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# American Higher Education Development Corporation and Subsidiaries
Consolidated Financial Statements
December 31, 2023 and 2022

**American Higher Education Development Corporation and Subsidiaries**
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## Independent Auditor's Report

To the Board of Directors of
American Higher Education Development Corporation
and Subsidiaries
Princeton, NJ

### Report on the Audit of the Financial Statements

***Opinion***
We have audited the financial statements of American Higher Education Development Corporation and Subsidiaries (a C Corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Higher Education Development Corporation and Subsidiaries as of December 31, 2023 and 2022, 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.

***Change in Accounting Principle***
As discussed in Note 2 to the financial statements, the entity adopted FASB ASC 326 to account for credit losses. Our opinion is not modified with respect to that matter.

***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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Higher Education Development Corporation and Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the 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 American Higher Education Development Corporation and Subsidiaries' ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

***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 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 American Higher Education Development Corporation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about American Higher Education Development Corporation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 presented for purposes of additional analysis and is not a required part of the financial statements. The Financial Responsibility Supplemental Schedule 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 Financial Responsibility Supplemental Schedule 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 14, 2024 on our consideration of American Higher Education Development Corporation and Subsidiaries' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of American Higher Education Development Corporation and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Higher Education Development Corporation and Subsidiaries' internal control over financial reporting and compliance.

ALVAREZ MENDOZA LABOUNTY CPAS

Doral, FL
June 14, 2024

# American Higher Education Development Corporation
# and Subsidiaries
# Consolidated Balance Sheets
# December 31, 2023 and 2022

| **Assets** | **2023** | **2022** |
|---|---|---|
| Current assets | | |
| Cash | $ 8,336,452 | $ 5,380,384 |
| Accounts receivable, net of allowance for credit losses of $2,515,401 and $2,776,332, respectively | 4,218,029 | 4,421,227 |
| Inventory | 201,411 | 178,118 |
| Prepaid expenses | 433,585 | 177,984 |
| Prepaid income taxes | 270,733 | 300,153 |
| Total current assets | 13,460,210 | 10,457,866 |
| | | |
| Long term assets | | |
| Property and equipment, net | 1,984,144 | 1,778,611 |
| Deferred income tax asset | - | 599,322 |
| Goodwill, net | 12,303,068 | 12,303,068 |
| Trade name | 49,905 | 49,905 |
| Right of use asset | 5,348,472 | 6,486,151 |
| Security deposit | 44,318 | 44,318 |
| Total long term assets | 19,729,907 | 21,261,375 |
| | | |
| **Total assets** | $ 33,190,117 | $ 31,719,241 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Accounts payable and accrued expense | $ 1,395,020 | $ 1,055,578 |
| Deferred government grant, current portion | 186,659 | 186,659 |
| Unearned tuition | 2,935,017 | 2,769,397 |
| Lease liability, current portion | 1,436,755 | 1,318,153 |
| Total current liabilities | 5,953,451 | 5,329,787 |
| | | |
| Long term liabilities | | |
| Deferred government grant, net of current portion | 279,989 | 466,648 |
| Deferred income tax liability | 104,541 | - |
| Lease liability, net of current portion | 3,970,300 | 5,260,053 |
| Total long term liabilities | 4,354,830 | 5,726,701 |
| | | |
| **Total liabilities** | 10,308,281 | 11,056,488 |
| | | |
| Stockholders' equity | | |
| Common stock, 100,000 shares of $0.01 par value authorized, 56,639 shares issued and outstanding | 566 | 566 |
| Additional paid-in capital | 20,749,127 | 20,749,127 |
| Retained earnings/(deficit) | 2,132,143 | (86,940) |
| **Total stockholders' equity** | 22,881,836 | 20,662,753 |
| | | |
| **Total liabilities and stockholders' equity** | $ 33,190,117 | $ 31,719,241 |

