



BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

FEDERAL ID #: 20-4325935

OPE ID #: 04157700

UEI #: HF5FKNUAZUL3

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2023 and 2022



SIKICH.COM

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	3-5
FINANCIAL STATEMENTS	
Balance Sheets	6-7
Statements of Operations and Members’ Equity	8
Statements of Cash Flows	9
Notes to Financial Statements.....	10-20
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21-22
SUPPLEMENTARY SCHEDULES	
Attestation of Revenue Sources	23-27
Financial Responsibility	28-34

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

To the Members
Big Dreams, LLC
d/b/a The Salon Professional Academy

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Dreams, LLC d/b/a The Salon Professional Academy (a Wisconsin limited liability company), which comprises the balance sheet as of December 31, 2023, and the related statements of operations and 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 Big Dreams, LLC d/b/a The Salon Professional Academy as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of Big Dreams, LLC d/b/a The Salon Professional Academy as of December 31, 2022 were audited by Sikich LLP, whose report dated June 6, 2023, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Dreams, LLC d/b/a The Salon Professional Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Big Dreams, LLC d/b/a The Salon Professional Academy'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 Big Dreams, LLC d/b/a The Salon Professional Academy's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit as of and for the year ended December 31, 2023 was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule A on the calculation of the Title IV 90/10 revenue test is required by the U.S. Department of Education and schedule B on Financial Responsibility, is required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix A to Subpart L of Part 668, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The audit as of and for the year ended December 31, 2022 was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule A on the calculation of the Title IV 90/10 revenue test is required by the U.S. Department of Education and schedule B on Financial Responsibility, is required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix A to Subpart L of Part 668, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements by Sikich LLP and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In the opinion of Sikich LLP, the information was fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024 on our consideration of Big Dreams, LLC d/b/a The Salon Professional Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Big Dreams, LLC d/b/a The Salon Professional Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Dreams, LLC d/b/a The Salon Professional Academy's internal control over financial reporting and compliance.

Sikich CPA LLC

Naperville, Illinois
June 26, 2024

FINANCIAL STATEMENTS

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

BALANCE SHEETS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 697,026	\$ 543,827
Accounts receivable, net of allowance for credit losses of \$0 at December 31, 2023 and net of allowance for doubtful accounts of \$0 at December 31, 2022.	44,037	51,237
Prepaid supplies	53,674	35,184
	<hr/>	
Total current assets	794,737	630,248
	<hr/>	
PROPERTY, PLANT, AND EQUIPMENT		
Leasehold improvements	482,842	482,842
Furniture and fixtures	220,044	219,744
Equipment	94,842	94,000
Vehicle	42,085	42,085
	<hr/>	
Subtotal	839,813	838,671
Less accumulated depreciation and amortization	(749,069)	(720,071)
	<hr/>	
Net property, plant, and equipment	90,744	118,600
	<hr/>	
OTHER ASSETS		
Operating lease right-of-use assets	1,330,846	1,461,803
Finance lease right-of-use assets	1,601	3,147
	<hr/>	
Total other assets	1,332,447	1,464,950
	<hr/>	
TOTAL ASSETS	\$ 2,217,928	\$ 2,213,798
	<hr/> <hr/>	

(This statement is continued on the following page.)

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

BALANCE SHEETS (Continued)

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 16,826	\$ 24,191
Note payable, current portion	6,237	8,845
Deferred student tuition	88,589	154,540
Accrued liabilities	63,778	46,502
Operating lease liability, current portion	133,107	130,957
Finance lease liability, current portion	1,334	1,508
Total current liabilities	<u>309,871</u>	<u>366,543</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	-	6,282
Operating lease liability, net of current portion	1,197,739	1,330,846
Finance lease liability, net of current portion	1,462	2,795
Total long-term liabilities	<u>1,199,201</u>	<u>1,339,923</u>
Total liabilities	1,509,072	1,706,466
MEMBERS' EQUITY	<u>708,856</u>	<u>507,332</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 2,217,928</u>	<u>\$ 2,213,798</u>

