Consolidated Financial Statements

Education Management Corporation and Subsidiaries
For The Fiscal Years Ended June 30, 2017 and 2016
With Report of Independent Auditors

Education Management Corporation and Subsidiaries

Consolidated Financial Statements
and Supplemental Information

June 30, 2017

Contents

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young LLP
2100 One PPG Place
Pittsburgh, PA 15222

Tel: +1 412 644 7800
Fax: +1 412 644 0477
ey.com

Report of Independent Auditors

The Board of Directors
Education Management Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of Education Management Corporation and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, shareholders' deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Education Management Corporation and Subsidiaries at June 30, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Education Management Corporation and Subsidiaries Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that Education Management Corporation and Subsidiaries will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, Education Management Corporation and Subsidiaries has experienced deteriorating results from operations, which combined with its current liquidity position, raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statement schedules and supplemental schedule of 90/10 ratios are 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. 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 December 21, 2017 on our consideration of Education Management Corporation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Education Management Corporation and Subsidiaries' internal control over financial reporting and compliance.

Ernst + Young LLP

December 21, 2017

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2017	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 255,229	$ 315,289
Restricted cash	119,555	192,394
Total cash, cash equivalents and restricted cash	374,784	507,683
Student receivables, net of allowances of $10,851 and $19,027 (Note 6)	4,841	17,136
Notes, advances and other receivables	5,702	1,473
Prepaid income taxes	1,995	10,514
Other current assets	13,286	7,362
Current assets of business held for sale (Note 4)	148,613	148,332
Total current assets	549,221	692,500
Property and equipment, net (Note 5)	2,395	23,607
Deferred income taxes (Note 10)	—	1,975
Other long-term assets	4,652	11,878
Noncurrent assets of business held for sale (Note 4)	162,944	304,109
Total assets	$ 719,212	$ 1,034,069
Liabilities and shareholders' deficit		
Current liabilities:		
Revolving credit facility (Note 8)	$ 149,895	$ 110,000
Accounts payable	2,131	5,368
Accrued liabilities (Note 7)	30,413	35,683
Unearned tuition	3,144	17,064
Advance payments	1,193	7,770
Current liabilities of business held for sale (Note 4)	239,490	283,220
Total current liabilities	426,266	459,105
Long-term debt (Note 8)	558,787	576,839
Deferred income taxes (Note 10)	—	—
Deferred rent	51,974	62,373
Other long-term liabilities	49,563	55,456
Noncurrent liabilities of business held for sale (Note 3)	97,018	138,488
Shareholders' deficit:		
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	20	20
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	5,181	5,181
Common stock, at par	24,927	24,927
Additional paid-in capital		
Preferred Stock	197,626	197,626
Warrants	30,673	30,673
Common Stock	2,232,375	2,232,375
Treasury stock, at cost	(332,102)	(332,102)
Accumulated deficit	(2,623,096)	(2,412,804)
Accumulated other comprehensive loss	—	(4,088)
Total shareholders' deficit	(464,396)	(258,192)
Total liabilities and shareholders' deficit	$ 719,212	$ 1,034,069

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	For the Fiscal Year Ended June 30, 2017	2016
Net revenues	$ 108,068	$ 295,596
Costs and expenses:		
Educational services	178,184	290,000
General and administrative	52,527	99,185
Depreciation and amortization	11,090	28,042
Long-lived asset impairments (Note 5)	6,396	34,408
Total costs and expenses	248,197	451,635
Loss on continuing operations before interest, gain on sale of subsidiaries, and income taxes	(140,129)	(156,039)
Interest expense, net	9,530	9,738
Gain on sale of subsidiaries (Note 1)	(12,595)	—
Loss on continuing operations before income taxes	(137,064)	(165,777)
Income tax expense (benefit) (Note 10)	898	(16,134)
Loss on continuing operations	(137,962)	(149,643)
Loss from discontinued operations, net of tax (Note 4)	(72,330)	(82,451)
Net loss	$ (210,292)	$ (232,094)
Accumulated dividends on Series A-1 preferred stock	15,000	15,000
Net loss attributable to common stockholders	$ (225,292)	$ (247,094)