The accompanying notes are an integral part of these financial statements.
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## American Higher Education Development Corporation and Subsidiaries
## Consolidated Statements of Operations
## For the years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Revenues** | | |
| Tuition and fees, net of refunds | $ 30,876,902 | $ 25,750,089 |
| Bookstore income and other income | 4,282,905 | 3,600,355 |
| Total revenues | 35,159,807 | 29,350,444 |
| | | |
| **Costs and Expenses** | | |
| Instructional | 8,020,131 | 8,147,020 |
| Bookstore | 2,516,892 | 1,932,579 |
| Marketing | 6,627,887 | 6,289,118 |
| Occupancy | 2,773,393 | 2,542,709 |
| General & administrative | 13,590,386 | 12,173,105 |
| Depreciation and amortization | 430,344 | 442,847 |
| **Total costs and expenses** | 33,959,033 | 31,527,378 |
| | | |
| Net income/(loss) from operations | 1,200,774 | (2,176,934) |
| | | |
| **Other income/(expense)** | | |
| Interest income | 112,090 | - |
| Other income | 2,195,960 | - |
| Gain on sale of asset | 12,477 | - |
| Interest expense | - | (123) |
| Other expenses | - | (126,887) |
| Total other income/(expense) | 2,320,527 | (127,010) |
| | | |
| Net income/(loss) before taxes | 3,521,301 | (2,303,944) |
| Income tax (expense)/benefit | (1,302,218) | 615,496 |
| **Net income/(loss)** | $ 2,219,083 | $ (1,688,448) |

The accompanying notes are an integral part of these financial statements.
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# American Higher Education Development Corporation and Subsidiaries
## Consolidated Statements of Stockholders' Equity
## For the years ended December 31, 2023 and 2022

| | Common Stock | | Additional Paid-in | Retained (Deficit)/ | |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Total |
| **Balance, December 31, 2021** | 56,639 | $ 566 | $ 20,749,127 | $1,601,508 | $ 22,351,201 |
| Net loss | | | - | (1,688,448) | (1,688,448) |
| **Balance, December 31, 2022** | 56,639 | 566 | 20,749,127 | (86,940) | 20,662,753 |
| Net income | | | - | 2,219,083 | 2,219,083 |
| **Balance, December 31, 2022** | 56,639 | $ 566 | $ 20,749,127 | $2,132,143 | $ 22,881,836 |

The accompanying notes are an integral part of these financial statements.
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# American Higher Education Development Corporation and Subsidiaries
# Consolidated Statements of Cash Flows
# For the years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income/(loss) | $ 2,219,083 | $ (1,688,448) |
| Adjustments to reconcile net income to net cash provided/(used) by operating activities | | |
| Changes in the allowance for credit losses | (260,931) | 1,175,386 |
| Depreciation and amortization | 430,344 | 442,847 |
| Amortization of right of use asset | 1,338,311 | 1,230,223 |
| Amortization of deferred government grant | (186,659) | (186,659) |
| Changes in assets and liabilities | | |
| Accounts receivable | 464,129 | (389,016) |
| Inventory | (23,293) | (5,183) |
| Prepaid expenses | (255,601) | (34,202) |
| Prepaid income tax | 29,420 | (47,575) |
| Deferred income tax asset | 599,322 | (599,322) |
| Security deposits | - | (3,800) |
| Accounts payable and accrued expenses | 339,442 | 94,165 |
| Lease liability | (1,371,783) | (1,272,208) |
| Deferred income tax liability | 104,541 | (33,162) |
| Unearned tuition | 165,620 | (228,610) |
| **Net cash provided/(used) by operating activities** | 3,591,945 | (1,545,564) |
| | | |
| **Cash flows from Investing activities** | | |
| Purchases of equipment | (635,877) | (416,726) |
| **Net cash used by investing activities** | (635,877) | (416,726) |
| | | |
| **Cash flows from financing activities** | | |
| Repayment of capital lease obligations | - | (3,921) |
| Repayment of debt | - | (11,469) |
| **Net cash used by financing activities** | - | (15,390) |
| | | |
| **Net increase/(decrease) in cash and cash equivalents** | 2,956,068 | (1,977,680) |
| **Cash and cash equivalents** | | |
| Beginning of year | 5,380,384 | 7,358,064 |
| End of year | $ 8,336,452 | $ 5,380,384 |
| | | |
| **Supplemental disclosures** | | |
| Interest paid | $ - | $ 123 |
| Income taxes paid | $ 54,615 | $ 824,486 |
| | | |
| **Non-cash transactions** | | |
| ROU assets obtained in exchange for new operating lease liabilities | $ 200,632 | $ 7,850,414 |