See accompanying notes to financial statements.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE		
Tuition and fees, net of refunds	\$ 1,550,617	\$ 1,295,885
Clinic	370,318	395,388
Retail	65,797	74,127
Rental income	33,600	33,600
	2,020,332	1,799,000
OPERATING EXPENSES		
Educational services	682,093	639,549
General and administrative	573,795	495,704
Marketing and admissions	64,931	70,465
Occupancy	218,544	223,516
Depreciation and amortization	31,774	34,732
Loss on disposal of property, plant, and equipment	1,549	1,003
	1,572,686	1,464,969
Total operating expenses	1,572,686	1,464,969
Income from operations	447,646	334,031
OTHER INCOME (EXPENSE)		
Interest income	7,988	8,158
Interest expense	(4,346)	(4,555)
	3,642	3,603
Total other income (expense)	3,642	3,603
NET INCOME	451,288	337,634
MEMBERS' EQUITY, BEGINNING OF YEAR	507,332	373,209
Distributions	(249,764)	(203,511)
MEMBERS' EQUITY, END OF YEAR	\$ 708,856	\$ 507,332

See accompanying notes to financial statements.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 451,288	\$ 337,634
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	31,774	34,732
Provision for credit losses	46,755	-
Loss on disposal of property, plant, and equipment	1,549	1,003
Noncash lease expense	39	-
Changes in certain assets and liabilities		
Accounts receivable	(39,555)	36,159
Prepaid supplies	(18,490)	(7,842)
Accounts payable	(7,365)	(37,950)
Deferred student tuition	(65,951)	97,133
Accrued liabilities	17,276	5,677
Total adjustments	<u>(33,968)</u>	<u>128,912</u>
Net cash from operating activities	<u>417,320</u>	<u>466,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of property, plant, and equipment	<u>(5,467)</u>	<u>(29,333)</u>
Net cash from investing activities	<u>(5,467)</u>	<u>(29,333)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(8,890)	(8,370)
Payments on finance lease liability	-	(5,437)
Distributions to members	<u>(249,764)</u>	<u>(203,511)</u>
Net cash from financing activities	<u>(258,654)</u>	<u>(217,318)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	153,199	219,895
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>543,827</u>	<u>323,932</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 697,026</u>	<u>\$ 543,827</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 4,346</u>	<u>\$ 4,555</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Operating lease assets recorded upon implementation of ASC 842	\$ -	\$ 1,590,644
Finance lease assets recorded upon implementation of ASC 842	<u>-</u>	<u>5,488</u>
TOTAL NONCASH INVESTING AND FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ 1,596,132</u>

See accompanying notes to financial statements.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Big Dreams, LLC d/b/a The Salon Professional Academy (the Company) was formed in the State of Wisconsin on February 14, 2006. The Company operates a cosmetology school in Onalaska, Wisconsin.

Basis of Presentation

The Company has elected to apply the accounting alternative treatment for a private company for certain variable interest entities (VIEs) pursuant to accounting principles generally accepted in the United States of America (USGAAP). As such, the Company has a related entity as discussed in Note 6, that the Company is not required to evaluate or apply VIE guidance and is not consolidated in the accompanying financial statements.

Basis of Accounting

The books of account are maintained on the accrual basis in accordance with USGAAP.

Cash and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

The Company has deposits at a financial institution in excess of federally insured limits of approximately \$437,000 at December 31, 2023. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade accounts receivable. Accounts are considered delinquent when not collected within negotiated terms.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Allowance for Credit Losses under ASC 326

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

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

The Company writes off receivables when students leave their respective programs of study. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. The total amount of write-offs was \$46,922 for the year ended December 31, 2023.

Allowance for Doubtful Accounts under ASC 310

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes the amount of the allowance for doubtful accounts based on history of past write-offs and collections and current credit conditions. Student receivables are written off as a charge against the allowance when students leave their respective programs of study. The allowance for doubtful accounts is \$0 at December 31, 2022. However, actual write-offs may exceed the allowance amount.

