



Consolidated Financial Statements
June 30, 2021 and 2020

**College of the Humanities and Sciences
Harrison Middleton University, Inc. and
Subsidiaries**

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
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June 30, 2021 and 2020

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Independent Auditor's Report

The Board of Directors
College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Phoenix, Arizona

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of College of the Humanities and Sciences Harrison Middleton University, Inc. and Subsidiaries (the School), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2021 and 2020, and the results of their consolidated operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages 18 to 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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 supplementary schedules are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School'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 the School's internal control over financial reporting and compliance.



Salt Lake City, Utah
September 21, 2021

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidated Balance Sheets
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 527,336	\$ 888,510
Accounts receivable	25,938	52,651
Accounts receivable - related party	622	22,179
Prepaid expenses	440,653	269,847
Total current assets	994,549	1,233,187
Property and Equipment, at Cost	1,544,023	1,522,347
Less accumulated depreciation	(1,189,205)	(1,122,459)
Net property and equipment	354,818	399,888
	\$ 1,349,367	\$ 1,633,075
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	\$ 418,083	\$ 321,051
Accounts payable - related party	43,462	121,633
Accrued liabilities	67,506	67,250
Capital lease - current portion	18,627	16,531
Notes payable - current portion	24,096	28,191
Payroll Protection Program loan - current portion	-	285,172
Total current liabilities	571,774	839,828
Long-Term Liabilities		
Capital lease - long-term portion	16,383	36,025
Notes payable - long-term portion	29,742	23,531
Payroll Protection Program loan - long-term portion	-	348,128
Total liabilities	617,899	1,247,512
Stockholder's Equity		
Common stock, 500,000 shares authorized, 2,000 shares issued and outstanding, no par value	1,480,396	1,480,396
Accumulated deficit	(748,928)	(1,094,833)
Total stockholder's equity	731,468	385,563
	\$ 1,349,367	\$ 1,633,075

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidated Statements of Operations
Years Ended June 30, 2021 and 2020

	2021	2020
Revenue		
Federal		
Enrollment stabilization	\$ 282,482	\$ -
State		
State equalization revenue	4,912,672	5,545,284
Classroom site funding	351,097	411,206
Instruction improvement	27,613	34,100
Other	51,563	42,193
Total state revenue	5,342,945	6,032,783
Other	11,982	-
Total revenue	5,637,409	6,032,783
Expenses		
Salaries and benefits	3,436,297	3,407,054
Rentals	1,133,737	1,131,406
Professional fees	772,774	708,796
Printing and publications	60,495	71,331
Employee training	116,305	188,960
Supplies	29,873	67,006
Advertising	860	1,950
Student trips and transportation	-	28,743
Repairs and maintenance	3,894	11,163
License and fees	9,928	16,844
Insurance	54,064	53,500
Other expense	119,829	99,969
Communication	31,604	28,742
Depreciation and amortization	96,431	98,454
Interest	21,680	34,899
Donations	200	-
Telephone	7,131	8,964
Total expenses	5,895,102	5,957,781
Forgiveness of Paycheck Protection Program loan	633,300	-
Net Income	\$ 375,607	\$ 75,002

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidated Statements of Stockholder's Equity
Years Ended June 30, 2020 and 2021

	Common Stock		Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount		
Balance, June 30, 2019	2,000	\$ 1,480,396	\$ (1,092,738)	\$ 387,658
Distributions to stockholder	-	-	(77,097)	(77,097)
Net income	-	-	75,002	75,002
Balance, June 30, 2020	2,000	1,480,396	(1,094,833)	385,563
Distributions to stockholder	-	-	(29,702)	(29,702)
Net income	-	-	375,607	375,607
Balance, June 30, 2021	<u>2,000</u>	<u>\$ 1,480,396</u>	<u>\$ (748,928)</u>	<u>\$ 731,468</u>

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidated Statements of Cash Flow
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Net income	\$ 375,607	\$ 75,002
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	96,431	98,454
Gain on disposal of property and equipment	(11,982)	(2,371)
Forgiveness of Paycheck Protection Program loan	(633,300)	-
Changes in assets and liabilities		
Accounts receivable	26,713	27,826
Accounts receivable - related parties	21,557	(22,089)
Prepaid expenses	(170,806)	(51,476)
Accounts payable	97,032	(262,198)
Accounts payable - related parties	(78,171)	31,733
Accrued liabilities	256	(5,951)
Net Cash used for Operating Activities	(276,663)	(108,570)
Investing Activities		
Purchase of property and equipment	(7,851)	(2,298)
Net Cash used for Investing Activities	(7,851)	(2,298)
Financing Activities		
Distributions	(29,702)	(77,097)
Proceeds from issuance of Paycheck Protection Program loan	-	633,300
Payments on capital leases	(17,546)	(15,571)
Payments on notes payable	(29,412)	(31,104)
Net Cash from (used for) Financing Activities	(76,660)	509,528
Net Change in Cash and Cash Equivalents	(361,174)	398,660
Cash and Cash Equivalents, Beginning of Year	888,510	489,850
Cash and Cash Equivalents, End of Year	\$ 527,336	\$ 888,510
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 21,680	\$ 34,899
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Vehicles acquired through notes payable and vehicle trade-in	\$ 31,258	\$ 36,818