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

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## 1. Description of Business

American Higher Education Development Corporation (the Institution), a C Corporation, was formed pursuant to the laws of the State of Delaware. American Higher Education Development owns 100% of AHED of Ohio, Inc d/b/a Stautzenberger College (SC). The Institution provides post-secondary education training in business and medical careers, early childhood education, technical training careers and cannabis studies at its campuses located in Maumee and Brecksville, Ohio and Rockford, Illinois. SC also provides comprehensive contractors licensing exam preparation and self-paced online training for multiple industries through a wholly owned subsidiary. The Institution is accredited by the Accrediting Commission of Career Schools and Colleges (“ACCSC”) and approved by the U.S. Department of Education to participate in Title IV funding.

## 2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared following accounting principles generally accepted in the United States of America. The more significant principles are discussed below.

### Consolidation

The consolidated financial statements include the accounts of American Higher Education Development Corporation and AHED of Ohio, Inc d/b/a Stautzenberger College in which American Higher Education Development Corporation has a controlling financial interest. All material intercompany balances and transactions have been eliminated.

### Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation.

### Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash.

### 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 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.

### Furniture and Equipment

Furniture and equipment are stated at cost, net of accumulated depreciation. The Institution uses the straight-line method in computing depreciation expense over estimated useful lives ranging from five to seven years. The Institution reviews long-lived assets for impairment when events or circumstances indicate the carrying amount will not be fully recoverable, based on estimated undiscounted future cash flows. Costs for maintenance and repairs are charged to expense as incurred while costs for renewals or betterment are capitalized. Depreciation and amortization expense for the years ended December 31, 2023, and 2022, were $430,344 and $442,847, respectively.

**Cash and Cash Equivalents**
The Institution considers cash on hand, deposits in banks, and short-term marketable securities with original maturities of 90 days or less when purchased by the Institution to be cash and cash equivalents.

**Construction In Progress**
Construction in progress is stated at cost incurred to date and not depreciated until completed and placed in service. The property would then be transferred to property and equipment.

**Advertising Expense**
Advertising expense, except for costs associated with direct-response advertising, is charged to operations when incurred. Advertising expense for the years ended December 31, 2023 and 2022 was $4,773,088 and $5,113,636, respectively. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. As of December 31, 2023 and 2022, the Institution had no capitalized direct-response advertising costs.

**Revenue Recognition**
The Institution has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 Revenue from Contracts with Customers. The core principle of this standard is that an Institution should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Institution expects to be entitled in exchange for such goods or services.

Most of the Institution’s revenues are considered to be revenues from contracts with students. Tuition and fees revenue is reported in the period in which the educational services are provided. The Institution invoices students for tuition and fees at the commencement of the period of instruction and recognizes revenue over time as the services are provided and the performance obligations are satisfied. The Institution uses the input method to recognize such revenue based on hours of instruction provided in contrast with the total hours to be provided for a specified period. Students generally pay for tuition and fees in advance or shortly after receiving the invoice. The Institution may provide for scholarships to certain students to assist them financially with their educational goals. Students must apply for and qualify for these scholarships. Scholarships are netted against tuition and fees and considered variable consideration, which is used in adjusting the transaction price. The Institution does not consider this variable consideration to be constrained, as it is not considered probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the scholarships is resolved. Bookstore income and other income is associated with sales of books, student supplies and short training programs offered by the Institution and is recognized when offered to the students. Unconditional rights to consideration from students and other customers are recorded in the Institution's balance sheet as accounts receivable. Accounts receivable at December 31, 2023 and 2022, were $6,733,430 and $7,197,559 respectively. The Institution records revenue for students who withdraw from the Institution to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

Payments from students that are received prior to the satisfaction of the Institution's related performance obligations result in a contract liability, which is shown in the balance sheet as student deposits. There were no Student deposits at December 31, 2023 and 2022. Unearned tuition is related to future academic periods and may be refundable to the students. Unearned tuition at December 31, 2023 and 2022, was $2,935,017 and $2,769,397, respectively. There were no other contract assets or liabilities at December 31, 2023 and 2022, respectively.

**Income Taxes**

Income taxes are accounted for under the asset and liability method as prescribed by ASC Topic 740: Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance, when in the Institution's opinion it is likely that some portion or the entire deferred tax asset will not be realized.

