

**Pacific College of Health and Science, LLC**  
**TIN NUMBER:** 263844066  
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**PCOM HOLDINGS, LLC AND SUBSIDIARIES**

**FINANCIAL STATEMENTS and  
SUPPLEMENTARY INFORMATION  
for the year ended December 31, 2023**

**Weworski & Associates  
Certified Public Accountants**

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**for the year ended December 31, 2023**

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**INDEPENDENT AUDITORS' REPORT**

To the Members of  
**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
San Diego, California

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

***Opinion***

We have audited the accompanying financial statements of PCOM Holdings, LLC and Subsidiaries (collectively referred to as the “Company”), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, members’ 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 the Company as of December 31, 2023, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the 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 the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' 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 auditors' 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 GAAS 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 GAAS 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 the Company'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 the Company'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on the Company's related party transactions, calculation of its 90/10 revenue percentage, as required by 34 C.F.R. Section 668.28, and the financial responsibility supplemental schedule, as required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix A to Subpart L of Part 668, is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic 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 auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024 on our consideration of the Company'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 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 the Company's internal control over financial reporting and compliance.

*Weworski + Associates*

San Diego, California

June 27, 2024

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**December 31, 2023**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 4,227,975
Accounts receivable, net of allowance for doubtful accounts of \$2,487,628	521,901
Inventory	121,874
Prepaid expenses	<u>143,926</u>
Total current assets	5,015,676
Property and equipment, net	1,945,494
<u>Other assets:</u>	
Restricted cash	1,001,633
Operating lease right-of-use assets, net	12,178,800
Deposits	231,498
Intangibles, net	929,523
Goodwill	<u>23,481,396</u>
Total other assets	<u>37,822,850</u>
Total assets	<u><u>\$ 44,784,020</u></u>

The accompanying notes are an integral part of these financial statements.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET, Continued**  
**December 31, 2023**

**LIABILITIES AND MEMBERS' EQUITY**

Current liabilities:

Accounts payable	\$ 583,688
Accrued payroll and related expenses	539,693
Student deposits	263,132
Current portion of operating lease liabilities	<u>3,169,545</u>
Total current liabilities	4,556,058
Line of credit	1,000,000
Operating lease liabilities, net of current portion	<u>11,253,676</u>
Total liabilities	16,809,734
<u>Members' equity:</u>	<u>27,974,286</u>
Total liabilities and members' equity	<u><u>\$ 44,784,020</u></u>

The accompanying notes are an integral part of these financial statements.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
for the year ended December 31, 2023

<u>Revenue:</u>	
Tuition and fees	\$ 23,784,273
Clinic and bookstore	1,216,994
Other revenue	<u>505,564</u>
Total revenue	25,506,831
<u>Operating expenses:</u>	
Instructional	4,581,080
Advertising	1,543,000
Rent and occupancy	3,772,892
Depreciation and amortization	312,235
General and administrative	<u>15,951,636</u>
Total operating expenses	<u>26,160,843</u>
Loss from operations	(654,012)
<u>Other income (expense):</u>	
Other income	37,301
Interest income	<u>184,155</u>
Total other income (expense)	<u>221,456</u>
Loss before provision for income taxes	(432,556)
<u>Provision for income taxes</u>	<u>(12,590)</u>
Net loss	<u><u>\$ (445,146)</u></u>

The accompanying notes are an integral part of these financial statements.



**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF MEMBERS' EQUITY**  
**for the year ended December 31, 2023**

Balance at December 31, 2022	\$ 27,419,432
Issuance of preferred units	1,000,000
Net loss	<u>(445,146)</u>
Balance at December 31, 2023	<u><u>\$ 27,974,286</u></u>

The accompanying notes are an integral part of these financial statements.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended December 31, 2023**

Cash flows from operating activities:

Cash received - tuition, fees, clinic, bookstore, and other revenue	\$ 26,021,970
Cash paid to suppliers and employees	(26,811,136)
Other income received	37,301
Interest income received	184,155
Income taxes paid	(12,590)
	(580,300)

Net cash used in operating activities (580,300)

Cash flows from investing activities:

Purchases of property and equipment	(1,233,949)
Course development costs	(400,282)
	(1,634,231)

Net cash used in investing activities (1,634,231)

Cash flows from financing activities:

Proceeds from advance on line of credit	1,000,000
Issuance of preferred units	1,000,000
	2,000,000

Net cash provided by financing activities 2,000,000

Net decrease in cash (214,531)

Cash and cash equivalents, Beginning 5,444,139

Cash, cash equivalents, and restricted cash, Ending \$ 5,229,608

The accompanying notes are an integral part of these financial statements.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS, Continued**  
**for the year ended December 31, 2023**

Reconciliation of net loss to net cash  
used in operating activities:

Net loss	\$ (445,146)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	312,235
Changes in assets and liabilities:	
Accounts receivable, net	325,126
Inventory	(22,225)
Prepaid expenses	(44,406)
Operating right-of-use assets and liabilities, net	(642,547)
Deposits	(35,472)
Accounts payable	208,863
Accrued payroll and related expenses	(157,835)
Student deposits	(78,893)
Total adjustments	<u>(135,154)</u>
Net cash used in operating activities	<u><u>\$ (580,300)</u></u>

Reconciliation of cash, cash equivalents and restricted cash at the end of  
the year:

Cash and cash equivalents	\$ 4,227,975
Restricted cash	<u>1,001,633</u>
Cash, cash equivalents and restricted cash at the end of the year	<u><u>\$ 5,229,608</u></u>

The accompanying notes are an integral part of these financial statements.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies**

The following items comprise the significant accounting policies of the Company. The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities

PCOM Holdings, LLC and Subsidiaries are collectively referred to as the “Company” throughout this report.