Note 1 - Principal Business Activity and Significant Accounting Policies

The College of the Humanities and Sciences Harrison Middleton University, Inc. (the College / Parent) is an Arizona for-profit entity incorporated on March 5, 1998 to provide post-secondary education. The Parent and its subsidiaries, the Humanities and Sciences Academy of the United States, Inc. dba International Commerce Institute, Inc. (the Academy) and International Commerce Secondary Schools, Inc. dba Humanities and Sciences Institute (the Institute) are collectively referred to in these consolidated financial statements as “the School.”

Harrison Middleton University is a great ideas, great works, great conversations, distance learning university that offers graduate education in the humanities with concentrations in imaginative literature, natural science, philosophy and religion, and social science. Harrison Middleton University promotes student-faculty scholarships through research, discussion, and the development of collaborative publications. Harrison Middleton University offers the following programs: Master of Arts (M.A.), Doctor of Arts (D.A.), Doctor of Education (Ed.D.), Continuing Education Diploma in Humanities, and continuing education units in humanities.

Effective January 1, 2018, the operations of the College were transferred to an Arizona nonprofit corporation. As of June 30, 2019, there is limited operating activity within the College. The nonprofit entity, Harrison Middleton University (HMU), is recognized as a 501(c)(3) educational institution. Harrison Middleton University continues to be accredited by the Distance Education Accrediting Commission (DEAC) and will have its next five-year accreditation renewal in January 2023. Students and instructors benefit from the ability to access professional development and continuing education as well as collaborative publications provided by HMU.

The Academy is a for-profit entity incorporated on December 10, 1998. It is chartered by the Arizona State Board for Charter Schools under A.R.S. Title 15, Chapter 1, Article 8 to operate a charter school to provide for education of high school age students; 11th and 12th graders. The stated mission of the charter school is to prepare adult high school students, ages 16 to 21, for occupational education, post-secondary education, social responsibility, employability in the workplace, and life-long learning. The majority of the students enroll as 5th, 6th, and 7th year seniors. Ninety-nine percent of the students are over-age and/or under-credited.

The original charter contract was for a 15-year period. The Arizona State Board for Charter Schools approved the extension of the renewal of the charter contract for 20 years commencing on July 1, 2012 and ending on June 30, 2032. Effective July 1, 2003, the Academy was granted permission to participate in the Technology Assisted Project-Based Instruction Program (TAPBI) pursuant to HB 2093, by the Arizona State Board for Charter Schools. The program has subsequently been named Arizona Online Instruction (AOI).

In July 2005, the Academy received accreditation from the Commission on International and Trans-Regional Accreditation (CITA). CITA provides a system of accreditation to promote quality schools and continuous improvements that enhance student success. CITA is an accrediting authority both in the United States and throughout the world. It is an alliance of the largest American accrediting associations. These associations are responsible for evaluating and accrediting more than 30,000 schools in 100 countries.

In August 2007, the Academy received accreditation from the North Central Association Commission on Accreditation and School Improvement (NCA CASI). To obtain accreditation a school must meet quality standards set by NCA CASI, implement a school improvement plan focused on increasing student performance, host an external review team and document the results of their school improvement efforts. NCA CASI is a non-governmental, voluntary organization that accredits 8,500 public and private schools and districts. One of six regional accrediting organizations, NCA CASI accredits schools and districts in 19 states, the Navajo Nation, and the Department of Defense Dependents' Schools worldwide. On January 30, 2009, the Academy received accreditation from the DEAC.

The Institute is a for-profit entity incorporated on June 10, 2004. It is chartered by the Arizona State Board for Charter Schools under A.R.S. Title 15, Chapter 1, Article 8 to operate a charter school to provide for education of adult ungraded secondary students. The stated mission of the charter school is to prepare adult high school students, ages 16 to 21, academically for occupational education, post-secondary education, social responsibility, employability, and life-long learning. The majority of the students enroll as 5th, 6th, and 7th year seniors. Ninety-nine percent of the students are over-age and/or under-credited. The Arizona State Board for Charter Schools approved the extension of the Renewal of the Charter Contract for 20 years commencing on July 1, 2012 and ending on June 30, 2032. On January 30, 2009, the Institute received accreditation from the DEAC.