**Recently Adopted Accounting Guidance for Allowance for Credit Losses**

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance ASC 326, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Institution that are subject to the guidance in FASB ASC 326 are student accounts receivable. The adoption of this guidance did not materially affect the financial statements.

## 3. Accounts Receivable and Allowance for Credit Losses

Accounts receivable at December 31, 2023 and 2022, consists of tuition and fees, in the amount of $6,733,430 and $7,197,559 respectively, net of $2,515,401 and $2,776,332, respectively for the allowance for credit losses. The Institution provides for credit losses using the reserve method and reserves for accounts based on historical collection experience adjusted for management's expectations about current and future economic conditions.

Changes in the allowance for credit losses during the year were as follows:

| | |
|---|---|
| Balance, beginning of the year | $ 2,776,332 |
| Provisions | 3,948,478 |
| Write-offs, net of recoveries | (4,209,409) |
| Balance, end of year | $ 2,515,401 |

## 4. Furniture and Equipment, net

Property and equipment as of December 31, 2023 and 2022, consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Furniture and equipment | $ 3,984,753 | $ 3,990,771 |
| Construction in progress | 121,355 | 240,036 |
| Leasehold improvements | 1,678,896 | 2,005,205 |
| Total property and equipment | 5,785,004 | 6,236,012 |
| Accumulated depreciation | (3,800,860) | (4,457,401) |
| Property and equipment, net | $ 1,984,144 | $ 1,778,611 |

## 5. Commitments and Contingencies

### Leased Facilities

The Institution has entered into various leases for its campus facilities. The leases expire at varying dates through 2030. Lease expense, inclusive of other charges lease related, for the years ended December 31, 2023 and 2022 was $1,906,507 and $1,922,661, respectively.

### After adoption of ASU 2016-02

On January 1, 2022, the Institution adopted the new standard on Leases, ASU 2016-02. The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) – Targeted Improvements, which, among other things, provides a transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The adoption resulted in the recognition of operating right-of-use assets totalling $7,716,374, as well as operating lease liabilities totalling $7,850,414.

The Institution elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts or disclosures. There was no cumulative effect adjustment to the opening balance of retained earnings required.

For the year ended December 31, 2023, the Institution recognized operating right of use assets totaling $200,632, as well as operating lease liabilities totaling $200,632. For the year ended December 31, 2023, the Institution had the following cash and non-cash activities associated with their leases:

| | |
|---|---|
| **Lease expense** | |
| Operating lease expense | $1,584,605 |
| Short-term lease expense | - |
| Variable lease expense | 321,902 |
| **Total** | $1,906,507 |

| | |
|---|---|
| **Other Information** | |
| Gains (losses) on sale-leaseback transactions, net | - |
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from finance leases (i.e. Interest) | - |
| Financing cash flows from finance leases (i.e. principal portion) | - |
| Operating cash flows from operating leases | 1,612,077 |
| ROU assets obtained in exchange for new finance lease liabilities | - |
| ROU assets obtained in exchange for new operating lease liabilities | 200,632 |
| Weighted-average remaining lease term in years for finance leases | - |
| Weighted-average remaining lease term in years for operating leases | 5.02 |
| Weighted-average discount rate for finance leases | - |
| Weighted-average discount rate for operating leases | 4.00% |

The maturity analysis for the finance lease and operating lease liabilities as of December 31, 2023, is as follows:

| **Maturity Analysis** | Finance | Operating |
|---|---|---|
| 2024-12 | $ - | $ 1,621,444 |
| 2025-12 | - | 1,222,329 |
| 2026-12 | - | 1,053,025 |
| 2027-12 | - | 540,000 |
| 2028-12 | - | 540,000 |
| Thereafter | - | 990,000 |
| Total undiscounted cash flows | - | 5,966,798 |
| Less: present value discount | - | (559,743) |
| Total lease liabilities | $ - | $ 5,407,055 |

Certain lease agreements may include variable payments based on a percentage of use over contractual levels, which are not determinable at the lease commencement and are not included in the measurement of the lease asset and liabilities.

If a lease includes one or more options to renew, then only lease options that the Institution believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities.