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	For the Fiscal Year Ended June 30,	
	2017	**2016**
Net loss	$ (210,292)	$ (232,094)
Other comprehensive income:		
Foreign currency translation gain (loss)	4,088	(689)
Other comprehensive income (loss)	4,088	(689)
Comprehensive loss	$ (206,204)	$ (232,783)

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Fiscal Year Ended June 30, 2017	For the Fiscal Year Ended June 30, 2016
Cash flows from operating activities:		
Net loss	$ (210,292)	$ (232,094)
Loss from discontinued operations, net of tax	(72,330)	(82,451)
Loss on continuing operations	(137,962)	(149,643)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	11,090	28,042
Bad debt expense	9,023	19,273
Long-lived asset impairments	6,396	34,408
Gain on sale of subsidiaries	(12,595)	—
Amortization of debt issuance costs, including PIK interest	974	956
Non-cash adjustments related to deferred rent	(15,284)	(10,539)
Amortization of deferred gains on sale-leaseback transactions	13	13
Deferred income taxes	697	(24,980)
Changes in assets and liabilities:		
Restricted cash	72,839	47,303
Receivables	(23)	208
Reimbursements for tenant improvements	53	341
Other assets	(18,878)	(6,258)
Accounts payable	(3,045)	287
Accrued liabilities, including income taxes	6,893	5,022
Unearned tuition	(10,798)	(4,880)
Advance payments	(5,254)	(676)
Total adjustments	42,101	88,520
Net cash flows used in operating activities - continuing operations	(95,861)	(61,123)
Net cash flows provided by operating activities - discontinued operations	7,198	69,393
Net cash flows (used in) provided by operating activities	(88,663)	8,270
Cash flows from investing activities:		
Expenditures for long-lived assets	—	(15,131)
Net proceeds from sale of subsidiaries	12,938	—
Reimbursements for tenant improvements	(53)	(341)
Net cash flows provided by (used in) investing activities - continuing operations	12,885	(15,472)
Net cash flows used in investing activities - discontinued operations	(23,845)	(14,348)
Net cash flows used in investing activities	(10,960)	(29,820)
Cash flows from financing activities:		
Payments under revolving credit facility	(110,000)	(50,000)
Borrowings under revolving credit facility	149,895	110,000
Net cash flows provided by financing activities - continuing operations	39,895	60,000
Net cash flows provided by financing activities	39,895	60,000
Effect of exchange rate changes on cash and cash equivalents	(332)	(192)
Net change in cash and cash equivalents	(60,060)	38,258
Cash and cash equivalents, beginning of period	315,289	277,031
Cash and cash equivalents, end of period	$ 255,229	$ 315,289
Cash paid (received) during the period for:		
Interest	26,615	23,167
Income taxes, net of refunds	(7,798)	(23,337)

	As of June 30, 2017	As of June 30, 2016
Non-cash investing activities:		
Capital expenditures in current liabilities	$ 92	$ 38

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(In thousands)

	Preferred Stock, at par value	Warrants, at par value	Common Stock at par value (2)	Additional Paid-in Capital	Treasury Stock, at cost (2)	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total
June 30, 2015	$ 20	$ 5,181	$ 24,927	$ 2,460,674	$(332,102)	$ (2,180,710)	$ (3,399) (1)	$ (25,409)
Net loss	—	—	—	—	—	(232,094)	—	(232,094)
Other comprehensive loss	—	—	—	—	—	—	(689)	(689)
June 30, 2016	$ 20	$ 5,181	$ 24,927	$ 2,460,674	$(332,102)	$ (2,412,804)	$ (4,088) (1)	$ (258,192)
Net loss	$ —	$ —	$ —	$ —	$ —	$ (210,292)	$ —	$ (210,292)
Other comprehensive income	—	—	—	—	—	—	4,088	4,088
June 30, 2017	$ 20	$ 5,181	$ 24,927	$ 2,460,674	$(332,102)	$ (2,623,096)	$ — (1)	$ (464,396)

(1) The balance in accumulated other comprehensive loss was comprised of $4.1 million of cumulative foreign currency translation losses at June 30, 2016.