PCOM Holdings, LLC, a Delaware Limited Liability Company, (the Parent Company) located in New York, New York, is a holding company established for the sole purpose of acquiring certain assets and liabilities of Pacific College of Health and Science, LLC (PCHS) and Pacific Symposium, LLC (Symposium).

Pacific College of Health and Science, LLC, a California Limited Liability Company, is a wholly owned subsidiary of PCOM Holdings, LLC. PCOM NY, LLC is wholly owned subsidiary of PCHS. Pacific College of Oriental Medicine - School of Massage, LLC, a wholly owned subsidiary of PCHS, has been dissolved given no business activity. PCHS is engaged in the business of providing advanced schooling in holistic medicine at its campuses in San Diego, California, Chicago, Illinois and New York, New York. PCOM is accredited by the Accrediting Commission for Acupuncture & Oriental Medicine (ACAOM) and WASC Senior College and University Commission (WSCUC). Pacific College of Health and Science, LLC is registered to do business as Pacific College of Oriental Medicine.

Symposium’s primary business activities include providing management advisory services to PCHS, conducting an annual eastern medicine symposium in San Diego and sales from the Journal of Chinese Medicine.

Principles of Consolidation

The accompanying financial statements includes the accounts of PCOM Holdings, LLC and its subsidiaries, Pacific College of Health and Science, LLC, PCOM NY, LLC and Pacific Symposium, LLC. All intercompany balances have been eliminated in consolidation.

Basis of Accounting

The accounting records and the accompanying financial statements have been maintained and prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies, Continued**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an initial maturity date of three months or less to be cash equivalents.

Accounts Receivable and Student Deposits

Accounts receivable are recorded at the amounts originally billed less payments received. Funds received in advance of class commencement are recorded as student deposits. An allowance for estimated uncollectible accounts receivable has been recorded based on management's assessment of collectability of the accounts. The Company reviews its past due balances and accounts deemed uncollectible are written-off.

Inventory

Inventory, consisting of textbooks and herbs, is accounted for using the first-in, first-out method, and valued at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years. Construction in progress represents assets that have been purchased but not placed into service. Accelerated methods of depreciation are utilized for income tax reporting purposes. Normal repairs and maintenance are expensed as incurred. Expenditures that materially extend the useful life of an asset are capitalized. The cost and related accumulated depreciation of assets sold or otherwise disposed of are eliminated and any resulting gain or loss on disposition is included in income.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies, Continued**

Restricted Cash

Cash pledged as collateral for the line of credit, as described in Note 7, is excluded from cash and cash equivalents and is included in restricted cash on the accompanying consolidated balance sheet.

Intangibles and Goodwill

Intangible assets represent costs incurred in the development of new programs and curriculum. Intangibles are capitalized and amortized using the straight-line method over the expected life in accordance with Accounting Standards Codification (ASC) Topic 350 *Intangibles - Goodwill and Other*. It is the Company's policy to assess, on an ongoing basis, the recoverability of recorded intangible assets and the amortization periods to determine whether those lives remain appropriate given current events and circumstances.

Goodwill represents the excess of the purchase price over the fair market value of the net assets acquired, including identifiable intangible assets. Goodwill is deemed to have an indefinite life and is not amortized but is subject to an annual impairment test.

For the year ended December 31, 2023, management has determined that there has been no impairment to goodwill.

Leases

The Company accounts for leases in accordance with ASC Topic 842, *Leases*, which requires the recognition of assets and liabilities by lessees for those leases classified as operating leases under GAAP. The guidance requires that a lessee should recognize on the balance sheet a liability to make lease payments and a right-to-use asset representing the Company's right to use the underlying assets for the term of the lease. At lease inception, the Company determines the lease term. The guidance allows a lessee who enters into a lease with a term of 12 months or less to make an accounting policy election by class of underlying assets not to recognize assets and liabilities. The Company determines if an arrangement is a lease at inception and evaluates the lease agreement to determine whether the lease is a finance or operating lease. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses the interest rate identified in the lease agreement to determine the present value of lease payments over the lease term. When the interest rate is not stated in the lease agreement, the Company uses the risk-free rate based on information available at the commencement date to determine the present value. See Note 6 for more information about the Company's lease-related obligations.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies, Continued**

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. The Company identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. The Company's contracts include promises for educational services and course materials which are distinct performance obligations.

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 conducting the annual eastern medicine symposium is recognized when the Company has completed performing its obligations, which is when the symposium event concludes.