On November 2, 2002, the Academy and the Institute received accreditation from the American Academy for Liberal Education (AALE). AALE is recognized by the U.S. Department of Education as an accreditor of liberal arts colleges and university programs. It is also specifically recognized by the Arizona Charter School Board as an accreditor in the state. The AALE Charter School Accreditation Program is designed “to recognize public charter schools of high distinction” and ensure that young people are prepared with the knowledge and skills required for liberal education in college. To achieve and maintain AALE accreditation, the Academy and the Institute must meet benchmarks that focus on educational and administrative excellence; demonstrate that it offers a content-rich academic curriculum in arts and sciences to all students regardless of background; demonstrate that it uses regular, effective use of assessments, including objective and high-stakes tests; and demonstrate that it hires and promotes teachers based primarily on how well students learn, rather than on certification status.

The ongoing COVID-19 pandemic has caused disruption to the Arizona economy. The Academy and the Institute took early action to protect the health and well-being of students and employees in accordance with government mandates and guidance from the Centers for Disease Control and Prevention. There are costs associated with complying with these directives included in the consolidated financial statements. More costs are expected to be incurred in the following year. Specifically, the Academy and the Institute have instituted a modified work-from-home policy for the vast majority of the workforce, closed physical campus locations, moved classroom education to a substantive distance learning plan with increased instructional hours, and postponed events such as graduation ceremonies.

Principles of Consolidation

The accompanying consolidated financial statements present the operations of the College and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposits, savings accounts, money market accounts, and debt securities with original maturities of less than three months. At June 30, 2021, the School held money market accounts with interest rates ranging between 0.1% - 0.2%.

Accounts Receivable

Accounts receivable consist of state funds that have been earned based on student enrollment, but not yet received as of the balance sheet date. The School estimates an allowance of doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. As of June 30, 2021 and 2020, the School did not anticipate any losses on accounts receivable, and no allowance was recorded.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from three to fifteen years. Leasehold improvements are amortized using the straight-line method over the lease period or the estimated useful lives of the improvements, whichever is less.

The School reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at June 30, 2021 and 2020.

Payroll Protection Program (PPP) Loan

Under the PPP administered by a Small Business Administration (SBA) approved partner the Academy was granted a \$274,700 loan and the Institute was granted a \$358,600 loan. Each loan is uncollateralized and is fully guaranteed by the Federal government. The Academy and the Institute initially recorded the note payables and subsequently recorded forgiveness when the loan obligations were legally released by the SBA. The Academy and the Institute recognized loan forgiveness income for the year ended June 30, 2021 of \$274,700 and \$358,600, respectively.

Revenue Recognition

The Academy and Institute recognize revenue as the performance obligations are satisfied. The rates for the services are established by Arizona Department of Education based on the number of students enrolled on the 40th, 100th, and 200th day of each school year. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges, based estimated attendance. The Academy and Institute believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the efforts needed to satisfy the obligation. Generally, the performance obligations are satisfied on an annual basis commensurate with the school year. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the School does not believe they are required to provide additional goods or services to the student. Contract assets outstanding as of June 30, 2021 are described in Note 3. As displayed on the face of the consolidated statements of operations, the Academy and Institute recognized revenue during the year ended June 30, 2021, for educational services that were provided over time. Contract assets receivable as of July 1, 2020 and 2019 totaled \$52,651 and \$80,477, respectively.

Income Taxes

The School, with the consent of its stockholder, has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the School's taxable income. Therefore, no provision or liability for federal income taxes has been included in the consolidated financial statements. Certain specific deductions and credits flow through the School to its stockholder.

The School evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. The School files its federal tax return on a calendar year-end basis, but is required to provide its consolidated financial statements to the Arizona State Charter Board as of June 30 each year. As of June 30, 2021 and 2020, the unrecognized tax benefit accrual was zero. The School will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Advertising

The School follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2021 and 2020, was \$860 and \$1,950, respectively.

Concentration of Credit Risk

The School maintains cash balances in various deposit accounts, the balances of which are periodically in excess of the federally insured limits.