(2) There were 2,472,963,157 authorized shares of $0.01 par value common stock at June 30, 2017 and 2016. Common stock outstanding and treasury stock balances were as follows for the periods indicated:

	Treasury Shares	Net Shares Outstanding
June 30, 2015	19,737,480	2,472,963,157
June 30, 2016	19,737,480	2,472,963,157
June 30, 2017	19,737,480	2,472,963,157

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND CHANGE IN OWNERSHIP

Description of Business

Education Management Corporation ("EDMC" and collectively with its subsidiaries, the “Company”) is among the largest providers of post-secondary education in North America, with approximately 69,860 enrolled students as of October 2016. The Company offers campus-based education through four different education systems and through online platforms at three of the four education systems, or through a combination of both. These education systems comprise the Company's reportable segments, which are The Art Institutes, Argosy University, Brown Mackie Colleges, and South University. Refer to Note 14, "Segment Reporting" for additional information.

The Company is committed to offering quality academic programs and strives to improve the learning experience for its students to help them achieve their educational goals across the spectrum of in-demand careers. The Company's innovative academic programs are designed with an emphasis on employment-focused content and technology that advances education, and are taught primarily by faculty members who, in addition to having appropriate academic credentials, typically offer practical and relevant professional experience in their respective fields.

Ownership

On June 1, 2006, the Company was acquired by a consortium of private equity investment funds led by Providence Equity Partners, Goldman Sachs Capital Partners, and Leeds Equity Partners (collectively, the “Former Sponsors”). The acquisition was accomplished through the merger of EM Acquisition Corporation into EDMC, with EDMC surviving the merger (the "Transaction") and was financed by equity invested by the Former Sponsors and other investors, cash on hand, and secured and unsecured borrowings.

In October 2009, EDMC completed an initial public offering of 23.0 million shares of its common stock, $0.01 par value per share ("Common Stock"), at a per share price of $18.00 (the "Initial Public Offering"). The Former Sponsors did not sell any of their shares in connection with the Initial Public Offering.

In June 2010, the Company’s Board of Directors approved a stock repurchase program under which it could purchase its common stock in the open market, in privately negotiated transactions, through accelerated repurchase programs, or in structured share repurchase programs. From the inception of the stock repurchase program through its expiration on December 31, 2012, the Company repurchased 18.9 million shares of its common stock for a total cost of $328.6 million.

In November 2014, the Company voluntarily delisted its common stock from The Nasdaq Global Select Market and subsequently deregistered its common stock under the Securities Exchange Act of 1934, as amended.

On January 5, 2015, the Company issued shares of Series A-1 optionally convertible preferred stock and Series A-2 mandatorily convertible preferred stock (together with the Series A-1 preferred stock, the “Preferred Stock”) in connection with a restructuring of its outstanding indebtedness (the “Debt Restructuring”). On April 13, 2015, the shares of Series A-2 preferred stock were converted into shares of EDMC common stock upon receipt of the final regulatory approval for the Debt Restructuring, transferring control of the Company to creditors who participated in the Debt Restructuring. EDMC’s shareholders who owned common stock prior to the Debt Restructuring now own 4% of the outstanding common stock along with warrants to purchase 5% of EDMC’s common stock after giving effect to the conversion of the Preferred Stock and subject to further dilution by warrants awarded pursuant to the Debt Restructuring. Refer to Note 8, "Short-Term and Long-Term Debt" for more information.

Government Regulations

Each of the Company’s schools located in the United States is recognized by accreditation agencies and by the U.S. Department of Education, enabling students to access federal student loans, grants, and other forms of public and private financial aid. As noted below in the discussion of “Key Trends, Developments and Challenges,” certain of the Company’s schools are accredited by an accreditation agency, the Accrediting Council for Independent Colleges and Schools, that is no longer recognized by the U.S. Department of Education. These schools are deemed to hold recognized accreditation for up to eighteen months from the U.S. Department of Education’s December 12, 2016 decision to withdraw recognition. Participating institutions are required to administer Title IV program funds in accordance with the Higher Education Act of 1965, as amended (“HEA”), and U.S. Department of Education regulations and must use diligence in approving and disbursing funds and servicing loans. In the event a participating institution does not comply with federal requirements or if student loan default rates are at a level that exceeds certain thresholds set by statute and regulation, that institution could lose its eligibility to participate in Title IV programs or could be required to repay funds determined to have been improperly disbursed. Most of the students who attend the Company’s institutions participate in federal and state financial aid and assistance programs. The percentage of net revenues derived from Title IV programs at the Company's 18 institutions ranged from approximately 47% to

85% in fiscal 2017, with a weighted average of approximately 74%, compared to a range of 47% to 86% in fiscal 2016, with a weighted average of approximately 75%.