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 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

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies, Continued**

Revenue Recognition, Continued

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.

The Company provides clinic services and sells retail products to the general public. Clinic services and retail sales are generated from medical treatments and services performed by students in training and are recognized at the point of time when the service is performed.

*Contract assets and liabilities*

The Company has contract assets and contract liabilities associated with its recognition of revenue. Contract assets consists of accounts receivable. Contract liabilities consist of student deposits. The beginning and ending balances for the following items are as of December 31:

	2023	2022
Contract assets:		
Accounts receivable	\$ 521,901	\$ 847,027
Contract liabilities:		
Student deposits	\$ 263,132	\$ 342,025

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Company is organized as an LLC. As a result, income, losses, deductions and credits are passed through to the members for federal income tax purposes. Accordingly, no provision has been made for federal income taxes in these financial statements. The Company is required to pay a state pass-through entity and trust withholding tax on the distributive shares of income earned by the member.

U.S. GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the Company's tax positions and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.



**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies, Continued**

Income Taxes, Continued

The Company's income tax filings are subject to audit by various taxing authorities. As of December 31, 2023, the earliest tax years still subject to examination are 2020 for federal purposes and 2019 for state purposes. The Company believes their estimates are appropriate based on current facts and circumstances.

Equity Based Compensation

The Company grants Incentive Units in the form of Equity Appreciation Rights. The Company recognizes expense for Incentive Units in accordance with ASC Topic 718 *Compensation - Stock Compensation*, as described in Note 9.

Concentration of Credit Risk

A substantial portion of revenue and ending accounts receivable at December 31, 2023 are a direct result of the Company's participation in the Federal Student Aid (FSA) programs, which represent a primary source of student tuition. The FSA programs are subject to political budgetary considerations. There is no assurance that funding will be maintained at current levels. The FSA programs are subject to significant regulatory requirements. Any regulatory violation could have a material effect on the Company.

The Company maintains its cash balance, cash equivalents and restricted cash in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation "FDIC" up to \$250,000. The Company performs ongoing evaluations of these institutions to limit concentration risk exposure.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value. The definition of the fair value hierarchy is as follows:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for similar assets and liabilities.

Level 3 - Inputs for which significant valuation assumptions are unobservable in a market and therefore value is based on the best available data, some of which is internally developed and considers risk premiums that market participants would require.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 1: Summary of Significant Accounting Policies, Continued**

Fair Value, Continued

The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, inventory, prepaid expenses, restricted cash, ROU assets and liabilities, accounts payable, accrued payroll and related expenses, student deposits, and line of credit. The carrying values of the Company's financial instruments approximate fair value.

**Note 2: Related Party Transactions**

During 2023, the Company issued \$1,000,000 of Class A Preferred Units, as described in Note 9.

During 2023, the Company incurred management and consulting fees of \$150,000 from Quad Partners located in New York, New York, equity owners in the Parent Company.

**Note 3: Property and Equipment**

Property and equipment consist of the following as of December 31, 2023:

Library	\$ 11,067
Furniture and fixtures	399,461
Machinery and equipment	907,656
Leasehold improvements	1,778,018
Computer software	568,780
Construction in progress	<u>1,057,481</u>
	4,722,463
Less: accumulated depreciation	<u>(2,776,969)</u>
	<u>\$ 1,945,494</u>

Depreciation expense for the year ended December 31, 2023 was \$292,653 and is included in depreciation and amortization expense on the accompanying statement of operations.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 3: Property and Equipment, Continued**

The following additional information for property and equipment is required to support the calculation of the composite score in the supplementary information financial responsibility supplemental schedule:

**Pre-implementation property and equipment:**

Property and equipment as of December 31, 2022	\$ 409,251
Less: 2023 depreciation expense	<u>(104,039)</u>

Pre-implementation property and equipment as of December 31, 2023	<u><u>305,212</u></u>
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**Post-implementation property and equipment with debt:**

Add: 2023 Construction in progress	<u>\$ 1,040,296</u>
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**Post-implementation property and equipment without debt:**

Property and equipment as of December 31, 2022	594,947
Add: 2023 purchases of property, plant and equipment	193,653
Less: 2023 depreciation expense	<u>(188,614)</u>

Post-implementation property and equipment as of December 31, 2023	<u><u>\$ 599,986</u></u>
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**Note 4: Intangibles**

Intangible assets represent course development costs that are recorded at cost and consist of the following as of December 31, 2023:

Course development costs	\$ 954,521
Less: accumulated amortization	<u>(24,998)</u>

	<u><u>\$ 929,523</u></u>
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The estimated aggregate future amortization expense is as follows:

Year ending December 31,

2024	\$ 344,423
2025	339,006
2026	246,094
Thereafter	<u>-</u>

	<u><u>\$ 929,523</u></u>
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Amortization expense for the year ended December 31, 2023 was \$19,582 and is included in depreciation and amortization expense on the accompanying statements of operations.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 5: Letters of Credit**

The Company utilizes a standby letter of credit (SBLC) with Wells Fargo as a deposit for the Company's New York instructional facilities. During September 2023, the Company extended the SBLC totaling \$442,285 for an additional twelve months. No cash collateral account is required under the terms of the SBLC with Wells Fargo.