**Concentration of Risk (Regulatory)**
The Institution is licensed in Ohio, Illinois and Tennessee and accredited by ACCSC. The licenses to operate and maintenance of accreditation requires compliance with numerous regulations. Future noncompliance with these regulations, or a change in the laws governing these programs, would severely impact the operations of the Institution.

During the years ended December 31, 2023 and 2022, the Institution received significant revenue from the U.S. Department of Education's Title IV programs. 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 Institution.

**Credit Risk (FDIC limits)**
The Institution maintains their cash accounts in demand accounts at federally insured commercial banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. From time to time, the Institution had cash in financial institutions in excess of federally insured limits. However, the Institution has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash balances. As of December 31, 2023 and 2022, the Institution's cash balances did exceed the insured limit.

## 6. Goodwill and Trade name

Goodwill represents the excess cost of a company acquired over the fair market value of its net assets at the date of acquisition. The Institution tests for goodwill impairment annually. The Institution acquired other intangible assets through a business combination for the value of the acquiree's tradename. The Institution utilized a third-party to determine the fair value of the tradename and the tradename is determined to have an indefinite useful life. For the years ended December 31, 2023 and 2022, the Institution recognized no impairments for either Goodwill or the Trade name.

## 7. Income Taxes

The Institution accounts for income taxes under ASC Topic 740: Income Taxes which requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. ASC Topic 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

The table below summarizes the federal and state income tax expense differences as follows for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Federal income tax benefit/(expense) | $ (1,062,879) | $ 555,453 |
| State income tax benefit/(expense) | (239,339) | 60,043 |
| Net income tax benefit/(expense) | $ (1,302,218) | $ 615,496 |

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Deferred tax assets and liabilities consist of the following as of December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Operating loss carryforward | $ 280,068 | $ 559,764 |
| Allowance for credit losses | 248,404 | 305,600 |
| Other, net | (193,534) | (42,637) |
| Property and equipment, net | (439,479) | (223,405) |
| Net deferred tax (liability)/asset | $ (104,541) | $ 599,322 |

## 8. Related Party Transactions

The Institution currently 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 Institution 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. There were no related party transactions for the years ended December 31, 2023 and 2022.

This information 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.

## 9. Employee Retirement Benefit Plan

The Institution sponsors a 401(k) Profit Sharing Plan that covers all eligible employees, as defined. Contributions by the Institution are discretionary. Contributions made to the plan for the years ended December 31, 2023 and 2022 were $77,287 and $73,656, respectively.

## 10. 90/10 Calculation

The Institution 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 Institution 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. The below information 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.

For the fiscal year ended December 31, 2023, the Institution’s cash basis calculation is:

| | | |
|---|---|---|
| Adjusted Student Federal Revenue | $ 25,199,031 | 88.18% |
| Adjusted Student Federal Revenue Sum of Non-Federal Revenue and Revenue from Other Sources | $ 28,576,130 | |

| **Revenue Category** | **Amount Disbursed** | **Adjusted Amount** |
|---|---|---|
| **Student Title IV Revenue** | | |
| Title IV Credit Balance Carried Over from Prior Year | 111,908 | 79,431 |
| Federal Direct Loan | 16,342,344 | 16,215,854 |
| Federal Pell Grant | 9,203,430 | 8,270,158 |
| FSEOG (Subject to matching reduction ) | 434,927 | 258,731 |
| Total Student Title IV Revenue | 26,092,609 | 24,824,174 |
| Refunds Paid to Students | - | (1,431,263) |
| **Student/Other Federal Funds Paid Direct to Student** | - | - |
| Federal Funds 1 | - | - |
| Total Student Other Federal Funds Paid to Student | - | - |
| Refunds Paid to Students | - | - |
| Adjusted Student/Other Federal Funds Paid Directly to Student | - | - |
| Adjusted Student Federal Revenue | 28,434,794 | 25,199,031 |
| Adjusted Student Title IV Revenue | 26,092,609 | 23,392,911 |

