

San Joaquin Valley College, Inc. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Year Ended December 31, 2023



SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES
Consolidated Financial Statements and Supplemental Information
Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of San Joaquin Valley College, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of San Joaquin Valley College, Inc. (a California corporation) and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of San Joaquin Valley College, Inc. and Subsidiaries as of December 31, 2023, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Consolidated Financial Statements section of our report. We are required to be independent of San Joaquin Valley College, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Joaquin Valley College, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, continued

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 consolidated 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 consolidated 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 San Joaquin Valley College, Inc. 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Joaquin Valley College, Inc. 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Responsibility Supplemental Schedule, as required by 34 C.F.R. Section 668.172 and Appendix A to Subpart L of Part 668, shown on page 25, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures 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. In our opinion, the Financial Responsibility Supplemental Schedule is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Note 11 on related party transactions, Note 14 on financial responsibility standards, and Note 15 on San Joaquin Valley College, Inc. and Subsidiaries' calculation of its Title IV 90/10 Revenue Test are required by the U. S. Department of Education and presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 24, 2024 on our consideration of San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their 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 San Joaquin Valley College, Inc. 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 San Joaquin Valley College, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
May 24, 2024

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2023

ASSETS

Current Assets:

Cash	\$	18,157,124
Cash - restricted		3,195,852
Marketable securities		2,127,003
Accounts receivable - students, net of allowance of \$5,514,852		18,921,273
Accounts receivable - related parties		804,179
Accounts receivable - other		785,569
Current portion of retail installment contracts, net of allowance of \$2,447,151		15,452,612
Current portion of notes receivable - related parties		273,673
Inventory		2,680,573
Prepaid expenses		4,833,468
Total Current Assets		<u>67,231,326</u>

Noncurrent Assets:

Deposits		1,744,298
Retail installment contracts, net of current portion and allowance of \$4,087,449		23,677,152
Notes receivable, net of current portion - related parties		1,090,980
Operating lease right-of-use assets, net		38,200,042
Property and equipment, net of accumulated depreciation		15,202,676
Total Noncurrent Assets		<u>79,915,148</u>

\$ 147,146,474

LIABILITIES AND EQUITY

Current Liabilities:

Accounts payable	\$	4,126,855
Accounts payable - related parties		326,070
Stockholder distributions payable		4,395,922
Accrued salaries and wages		7,943,769
Accrued compensated absences		4,937,450
Accrued profit sharing		1,300,000
Accrued other expenses		4,584,321
Current portion of operating lease liabilities		15,601,402
Current portion of long-term debt		334,049
Unearned income		37,975,873
Total Current Liabilities		<u>81,525,711</u>

Noncurrent Liabilities:

Long-term debt, net of current portion		1,665,951
Operating lease liabilities, net of current portion		23,975,010
Total Noncurrent Liabilities		<u>25,640,961</u>

Total Liabilities 107,166,672

Equity:

Common stock		340
Additional paid-in capital		10,000
Retained earnings		39,969,462
Total Equity		<u>39,979,802</u>

\$ 147,146,474

See accompanying notes to consolidated financial statements.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Consolidated Statement of Income

Year Ended December 31, 2023

Operating Income:	
Educational, net	\$ 296,968,624
Operating Expenses:	
General and administrative	133,227,733
Course instruction materials and services	95,666,060
Student recruitment	48,720,814
Depreciation	4,593,933
	<u>282,208,540</u>
Income from Operations	14,760,084
Other Income (Expense):	
Interest income	1,262,770
Interest expense	(34,218)
Investment income	102,221
Other income	1,649,062
Other expense	(1,849,221)
	<u>1,130,614</u>
Income Before Income Taxes	15,890,698
Income Tax Expense - current, state	<u>62,381</u>
Net Income	<u>\$ 15,828,317</u>

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES**Consolidated Statement of Changes in Equity**Year Ended December 31, 2023

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2022	\$ 340	\$ 10,000	\$ 40,926,144	\$ 40,936,484
Stockholder Distributions	-	-	(16,784,999)	(16,784,999)
Net Income	-	-	15,828,317	15,828,317
Balance at December 31, 2023	\$ <u>340</u>	\$ <u>10,000</u>	\$ <u>39,969,462</u>	\$ <u>39,979,802</u>

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Net income	\$ 15,828,317
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,593,933
Net realized and unrealized gains on marketable securities	(102,221)
Loss on disposal of property and equipment	802,734
Noncash operating lease expense	(280,591)
Changes in operating assets and liabilities:	
Accounts receivable - students, net	(7,873,866)
Accounts receivable - related parties	316,320
Accounts receivable - other	76,536
Retail installment contracts, net	(9,797,397)
Inventory	(247,149)
Prepaid expenses	(2,220,722)
Deposits	103,775
Accounts payable	287,931
Accounts payable - related parties	(135,056)
Accrued salaries and wages	3,605,989
Accrued compensated absences	570,271
Accrued profit sharing	100,000
Accrued other expenses	(1,090,159)
Unearned income	10,605,650
Net Cash Provided by Operating Activities	<u>15,144,295</u>
Cash Flows from Investing Activities:	
Purchases of marketable securities	(85,376)
Purchases of property and equipment	(5,846,706)
Proceeds from sale of property and equipment	15,000
Collections on notes receivable - related parties	264,472
Net Cash Used by Investing Activities	<u>(5,652,610)</u>
Cash Flows from Financing Activities:	
Proceeds from long-term debt	2,000,000
Stockholder distributions	(17,149,510)
Net Cash Used by Financing Activities	<u>(15,149,510)</u>
Net Decrease in Cash and Restricted Cash	(5,657,825)
Cash and Restricted Cash, beginning	27,010,801
Cash and Restricted Cash, ending	<u>\$ 21,352,976</u>
Cash and Restricted Cash consist of the following:	
Cash	\$ 18,157,124
Cash - restricted	3,195,852
	<u>\$ 21,352,976</u>
Supplemental Disclosures of Cash Flow Information:	
Interest paid	\$ 34,218
Income taxes paid	<u>\$ 76,125</u>

See accompanying notes to consolidated financial statements.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Operations

San Joaquin Valley College, Inc. (SJVCi) had its beginnings in April 1977 when the original founders established a private junior college, San Joaquin Valley College (SJVC). In December 2018, SJVCi acquired Carrington College Holdings, LLC and Subsidiaries (collectively, Carrington).

Accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC), SJVC is in the business of providing certificate and degree-granting courses. It currently operates seventeen campuses located in California. SJVC also provides education through online operations.

Accredited by the Western Association of Schools and Colleges (WASC), Accrediting Commission for Community and Junior Colleges (ACCJC), Carrington is in the business of providing certificate and degree-granting courses. It currently operates fourteen campuses located in Arizona, California, Idaho, Nevada, New Mexico, Oregon, and Washington. Carrington also provides education through online operations.

1977 Holdings, LLC (1977 Holdings) was formed to hold an airplane that is leased to SJVC. 1977 Holdings is a single member LLC whose sole member is SJVC.

Principles of Consolidation

The consolidated financial statements include the accounts of SJVC, Carrington, and 1977 Holdings (collectively, the Company). All significant intercompany transactions and balances have been eliminated.

New Accounting Pronouncement

Effective January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires the use of a forward-looking expected credit loss model for instruments within its scope, including accounts receivable, and replaces the previous incurred loss impairment model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability.

Management has analyzed the provisions contained in Topic 326 and determined that there is no impact on retained earnings as of January 1, 2023, due to the adoption of the new policy.

Cash Equivalents

The Company considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents amounts received from federal and state governments under grants and various student aid and loan programs. Such restricted funds are held in separate bank accounts.

Marketable Securities

The Company classifies its investments in marketable securities into one of three categories: held to maturity, available for sale, or trading. All marketable securities of the Company have been categorized as available for sale. Available for sale equity investments are stated at fair value in the consolidated financial statements, with realized and unrealized gains and losses included in income before taxes in the consolidated statement of income.

Accounts and Retail Installment Contracts Receivable and Allowance for Credit Losses

Accounts receivable arise in the normal course of operations. In addition, SJVC and Carrington (collectively, the Colleges) have entered into financing arrangements with some of their students, reported as retail installment contracts on the consolidated balance sheet.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Accounts and Retail Installment Contracts Receivable and Allowance for Credit Losses, continued

Accounts and retail installment contracts receivable are recorded at actual amounts billed, less an allowance for credit losses. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that may not be collected.

Management determines the allowance for credit losses based on historical loss experience adjusted for current conditions, and reasonable and supportable forecasts of future economic conditions. The Company's historical loss experience is determined based on past transactions, how those assets were underwritten, the economic environment in which the transactions were originated, and other relevant factors. When determining whether and how to make an adjustment for current and future conditions, the Company considers external economic factors, such as the rate of inflation and the potential for various student debt reduction and cancellation plans under the current governmental administration, and internal factors, such as the Colleges' student graduation rates, and their effect on the ability for repayment and collection.

The Company uses an aging schedule and a student's status to determine the allowance for credit losses. As accounts receivable and current retail installment contracts receivable are short-term in nature, management believes a student's status provides the best basis for a credit loss estimate, while also considering other factors like delinquency and remaining gap balances. Students still attending classes, recently graduated, or current on payments are more likely to pay than those who are inactive due to being on a leave of absence, withdrawing from school, or not current on payments. As long-term retail installment contracts receivable are based on long-term financing agreements offered by the Company, management believes that delinquency provides the best credit loss estimate. As the receivable balances become further past due, it is less likely payment will be received, causing the estimate of credit losses to increase.

The Company has not experienced a measurable impact in student and customer behavior regarding collection rates due to changing economic conditions in the past and uses this information to predict future student and customer behavior. Due to its subjectivity, actual amounts may vary materially. The Company writes off uncollectable receivables against the allowance for credit losses and a corresponding credit loss expense is recorded to adjust educational income.

Management also reviews the credit quality of its accounts receivable portfolio by analyzing the aging of the receivables, financial health of students and customers, and macroeconomic conditions.

Inventory

Inventory consists primarily of iPads and miscellaneous class supplies. The items are valued at the lower of cost (specific identification method) or net realizable value.

Leases

The Company has operating leases for office buildings, copiers, and vehicles. The Company determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Lease agreements contain contractual periods ranging from one to six years. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Some leases also contain one or more options to extend, with renewal terms that can extend the lease term from two to ten years. The exercise of lease renewal options is generally at the Company's sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Additionally, certain lease agreements contain lease incentives, such as tenant improvement allowances and rent holidays. The lease agreements do not contain any material residual value guarantees.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Leases, continued

The Company accounts for lease and non-lease components as a single lease component (e.g. maintenance and operating services), excluding real estate leases. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate, or an index are expensed as incurred.

Key estimates and judgments include how the Company determines the discount rate, lease term, and lease payments. When the discount rate implicit in a lease is not readily determinable, the Company calculates the lease liability using the incremental borrowing rate, which is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. These are estimated using actual borrowing costs and making necessary adjustments.

Property and Equipment

The Company capitalizes all expenditures for property and equipment paid for with grant awards in excess of \$5,000 and all others in excess of \$10,000. Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation is provided using straight-line and accelerated methods over estimated useful lives of the assets of one to 31 years. Upon disposal, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are reflected in the consolidated statement of income.

Revenue Recognition

Revenues for the Colleges primarily consist of tuition, fees, and other educational products. The Colleges recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Colleges expect to be entitled to in exchange for those goods or services. These revenues are recognized net of scholarships, discounts, refunds, waivers, and the fair value of any guarantees made by the Colleges related to student financing programs.