In October 2021, the Company obtained a SBLC with Wells Fargo for \$30,649 posted in favor of the Department, as described in Note 10. As a result of a notice received from the Department, in November 2022 the Company increased the SBLC to \$39,686 and extended to December 2023. No cash collateral account is required under the terms of the SBLC with Wells Fargo. In the 2022 Final Audit Determination letter dated December 7, 2023, the Department stated that all findings may be considered closed for purpose of this audit determination. The Department did not require a letter of credit, but the 2022 Final Audit Determination letter was received after the letter of credit automatically renewed for 12 months.

**Note 6: Lease Commitments**

The Company leases its instructional facilities and certain equipment under non-cancelable operating leases expiring at various dates through 2029. In most cases, the facility leases require the Company to pay various operating expenses of the facilities in addition to base monthly lease payments. In certain cases, the Company has renewable options and or has leases containing ordinary rental escalations on the space

As of December 31, 2023, the Company's weighted-average remaining lease term relating to its operating leases is 4.8 years with a weighted-average discount rate of 2.7%.

Future maturities of lease liabilities, which exist at December 31, 2023, by year and in aggregate, are as follows:

<u>Year ending December 31,</u>		
2024	\$	3,478,367
2025		3,487,204
2026		2,872,065
2027		2,122,211
2028		2,167,787
Thereafter		<u>1,097,358</u>
	Total lease payments	15,224,992
	Less: imputed interest	<u>(801,771)</u>
	Present value of lease payments	14,423,221
	Less: current portion	<u>(3,169,545)</u>
	Long term portion	<u>\$ 11,253,676</u>

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 6: Lease Commitments, Continued**

Lease expense for the year ended December 31, 2023 was \$2,601,556 and is included in rent and occupancy expense on the accompanying consolidated statement of operations. Short-term lease expense for the year ended December 31, 2023 was \$546,246 and is included in rent and occupancy expenses on the accompanying consolidated statement of operations.

The following additional information for right-of-use leases is required to support the calculation of the composite score in the financial responsibility supplemental schedule in the accompanying supplementary information:

**Pre-implementation right-of-use assets and liabilities:**

Right-of-use assets	\$ 9,957,249
Lease liabilities	\$ 12,204,593

**Post-implementation right-of-use assets and liabilities:**

Right-of-use assets	\$ 2,221,551
Lease liabilities	\$ 2,218,628

**Note 7: Debt (Line of Credit)**

During 2023, the Company entered into a line of credit maturing in December 2026. The agreement stipulates that the line of credit is to be fully secured by a money-market cash collateral account of \$1,000,000 until such time in the future that specified financial milestones are met. The Company has presented this amount as long-term restricted cash on the accompanying consolidated balance sheet. The line of credit includes interest payable monthly at the money market account rate plus 2.50%. The line of credit is for capital expenditure purposes and is determined to be post-implementation. There are no additional financial covenants other than the cash collateral account described above. As of December 31, 2023, the outstanding balance on the line of credit is \$1,000,000, presented as long term on the accompanying consolidated balance sheet.

**Note 8: 401(k) Plan**

The Company sponsors a defined contribution 401(k) and profit sharing plan for all employees meeting age and length of service requirements. Generally, employees may make 401(k) contributions up to 90% of their yearly compensation, subject to statutory limits. Employer matching contributions are at the discretion of the Board of Directors. The Company made no matching contributions to the plan during the year ended December 31, 2023.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 9: Members' Equity**

*Structure*

As described in the third amended and restated limited liability company operating agreement, the Company is authorized to issue from time to time up to an aggregate of 5,000,000 units, consisting of: (i) the following classes of units as of December 31, 2023: (A) 16,410.25 Class A Preferred Units (B) 36,418.12 Class A Common Units (the "Class A Common Units"), (C) 74,587.18 Class B Common Units (the "Class B Common Units"), and together with Class A Common Units, the "Common Units," and (D) 6,167 Incentive Units (the "Incentive Units"), and (ii) up to 4,871,545.65 undesignated units, which may be issued after December 31, 2022, in one or more series, and with such rights and preferences, as may be determined from time to time by the board of managers (the "undesignated units"). Members' equity is comprised of Class A Preferred Units, Class A Common Units, Class B Common Units and Incentive Units.

*Class A Preferred Units*

Non-voting Class A Preferred Units shall entitle holders to cumulative distributions equal to three times the aggregate amount of capital contributed. Class A Preferred Unit holders are entitled to distributions prior to the other classes of unit holders, other than tax related distributions. During 2023, the Company authorized and issued 5,128.2 additional Class A Preferred Units for \$1,000,000. As of December 31, 2023, the Company has 16,410.25 Class A Preferred Units issued and outstanding with a total value of \$3,200,000.

