B	Lease right-of-use assets - post-implementation		82,341
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation		-
Table 4 - Line B	Lease right-of-use liabilities - post-implementation		82,341
Statement of operations - total operating expenses and interest expense	Total expenses and losses		2,249,835

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

**B. FINANCIAL RESPONSIBILITY (Continued)**

Equity Ratio

	Modified Equity		
Balance sheet - stockholders' equity	Total equity	\$	601,815
Table 3 - Line A	Lease right-of-use assets - pre-implementation		-
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation		-
Balance sheet - deferred tax asset	Intangible assets		28,000
Balance sheet - due from related parties	Secured and unsecured related party receivables and/or other related party assets	\$	67,326
Balance sheet - due from related parties	Unsecured related party receivables and/or other related party assets		67,326

Modified Assets

Balance sheet - total assets	Total assets		967,265
Table 3 - Line A	Lease right-of-use assets - pre-implementation		-
Balance sheet - deferred tax asset	Intangible assets		28,000
Balance sheet - due from related parties	Secured and unsecured related party receivables and/or other related party assets	67,826	
Balance sheet - due from related parties	Unsecured related party receivables and/or other related party assets		67,826

Net Income Ratio

Statement of operations - net loss before	Income before taxes	\$	(358,852)
Statement of operations- total revenue, interest income, and other income	Total revenues and gains		1,890,983

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

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**B. FINANCIAL RESPONSIBILITY (Continued)**

Table 1 - Net Property, Plant, and Equipment

A	Pre-implementation property, plant, and equipment	\$	131,053
B	Post-implementation property, plant, and equipment		99,145
	Vehicles	\$	99,145
	Equipment		-
	Furniture and fixtures		-
C	Construction in progress		-
D	Post-implementation property, plant, and equipment		-
	TOTAL	\$	<u>230,198</u>

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

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

C - Asset value of the construction in progress.

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

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

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

**B. FINANCIAL RESPONSIBILITY (Continued)**

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

A Pre-implementation long-term debt	\$	25,000
B Allowable post-implementation long-term debt		53,416
Vehicles	\$	53,416
Equipment		-
Furniture and fixtures		-
C Construction in progress - debt		-
D Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		-
<b>TOTAL</b>	<b>\$</b>	<b>78,416</b>

A - This is the ending balance of the last financial statement submission prior to the implementation of the regulations - less in repayments. See Note 5 to the attached basic financial statements for terms of the debt involved.

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

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

D - Long-term debt not for the purchase of property, plant, and equipment. See Note 4 to the attached basic financial statements for the terms of the debt.

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SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

**B. FINANCIAL RESPONSIBILITY (Continued)**

Table 3 - Lease Right-of-Use Assets

A Lease right-of-use assets - pre-implementation	\$ -
B Lease right-of-use assets - post-implementation	82,341
	82,341
TOTAL	\$ 82,341

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

B - This is the ending balance of the right of use assets related to all leases the Company entered into or modified on or after December 15, 2018. See Note 7 to the attached basic financial statements for terms of the leases involved.

Table 4 - Lease Right-of-Use Liabilities

A Lease right-of-use liabilities - pre-implementation	\$ -
B Lease right-of-use liabilities - post-implementation	82,341
C Lease right-of-use liabilities - post-implementation in excess of right-of-use asset	2,228
	2,228
TOTAL	\$ 84,569

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

B - This is the ending balance of the right of use liabilities related to all leases the Company entered into or modified on or after December 15, 2018 up to the amount of the corresponding right of use assets. See Note 7 to the attached basic financial statements for terms of the leases involved.

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

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SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

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**B. FINANCIAL RESPONSIBILITY (Continued)**

The Company's composite scores are calculated as follows:

	2023	2022
Primary reserve ratio	0.879	0.900
Equity ratio	1.200	1.200
Net income ratio	(0.300)	0.435
SUM OF ALL RATIOS	<u>1.779</u>	<u>2.535</u>
COMPOSITE SCORE	<u>1.8</u>	<u>2.5</u>

As the composite scores are between 1.5 and 3.0, the Company is considered financially responsible under this general standard for the years ended December 31, 2023 and 2022.