Prepaid Supplies

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

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. The Company has a capitalization threshold of \$1,000. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	5-7
Furniture and fixtures	7
Equipment	5
Vehicle	5

Leasehold improvements are amortized over the shorter of the useful life or lease term. Leasehold improvements associated with a lease between entities under common control are amortized over the economic life. The net book value of leasehold improvements amortized over the economic life is \$44,288 at December 31, 2023. The remaining useful lives of these leasehold improvements is six years at December 31, 2023. Depreciation and amortization expense is \$31,774 and \$34,732 for the years ended December 31, 2023 and 2022, respectively.

Contract Assets and Liabilities

Contract assets consist of accounts receivable. Contract liabilities consist of deferred student tuition which is the unearned portion of tuition for which a student is contracted. The deferred student tuition amount was calculated using the actual students' tuition based on the number of hours remaining in the program. This liability is liquidated when tuition revenue is recognized over the remainder of the program. Accounts receivable at January 1, 2022 was \$87,396 and deferred student tuition at January 1, 2022 was \$57,407.

Revenue Recognition

The Company identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. The Company's contracts include promises for educational services and course materials which are distinct performance obligations. The Company provides clinic services and sells retail product to the general public.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

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

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

The Company's refund policy may permit students who do not complete a course to be eligible for a refund for the portion of the course they did not attend. The amount of the refund differs by school, program, and state, as some states require different policies. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

The transaction price is stated in the contract and known at the time of contract inception, as such there is variable consideration for situations when a student drops from a program based on the Company's refund policy 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 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.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Revenue Recognition (Continued)

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

Leases

The Company determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Company has the right to control the asset. The Company uses the written terms and conditions of a related party arrangement between entities under common control to determine whether that arrangement contains a lease. Finance lease right-of-use (ROU) assets are included in "Other assets" and the corresponding lease liabilities are included in "Finance lease liability, current portion" and "Finance lease liability, net of current portion" on the balance sheet.

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

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

The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all asset classes. Additionally, for certain equipment leases, the portfolio approach is applied to account for the operating lease ROU assets and lease liabilities. In the statements of income and members' equity, lease expense for operating lease payments is recognized on a straight-line basis over the lease term. For finance leases, interest expense is recognized on the lease liability and the ROU asset is amortized over the lease term.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2023 and 2022 is \$11,704 and \$18,194, respectively.

Income Taxes

The Company operates as a limited liability company taxed as a subchapter S corporation. As such, income tax expense is not recorded. The net income for the Company flows through to its members and is taxed on their individual income tax returns.

The Company files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for years prior to 2020.

Use of Estimates

The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, to introduce the current expected credit losses methodology for estimating allowances for credit losses. The new guidance makes targeted improvements to the accounting for credit losses and applies to all financial instruments carried at amortized cost (including loans held for investment and held to maturity debt securities, as well as trade receivables, notes receivable, reinsurance recoverables, and receivables that related to repurchase agreements and securities lending agreements). In November 2018, FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326 Financial Instruments - Credit Losses*, to mitigate transition complexity by amending the effecting date for nonpublic entities fiscal to years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2022.

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

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

2. NOTE PAYABLE

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

	<u>2023</u>	<u>2022</u>
\$47,901 note payable to Dahl Toyota, dated August 27, 2018. Payable in 72 monthly installments of \$797, inclusive of interest at 6.04%. Secured by a vehicle.	\$ 6,237	\$ 15,127
Less current portion	<u>(6,237)</u>	<u>(8,845)</u>
TOTAL NOTE PAYABLE, NET OF CURRENT PORTION	<u>\$ -</u>	<u>\$ 6,282</u>

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	<u>2023</u>	<u>2022</u>
<u>Nature of Services</u>		
Tuition revenues	\$ 1,367,343	\$ 1,060,509
Kit and textbook revenues	183,274	235,376
Clinic revenues	370,318	395,388
Retail revenues	<u>65,797</u>	<u>74,127</u>
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>\$ 1,986,732</u>	<u>\$ 1,765,400</u>