Educational income, composed of tuition and fees, represents costs to students for educational services provided by the Colleges. The Colleges charge tuition and fees at varying amounts, depending on the location of the institution, the type of program and specific curriculum. The Colleges bill students a single charge that covers tuition and program materials, such as textbooks and supplies. The tuition income and program materials are recognized over the duration of each class. Tuition income charged but not yet earned is recorded as unearned income. Therefore, tuition and program materials are recognized as a student attends class and progresses towards graduation. Other educational products, which consist primarily of optional course materials, bookstore sales and enrollment and retake fees, are billed and recognized as goods or services are delivered.

Income Taxes

The Colleges have elected to be taxed under the provisions of subchapter S of the Internal Revenue Code. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Colleges do not incur federal income tax obligations.

Income of the Colleges is subject to California franchise tax. Income or loss of 1977 Holdings is that of the sole member for federal income tax purposes. Accordingly, no provision for federal income taxes is made in the accompanying consolidated financial statements. For state income tax purposes, 1977 Holdings is subject to income tax. Accordingly, a provision for state income taxes is made in the consolidated financial statements. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision.

The Company follows accounting standards related to the recognition of uncertain tax positions. These standards provide detailed guidance for consolidated financial statement recognition, measurement and disclosure of uncertain tax positions taken or expected to be taken on the income tax returns. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. Management has determined that the Company does not have any uncertain tax positions as of December 31, 2023.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Advertising

The cost of advertising is expensed as it is incurred. Advertising expense was \$29,350,857 for the year ended December 31, 2023.

Use of Estimates

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

Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2023 from prior years.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The carrying value of cash, receivables, retail installment contracts, notes receivable, payables, and operating lease liabilities approximates fair value at December 31, 2023, due to the relative short maturities of these instruments.

Subsequent Events

The Company has evaluated subsequent events through May 24, 2024, which is the date the consolidated financial statements were available to be issued.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 2 - Marketable Securities

Marketable securities consist of the following at December 31, 2023, and are categorized in the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Intermediate-term bond	\$ 581,090	\$ -	\$ -	\$ 581,090
Short-term bond	417,404	-	-	417,404
World bond	331,432	-	-	331,432
Bank loan	325,103	-	-	325,103
High yield bonds	319,405	-	-	319,405
World large stock	71,069	-	-	71,069
Market neutral	65,220	-	-	65,220
Multialternative	16,280	-	-	16,280
	<u>\$ 2,127,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,127,003</u>

Net unrealized gains of \$102,221 have been reported in consolidated net income in the consolidated statement of income for the year ended December 31, 2023.

Note 3 - Accounts and Retail Installment Contracts Receivable and Allowance for Credit Losses

Accounts receivable and retail installment contracts consist of the following:

Accounts Receivable - Students:

Current, net of allowance for credit losses of \$5,514,852 \$ 18,921,273

Retail Installment Contracts:

Current, net of allowance for credit losses of \$2,447,151 15,452,612

Noncurrent, net of allowance for credit losses of \$4,087,449 23,677,152

\$ 58,051,037

The following table represents the changes in the allowance for credit losses associated with accounts receivable and retail installment contracts for the year ended December 31, 2023:

Beginning balance	\$ 15,938,595
Provision charged to expense	19,849,427
Receivables written off	(24,113,632)
Recoveries of receivables previously written off	<u>375,062</u>
Ending balance	<u>\$ 12,049,452</u>

The Colleges continue to monitor the economic environment and its impact on the accounts receivable portfolio, making appropriate adjustments to the allowance for credit losses consistent with the new standard's requirements.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 4 - Property and Equipment

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

Leasehold improvements	\$ 30,139,036
Classroom equipment	20,311,632
Furniture and office equipment	8,773,787
Transportation equipment	3,955,720
Construction in progress	<u>2,922,343</u>
	66,102,518
Less accumulated depreciation	<u>(50,899,842)</u>
	<u>\$ 15,202,676</u>

Note 5 - Stockholder Distribution

The following is a summary of noncash investing transactions for the year ended December 31, 2023, to assist in analyzing changes in the accompanying consolidated balance sheet with those reported on the consolidated statement of income.

Distributions declared	\$ 16,784,999
Prior year distributions paid in current year	4,760,433
Current year distributions accrued	<u>(4,395,922)</u>
Cash paid	<u>\$ 17,149,510</u>

Note 6 - Common Stock

SJVC is authorized to issue 5,000 shares of common stock, consisting of 4,000 shares of Series A common stock and 1,000 shares of Series B common stock. Series B common stock includes all rights, preferences, and privileges of Series A common stock, except for the right to vote. SJVC has 2,464 shares of Series A common stock and 616 shares of Series B common stock outstanding at December 31, 2023. The shares have a par value of \$.11. SJVC paid \$1 for the membership interest in Carrington.

Note 7 - Revenue Recognition

Disaggregated Revenue

The following table presents the Colleges' educational income based on the revenue source for the year ended December 31, 2023:

Performance obligations satisfied over time:	
Tuition, net	\$ 291,362,588
Performance obligations satisfied at a point in time:	
Retake fees	5,179,289
Other course materials	<u>426,747</u>
Total	<u>\$ 296,968,624</u>

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 7 - Revenue Recognition, continued

Contract Balances

The timing of billings, cash collections and revenue recognition results in accounts receivable (contract assets) and unearned income (contract liabilities) on the consolidated balance sheet. The Colleges have various billing and academic cycles and recognize student receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that it is probable that the Colleges will collect substantially all of the consideration to which they are entitled to in exchange for the goods and services that will be transferred to the student.

For each session, the portion of tuition and fee payments billed to students but not yet earned is recorded as a contract liability and is reported as unearned income on the consolidated balance sheet. A contract asset is recorded for each student for the current session for which they are enrolled for the amount billed that has not yet been received as payment and to which the Colleges do not have the unconditional right to receive payment because the student has not reached the point in the student's current academic session at which the amount billed is no longer refundable to the student.