The School received a substantial amount of its support, approximately 85% and 100%, respectively, of revenues for the years ended June 30, 2021 and 2020, from the contracts with the Arizona Department of Education. The loss of support from this major source of funds could have an adverse effect on the School's programs and activities.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Guidance

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. Under the new guidance, the lessee will recognize an asset representing its right to use the leased asset for the lease term (the 'right-of-use' asset) and a lease liability for lease terms greater than one year. The lease liability is to be measured at the present value of future lease payments, utilizing the organization's incremental borrowing rate. Non-public organizations will have an election to utilize a term-appropriate risk-free rate. Substantially all leases classified as operating leases under the current standard will be recorded on the consolidated balance sheet upon implementation of this standard. This standard will be effective for the School's June 30, 2023 consolidated financial statements. The new standard requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The School is currently evaluating how this new guidance will impact the School's consolidated financial statements and currently anticipates that the adoption of this new standard could have a significant effect on the assets and liabilities reported in the School's consolidated financial statements.

Adoption of Accounting Standards Codification Topic 606

As of July 1, 2020, the School adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The School has adopted Topic 606 using the modified retrospective approach which requires recording the cumulative effect of adoption as an adjustment to retained earnings. There was no cumulative effect related to the recognition of contract assets and contract liabilities. The comparative information did not require adjustment for the adoption of this standard.

Subsequent Events

The School has evaluated subsequent events through September 21, 2021, the date these consolidated financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

As of June 30, 2021 and 2020, cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>
Operating checking account	\$ 44,304	\$ 408,340
Money market accounts	483,032	480,171
	<u>\$ 527,336</u>	<u>\$ 888,511</u>
Total		

Note 3 - Accounts Receivable

As of June 30, 2021 and 2020, accounts receivable consist of the following:

	<u>2021</u>	<u>2020</u>
State equalization	\$ 25,938	\$ -
Classroom site funding	-	33,806
Instructional improvement project	-	18,845
	<u>\$ 25,938</u>	<u>\$ 52,651</u>
Total		

Note 4 - Property and Equipment

As of June 30, 2021 and 2020, property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 324,211	\$ 310,325
Equipment	123,848	123,848
Furniture and fixtures	47,225	47,225
Computers	315,346	324,211
Software	439,446	439,446
Vehicles	293,947	277,292
	<u>1,544,023</u>	<u>1,522,347</u>
Less accumulated depreciation and amortization	<u>(1,189,205)</u>	<u>(1,122,459)</u>
	<u>\$ 354,818</u>	<u>\$ 399,888</u>

Depreciation and amortization expense totaled \$96,431 and \$98,455 for the years ended June 30, 2021 and 2020, respectively. See Note 6 for equipment under capital leases.

Note 5 - Line of Credit

As of June 30, 2021, the School had a line of credit agreement with a financial institution, which renews annually. For the years ended June 30, 2021 and 2020, the maximum borrowing allowed under the agreement was \$200,000. At June 30, 2021 and 2020, the balance owed on the line was \$0. The agreement calls for a variable interest rate (prime rate plus 1.50%, which was 5.00% per annum at June 30, 2021), and is secured by certain business assets and a guaranty by the owner. The College, the Academy and the Institute are all permitted to draw on the line of credit.

Note 6 - Capital Lease Obligations

The Academy leases two copy machines under lease agreements accounted for as capital leases. The following are the gross amounts of assets recorded under capital leases and the related accumulated amortization. The imputed interest rate on the capital leases range from 7.50% to 8.50%. The amortization expense has been included with depreciation expense in the accompanying consolidated financial statements.

	2021	2020
Gross recorded amounts of assets under capital leases	\$ 85,824	\$ 85,824
Accumulated amortization	(56,701)	(39,537)
Net recorded amounts	\$ 29,123	\$ 46,287

The following are the future minimum payments required under the lease agreements as of June 30, 2021:

Years Ended June 30,	
2022	\$ 21,765
2023	17,105
Total minimum lease payments	38,870
Less portion representing interest	(3,860)
Present value of minimum lease payments	\$ 35,010

Note 7 - Notes Payable

As of June 30, 2021 and 2020, notes payable were as follows:

	2021	2020
Promissory note to a car dealership with monthly payments of \$1,112 including interest through July 2022, which accrues at 5.39% per annum, secured by vehicle.	\$ 14,009	\$ 26,243
Promissory note to a car dealership with monthly payments of \$760 including interest through December 2021, which accrues at 5.99% per annum, secured by vehicle.	4,481	13,053
Promissory note to a car dealership with monthly payments of \$727 including interest through December 2021, which accrues at 5.99% per annum, secured by vehicle.	4,222	12,426
Promissory note to a car dealership with monthly payments of \$597 including interest through May 2026, which accrues at 5.04% per annum, secured by vehicle.	31,125	-
Total	53,837	51,722
Less current portion	(24,096)	(28,191)
	\$ 29,741	\$ 23,531

The maturity of the notes payable is as follows:

Years Ending June 30,		
2022	\$	24,096
2023		7,460
2024		6,330
2025		6,656
2026		9,296
	\$	53,838