*Class A Common Units*

Each Class A Common Unit shall entitle the holder thereof to one (1) vote on all matters to be voted on by the holders thereof. In addition, members holding Class A Common Units had the option to deliver notice to the Company, any time prior to December 15, 2023 (the "Redemption Date"), of such member's demand for its Class A Common Units to be redeemed for an amount equal to fair market value as determined in good faith by the board of managers, of each Class A Common Unit and on a concurrent *pari passu* basis with the redemption payments made in respect of the Class B Common Units. On December 31, 2019, the Company's operating agreement was amended to remove the optional redemption provision associated with voting Class A Common Units. As of December 31, 2023, the Company has 36,418.12 Class A Common Units issued and outstanding with a total value of \$10,959,916.

*Class B Common Units*

Each Class B Common Unit shall not entitle the holder to vote on all matters to be voted on by the holders thereof. At any time prior to the Redemption Date noted above, the Company was required to redeem all then outstanding Class B Common Units for an amount equal to the fair market value, as determined in good faith by the board of managers. On December 31, 2019, the Company's operating agreement was amended to remove the mandatory redemption provision associated with non-voting Class B Common Units. As a result, \$12,602,300 was reclassified from long-term liabilities to members' equity. In addition, the Company converted a portion of debt to members' equity totaling \$1,942,110. As of December 31, 2023, the Company has 74,587.18 Class B Common Units issued and outstanding with a total value of \$14,544,410.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 9: Members' Equity, Continued**

*Incentive Units*

Incentive Units, also referred to as Equity Appreciation Rights (EAR), may be granted to employees, bona fide consultants, members of the board of managers, or officers of the Company or any subsidiary. The board of managers shall determine an amount with respect to each Incentive Unit issued at the time such Incentive Unit is issued to a member. Each Incentive Unit (whether or not such Incentive Unit is a Vested Incentive Unit) shall not entitle the holder thereof to any votes on all matters to be voted on by the holders thereof. Equity-based compensation shall be based upon the award of Incentive Units, the value of which is related to the performance and ultimate sale of the Company. Incentive Units vest over a 4-year period according to the EAR award agreement. In accordance with ASC Topic 718 *Compensation - Stock Compensation*, the Company has not recognized any expense related to the Incentive Units as the triggering event or sale of the Company has not yet occurred. At the time the triggering event does occur, the Company will recognize the required expense associated with these units. As of December 31, 2023, the Company has 6,167 Incentive Units issued and outstanding.

In the event of any liquidation, dissolution or winding up of the Company's affairs, the order of preference to recover their investment is Class A Preferred Unit, Class A Common Unit, Class B Common Unit, and Incentive Unit holders.

**Note 10: Commitments and Contingencies**

Regulatory Matters

In order for students to participate in Title IV federal financial aid programs, PCHS is required to maintain certain standards of financial responsibility and administrative capability. In addition, PCHS is accredited with ACAOM and WSCUS and must comply with rules and regulations of accrediting bodies. As a result, PCHS may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on these financial statements, management believes that as of the date of these financial statements, PCHS has complied with all regulatory requirements as of the date of the financial statements.

*Borrower Defense to Repayment*

The U.S. Department of Education (the Department) published its new regulations with an effective date of July 1, 2023. The new regulations allow a borrower to assert a defense to repayment on the basis of a substantial misrepresentation, any other misrepresentation in cases where certain other factors are present, a breach of contract or a favorable nondefault contested judgment against a school for its act or omission relating to the making of the borrower's loan or the provision of educational services for which the loan was provided. In addition, the financial responsibility standards contained in the new regulations establish the conditions or events that trigger the requirement for an institution to provide the Department with financial protection in the form of a letter of credit or other security against potential institutional liabilities. Triggering conditions or

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the year ended December 31, 2023**

**Note 10: Commitments and Contingencies, Continued**

events include, among others, certain state, federal or accrediting agency actions or investigations. The new regulations also prohibit schools from requiring that students agree to settle future disputes through arbitration. Management believes no misrepresentations have occurred nor has any agency or investigations occurred as of the date of these financial statements.

*Composite Score*

The Department requires institutions to meet standards of financial responsibility. The Department deems an institution financially responsible when the composite score is at least 1.5. For the year ended December 31, 2023, the Company's composite score was 2.2.

*Letter of Credit*

In a letter dated September 1, 2021, the Department notified the Company that upon review of the 2020 compliance audit, the Company did not meet the refund requirements stated at 34 C.F.R. § 668.173 which requires institutions to make timely refunds to students. The Department required a letter of credit of \$30,649 (25% of 2020 refunds totaling \$122,597) which was posted in favor of the Department until the Company meets the refund requirements for two consecutive years. The Company posted the letter of credit in October 2021, as described in Note 5. In November 2022, the Company received notice from the Department that the letter of credit requirement was increased to \$39,686. In the 2022 Final Audit Determination letter dated December 7, 2023, the Department stated that all findings may be considered closed for purpose of this audit determination. The Department did not require a letter of credit, but the 2022 Final Audit Determination letter was received after the letter of credit automatically renewed for 12 months.

*Surety Bond Requirement*

As part of its normal business operations, the Company is required to provide surety bonds to various states. As of December 31, 2023, the Company has a surety bond in the amount of \$250,000 to the Minnesota Office of Higher Education. In addition, the Company has small surety bonds for various amounts with other state agencies.