The contract asset is offset against the unearned income balance for the current session and the net unearned income balance is reflected within current liabilities on the consolidated balance sheet. Accounts receivable are recorded once the student reaches the point in the academic session when amounts are no longer refundable to the student.

The beginning and ending contract balances are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Accounts receivable - students, net of allowance for credit losses	\$ 18,921,273	\$ 11,047,407
Accounts receivable - other	\$ 785,569	\$ 862,105
Retail installment contracts receivable, net of allowance for credit losses	\$ 39,129,764	\$ 29,332,367
Unearned income	\$ 37,975,873	\$ 27,370,223

Performance Obligations

The Colleges' performance obligation is to provide educational services in the form of instruction during the academic session. The performance obligation for tuition is satisfied over time on a daily straight-line basis over the course of an academic session. The transaction price is determined based on gross price, net of scholarships and other discounts, refunds, waivers, and the fair value of any guarantees made by the Colleges related to student financing programs. Revenue from retake fees and other course materials is recognized when products are shipped, students receive access to electronic materials, or fees are applied to individual student accounts. Under certain circumstances, the Colleges report revenue from these transactions on a net basis because the performance obligation is to facilitate a transaction between the student and a vendor.

For tuition, arrangements for payment are agreed on prior to registration of the student's first academic session. Students finance costs through a variety of funding sources, including, among others, federal loan and grant programs, private and institutional payment plans, Veterans' Administration and other military funding and grants, private and institutional scholarships, and cash payments. The majority of students obtain Title IV or other financial aid resulting in the Colleges receiving a significant amount of the transaction price at the beginning of the academic session. Students utilizing private funding or funding through the Colleges' institutional loan program generally pay during or after the academic session is complete. Students who have not applied for any type of financial aid generally set up a payment plan with the Colleges and make payments on a monthly basis per the terms of the payment plan.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 7 - Revenue Recognition, continued

Performance Obligations, continued

If a student withdraws from classes prior to the completion of the academic session, the extent of the student's obligation for tuition and fees depends on when that student withdraws during the academic session. The Colleges reduce the student's obligation based on the Colleges institutional refund policies. According to the refund policy, if a student withdraws from school after attending classes for at least 60% of a session, the student would not be eligible for any refund of tuition.

Accordingly, the student would owe the Colleges the balance of tuition and fees that has not been received already, either in the form of financial aid or payments from the student. However, if a student withdraws from school prior to attending classes for at least 60% of a session, the Colleges may reduce the amount of a student's obligation for tuition and fees ratably under which, in general, the greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the Colleges for the tuition and fees related to that academic session. There is no remaining performance obligation for students who have withdrawn from classes, and once the refund calculation is performed and funds are returned to the student, if necessary, no further consideration is due back to the student.

Significant Judgments

The Colleges analyze revenue recognition on a portfolio approach under ASC Topic 606, *Revenue from Contracts with Customers*. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606.

The Colleges have determined that all of the students can be grouped into one portfolio. Based on past experience, students at different campuses, in different programs or with different funding, all behave similarly. Enrollment agreements all contain similar terms, refund policies are similar across all student contracts, and the majority of students work with the Colleges to obtain some type of funding. The Colleges do not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if we were to assess each student contract separately.

Significant judgment is also required to assess collectability, particularly as it relates to students seeking funding under Title IV programs. Because students are required to provide documentation, and in some cases extensive documentation, to the Department of Education to be eligible and approved for funding, the timeframe for this process can sometimes span between 90 to 120 days. The Colleges monitor the progress of students through the eligibility and approval process and assess collectability for the portfolio each reporting period to monitor that the collectability threshold is met.

Note 8 - Leases

The following summarizes the operating leases as of December 31, 2023:

Operating Leases

Operating lease right-of-use assets	\$ <u>38,200,042</u>
Current portion of operating lease liabilities	15,601,402
Operating lease liabilities, net of current portion	<u>23,975,010</u>
Total operating lease liabilities	\$ <u>39,576,412</u>

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 8 - Leases, continued

The amounts contractually due on operating lease liabilities as of December 31, 2023, were as follows:

2024	\$	15,601,402
2025		11,487,764
2026		8,952,064
2027		6,287,699
2028		3,611,355
Thereafter		863,714
Total lease payments		46,803,998
Less interest		(7,227,586)
Present value of lease liabilities	\$	<u>39,576,412</u>

The following summarizes the line items in the consolidated statement of income which include the components of lease expense for the year ended December 31, 2023:

Operating lease expense included in occupancy expense	\$	18,024,522
Short-term lease expense included in occupancy expense		502,224
Variable lease expense included in occupancy expense		1,193,771
Total lease cost	\$	<u>19,720,517</u>

Supplemental cash flow information related to leases for the year ended December 31, 2023, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	18,313,896
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	19,121,699

Supplemental consolidated balance sheet information related to leases as of December 31, 2023, was as follows:

Weighted-average remaining lease term in years for operating leases	3.49
Weighted-average discount rate for operating leases	6.44%

Related party leases include the following at December 31, 2023:

Operating right-of-use assets	\$	1,756,690
Operating lease liabilities	\$	1,781,920
Operating lease expense	\$	2,357,301
Operating cash flows from operating leases	\$	2,452,818

As of December 31, 2023, the Company has four additional operating leases that have not yet commenced with aggregate rent of approximate \$253,000 per month. These operating leases will commence between April 2024 and July 2024 with lease terms of five to ten years.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 9 - Long-Term Debt

Debt consists of the following at December 31, 2023:

Current portion of long-term debt	\$	334,049
Long-term debt		<u>1,665,951</u>
	\$	<u><u>2,000,000</u></u>

The Company obtained a \$2,000,000 business loan from Citizens Business Bank in December 2023, collateralized by all business and personal property, guaranteed by the two majority stockholders, maturing December 2028. Beginning January 2024, payments of \$41,156 are due monthly, which includes interest at the bank's prime rate plus 0.2500% (8.6181% at December 31, 2023). The loan requires the maintenance of certain financial covenants. Management is not aware of any violations of the financial covenants at December 31, 2023.