	<u>2023</u>	<u>2022</u>
<u>Timing of Revenue Recognition</u>		
Services transferred over time	\$ 1,367,343	\$ 1,060,509
Goods and services transferred at a point in time	<u>619,389</u>	<u>704,891</u>
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	<u>\$ 1,986,732</u>	<u>\$ 1,765,400</u>

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

The Company offers programs of study that typically take up to 56 weeks to complete. Students come from a wide variety of backgrounds. Many of the students receive federal financial aid under programs authorized by Title IV of the Higher Education Act (HEA) to fund their programs of study. For disbursing financial aid, the programs are broken up into payment periods, and financial aid is typically disbursed at the start of a payment period. Qualitative economic factors that affect revenue recognition and cash flows include student attendance, program content, instructor availability, and willingness of the general public to participate in the clinic.

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

4. LEASE COMMITMENTS

The Company has operating and finance leases for its facilities and equipment. The Company's leases have remaining lease terms of one year to ten years. Some leasing arrangements require variable payments that are dependent on usage, output, or may vary for other reasons, such as insurance and tax payments. The variable lease payments are not determinable at the commencement of the lease and are not included in the lease measurements of the initial ROU asset or lease liability. The Company's lease agreements do not contain any material restrictive covenants.

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

Lease Cost	2023	2022
Operating lease cost	\$ 153,600	\$ 153,600
Finance lease cost		
Amortization of right-of-use assets	2,600	2,341
Interest on lease liabilities	557	693
Total finance lease cost	3,157	3,034
Variable lease cost	-	1,078
Sublease income	(33,600)	(33,600)
TOTAL LEASE COST	\$ 123,157	\$ 124,112

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LEASE COMMITMENTS (Continued)

Supplemental cash flow information:

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

	2023	2022
Operating cash flows from operating leases	\$ 153,600	\$ 154,678
Operating cash flows from finance leases	557	693
Financing cash flows from finance leases	2,769	2,289

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

Lease Position	2023	2022
Operating lease right-of-use assets	<u>\$ 1,330,846</u>	<u>\$ 1,461,803</u>
Operating lease liability, current	\$ 133,107	\$ 130,957
Operating lease liability, net of current portion	<u>1,197,739</u>	<u>1,330,846</u>
TOTAL OPERATING LEASE LIABILITIES	<u>\$ 1,330,846</u>	<u>\$ 1,461,803</u>
Finance lease right-of-use assets	<u>\$ 1,601</u>	<u>\$ 3,147</u>
Finance lease liability, current	\$ 1,334	\$ 1,508
Finance lease liability, net of current portion	<u>1,462</u>	<u>2,795</u>
TOTAL FINANCE LEASE LIABILITIES	<u>\$ 2,796</u>	<u>\$ 4,303</u>

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

Lease Term and Discount Rate	2023	2022
Weighted-average remaining lease term (years)		
Operating leases	9.3	10.3
Finance leases	1.2	2.0
Weighted-average discount rate		
Operating leases	1.63%	1.63%
Finance leases	13.13%	12.90%

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LEASE COMMITMENTS (Continued)

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

Maturity of Lease Liabilities at December 31,	Operating Leases	Finance Leases
2024	\$ 153,600	\$ 1,612
2025	153,600	1,184
2026	153,600	-
2027	153,600	-
2028	153,600	-
2029 and thereafter	665,600	-
Total future undiscounted lease payments	1,433,600	2,796
Less interest	(102,754)	-
PRESENT VALUE OF LEASE LIABILITIES	\$ 1,330,846	\$ 2,796

The operating lease right-of-use assets for these leases that the Company entered into prior to December 15, 2018 is \$1,330,846 at December 31, 2023, and the operating lease liability for these leases that the Company entered into prior to December 15, 2018 is \$1,330,846 at December 31, 2023.

