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

12 In the Matter of the Statement of Issues
Against:

Case No. BPPE25-1072

13 **BAMA Institute, LLC**

STATEMENT OF ISSUES

14 **Application for Renewal of Approval to**
15 **Operate and Offer Educational Programs**
16 **for Non-Accredited Institutions**

Institution Code Number 61543712

17 Respondent.

18
19 **PARTIES**

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

23 2. On or about February 28, 2018, the Bureau issued Approval to Operate Institution
24 Code 61543712 to BAMA Institute, LLC (Respondent). The Approval to Operate expired on
25 May 20, 2024.

26 3. On or about May 13, 2024, the Bureau received from Respondent an Application for
27 Renewal of Approval to Operate and Offer Educational Programs for Non-Accredited Institutions
28 (Renewal Application), dated April 23, 2024. Between September 24, 2024 and October 1, 2025,

1 the Bureau and Respondent exchanged correspondence regarding deficiencies in Respondent’s
2 Renewal Application and attempts to cure those deficiencies. On or about October 22, 2025, the
3 Bureau denied the Renewal Application via a Notice of Denial of Application for Renewal of
4 Approval to Operate. On or about December 16, 2025, Respondent submitted to the Bureau a
5 request for administrative hearing along with documents and information to cure the deficiencies
6 in its Renewal Application. As described below, Respondent’s Renewal Application remains
7 deficient.

8 **JURISDICTION**

9 4. This Statement of Issues is brought before the Director of the Department of
10 Consumer Affairs (Director) for the Bureau, under the authority of the following laws. All
11 section references are to the Education Code unless otherwise indicated.

12 5. Section 94817 states:

13 “Approval to operate’ or ‘approval’ means the authorization pursuant to this chapter to
14 offer to the public and to provide postsecondary educational programs, as well as the written
15 document issued to an institution signifying its approval to operate.”

16 6. Section 94817.5 states:

17 “Approved to operate’ or ‘approved’ means that an institution has received authorization
18 pursuant to this chapter to offer to the public and to provide postsecondary educational
19 programs.”

20 7. Section 94885 states, in part:

21 “(a) The bureau shall adopt by regulation minimum operating standards for an institution
22 that shall reasonably ensure that all of the following occur:

23 . . .

24 “(6) The institution is financially sound and capable of fulfilling its commitments to
25 students.

26 . . .

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1 “(9) The institution is maintained and operated in compliance with this chapter and all other
2 applicable ordinances and laws.

3 ”

4 8. Section 94886 states:

5 “Except as exempted in Article 4 (commencing with Section 94874) or in compliance with
6 the transition provisions in Article 2 (commencing with Section 94802), a person shall not open,
7 conduct, or do business as a private postsecondary educational institution in this state without
8 obtaining an approval to operate under this chapter.”

9 9. Section 94887 states:

10 “An approval to operate shall be granted only after an applicant has presented sufficient
11 evidence to the bureau, and the bureau has independently verified the information provided by the
12 applicant through site visits or other methods deemed appropriate by the bureau, that the applicant
13 has the capacity to satisfy the minimum operating standards. The bureau shall deny an application
14 for an approval to operate if the application does not satisfy those standards. The bureau may
15 deny an application for an approval to operate institutions that would be owned by, have persons
16 in control of, or employ institution managers that had knowledge of, should have known, or
17 knowingly participated in any conduct that was the cause for revocation or unmitigated discipline
18 at another institution.”

19 10. Section 94891 states, in part:

20 “(a) The bureau shall adopt by regulation the process and procedures whereby an institution
21 may obtain a renewal of an approval to operate.

22 “(b) To be granted a renewal of an approval to operate, the institution shall demonstrate its
23 continued capacity to meet the minimum operating standards.

24 “(c)(1) An institution that is denied renewal of an approval to operate may file an appeal in
25 accordance with the procedures established by the bureau pursuant to Section 94888.

26 “(2) An institution that has filed an appeal of a denial of a renewal application may continue
27 to operate during the appeal process, but must disclose in a written statement, approved by the
28 bureau, to all current and prospective students, that the institution's application for renewal of

1 approval to operate was denied by the bureau because the bureau determined the application did
2 not satisfy the requirements to operate in California, that the institution is appealing the bureau's
3 decision, and that the loss of the appeal may result in the institution's closure.”

4 **REGULATORY PROVISIONS**

5 11. California Code of Regulations, title 5, section 71475, subdivisions (e) and (w)(2)
6 state:

7 “(e) The institution shall submit at the time it applies for renewal current financial
8 statements that meet the requirements of section 74115 as follows: (1) for an institution with
9 annual gross revenues of \$500,000 and over, statements shall be audited; (2) for an institution
10 with annual gross revenues less than \$500,000, statements shall be reviewed.

11 . . .

12 “(w)(2) The institution shall submit current, audited financial statements at the time it
13 applies for approval to operate. Each set of financial statements shall comply with Section 74115
14 of this chapter.”

15 12. California Code of Regulations, title 5, section 71745:

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

18 “(1) Provide all of the educational programs that the institution represented it would
19 provide.