Note 8 - Related Party Transactions

The Academy and the Institute lease certain facilities and equipment on a month-to-month basis from ABDC, LLC, WHEY, LLC and AHJL, LLC, companies related by common ownership. Total rent expense for these leases for the years ended June 30, 2021 and 2020 were \$1,130,620 and \$1,130,620, respectively. As of June 30, 2021 and 2020, the Academy had prepaid rent in the amount of \$181,136 and \$145,981, respectively, and rent payable of \$0 and \$6,000, respectively. The Institute had prepaid rent in the amount of \$249,366 and \$123,866, respectively, and rent payable of \$43,642 and \$100,349, respectively.

Effective January 1, 2018, the operations of the College of the Humanities and Sciences Harrison Middleton University, Inc. were transferred to a nonprofit, Harrison Middleton University (HMU). At June 30, 2021 and 2020, the Academy and the Institution owed HMU for tuition in the amount of \$36,279 and \$15,284, respectively, for teachers attending courses. For the years ended June 30, 2021 and 2020, the Academy and the Institution paid HMU \$20,995 and \$29,164, respectively, in tuition expense. HMU’s board includes a stockholder of the School.

Note 9 - Retirement Plan

Employees of the Academy and the Institute are permitted to participate in the Arizona State Retirement System and both entities have elected to participate. All full-time employees participate in the plan. Contributions to the plan totaled \$305,632 and \$294,082 for the years ended June 30, 2021 and 2020, respectively. The annual contributions are determined by the state and represented approximately 12.04% and 11.94% of eligible wages for the years ended June 30, 2021 and 2020, respectively.

Included in the Arizona State Retirement System payments are contributions for long-term disability. Long-term disability contributions to the plan totaled \$4,570 and \$4,187 for the years ended June 30, 2021 and 2020, respectively. This is paid at a rate determined by the state and represented approximately 0.18% and 0.17% of eligible wages for the years ended June 30, 2021 and 2020, respectively.

Note 10 - Guarantees

The School has a variable interest relationship with AHJL, LLC and is the primary beneficiary. The School has elected to apply the accounting alternative from Accounting Standards Codification 810-10-15 and, as such, will not consolidate the entity. In connection with this variable entity, the School has guaranteed two loans. The first loan is a ten-year loan for \$1.2 million due on October 2, 2027, with a 5% interest rate. As of June 30, 2021, the loan balance was \$1,050,550. The second loan is a six-year loan for \$560,000 with an interest rate of 6.02% due on September 5, 2024. As of June 30, 2021, the loan had a balance of \$327,644.



Supplementary Information
June 30, 2021 and 2020

**College of the Humanities and Sciences
Harrison Middleton University, Inc. and
Subsidiaries**

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidating Balance Sheet
June 30, 2021

	College of the Humanities and Sciences	Humanities and Sciences Academy of the United States	International Commerce Secondary Schools	Eliminating Entries	Consolidated Balance Sheet
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,010	\$ 216,708	\$ 308,618	\$ -	\$ 527,336
Accounts receivable	-	8,515	17,423	-	25,938
Accounts receivable - related party	-	622	214,800	(214,800)	622
Prepaid expenses	-	184,128	256,525	-	440,653
Total current assets	<u>2,010</u>	<u>409,973</u>	<u>797,366</u>	<u>(214,800)</u>	<u>994,549</u>
Property and Equipment, at Cost	45,469	1,374,605	123,949	-	1,544,023
Less accumulated depreciation	<u>(43,587)</u>	<u>(1,029,390)</u>	<u>(116,228)</u>	<u>-</u>	<u>(1,189,205)</u>
Net property and equipment	<u>1,882</u>	<u>345,215</u>	<u>7,721</u>	<u>-</u>	<u>354,818</u>
Investment in Subsidiaries	<u>750,501</u>	<u>-</u>	<u>-</u>	<u>(750,501)</u>	<u>-</u>
	<u>\$ 754,393</u>	<u>\$ 755,188</u>	<u>\$ 805,087</u>	<u>\$ (965,301)</u>	<u>\$ 1,349,367</u>
Liabilities and Stockholder's Equity					
Current Liabilities					
Accounts payable	\$ 22,925	\$ 258,335	\$ 136,823	\$ -	\$ 418,083
Accounts payable - related parties	-	-	43,462	-	43,462
Accounts payable - intercompany	-	214,800	-	(214,800)	-
Accrued liabilities	-	31,329	36,177	-	67,506
Capital lease - current portion	-	18,627	-	-	18,627
Notes payable - current portion	-	24,096	-	-	24,096
Total current liabilities	<u>22,925</u>	<u>547,187</u>	<u>216,462</u>	<u>(214,800)</u>	<u>571,774</u>
Long-Term Liabilities					
Capital lease - long-term portion	-	16,383	-	-	16,383
Notes payable - long-term portion	-	29,742	-	-	29,742
Total liabilities	<u>22,925</u>	<u>593,312</u>	<u>216,462</u>	<u>(214,800)</u>	<u>617,899</u>
Stockholder's Equity					
Common stock, 500,000 shares authorized 2,000 shares issued and outstanding, no par value	1,480,396	344,533	201,339	(545,872)	1,480,396
Retained earnings (accumulated deficit)	<u>(748,928)</u>	<u>(182,657)</u>	<u>387,286</u>	<u>(204,629)</u>	<u>(748,928)</u>
Total stockholder's equity	<u>731,468</u>	<u>161,876</u>	<u>588,625</u>	<u>(750,501)</u>	<u>731,468</u>
	<u>\$ 754,393</u>	<u>\$ 755,188</u>	<u>\$ 805,087</u>	<u>\$ (965,301)</u>	<u>\$ 1,349,367</u>