| **Revenue Category** | **Amount Disbursed** | **Adjusted Amount** |
|---|---|---|
| Student/Other Federal Funds Paid Directly to Institution | - | - |
| Federal Funds 1 | 1,713,294 | 1,380,133 |
| Federal Funds 2 | 628,891 | 425,987 |
| Federal Portion of Other Funds | - | - |
| Total Student/Other Federal Funds Paid Directly to the Institution | 2,342,185 | 1,806,120 |
| Refunds Paid to Students | - | - |
| Adjusted Student/Other Federal Funds Paid Directly to the Institution | 2,342,185 | 1,806,120 |
| **Revenue from Other Sources (Totals for the Fiscal Year)** | - | - |
| Revenue from Other Sources | - | - |
| Adjusted Student Non-Federal Revenue and Revenue from Other Sources | 3,706,209 | 3,377,099 |
| Total Federal and Non-Federal Revenue | 32,141,003 | 28,576,130 |

| **Revenue Category** | **Amount Disbursed** | **Adjusted Amount** |
|---|---|---|
| **Student Non-Federal Revenue** | - | - |
| Grant fund for the students from non-Federal public agencies or private sources independent of the institution | - | - |
| Grant Funds 1 | 3,038 | 3,038 |
| Grant Funds 2 | 96,271 | 96,271 |
| Grant Funds 3 | 134,841 | 134,841 |
| Grant Funds 4 | 5,596 | 5,596 |
| Grant Funds 5 | 6,733 | 6,733 |
| Grant Funds 6 | 16,399 | 16,399 |
| Grant Funds 7 | 5,180 | 5,180 |
| Funds provided for the student under contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals | 89,673 | 89,673 |
| Qualified institutional scholarship disbursed to students | 14,290 | 14,290 |
| **Revenue Category** | **Amount Disbursed** | **Adjusted Amount** |
| Student payments | | |
| Student Cash | 3,334,188 | 3,005,078 |
| Student Non-Federal Revenue | 3,706,209 | 3,377,099 |
| Refunds Paid to Students | - | - |
| Adjusted Student Non-Federal Revenue | 3,706,209 | 3,377,099 |

**11. Composite Score**

As a condition of eligibility to participate in the various federal financial assistance programs, the Institution is required to demonstrate financial responsibility, as defined in the United States Department of Education regulations, by maintaining a “composite score standard” of at least 1.5. The regulations also established a composite score zone between 1.0 and 1.4, demonstrating an institution as financially weak, but viable. Regulations allow institutions falling within this zone up to three consecutive years to improve their financial condition without requiring surety.

The Institution’s “composite score standard” at December 31, 2023 and 2022, was 3.0 and 1.7, respectively, are in compliance with the above requirement.

**12. Date of Management Review**

In preparing the financial statements the Institution has evaluated events and transactions for potential recognition or disclosure through June 14, 2024, the date the financial statements were available to be issued.

Independent Auditor's Report

To the Board of Directors of
American Higher Education Development Corporation
and Subsidiaries
Princeton, NJ

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 Comptroller General of the United States, the financial statements of American Higher Education Development Corporation and Subsidiaries which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operation, stockholders' equity and statements of cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 14, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered American Higher Education Development Corporation and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Higher Education Development Corporation and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of American Higher Education Development Corporation and Subsidiaries' 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency is a deficiency*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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


1981 NW 88 Court, Suite 201, Doral, FL 33172 Tel. 305.275.3011 Fax. 305.275.3022

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether American Higher Education Development Corporation and Subsidiaries consolidated 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 *Guide For Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administrating Title IV Programs*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

**Purpose of this Report**

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

Alvarez Mendoza LaBounty CPAs

Doral, FL
June 14, 2024

# FINANCIAL RESPONSIBILITY

# SUPPLEMENTAL SCHEDULE

**American Higher Education Development Corporation and Subsidiaries**
**Financial Responsibility Supplemental Schedule**
**December 31, 2023**