Principal payments of long-term debt at December 31, 2023 are due as follows:

<u>Year Ending</u> <u>December 31,</u>		
2024	\$	334,049
2025		364,492
2026		397,175
2027		432,789
2028		<u>471,495</u>
	\$	<u><u>2,000,000</u></u>

Note 10 - Defined Contribution Retirement Plan

The Company sponsors a defined contribution profit sharing plan covering substantially all of its employees. The 401(k) element allows employees to elect to contribute to the plan up to a specified percent of their salaries, subject to specified limits of the law. The plan also provides for a discretionary matching provision. Employer contributions are discretionary and are determined annually by management. Total expense for the year ended December 31, 2023, was \$1,300,000.

Note 11 - Related Party Transactions

The Colleges participate 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 Colleges must comply with the regulations promulgated under the HEA. 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 consolidated financial statements.

Transactions and balances with related parties are reflected in the accompanying consolidated financial statements as follows:

Related party receivables	\$	2,168,832
Related party payables	\$	326,070
Related party revenue	\$	229,400
Related party expense	\$	2,961,258

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 11 - Related Party Transactions, continued

The Company has notes receivable due from the two majority shareholders of \$1,364,653. The notes receivable bear interest at 3% and are expected to be repaid in equal annual payments by December 2027. The Company also has accounts receivable of \$804,179 due from the two majority shareholders which is included in accounts receivable – related parties on the consolidated balance sheet at December 31, 2023.

Related party payables and the corresponding related party expense of \$326,070 relate to expense reimbursements due to Perry Real Estate Holdings, LLC for shared costs. Related party payables is included in accounts payable – related parties on the consolidated balance sheet and related party expense is included in administrative expense on the consolidated statement of income at December 31, 2023.

The Company provides administrative support and shared business services to Perry Real Estate Holdings, LLC, owned by the same majority shareholders as the Company. Related party revenue recognized from these services totaled \$229,400 which is included in other income on the consolidated statement of income.

SJVC leases multiple office spaces from five different related parties, Perry Brothers Enterprises, LLC, Perry 802, LLC, Perry 40901, LLC, and Perry Enterprises 8344, LLC, and an immediate family member of the principal owners of the Company. Related party expense related to short-term and operating lease expenses totaled \$2,635,188 and is included in occupancy expense on the consolidated statement of income at December 31, 2023.

Note 12 - Contingencies

The Company is occasionally engaged in legal proceedings incidental to its normal business activities. In the opinion of management, these proceedings are not material relative to the Company's consolidated financial position.

Note 13 - Concentrations of Credit Risk

Cash

The Company maintains cash accounts at various financial institutions. The balances at time may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

Educational Income

The Colleges' tuition charges are generally funded by various federal, state and local agencies in the form of student loans and grants. Most of the funds are provided over the duration of each applicable course. The funding is subject to annual reviews by various agencies involved and to ongoing changes in federal and state legislation.

Federal legislation has established financial responsibility ratios, and the Rule 90/10 Revenue Test for cash receipts compliance (Note 15), that must be maintained in order to retain Title IV student loans and grant funding, a significant source of the Colleges' revenue. In addition, student loan default rates are monitored, and student loan funding can be lost temporarily by any institution that exceeds allowable student default rates for three consecutive years. Any disruption in the Colleges' eligibility to participate in Title IV programs would materially and adversely impact the Colleges' business and financial condition.

The Colleges carefully monitor proper compliance with regulatory guidelines and maintain communication with Department of Education personnel in order to properly interpret regulations and stay in compliance with changes in federal requirements.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 14 - Financial Responsibility Standards

The U.S. Department of Education revised the regulations for financial responsibility effective July 1, 2020. The regulations require the Company to provide additional disclosures, including a financial responsibility supplemental schedule, to assist the U.S. Department of Education in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain financial elements required to calculate the composite score ratios, with a cross-reference to the consolidated financial statement line or note that contains the element.

Note 8 provides information on the Company’s leases but does not provide a breakout by the implementation date of December 31, 2018. The following table provides a breakdown of leases at December 31, 2023 based on the December 31, 2018 implementation date.

Pre-implementation: lease right-of-use assets	\$	767,766
Post-implementation: lease right-of-use assets	\$	37,432,276
Pre-implementation: lease liabilities	\$	798,012
Post-implementation: lease liabilities	\$	38,778,400

Note 15 - Rule 90/10 Revenue Test

The Colleges derive a substantial portion of their revenues from financial aid received by students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, the Colleges 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 the Title IV programs. If a school receives more than 90 percent of its cash basis revenues from Title IV programs 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.

SJVC and Carrington are composed of one and four Office of Postsecondary Education Identification (OPE ID) numbers, respectively, assigned by the U.S. Department of Education which is used to identify schools that have Program Participation Agreements (PPA) so that its students are eligible to participate in Federal Student Financial Assistance programs under Title IV regulations. The following 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 consolidated financial statements.