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidating Balance Sheet
June 30, 2020

	College of the Humanities and Sciences	Humanities and Sciences Academy of the United States	International Commerce Secondary Schools	Eliminating Entries	Consolidated Balance Sheet
Assets					
Current Assets					
Cash and cash equivalents	\$ 7,963	\$ 409,690	\$ 470,857	\$ -	\$ 888,510
Accounts receivable	-	23,042	29,609	-	52,651
Accounts receivable - related party	-	87,426	211,711	(276,958)	22,179
Prepaid expenses	-	145,981	123,866	-	269,847
Total current assets	<u>7,963</u>	<u>666,139</u>	<u>836,043</u>	<u>(276,958)</u>	<u>1,233,187</u>
Property and Equipment, at Cost	45,469	1,354,593	122,285	-	1,522,347
Less accumulated depreciation	(41,785)	(970,515)	(110,159)	-	(1,122,459)
Net property and equipment	<u>3,684</u>	<u>384,078</u>	<u>12,126</u>	<u>-</u>	<u>399,888</u>
Investment in Subsidiaries	409,490	-	-	(409,490)	-
	<u>\$ 421,137</u>	<u>\$ 1,050,217</u>	<u>\$ 848,169</u>	<u>\$ (686,448)</u>	<u>\$ 1,633,075</u>
Liabilities and Stockholder's Equity					
Current Liabilities					
Accounts payable	\$ 35,574	\$ 197,766	\$ 87,711	\$ -	\$ 321,051
Accounts payable - related parties	-	15,434	106,199	-	121,633
Accounts payable - intercompany	-	211,711	65,247	(276,958)	-
Accrued liabilities	-	28,598	38,652	-	67,250
Capital lease - current portion	-	16,531	-	-	16,531
Notes payable - current portion	-	28,191	-	-	28,191
PPP loan - current portion	-	123,696	161,476	-	285,172
Total current liabilities	<u>35,574</u>	<u>621,927</u>	<u>459,285</u>	<u>(276,958)</u>	<u>839,828</u>
Long-Term Liabilities					
Capital lease - long-term portion	-	36,025	-	-	36,025
Notes payable - long-term portion	-	23,531	-	-	23,531
PPP loan - long-term portion	-	151,004	197,124	-	348,128
Total liabilities	<u>35,574</u>	<u>832,487</u>	<u>656,409</u>	<u>(276,958)</u>	<u>1,247,512</u>
Stockholder's Equity					
Common stock, 500,000 shares authorized, 2,000 shares issued and outstanding, no par value	1,480,396	344,533	201,339	(545,872)	1,480,396
Retained earnings (accumulated deficit)	(1,094,833)	(126,803)	(9,579)	136,382	(1,094,833)
Total stockholder's equity	<u>385,563</u>	<u>217,730</u>	<u>191,760</u>	<u>(409,490)</u>	<u>385,563</u>
	<u>\$ 421,137</u>	<u>\$ 1,050,217</u>	<u>\$ 848,169</u>	<u>\$ (686,448)</u>	<u>\$ 1,633,075</u>

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidating Schedule of Operations
Year Ended June 30, 2021