Litigation

The Company does not believe it is a party to any pending or threatened litigation arising from services currently or formerly performed by the Company. To the extent that there may be pending or threatened litigation that management is unaware of, they do not believe there to be any possible claims that could have a material adverse effect on their business, results of operations or financial condition.

**Note 11: Subsequent Events**

Subsequent events were evaluated through June 27, 2024, which is the date the financial statements were available to be issued



**Supplementary Information**

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION**  
**(Information Required by the U.S. Department of Education)**  
**for the year ended December 31, 2023**

Related Party Transactions

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

During 2023, the Company issued \$1,000,000 of Class A Preferred Units, as described in Note 9.

During 2023, the Company incurred management and consulting fees of \$150,000 from Quad Partners located in New York, New York, equity owners in the Parent Company.

90/10 Revenue Percentage

The Company 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 percent of its cash basis revenues for each fiscal year from sources other than Federal funds. If a school receives more than 90 percent 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 year ended December 31, 2023, the Company's 90/10 revenue percentage was 59.50%, as calculated on page 24.

Financial Responsibility

The U.S. Department of Education requires additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These disclosures are not required by accounting principles generally accepted in the United States of America but are intended for use by the U.S. Department of Education and to ensure compliance with Federal Title IV regulations.

For the year ended December 31, 2023, the Company's composite score was 2.2 as calculated on page 30.

The information, presented on pages 23 through 30, is required by the U.S. Department of Education and presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial statements and accompanying notes should be read in  
connection with the supplementary information.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
**(Information Required by the U.S. Department of Education)**  
**for the year ended December 31, 2023**

**90/10 REVENUE CALCULATION**

	<b>Amount Disbursed</b>	<b>Adjusted Amount</b>
<b>Student Title IV Revenue</b>		
Title IV Credit Balance Carried Over From Prior Year	\$ 108,202	\$ 108,202
Federal Direct Loans	25,454,909	25,454,909
Federal Pell Grant	912,924	912,924
FSEOG (subject to matching reduction)	30,100	21,406
<b>Total Student Title IV Revenue</b>	<b>26,397,933</b>	<b>26,497,441</b>
Student Title IV Revenue Adjustment		(12,850,974)
<b>Total Adjusted Student Title IV Revenue</b>	<b>26,397,933</b>	<b>13,646,467</b>
<b>Other Federal Funds Paid Directly to Institution</b>		
Veterans Affairs Funds	1,008,521	1,008,521
Department of Rehabilitation (CA, IL, NY)	13,274	13,274
<b>Total Other Federal Funds Paid Directly to Institution</b>	<b>1,021,795</b>	<b>1,021,795</b>
Other Federal Funds Paid Directly to Institution Revenue Adjustment		(295,237)
<b>Total Adjusted Other Federal Funds Paid Directly to Institution</b>	<b>1,021,795</b>	<b>726,558</b>
<b>Other Federal Funds Paid Directly to Student</b>		
Americorp Funds	849	849
<b>Total Other Federal Funds Paid Directly to Student</b>	<b>849</b>	<b>849</b>
Other Federal Funds Paid Directly to Student Revenue Adjustment		-
<b>Total Adjusted Other Federal Funds Paid Directly to Student</b>	<b>849</b>	<b>849</b>
<b>Student Non-Federal Revenue</b>		
Non-Federal Credit Balances from Prior Year	48,739	48,739
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals:		
New York Tuition Assistance Program (TAP) Funds	43,025	43,025
Student payments:		
Third Party Loans	93,947	93,947
Student Cash	10,770,789	10,770,789
<b>Total Adjusted Student Non-Federal Revenue</b>	<b>10,956,500</b>	<b>10,956,500</b>
Student Non-Federal Revenue Adjustment		(2,065,794)
<b>Total Adjusted Student Non-Federal Revenue</b>	<b>10,956,500</b>	<b>8,890,706</b>
<b>Revenue from Other Sources</b>		
Activities conducted by the institution that are necessary for education and training.	894,795	894,795
<b>Total Revenue from Other Sources</b>	<b>894,795</b>	<b>894,795</b>
Total Adjusted Federal Revenue		<b>14,373,874</b>
Total Adjusted Federal Revenue + Total Adjusted Non-Federal Revenue and Revenue from Other Sources		<b>\$ 24,159,375</b>
<b>90/10 Ratio</b>		<b>59.50%</b>

The financial statements and accompanying notes should be read in connection with this supplementary information.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
**(Information Required by the U.S. Department of Education)**  
**for the year ended December 31, 2023**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**