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 15 - Rule 90/10 Revenue Test, continued

For the year ended December 31, 2023, the San Joaquin Valley College OPE ID #02120700 cash basis calculation is:

Adjusted Title IV Revenue	\$ 115,255,329	82.41%
Adjusted Student Federal Revenue + Sum of Non-Federal and Revenue from Other Sources	\$ 139,848,400	

Revenue Category	Amount Disbursed	Adjusted Amount
Student Title IV Revenue		
Title IV Credit Balance Carried Over fom Prior Period	\$ -	\$ 33,503
Federal Direct Loan	72,647,117	67,477,825
Federal Pell Grant	39,988,302	38,418,131
FSEOG (subject to matching reduction)	1,122,400	818,003
Total Student Title IV Revenue	113,757,819	106,747,462
Refunds Paid to Student and Revenue Adjustment	-	(633,616)
Adjusted Student Title IV Revenue	113,757,819	106,113,846
Other Federal Funds Paid Directly to Student		
Total Other Federal Funds Paid Directly to Student	-	-
Refunds Paid to Student and Revenue Adjustment	-	-
Adjusted Other Federal Funds Paid Directly to Student	\$ -	\$ -
Other Federal Funds Paid Directly to Institution		
Credit Balance Carried Over from Prior Period	\$ -	\$ 9,755
Veterans Affairs Payments	10,830,320	10,276,864
Miscellaneous Federal Agencies	435,151	428,798
Total Other Federal Funds Paid Directly to the Institution	11,265,471	10,715,417
Refunds Paid to Student and Revenue Adjustment	-	(1,573,934)
Adjusted Other Federal Funds Paid Directly to the Institution	11,265,471	9,141,483
Adjusted Student Federal Revenue	\$ 125,023,290	\$ 115,255,329

Revenue Category	Amount Disbursed	Adjusted Amount
Revenue from Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training	-	-
Funds paid by the Institution by, or on behalf of, students, for education and training in qualified non-Title IV eligible programs	-	-
Revenue from Other Sources	\$ -	\$ -
Student Non-Federal Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the Institution		
- Credit Balance Carried Over from Prior Period	\$ -	\$ 880
- Miscellaneous Agencies	1,398,668	1,398,668
- Private Scholarships	154,463	154,463
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-	-
Qualified institutional scholarships disbursed to students	-	-
Student Payments		
- Credit Balance Carried Over from Prior Period	-	72,194
- Third Party Loans	9,652,941	9,652,941
- Institutional Loans	14,113,472	14,113,472
- Student Cash	3,615,433	3,615,433
Total Student Non-Federal Revenue	28,934,977	29,008,051
Refunds Paid to Student and Revenue Adjustment	-	(4,414,980)
Adjusted Student Non-Federal Revenue	28,934,977	24,593,071
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	28,934,977	24,593,071
Total Federal and Non-Federal Revenue	\$ 153,958,267	\$ 139,848,400

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 15 - Rule 90/10 Revenue Test, continued

For the year ended December 31, 2023, the Carrington College – California OPE ID #00974800 cash basis calculation is:

Adjusted Title IV Revenue	\$ 53,825,506	74.52%
Adjusted Student Federal Revenue + Sum of Non-Federal and Revenue from Other Sources	\$ 72,231,217	

Revenue Category	Amount Disbursed	Adjusted Amount
Student Title IV Revenue		
Title IV Credit Balance Carried Over fom Prior Period	\$ -	\$ 216,808
Federal Direct Loan	35,359,346	33,868,382
Federal Pell Grant	19,738,309	19,180,166
FSEOG (subject to matching reduction)	558,577	409,745
Total Student Title IV Revenue	<u>55,656,232</u>	<u>53,675,101</u>
Refunds Paid to Student and Revenue Adjustment	-	(1,048,895)
Adjusted Student Title IV Revenue	<u>55,656,232</u>	<u>52,626,206</u>
Other Federal Funds Paid Directly to Student		
Total Other Federal Funds Paid Directly to Student	-	-
Refunds Paid to Student and Revenue Adjustment	-	-
Adjusted Other Federal Funds Paid Directly to Student	<u>\$ -</u>	<u>\$ -</u>
Other Federal Funds Paid Directly to Institution		
Credit Balance Carried Over from Prior Period	\$ -	\$ 81,573
Veterans Affairs Payments	1,343,925	1,240,295
Miscellaneous Federal Agencies	127,267	125,304
Total Other Federal Funds Paid Directly to the Institution	<u>1,471,192</u>	<u>1,447,172</u>
Refunds Paid to Student and Revenue Adjustment	-	(247,872)
Adjusted Other Federal Funds Paid Directly to the Institution	<u>1,471,192</u>	<u>1,199,300</u>
Adjusted Student Federal Revenue	\$ 57,127,424	\$ 53,825,506

Revenue Category	Amount Disbursed	Adjusted Amount
Revenue from Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training	-	-
Funds paid by the Institution by, or on behalf of, students, for education and training in qualified non-Title IV eligible programs	-	-
Revenue from Other Sources	<u>\$ -</u>	<u>\$ -</u>
Student Non-Federal Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the Institution		
- Credit Balance Carried Over from Prior Period	\$ -	\$ 8,045
- Miscellaneous Agencies	1,018,342	1,018,342
- California Grants	391,507	391,507
- Tribal	72,135	72,135
- Private Scholarships	49,489	49,489
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-	-
Qualified institutional scholarships disbursed to students	-	-
Student Payments		
- Credit Balance Carried Over from Prior Period	-	1,451,304
- Third Party Loans	5,747,357	5,747,357
- Institutional Loans	4,980,443	4,980,443
- Student Cash	7,616,333	7,616,333
Total Student Non-Federal Revenue	<u>19,875,606</u>	<u>21,334,955</u>
Refunds Paid to Student and Revenue Adjustment	-	(2,929,244)
Adjusted Student Non-Federal Revenue	<u>19,875,606</u>	<u>18,405,711</u>
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	<u>19,875,606</u>	<u>18,405,711</u>
Total Federal and Non-Federal Revenue	\$ 77,003,030	\$ 72,231,217

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 15 - Rule 90/10 Revenue Test, continued

For the year ended December 31, 2023, the Carrington College – Phoenix North OPE ID #02100600 cash basis calculation is:

Adjusted Title IV Revenue	\$ 38,390,673	79.55%
Adjusted Student Federal Revenue + Sum of Non-Federal and Revenue from Other Sources	\$ 48,258,201	

