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7
8 **BEFORE THE**
9 **DEPARTMENT OF CONSUMER AFFAIRS**
10 **FOR THE BUREAU FOR PRIVATE POSTSECONDARY EDUCATION**
11 **STATE OF CALIFORNIA**

11 In the Matter of the Statement of Issues
12 Against:

Case No. 1001629

13 **INTERCULTURAL INSTITUTE OF**
14 **CALIFORNIA, a Non-Profit Corporation**
15 **Korean Center, Inc., Parent nonprofit**
16 **1362 POST STREET**
17 **SAN FRANCISCO CA 94109**

STATEMENT OF ISSUES

School Code No. 3801931

Respondent.

18 Complainant alleges:

19 **PARTIES**

20 1. Joanne Wenzel (Complainant) brings this Statement of Issues solely in her official
21 capacity as the Chief of the Bureau for Private Postsecondary Education, Department of
22 Consumer Affairs.

23 2. On or about June 24, 2004 the former Bureau for Private Postsecondary and
24 Vocational Education¹ issued a full approval to operate to the Intercultural Institute Of
25 California, a Non-Profit Corporation, (School Code No. 3801931):

26
27 ¹ The former Bureau for Private Postsecondary and Vocational Education sunsetted on
28 July 1, 2007. On October 11, 2009, the Private Postsecondary Education Act of 2009 (AB 48)
was signed into law. The Act, which became operative on January 1, 2010, established the

(continued...)

1 financial statements as required under generally accepted accounting principles for nonprofit
2 organizations.

3 “(3) The financial statements shall establish that the institution meets the requirements for
4 financial resources required by Section 71745.

5 “(4) If an audit performed to determine compliance with any federal or state student
6 financial aid program reveals any failure to comply with the requirements of the program and the
7 noncompliance creates any liability or potential liability for the institution, the financial
8 statements shall reflect the liability or potential liability.

9 “(5) Any audits shall demonstrate that the accountant obtained an understanding of the
10 institution's internal financial control structure, assessed any risks, and has reported any material
11 deficiencies in the internal controls.

12 ...

13 “(d) “Current” with respect to financial statements means completed no sooner than 120
14 days prior to the time it is submitted to the Bureau, and covering no less than the most recent
15 complete fiscal year. If more than 8 months will have elapsed between the close of the most
16 recent complete fiscal year and the time it is submitted, the fiscal statements shall also cover no
17 less than five months of that current fiscal year.

18
19 11. California Code of Regulations Title 5, section 71745 states:

20 “(a) The institution shall document that it has at all times sufficient assets and financial
21 resources to do all of the following:

22 ...

23 “(6) Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the
24 end of the most recent fiscal year when using generally accepted accounting principles, or for an
25 institution participating in Title IV of the federal Higher Education Act of 1965, meet the
26 composite score requirements of the U.S. Department of Education. For the purposes of this
27 section, current assets does not include: intangible assets, including goodwill, going concern
28 value, organization expense, startup costs, long-term prepayment of deferred charges, and non-

1 returnable deposits, or state or federal grant or loan funds that are not the property of the
2 institution but are held for future disbursement for the benefit of students. Unearned tuition shall
3 be accounted for in accordance with general accepted accounting principles.

4 . . .”

5 **FIRST CAUSE FOR DENIAL OF APPLICATION**

6 (Financial Resources and Statements)

7 12. Respondent's application is subject to denial under California Education Code Section
8 94887 in conjunction with California Education Code Section 94885, subsection (a)(6), and
9 California Code of Regulations, Title 5, section 74115, subsections (b)and (d); and California
10 Code of Regulations, Title 5, section 71745, subsection (a)(6), in that the financial statements
11 submitted by Respondent did not meet the requirements of the regulations as follows:

12 a. Respondent submitted financial statements for 2010 with its May 16, 2011 renewal
13 application. The financial statements that were submitted were not reviewed or audited as
14 required.

15 b. Respondent also submitted reviewed financial statements for the year ended June 30,
16 2011 on July 30, 2012. The submitted financial statements were reviewed and not audited. The
17 submitted financial statements show a gross annual revenue of greater than \$500,000, which
18 requires the submission of audited financial statements. The submitted financial statements were
19 not "current". "Current" with respect to financial statements means completed no sooner than 120
20 days prior to the time it is submitted to the Bureau, and covering no less than the most recent
21 complete fiscal year. Also, if more than 8 months will have elapsed between the close of the
22 most recent complete fiscal year and the time it is submitted, the fiscal statements shall also cover
23 no less than five months of that current fiscal year. The financial statements submitted did not
24 cover the most recent complete fiscal year at the time of submission, which would have been the
25 year ended June 30, 2012.

26 c. Respondent submitted reviewed financial statements for the year ended June 30,
27 2014, on December 3, 2014. The submitted financial statements were reviewed and not audited.
28 The submitted financial statements show a gross annual revenue of greater than \$500,000, which

1 requires the submission of audited financial statements. The submitted financial statements do
2 not show a compliant ratio of current assets to current liabilities of 1.25 to 1.00 or greater. The
3 financial statements list a ratio of current assets to current liabilities of 0.55 to 1.00 and do not
4 meet the required ratio of 1.25 to 1.00.

5 **PRAYER**

6 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
7 and that following the hearing, the Director of the Department of Consumer Affairs issue a
8 decision:

- 9 1. Denying the Application for Application for Approval to Operate an Accredited
10 Institution submitted by the Intercultural Institute of California
11 2. Taking such other and further action as deemed necessary and proper.

12
13 DATED: 10/7/16



14 JOANNE WENZEL
15 Chief
16 Bureau for Private Postsecondary Education
17 Department of Consumer Affairs
18 State of California
19 *Complainant*

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