Lines		<b>Primary Reserve Ratio:</b>		
		<b>Adjusted Equity:</b>		
34	Balance Sheet - Total Equity	Total equity		27,974,286
5, 6, 12	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets		-
5, 12	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-
10	Balance Sheet - Property, Plant and Equipment, net	Property, plant and equipment, net - including construction in progress	1,945,494	
FS Note line 10A	Note of the Financial Statements - Balance Sheet - Property, Plant and Equipment, net pre-implementation	Property, plant and equipment, net - pre-implementation less any construction in progress		305,212
FS Note line 10B	Note of the Financial Statements Balance Sheet - Property, Plant and Equipment, net post-implementation with outstanding debt for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		-
FS Note line 10D	Note of the Financial Statements Balance sheet - Property, Plant and Equipment, net post-implementation without outstanding debt for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		599,986
FS Note line 10C	Note of the Financial Statements Balance Sheet - Property, Plant, and Equipment - Construction in process	Construction in progress		1,040,296
11	Balance Sheet - Lease right-of-use asset	Lease right-of-use asset	12,178,800	
Excluded 11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		9,957,249
M11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - post-implementation		2,221,551
13	Balance Sheet - Goodwill	Intangible assets		24,410,919
31	Balance Sheet - Post-employment and pension liability	Post-employment and defined pension plan liabilities		-
18, 22, 23, 27, 28	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt - for long-term purposes and Construction in process debt	1,000,000	
M18, 22, 23, 27, 28 Note Debt A	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt for long-term purposes pre-implementation		-
Debt Note B	Balance Sheet - Notes payable and Line of Credit (both current and long-term) for purchase of Property, Plant and Equipment	Qualified Long-term debt for long-term purposes post-implementation for purchase of Property, Plant and Equipment		-

The financial statements and accompanying notes should be read in connection with the supplementary information.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
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**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued**

Debt Note C	Balance Sheet - Notes payable and Line of Credit for Construction in process	Line of Credit for Construction in process		1,000,000
20, 29	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Lease right-of-use asset liability	14,423,221	
Excluded 20, 29 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-Implementation right-of-use leases		12,204,593
M20, 29 FS Note	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Post-Implementation right-of-use leases		2,218,628
44, 48, 49, 50, 51	Statement of (Loss) Income - Total Operating Expenses, Interest Expense, Loss on Impairment of Assets and Loss on Disposal of Assets	<b>Total Expenses and Losses</b>		26,160,843

Lines		<b>Equity Ratio:</b>		
		<b>Modified Equity:</b>		
34	Balance Sheet - Total Equity	Total equity		27,974,286
Excluded 20, 29 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-Implementation right-of-use leases		12,204,593
Excluded 11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		9,957,249
13	Balance Sheet - Goodwill	Intangible assets		24,410,919
5, 6, 12	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets		-
5, 12	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-
		<b>Modified Assets:</b>		
16	Balance Sheet - Total assets	Total assets		44,784,020
Excluded 11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		9,957,249
13	Balance Sheet - Goodwill	Intangible assets		24,410,919
5, 6, 12	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets		-
5, 12	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-

Lines		<b>Net Income Ratio:</b>		
53	Statement of (Loss) Income - Net Income Before Income Taxes	<b>Income Before Taxes</b>		(432,556)
38, 46, 47	Statement of (Loss) Income - Total Revenue, Interest income and Other miscellaneous income	<b>Total Revenues and Gains</b>		25,728,287

The financial statements and accompanying notes should be read in connection with the supplementary information.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
**(Information Required by the U.S. Department of Education)**  
**for the year ended December 31, 2023**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued**

**BALANCE SHEET**

Line			
	<b>Current Assets</b>		
1	Cash and cash equivalents	\$	4,227,975
2	Accounts receivable, net		521,901
3	Inventory		121,874
4	Prepaid expenses		143,926
5	Related party receivable		-
6	Related party receivable, secured		-
7	Student loans receivable, net		-
8	Other current assets		-
9		<b>Total Current Assets</b>	<b>5,015,676</b>
10	Property, plant and equipment, net		1,945,494
11	Lease right-of-use assets, net		12,178,800
12	Receivable from affiliate, net		-
13	Goodwill and intangible assets		24,410,919
14	Deposits		231,498
15	Other assets		1,001,633
16		<b>Total Assets</b>	<b>\$ 44,784,020</b>
	<b>Current Liabilities</b>		
17	Accounts payable and accrued expenses	\$	1,123,381
18	Line of credit - short term CIP		-
19	Deferred revenue and student deposits		263,132
20	Leases right-of-use asset liabilities		3,169,545
21	Line of credit - operation		-
22	Line of credit - for long term purposes		-
23	Current portion of debt		-
24	Other current liabilities		-
25		<b>Total Current Liabilities</b>	<b>4,556,058</b>
26	Line of credit - operating		-
27	Line of credit - for long term purposes		1,000,000
28	Debt		-
29	Lease right-of-use asset liabilities		11,253,676
30	Other liabilities		-
31	Post-employment and pension liability		-
32		<b>Total Liabilities</b>	<b>16,809,734</b>
	<b>Equity</b>		
33	Members' equity		27,974,286
34		<b>Total Equity</b>	<b>27,974,286</b>
35	<b>Total Liabilities and Equity</b>	<b>\$</b>	<b>44,784,020</b>

The financial statements and accompanying notes should be read in connection with the supplementary information.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
**(Information Required by the U.S. Department of Education)**  
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**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued**