	College of the Humanities and Sciences	Humanities and Sciences Academy of the United States	International Commerce Secondary Schools	Eliminating Entries	Consolidated Statement of Operations
Revenue					
Federal					
Enrollment stabilization	\$ -	\$ 124,725	\$ 157,757	\$ -	\$ 282,482
State					
State equalization	-	2,213,363	2,699,309	-	4,912,672
Classroom site funding	-	158,204	192,893	-	351,097
Instructional improvement	-	12,415	15,198	-	27,613
Other	10	23,402	28,151	-	51,563
Total state revenue	10	2,407,384	2,935,551	-	5,342,945
Income of subsidiaries	494,586	-	-	(494,586)	-
Forgiveness of Paycheck Protection F	-	274,700	358,600	-	633,300
Other	-	11,982	-	-	11,982
Total revenue	494,596	2,818,791	3,451,908	(494,586)	6,270,709
Expenses					
Salaries and benefits	505	1,358,523	2,077,269	-	3,436,297
Rentals	-	509,972	623,765	-	1,133,737
Professional fees	107,385	311,017	354,372	-	772,774
Printing and publications	-	27,145	33,350	-	60,495
Employee training	150	59,488	56,667	-	116,305
Supplies	-	11,875	17,998	-	29,873
Advertising	-	387	473	-	860
Repairs and maintenance	-	354	3,540	-	3,894
License and fees	-	9,397	531	-	9,928
Insurance	-	24,329	29,735	-	54,064
Other expense	1,583	51,525	66,721	-	119,829
Communication	-	9,506	22,098	-	31,604
Depreciation and amortization	1,802	88,422	6,207	-	96,431
Interest	433	21,247	-	-	21,680
Donations	-	200	-	-	200
Telephone	7,131	-	-	-	7,131
Total expenses	118,989	2,483,387	3,292,726	-	5,895,102
Net Income	\$ 375,607	\$ 335,404	\$ 159,182	\$ (494,586)	\$ 375,607

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidating Schedule of Operations
Year Ended June 30, 2020

	College of the Humanities and Sciences	Humanities and Sciences Academy of the United States	International Commerce Secondary Schools	Eliminating Entries	Consolidated Statement of Operations
Revenue					
State equalization	\$ -	\$ 2,440,007	\$ 3,105,277	\$ -	\$ 5,545,284
Classroom site funding	-	181,248	229,958	-	411,206
Instructional improvement	-	15,025	19,075	-	34,100
Income of subsidiaries	250,959	-	-	(250,959)	-
Other	(23)	20,143	22,073	-	42,193
Total revenue	250,936	2,656,423	3,376,383	(250,959)	6,032,783
Expenses					
Salaries and benefits	510	1,350,554	2,055,990	-	3,407,054
Rentals	-	497,601	633,805	-	1,131,406
Professional fees	145,836	223,721	339,239	-	708,796
Printing and publications	-	31,480	39,851	-	71,331
Employee training	7,876	75,023	106,061	-	188,960
Supplies	-	22,970	44,036	-	67,006
Advertising	-	738	1,212	-	1,950
Student trips and transportation	-	8,186	20,557	-	28,743
Repairs and maintenance	-	2,293	8,870	-	11,163
License and fees	45	15,646	1,153	-	16,844
Insurance	-	21,843	31,657	-	53,500
Other expense	1,336	42,341	56,292	-	99,969
Communication	-	6,768	21,974	-	28,742
Depreciation and amortization	1,904	88,169	8,381	-	98,454
Interest	9,463	25,436	-	-	34,899
Telephone	8,964	-	-	-	8,964
Total expenses	175,934	2,412,769	3,369,078	-	5,957,781
Net Income	\$ 75,002	\$ 243,654	\$ 7,305	\$ (250,959)	\$ 75,002

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidating Schedule of Cash Flows
Year Ended June 30, 2021