20 “(2) Ensure that all students admitted to its educational programs have a reasonable
21 opportunity to complete the programs and obtain their degrees or diplomas.

22 “(3) Maintain the minimum standards required by the Act and this chapter.

23 “(4) Pay timely refunds as required by Article 13 of the Act.

24 “(5) Pay all operating expenses due within 30 days.

25 “(6) Maintain a ratio of current assets to current liabilities of 1.25 to 1.00 or greater at the
26 end of the most recent fiscal year when using generally accepted accounting principles, or for an
27 institution participating in Title IV of the federal Higher Education Act of 1965, meet the
28 composite score requirements of the U.S. Department of Education. For the purposes of this

1 section, current assets does not include: intangible assets, including goodwill, going concern
2 value, organization expense, startup costs, long-term prepayment of deferred charges, and non-
3 returnable deposits, or state or federal grant or loan funds that are not the property of the
4 institution but are held for future disbursement for the benefit of students. Unearned tuition shall
5 be accounted for in accordance with general accepted accounting principles.

6 “(b) At an institution's request, the Bureau may consider the financial resources of a parent
7 company if the parent company, as defined by section 94853 of the Code, meets and maintains all
8 of the following provisions:

9 “(1) consents in writing to be sued in California;

10 “(2) consents in writing to be subject to the jurisdiction of the Bureau with respect to the
11 institution's regulation under the Act and this Chapter;

12 “(3) designates and maintains an agent for service of process, consistent with section
13 74190;

14 “(4) agrees in writing to pay any refund, claim, penalty, or judgment that the institution is
15 obligated to pay; and

16 “(5) files financial reports, maintains financial records, and consents in writing to permit the
17 inspection and copying of financial records to the same extent as is required of the institution.

18 “(c) An institution shall provide to the Bureau its most current financial statements upon
19 request.”

20 13. California Code of Regulations, title 5, section 74115:

21 “(a) This section applies to every set of financial statements required to be prepared or filed
22 by the Act or by this chapter.

23 “(b) A set of financial statements shall contain, at a minimum, a balance sheet, an income
24 statement, and a cash flow statement, and the preparation of financial statements, shall comply
25 with all of the following:

26 “(1) Audited and reviewed financial statements shall be conducted and prepared in
27 accordance with the generally accepted accounting principles established by the American

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1 Institute of Certified Public Accountants by an independent certified public accountant who is not
2 an employee, officer, or corporate director or member of the governing board of the institution.

3 “(2) Financial statements prepared on an annual basis as required by section 74110(b) shall
4 be prepared in accordance with the generally accepted accounting principles established by the
5 American Institute of Certified Public Accountants. Nonprofit institutions shall provide annual
6 financial statements as required under generally accepted accounting principles for nonprofit
7 organizations.

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

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

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

17 “(c) Work papers for the financial statements shall be retained for five years from the date
18 of the statements and shall be made available to the Bureau upon request.

19 “(d) ‘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. If more than 8 months will have elapsed between the close of the most
22 recent complete fiscal year and the time it is submitted, the fiscal statements shall also cover no
23 less than five months of that current fiscal year.”

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CAUSE FOR DENIAL OF APPLICATION

(Failure to Provide Compliant Financial Statements)

14. Respondent’s Renewal Application is subject to denial in that it failed to offer financial statements that comply with applicable law and regulations. (Educ. Code § 94885, subds. (a)(6) and (a)(9) and Cal. Code of Regs., title 5, §§ 71475, subds. (e) and (w)(2), 71745, and 74115.) In particular:

a. The financial statements that Respondent offered, for the years ending in the fourth quarters of 2022 and 2023, are not “current” as they fail to cover no less than the most recent complete fiscal year, as required by California Code of Regulations, title 5, section 74115, subdivision (d).

b. The additional documents that Respondent offered to substantiate its financial condition, a “Profit and Loss” chart and “Balance Sheet” chart apparently stating data regarding Respondent’s operations mixed with data regarding the operations of another corporation referenced as “BAMA,” do not meet the requirements of California Code of Regulations, title 5, section 74115, subdivision (b) regarding the content and preparation of financial statements in that they:

i. Do not contain a balance sheet, an income statement, and a cash flow statement regarding Respondent alone, as required by California Code of Regulations, title 5, section 74115, subdivision (b);

ii. Were not prepared in accordance with generally accepted accounting principles (GAAP) by an independent certified public accountant, as required by California Code of Regulations, title 5, section 74115, subdivision (b)(1);

iii. Do not establish that Respondent meets the requirements for financial resources required by Section 71745, as required by California Code of Regulations, title 5, section 74115, subdivision (b)(2).

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PRAYER

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

1. Denying the Application for Renewal of Approval to Operate and Offer Educational Programs for Non-Accredited Institutions submitted by BAMA Institute, LLC; and
2. Taking such other and further action as deemed necessary and proper.

DATED: 4/30/2026

"Original Signature on File"
DEBORAH COCHRANE
Chief
Bureau for Private Postsecondary
Education
Department of Consumer Affairs
State of California
Complainant

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