5. RETIREMENT PLAN

The Company sponsors a 401(k) plan for certain employees. The plan provides for the Company to make a required matching contribution. During the years ended December 31, 2023 and 2022, the Company made contributions of \$2,362 and \$2,592, respectively.

6. RELATED PARTY TRANSACTIONS

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

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)

6. RELATED PARTY TRANSACTIONS (Continued)

Related party transactions for the years ended December 31, 2023 and 2022 are as follows:

Rent Income

The Company subleases a portion of its facility to Sue Kolve's Hair Studio, Inc., a company owned by 50% member, Sue Kolve-Feehan. Rental income for the years ended December 31, 2023 and 2022 is \$33,600.

Facility Lease

The Company leases its facility from KF Properties, LLC, a company owned by 50% members, Sue Kolve-Feehan and William Feehan. Rent expense for the years ended December 31, 2023 and 2022 is \$153,600.

7. SUBSEQUENT EVENTS

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

Management has evaluated subsequent events through June 26, 2024, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

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

To the Members
Big Dreams, LLC
d/b/a The Salon Professional Academy

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 Big Dreams, LLC d/b/a The Salon Professional Academy, which comprise the balance sheet as of December 31, 2023, and the related statements of operations and members’ equity and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated June 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Dreams, LLC d/b/a The Salon Professional Academy’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 Big Dreams, LLC d/b/a The Salon Professional Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Big Dreams, LLC d/b/a The Salon Professional Academy’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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Dreams, LLC d/b/a The Salon Professional Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such tests included compliance tests as set forth in the 2023 edition of the U.S. Department of Education's *Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Big Dreams, LLC d/b/a The Salon Professional Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Dreams, LLC d/b/a The Salon Professional Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich CPA LLC

Naperville, Illinois
June 26, 2024

SUPPLEMENTARY SCHEDULES

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES

For the Years Ended December 31, 2023 and 2022

A. ATTESTATION OF REVENUE SOURCES

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% of its cash basis revenues for each fiscal year from sources other than Federal funds. If a school receives more than 90% of its cash basis revenues from Federal funds during its fiscal year, the school becomes provisionally certified for the next two fiscal years. If a school fails to satisfy this 90/10 requirement for two consecutive years, the school will lose its ability to participate in Title IV programs.

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

	Amount Disbursed	Adjusted Amount
STUDENT TITLE IV REVENUE		
Title IV Credit Balance Carried Over from Prior Year	\$ (10,137)	\$ (10,137)
Federal Direct Loan	595,712	595,712
Federal Pell Grant	265,192	265,192
Total Student Title IV Revenue	850,767	850,767
Revenue Adjustment and Refunds Paid to Students	-	(74,819)
Adjusted Student Title IV Revenue	850,767	775,948

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

A. ATTESTATION OF REVENUE SOURCES (Continued)

	Amount Disbursed	Adjusted Amount
STUDENT/OTHER FEDERAL FUNDS PAID		
DIRECTLY TO STUDENTS		
Veteran's Affairs / GI Bill	\$ -	\$ -
Federal Funds 1	-	-
Federal Funds 2	-	-
Total Student/Other Federal Funds Paid Directly to Students	-	-
Revenue Adjustment	-	-
Adjusted Student/Other Federal Funds Paid Directly to Students	-	-
STUDENT/OTHER FEDERAL FUNDS PAID		
DIRECTLY TO THE INSTITUTION		
Veteran's Affairs / GI Bill	15,050	15,050
Federal Funds 3	44,510	44,510
Federal Funds 4	971	971
Federal Portion of Other Funds	-	-
Total Student/Other Federal Funds Paid Directly to the Institution	60,531	60,531
Revenue Adjustment	-	(22,476)
Adjusted Student/Other Federal Funds Paid Directly to the Institution	60,531	38,055
Adjusted Student Federal Revenue	\$ 911,298	\$ 814,003