	College of the Humanities and Sciences	Humanities and Sciences Academy of the United States	International Commerce Secondary Schools	Eliminating Entries	Consolidated Statement of Cash Flows
Operating Activities					
Net income	\$ 375,607	\$ 335,404	\$ 159,182	\$ (494,586)	\$ 375,607
Adjustments to reconcile net income to cash from (used for) operating activities					
Depreciation and amortization	1,802	88,422	6,207	-	96,431
Gain on disposal of property and equipment	-	(11,982)	-	-	(11,982)
Income of subsidiaries	(494,586)	-	-	494,586	-
Forgiveness of Paycheck Protection Program l	-	(274,700)	(358,600)	-	(633,300)
Changes in assets and liabilities					
Accounts receivable	-	14,527	12,186	-	26,713
Accounts receivable - related party	-	86,804	(3,089)	(62,158)	21,557
Prepaid expenses	-	(38,147)	(132,659)	-	(170,806)
Accounts payable	(12,649)	60,569	49,112	-	97,032
Accounts payable - related parties	-	(15,434)	(62,737)	-	(78,171)
Accounts payable - intercompany	-	3,089	(65,247)	62,158	-
Accrued liabilities	-	2,731	(2,475)	-	256
Net Cash from (used for) Operating Activities	(129,826)	251,283	(398,120)	-	(276,663)
Investing Activities					
Purchase of property and equipment	-	(6,049)	(1,802)	-	(7,851)
Net Cash used for Investing Activities	-	(6,049)	(1,802)	-	(7,851)
Financing Activities					
Distributions and contributions to/from stockholders, net	(29,702)	-	-	-	(29,702)
Distributions and contributions to/from stockholders, net - intercompany	153,575	(391,258)	237,683	-	-
Payments of capital lease	-	(17,546)	-	-	(17,546)
Payments on notes payable	-	(29,412)	-	-	(29,412)
Net Cash from (used for) Financing Activities	123,873	(438,216)	237,683	-	(76,660)
Net Change in Cash and Cash Equivalents	(5,953)	(192,982)	(162,239)	-	(361,174)
Cash and Cash Equivalents, Beginning of Year	7,963	409,690	470,857	-	888,510
Cash and Cash Equivalents, End of Year	\$ 2,010	\$ 216,708	\$ 308,618	\$ -	\$ 527,336
Supplemental Disclosure of Cash Flow Information					
Cash payments for interest	\$ 433	\$ 21,247	\$ -	\$ -	\$ 21,680
Supplemental Disclosure of Non-Cash Investing and Financing Activities					
Vehicles acquired through notes payable and vehicle trade-in	\$ -	\$ 31,258	\$ -	\$ -	\$ 31,258

College of the Humanities and Sciences
Harrison Middleton University, Inc. and Subsidiaries
Consolidating Schedule of Cash Flows
Year Ended June 30, 2020

	College of the Humanities and Sciences	Humanities and Sciences Academy of the United States	International Commerce Secondary Schools	Eliminating Entries	Consolidated Statement of Cash Flows
Operating Activities					
Net income	\$ 75,002	\$ 243,654	\$ 7,305	\$ (250,959)	\$ 75,002
Adjustments to reconcile net income to cash from (used for) operating activities					
Depreciation and amortization	1,904	88,169	8,381	-	98,454
Gain on disposal of property and equipment	-	(2,371)	-	-	(2,371)
Income of subsidiaries	(250,959)	-	-	250,959	-
Changes in assets and liabilities					
Accounts receivable	-	8,287	19,539	-	27,826
Accounts receivable - related party	-	(87,336)	(211,711)	276,958	(22,089)
Prepaid expenses	-	16,672	(68,148)	-	(51,476)
Deposits	-	-	2,500	-	2,500
Accounts payable	1,820	(100,718)	(163,300)	-	(262,198)
Accounts payable - related parties	-	15,434	16,299	-	31,733
Accounts payable - intercompany	-	211,711	65,247	(276,958)	-
Accrued liabilities	-	(174)	(5,777)	-	(5,951)
Net Cash from (used for) Operating Activities	(172,233)	393,328	(329,665)	-	(108,570)
Investing Activities					
Purchase of property and equipment	-	(2,298)	-	-	(2,298)
Net Cash used for Investing Activities	-	(2,298)	-	-	(2,298)
Financing Activities					
Distributions and contributions to/from stockholders, net	(77,097)	-	-	-	(77,097)
Distributions and contributions to/from stockholders, net - intercompany	256,258	(388,770)	132,512	-	-
Proceeds from issuance of debt	-	274,700	358,600	-	633,300
Payments of capital lease	-	(15,571)	-	-	(15,571)
Payments on notes payable	-	(31,104)	-	-	(31,104)
Net Cash from (used for) Financing Activities	179,161	(160,745)	491,112	-	509,528
Net Change in Cash and Cash Equivalents	6,928	230,285	161,447	-	398,660
Cash and Cash Equivalents, Beginning of Year	1,035	179,405	309,410	-	489,850
Cash and Cash Equivalents, End of Year	\$ 7,963	\$ 409,690	\$ 470,857	\$ -	\$ 888,510
Supplemental Disclosure of Cash Flow Information					
Cash payments for interest	\$ 9,463	\$ 25,436	\$ -	\$ -	\$ 34,899
Supplemental Disclosure of Non-Cash Investing and Financing Activities					
Vehicles acquired through notes payable and vehicle trade-in	\$ -	\$ 36,818	\$ -	\$ -	\$ 36,818



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Consolidated Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
College of the Humanities and Sciences
Harrison Middleton University, Inc.
Phoenix, Arizona

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 the College of Humanities and Sciences Harrison Middleton University, Inc. and subsidiaries (the School), which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated statements of operations, stockholder’s 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 September 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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. 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*.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
September 21, 2021