Revenue Category	Amount Disbursed	Adjusted Amount
Student Title IV Revenue		
Title IV Credit Balance Carried Over fom Prior Period	\$ -	\$ 143,859
Federal Direct Loan	25,376,099	24,307,159
Federal Pell Grant	13,024,698	12,614,536
FSEOG (subject to matching reduction)	347,668	257,423
Total Student Title IV Revenue	38,748,465	37,322,977
Refunds Paid to Student and Revenue Adjustment	-	(874,249)
Adjusted Student Title IV Revenue	38,748,465	36,448,728
Other Federal Funds Paid Directly to Student		
Total Other Federal Funds Paid Directly to Student	-	-
Refunds Paid to Student and Revenue Adjustment	-	-
Adjusted Other Federal Funds Paid Directly to Student	\$ -	\$ -
Other Federal Funds Paid Directly to Institution		
Credit Balance Carried Over from Prior Period	\$ -	\$ 86,409
Veterans Affairs Payments	1,961,158	1,822,751
Miscellaneous Federal Agencies	547,184	547,184
Total Other Federal Funds Paid Directly to the Institution	2,508,342	2,456,344
Refunds Paid to Student and Revenue Adjustment	-	(514,399)
Adjusted Other Federal Funds Paid Directly to the Institution	2,508,342	1,941,945
Adjusted Student Federal Revenue	\$ 41,256,807	\$ 38,390,673

Revenue Category	Amount Disbursed	Adjusted Amount
Revenue from Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training	-	-
Funds paid by the Institution by, or on behalf of, students, for education and training in qualified non-Title IV eligible programs	-	-
Revenue from Other Sources	\$ -	\$ -
Student Non-Federal Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the Institution		
- Credit Balance Carried Over from Prior Period	\$ -	\$ 8,419
- Miscellaneous Agencies	263,798	263,798
- Private Scholarships	54,043	54,043
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-	-
Qualified institutional scholarships disbursed to students	-	-
Student Payments		
- Credit Balance Carried Over from Prior Period	-	1,086,075
- Third Party Loans	3,709,754	3,709,754
- Institutional Loans	3,706,968	3,706,968
- Student Cash	3,514,907	3,514,907
Total Student Non-Federal Revenue	11,249,470	12,343,964
Refunds Paid to Student and Revenue Adjustment	-	(2,476,436)
Adjusted Student Non-Federal Revenue	11,249,470	9,867,528
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	11,249,470	9,867,528
Total Federal and Non-Federal Revenue	\$ 52,506,277	\$ 48,258,201

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 15 - Rule 90/10 Revenue Test, continued

For the year ended December 31, 2023, the Carrington College – Boise OPE ID #02218000 cash basis calculation is:

Adjusted Title IV Revenue	\$ 12,179,824	61.42%
Adjusted Student Federal Revenue + Sum of Non-Federal and Revenue from Other Sources	\$ 19,829,964	

Revenue Category	Amount Disbursed	Adjusted Amount
Student Title IV Revenue		
Title IV Credit Balance Carried Over fom Prior Period	\$ -	\$ 39,540
Federal Direct Loan	8,658,290	8,411,590
Federal Pell Grant	2,939,961	2,868,597
FSEOG (subject to matching reduction)	25,249	18,853
Total Student Title IV Revenue	11,623,500	11,338,580
Refunds Paid to Student and Revenue Adjustment	-	(214,477)
Adjusted Student Title IV Revenue	11,623,500	11,124,103
Other Federal Funds Paid Directly to Student		
Total Other Federal Funds Paid Directly to Student	-	-
Refunds Paid to Student and Revenue Adjustment	-	-
Adjusted Other Federal Funds Paid Directly to Student	\$ -	\$ -
Other Federal Funds Paid Directly to Institution		
Credit Balance Carried Over from Prior Period	\$ -	\$ 59,915
Veterans Affairs Payments	1,169,145	1,092,433
Miscellaneous Federal Agencies	142,676	142,676
Total Other Federal Funds Paid Directly to the Institution	1,311,821	1,295,024
Refunds Paid to Student and Revenue Adjustment	-	(239,303)
Adjusted Other Federal Funds Paid Directly to the Institution	1,311,821	1,055,721
Adjusted Student Federal Revenue	\$ 12,935,321	\$ 12,179,824

Revenue Category	Amount Disbursed	Adjusted Amount
Revenue from Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training	-	-
Funds paid by the Institution by, or on behalf of, students, for education and training in qualified non-Title IV eligible programs	-	-
Revenue from Other Sources	\$ -	\$ -
Student Non-Federal Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the Institution		
- Credit Balance Carried Over from Prior Period	\$ -	\$ 39,540
- Miscellaneous Agencies	57,156	57,156
- Private Scholarships	36,670	36,670
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-	-
Qualified institutional scholarships disbursed to students	-	-
Student Payments		
- Credit Balance Carried Over from Prior Period	-	1,544,487
- Third Party Loans	4,350,094	4,350,094
- Institutional Loans	2,158,963	2,158,963
- Student Cash	2,357,413	2,357,413
Total Student Non-Federal Revenue	8,960,296	10,544,323
Refunds Paid to Student and Revenue Adjustment	-	(2,894,183)
Adjusted Student Non-Federal Revenue	8,960,296	7,650,140
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	8,960,296	7,650,140
Total Federal and Non-Federal Revenue	\$ 21,895,617	\$ 19,829,964

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

Note 15 - Rule 90/10 Revenue Test, continued

For the year ended December 31, 2023, the Carrington College – Portland OPE ID #03042500 cash basis calculation is:

Adjusted Title IV Revenue	\$ 7,524,965	85.05%
Adjusted Student Federal Revenue + Sum of Non-Federal and Revenue from Other Sources	\$ 8,848,141	