**Primary Reserve Ratio**
**Adjusted Equity**

| | | | |
|---|---|---|---|
| Balance sheet (Total stockholders' equity) | Total Equity | | 22,881,836 |
| Not applicable | Secured and unsecured related party receivable | - | |
| Not applicable | Unsecured Related party receivable | | - |
| Balance sheet (Property & equipment, net) | Property and equipment, net - including construction in progress | 1,984,144 | |
| Note A: For Net Property and equipment | Property and equipment, net (pre-implementation) less any construction in progress | | 380,672 |
| Note A: For Net Property and equipment | Property and equipment, net (post-implementation) less any construction in progresss with outstanding debt for original purchase with debt | | - |
| Note A: Property and equipment, net | Property and equipment, net (post-implementation) without outstanding debt for original purchase without debt | | 1,482,117 |
| Note A: Property and equipment, net | Construction in progress | | 121,355 |
| Balance sheet (Right-of-use asset) | Lease right-of-use asset | 5,348,472 | |
| Not applicable | Lease right-of-use asset (pre-implementation) | | 289,492 |
| Note C: Leases right-of-use | Lease right-of-use asset (post implementation) | | 5,058,980 |
| Balance sheet (Goodwill, net & Trade name) | Intangible assets | | 12,352,973 |
| Not applicable | Post-employment and defined pension plan liabilities | | - |
| Not applicable | Long term debt for long term purposes and construction in progress debt | - | |
| Not applicable | Long term debt for long term purposes pre-implementation | | - |

| | | | |
|---|---|---|---|
| Not applicable | Qualified long term debt for long term purposes post-implementation for purchase of property and equipment | | - |
| Not applicable | Line of credit for construction in progress | | - |
| Balance sheet (Lease liability (both current and long term)) | Lease right-of-use asset liability | 5,407,055 | |
| Not applicable | Pre-implementation lease liability | | 341,006 |
| Note D: Lease liability | Post implementation lease liability | | 5,066,049 |
| Statement of operations (Total operating and other expenses) | **Total expenses:** | | 33,959,033 |

**Equity Ratio**
**Modified equity**

| | | | |
|---|---|---|---|
| Balance sheet (Total stockholders' equity) | Total Equity | | 22,881,836 |
| Not applicable | Pre-implementation lease liability | | 341,006 |
| Not applicable | Lease right-of-use asset (pre-implementation) | | 289,492 |
| Balance sheet (Goodwill, net & Trade name) | Intangible assets | | 12,352,973 |
| Not applicable | Unsecured Related party receivable | | - |
| | **Modified Assets:** | | |
| Balance sheet (Total assets) | Total assets | | 33,190,117 |
| Not applicable | Lease right-of-use asset (pre-implementation) | | 289,492 |
| Balance sheet (Goodwill, net & Trade name) | Intangible assets | | 12,352,973 |
| Not applicable | Unsecured Related party receivable | | - |

**Net Income Ratio**

| | | | |
|---|---|---|---|
| Statement of operations (Net income before taxes ) | Income before taxes | | 3,521,301 |
| Statement of operations (Total revenues and other income) | Total revenues and gains | | 37,480,334 |

## American Higher Education Development Corporation and Subsidiaries
## Financial Responsibility Supplemental Schedule
## December 31, 2023

| Ratio | Ratio | Strength Factor | Weight | Composite Scores |
|---|---|---|---|---|
| Primary reserve ratio = Adjusted Equity / Total expenses and losses | 0.2531 | 3.0000 | 30% | 0.900 |
| Equity ratio = Modified Equity / Modified assets | 0.5149 | 3.0000 | 40% | 1.200 |
| Net income ratio = Income before taxes / Total revenues and gains | 0.0940 | 3.0000 | 30% | 0.900 |
| | | | | 3.0 |

| **Note A: For Net Property and equipment** | |
|---|---|
| Pre-implementation Property and equipment | $ 380,672 |
| Post-implementation Property and equipment with debt | - |
| Construction in progress | 121,355 |
| Post-implementation Property and equipment (without debt) | 1,482,117 |
| Total | $1,984,144 |

| **Note B: Long term Debt for long term purposes** | |
|---|---|
| Pre-implementation debt | $ - |
| Allowable post-implementation long term debt | - |
| Long-term debt not for the purchase of property and equipment or liability greater than assets value | - |
| Total | $ - |

| **Note C: Lease right-of-use** | |
|---|---|
| Lease right-of-use asset (pre-implementation) | $ 289,492 |
| Lease right-of-use asset (post implementation) | 5,058,980 |
| Total | $5,348,472 |

| **Note D: Lease liability** | |
|---|---|
| Pre-implementation lease liability | $ 341,006 |
| Post implementation lease liability | 5,066,049 |
| Total | $5,407,055 |