**STATEMENT OF INCOME**

Line		
	<b>Revenue</b>	
36	Tuition and fees, net	\$ 23,784,273
37	Clinic, bookstore and other revenue	1,722,558
38	<b>Total Revenue</b>	<b>25,506,831</b>
	<b>Operating Expenses</b>	
39	Instructional	4,581,080
40	Advertising	1,543,000
41	Rent and occupancy	3,772,892
42	General and administrative	15,951,636
43	Depreciation, amortization and goodwill impairment	312,235
44	<b>Total Operating Expenses</b>	<b>26,160,843</b>
45	<b>Operating Income (Loss)</b>	<b>(654,012)</b>
	<b>Other Income (expense)</b>	
46	Interest income	184,155
47	Other income	37,301
48	Loss on impairment of assets	-
49	Loss on disposal of assets	-
50	Interest expense	-
51	Other expense	-
52	<b>Total Other Income (Expense)</b>	<b>221,456</b>
53	<b>Net Income Before Income Taxes</b>	<b>(432,556)</b>
54	Income taxes	(12,590)
55	<b>Net Income (Loss)</b>	<b>\$ (445,146)</b>

Note for Line 11 - Lease right of use assets

A.	Lease right-of-use assets - pre-implementation	\$ 9,957,249	Removed from assets
B.	Lease right-of-use assets - post implementation	2,221,551	
	<b>Total</b>	<b>\$ 12,178,800</b>	

The financial statements and accompanying notes should be read in connection with the supplementary information.

**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
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**for the year ended December 31, 2023**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued**

Note for Line 10 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		\$ 305,212
B.	Post-Implementation Property, Plant and Equipment		-
	Vehicles	-	
	Furniture	-	
	Computers	-	
C.	Construction in progress		1,040,296
D.	Post-Implementation Property, Plant and Equipment		599,986
	Total		\$ 1,945,494

- 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.

Notes for Line 18, 22, 23, 27, 28 - Long-term debt for long term purposes

A.	Pre-Implementation Long-term Debt		\$ -
B.	Allowable Post-Implementation Long-term Debt		-
	Vehicles	-	
	Furniture	-	
	Computers	-	
C.	Construction in progress - debt		1,000,000
D.	Long-term debt not for the purchase of Property, Plant and Equipment or liability greater than assets value		-
	Total		\$ 1,000,000

- 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 lessor of actual outstanding debt of each assets or the value of the asset.
- C. All debt associated with Construction in progress up to the asset value for construction on progress is included.
- D. Long-term debt not for the purchase of Property, Plant and Equipment.

Note for Lines 20 and 29 - Lease right-of-use asset liability

A.	Lease right-of-use assets liability - pre-implementation	\$ 12,204,593	Remove from liabilities
B.	Lease right-of-use assets liability - post-implementation	2,218,628	
	Total	\$ 14,423,221	

The financial statements and accompanying notes should be read in connection with the supplementary information.



**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION, Continued**  
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**for the year ended December 31, 2023**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued**

Calculating the Composite Score	Lines		
*Primary Reserve Ratio = Adjusted Equity	$34 - 13 - (5 + 12) - (10 + M11) + 31$ $+ (M18 + M20 + M22 + M23 + M27$ $+ M28 + M29)$	4,862,294	<b>0.1859</b>
/Total Expenses and Losses	$44 + 48 + 49 + 50 + 51$	26,160,843	
*Equity Ratio = Modified Equity	$34 - (5 + 12) - 13$	5,810,711	<b>0.5579</b>
/Modified assets	$16 - (5 + 12) - 13$	10,415,852	
Net Income Ratio = Income Before Taxes	53	(432,556)	<b>(0.0168)</b>
/Total Revenue and Gains	$38 + 46 + 47$	25,728,287	

**\*All pre-implementation right-of-use assets and liabilities are removed from total assets and total liabilities.**

**M# - Modified for the right-of-use liabilities pre-implementation and post implementation debt not directly related to purchase of assets.**

**Step 1:** Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 20 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Net Income strength factor score = 1 + (33.3 x net income ratio result)

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1

**Step 2:** Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores:

Primary Reserve weighted score = 30% x the primary reserve strength factor

Equity weighted score = 40% x the equity strength factor score

Net income weighted score = 30% x the net income strength factor score

Composite Score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score

RATIO	Ratio	Strength Factor	Weight	Composite Score
<b>Primary Reserve Ratio</b>	0.1859	3.0000	30%	0.9000
<b>Equity Ratio</b>	0.5579	3.0000	40%	1.2000
<b>Net Income Ratio</b>	(0.0168)	0.4401	30%	0.1320
<b>TOTAL Composite Score - Rounded</b>				2.2320 <b>2.2</b>

The financial statements and accompanying notes should be read in  
connection with the supplementary information.

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

To the Members of  
**PCOM HOLDINGS, LLC AND SUBSIDIARIES**  
San Diego, California

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 PCOM Holdings, LLC and Subsidiaries (collectively referred to as “the Company”), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, members’ 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 27, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of 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 determination of financial statement amounts. Such tests included compliance tests as set forth in the 2023 edition of the *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, percentage of revenue derived from Federal Student Aid programs, and financial responsibility. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

### Purpose of this Report

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

*Weworski & Associates*

San Diego, California  
June 27, 2024