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

A. ATTESTATION OF REVENUE SOURCES (Continued)

	Amount Disbursed	Adjusted Amount
STUDENT NON-FEDERAL REVENUE		
Grant funds for the student from non-Federal public agencies or private sources independent of the institution		
Grant Funds 1	\$ -	\$ -
Grant Funds 2	-	-
Grant Funds 3	-	-
Grant Funds 4	-	-
 Funds provided for the student under a contractual arrangement with a Federal, State, or local agency for the purpose of providing job training to low-income individuals	 -	 -
 Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	 -	 -
 Qualified institutional scholarships disbursed to students	 7,300	 7,300
 Student payments	 -	 -
Third Party Loans	-	-
Third Party Loans - Related Party/Institutional Loans	-	-
ISA Institutional or Related Party	-	-
ISA	-	-
Student Cash	555,313	555,313
	562,613	562,613
Student Non-Federal Revenue	562,613	562,613
 Revenue Adjustment	 -	 (76,727)
	562,613	(76,727)
Adjusted Student Non-Federal Revenue	\$ 562,613	\$ 485,886

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

A. ATTESTATION OF REVENUE SOURCES (Continued)

	Amount Disbursed	Adjusted Amount
REVENUE FROM OTHER SOURCES		
Activities conducted by the institution that are necessary for education and training	\$ 370,318	\$ 370,318
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-	-
Revenue from other sources	370,318	370,318
Adjusted Student Non-Federal Revenue	562,613	485,886
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	932,931	856,204
Adjusted Student Federal Revenue	911,298	814,003
Total Federal and Non-Federal Revenue	\$ 1,844,229	\$ 1,670,207
Adjusted Student Federal Revenue		\$ 814,003
Adjusted Student Federal Revenue + Sum of Non-Federal Revenue and Revenue from Other Sources		\$ 1,670,207
90/10 Percentage		48.74%

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

A. ATTESTATION OF REVENUE SOURCES (Continued)

As more than 10% of revenue is received outside Student Federal Revenue, the Company is in compliance with this eligibility requirement for the year ended December 31, 2023.

For the fiscal year ended December 31, 2022, the Company received \$837,130 of revenues from Title IV programs out of \$1,813,049 of eligible cash basis revenue totaling 46.17%. As more than 10% of revenue is received outside Title IV programs, the Company is in compliance with this eligibility requirement for the year ended December 31, 2022.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY

In order to participate in the SFA Program, a school must demonstrate that it is financially responsible. One of the general standards for proprietary schools is the composite score standard in 34 CFR 668.171(b). The composite score combines different measures of fundamental elements of financial health to yield a single measure of a school's overall financial health.

The required disclosure of the components of the composite score for the year ended December 31, 2023 are below:

Primary Reserve Ratio

	<u>Adjusted Equity</u>		
Balance sheet - total members' equity	Total equity	\$	708,856
N/A	Secured and unsecured related party receivables and/or other related party assets	\$	-
N/A	Unsecured related party receivables and/or other related party assets		-
Balance sheet - property, plant, and equipment, net	Property, plant, and equipment, net - including construction in progress	90,744	
Table 1 - Line A	Property, plant, and equipment, net - including pre-implementation less any construction in progress		141
Table 1 - Line B	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		2,165
Table 1 - Line D	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		88,438

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY (Continued)

Primary Reserve Ratio (Continued)

	<u>Adjusted Equity (Continued)</u>	
N/A	Construction in progress	\$ -
N/A	Intangible assets	-
N/A	Post-employment and defined pension plan liabilities	-
Balance sheet - note payable	Long-term debt - for long-term purposes and construction in process debt	\$ 6,237
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation	6,237
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant, and equipment	-
N/A	Line of credit for construction in process	-
Table 3 - Line A	Lease right-of-use assets - pre-implementation	1,330,846
Table 3 - Line B	Lease right-of-use assets - post-implementation	1,601
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation	1,330,846
Table 4 - Line B	Lease right-of-use liabilities - post-implementation	1,601
Statement of operations and members' equity - total operating expenses and interest expense	Total expenses and losses	1,577,032

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY (Continued)