Revenue Category	Amount Disbursed	Adjusted Amount
Student Title IV Revenue		
Title IV Credit Balance Carried Over from Prior Period	\$ -	\$ 24,057
Federal Direct Loan	4,608,270	4,439,718
Federal Pell Grant	3,080,620	2,986,308
FSEOG (subject to matching reduction)	103,360	75,458
Total Student Title IV Revenue	7,792,250	7,525,541
Refunds Paid to Student and Revenue Adjustment	-	(326,968)
Adjusted Student Title IV Revenue	7,792,250	7,198,573
Other Federal Funds Paid Directly to Student		
Total Other Federal Funds Paid Directly to Student	-	-
Refunds Paid to Student and Revenue Adjustment	-	-
Adjusted Other Federal Funds Paid Directly to Student	\$ -	\$ -
Other Federal Funds Paid Directly to Institution		
Credit Balance Carried Over from Prior Period	\$ -	\$ 5,968
Veterans Affairs Payments	386,743	350,799
Miscellaneous Federal Agencies	55,668	55,668
Total Other Federal Funds Paid Directly to the Institution	442,411	412,435
Refunds Paid to Student and Revenue Adjustment	-	(86,043)
Adjusted Other Federal Funds Paid Directly to the Institution	442,411	326,392
Adjusted Student Federal Revenue	\$ 8,234,661	\$ 7,524,965

Revenue Category	Amount Disbursed	Adjusted Amount
Revenue from Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training	-	-
Funds paid by the Institution by, or on behalf of, students, for education and training in qualified non-Title IV eligible programs	-	-
Revenue from Other Sources	\$ -	\$ -
Student Non-Federal Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the Institution		
- Miscellaneous Agencies	\$ 38,652	\$ 38,652
- Private Scholarships	29,748	29,748
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-	-
Qualified institutional scholarships disbursed to students	-	-
Student Payments		
- Credit Balance Carried Over from Prior Period	-	154,149
- Third Party Loans	205,582	205,582
- Institutional Loans	320,620	320,620
- Student Cash	810,935	810,935
Total Student Non-Federal Revenue	1,405,537	1,559,686
Refunds Paid to Student and Revenue Adjustment	-	(236,510)
Adjusted Student Non-Federal Revenue	1,405,537	1,323,176
Adjusted Student Non-Federal Revenue and Revenue from Other Sources	1,405,537	1,323,176
Total Federal and Non-Federal Revenue	\$ 9,640,198	\$ 8,848,141

SUPPLEMENTAL INFORMATION

SAN JOAQUIN VALLEY COLLEGE, INC. AND SUBSIDIARIES

Schedule of Financial Responsibility Data

Year Ended December 31, 2023

Location in Audited Consolidated Financial Statements	Financial Element	Amount Used	in Ratio Input
Primary Reserve Ratio:			
Adjusted Equity:			
Consolidated Balance Sheet (CBS)	Total equity		39,979,802
Notes - Note 11	Secure and unsecured related party receivables and/or other related party assets	2,168,832	
CBS and Notes - Note 11	Unsecured related party receivables and/or other related party assets		804,179
CBS	Property, plant and equipment, net - including construction in progress	15,202,676	
Notes - Note 4	Property, plant and equipment, net - pre-implementation less any construction in progress		12,280,333
Not applicable	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		-
Not applicable	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		-
Notes - Note 4	Construction in progress		2,922,343
CBS	Lease right-of-use asset	38,200,042	
Notes - Note 14	Pre-implementation: lease right-of-use assets		767,766
Notes - Note 14	Post-implementation: lease right-of-use assets		37,432,276
Not applicable	Intangible assets		-
Not applicable	Post-employment and defined pension plan liabilities		-
Notes - Note 9	Long-term debt - for long-term purposes and construction in process debt	2,000,000	
Not applicable	Long-term debt - for long-term purposes pre-implementation		-
Notes - Note 9	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant, and equipment		2,000,000
Not applicable	Line of credit for construction in process		-
Notes - Note 8	Lease right-of-use asset liability	39,576,412	
Notes - Note 14	Pre-implementation: lease liabilities		798,012
Notes - Note 14	Post-implementation: lease liabilities		38,778,400
Total Expenses and Losses:			
Consolidated Statement of Income (CSI)	Operating expenses		282,208,540
CSI	Interest expense		34,218
Not applicable	Loss on impairment of assets		-
Not applicable	Loss on investments		-
Consolidated Statement of Cash Flows (CSCF)	Loss on disposal of assets		802,734
CSI	Other expense		1,849,221
Equity Ratio:			
Modified Equity:			
CBS	Total equity		39,979,802
Notes - Note 14	Pre-implementation: lease liabilities		798,012
Notes - Note 14	Pre-implementation: lease right-of-use assets		767,766
Not applicable	Intangible assets		-
CBS	Secure and unsecured related party receivables and/or other related party assets	2,168,832	
CBS and Notes - Note 11	Unsecured related party receivables and/or other related party assets		804,179
Modified Assets:			
CBS	Total assets		147,146,474
Notes - Note 14	Pre-implementation: lease right-of-use assets		767,766
Not applicable	Intangible assets		-
Notes - Note 11	Secure and unsecured related party receivables and/or other related party assets	2,168,832	
CBS and Notes - Note 11	Unsecured related party receivables and/or other related party assets		804,179
Net Income Ratio:			
CSI	Income before taxes		15,890,698
Total Revenue and Gains:			
CSI	Total revenue		296,968,624
CSI	Interest income		1,262,770
CSI	Investment Income		102,221
CSI	Other miscellaneous income		1,649,062

**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 Board of Directors
of San Joaquin Valley College, Inc. and Subsidiaries

We have audited, 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, the consolidated financial statements of San Joaquin Valley College, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income, changes in equity, and cash flows, for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered San Joaquin Valley College, Inc. 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 San Joaquin Valley College, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of San Joaquin Valley College, Inc. 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 a 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Joaquin Valley College, Inc. 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 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.

**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*, CONTINUED**

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.

Aldrich CPAs + Advisors LLP

San Diego, California
May 24, 2024