Equity Ratio

	Modified Equity		
Balance sheet - members' equity	Total equity	\$	708,856
Table 3 - Line A	Lease right-of-use assets - pre-implementation		1,330,846
Table 4 - Line A	Lease right-of-use liabilities - pre-implementation		1,330,846
N/A	Intangible assets		-
N/A	Secured and unsecured related party receivables and/or other related party assets	\$	-
N/A	Unsecured related party receivables and/or other related party assets		-

	Modified Assets		
Balance sheet - total assets	Total assets		2,217,928
Table 3 - Line A	Lease right-of-use assets - pre-implementation		1,330,846
N/A	Intangible assets		-
N/A	Secured and unsecured related party receivables and/or other related party assets	-	
N/A	Unsecured related party receivables and/or other related party assets		-

Net Income Ratio

Statement of operations and members' equity - net income	Income before taxes	\$	451,288
Statement of operations and members' equity - total revenue and interest income	Total revenues and gains		2,028,320

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY (Continued)

Table 1 - Net Property, Plant, and Equipment

A	Pre-implementation property, plant, and equipment	\$	141
B	Post-implementation property, plant, and equipment		2,165
	Vehicles	\$	2,165
	Equipment		-
	Furniture and fixtures		-
C	Construction in progress		-
D	Post-implementation property, plant, and equipment		<u>88,438</u>
	TOTAL	\$	<u><u>90,744</u></u>

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

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

C - Asset value of the construction in progress.

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

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY (Continued)

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

A	Pre-implementation long-term debt	\$	141
B	Allowable post-implementation long-term debt		-
	Leasehold improvements	\$	-
	Equipment		-
	Furniture and fixtures		-
C	Construction in progress - debt		-
D	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		<u>6,096</u>
	TOTAL	\$	<u><u>6,237</u></u>

A - This is the ending balance of the last financial statement submission prior to the implementation of the regulations - less in repayments. See Note 2 to the attached basic financial statements for the terms of the note payable with Dahl Toyota.

B - This is the lesser 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 in process is included.

D - Long-term debt not for the purchase of property, plant, and equipment.

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY (Continued)

Table 3 - Lease Right-of-Use Assets

A Lease right-of-use assets - pre-implementation	\$ 1,330,846
B Lease right-of-use assets - post-implementation	<u>1,601</u>
 TOTAL	 <u><u>\$ 1,332,447</u></u>

A - This is the ending balance of the right-of-use assets related to all leases the Company entered into or modified prior to December 15, 2018. See Note 4 to the attached basic financial statements for terms of the leases involved.

B - This is the ending balance of the right-of-use assets related to all leases the Company entered into or modified on or after December 15, 2018. See Note 4 to the attached basic financial statements for terms of the leases involved.

Table 4 - Lease Right-of-Use Liabilities

A Lease right-of-use liabilities - pre-implementation	\$ 1,330,846
B Lease right-of-use liabilities - post-implementation	1,601
C Lease right-of-use liabilities - post-implementation in excess of right-of-use asset	<u>1,195</u>
 TOTAL	 <u><u>\$ 1,333,642</u></u>

A - This is the ending balance of the right-of-use assets related to all leases the Company entered into or modified prior to December 15, 2018. See Note 4 to the attached basic financial statements for terms of the leases involved.

B - This is the ending balance of the right-of-use liabilities related to all leases the Company entered into or modified on or after December 15, 2018 up to the amount of the corresponding right-of-use assets. See Note 4 to the attached basic financial statements for terms of the leases involved.

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

BIG DREAMS, LLC
D/B/A THE SALON PROFESSIONAL ACADEMY

SUPPLEMENTARY SCHEDULES (Continued)

For the Years Ended December 31, 2023 and 2022

B. FINANCIAL RESPONSIBILITY (Continued)

The Company's composite scores are calculated as follows:

	2023	2022
Primary reserve ratio	0.900	0.900
Equity ratio	1.200	1.200
Net income ratio	0.900	0.900
SUM OF ALL RATIOS	3.000	3.000
COMPOSITE SCORE	3.0	3.0

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