Revisions and Reclassifications

Certain reclassifications of prior year data have been made to conform to the fiscal 2017 presentation, with no effect on previously reported net loss or shareholders' deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Including Going Concern)

The consolidated balance sheet includes the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

As of June 30, 2017, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205-40, Presentation of Financial Statements - Going Concern ("ASC 205-40"), which requires management to assess the Company's ability to continue as a going concern for one year after the date the financial statements are issued. Under ASC 205-40, management has the responsibility to evaluate whether conditions and/or events raise substantial doubt about the Company's ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by this standard, management's evaluation shall initially not take into consideration the potential mitigating effects of management's plans that have not been fully implemented as of the date the financial statements are issued.

Management concluded that the following conditions, coupled with the planned use of cash, raise substantial doubt about the Company's ability to meet its financial obligations as they become due:

- The Company has experienced deteriorating results from operations over the last several fiscal years due primarily to declining student enrollment, primarily as a result of the announced teach-out of a significant number of school locations. Net cash used in operating activities was $88.7 million during the year ended June 30, 2017 compared to cash provided by operations of $8.3 million in the prior fiscal year.
- Results during fiscal 2018 may continue to decline primarily due to declining student enrollment and may further be negatively impacted by the gainful employment regulation promulgated by the U.S. Department of Education. Final results of graduate earnings data for fiscal 2015 were released by the U.S. Department of Education on January 9, 2017. As a result, the Company's schools were required to provide warnings to enrolled and prospective students with respect to gainful employment programs considered under the regulations to be in jeopardy of losing Title IV eligibility beginning on February 8, 2017. However, the Company's schools have submitted notices of intent to appeal the gainful employment rates of certain programs, and is no longer required to provide warnings to enrolled and prospective students until at least February 1, 2018.
- At June 30, 2017, the Company had $255.2 million of cash and cash equivalents on hand. The Company has a history of net losses ($210.3 million in fiscal 2017) and cash used in operations ($88.7 million in fiscal 2017). The Company expects to continue to incur negative cash flows. As a result of the agreed upon sale of all its schools currently enrolling new students and other cost saving initiatives, the Company anticipates that it has sufficient liquidity it to meet its operational expenses and capital expenditures through the second quarter of fiscal year 2018.

Management is required to evaluate whether its plans to mitigate the conditions above alleviate the substantial doubt about the Company's ability to meet its obligations as they become due within one year after the date that the financial statements are issued. The Company expects to continue to monitor its liquidity carefully, work to reduce this uncertainty, and address its cash needs through a combination of one or more of the following actions:

- In October 2017, the Company closed an agreement to sell all its remaining school locations which are currently accepting new students for cash proceeds of $25 million, deferred payments of approximately $10 million, and a working capital adjustment payment of $10.0 million. The cash portion of the purchase price will be adjusted at closing based on the difference between the estimated closing net working capital of the acquired businesses and a target amount of $0, with a post-closing adjustment to be determined based on the difference between final closing net working capital and a target amount of negative $10 million.
- Management continues to implement cost reduction actions to reduce cash outflows in order to maintain sufficient liquidity to allow the Company to meet its obligations as they become due.

Management has determined, based on its recent history and its liquidity issues, that it is not probable that management's plans will sufficiently alleviate or mitigate, to a sufficient level the relevant conditions or events noted above. Accordingly, management of the Company has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after issuance date of the financial statements.

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates on assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. These investments are stated at cost, which approximates fair value.

The Company's institutions hold funds from the United States government under various student aid grant and loan programs in separate bank accounts, and serve as trustee for the U.S. Department of Education or respective lender or student borrower, as applicable. The Company does not record funds held in these bank accounts as cash or restricted cash until the authorization and disbursement process has occurred. Once the authorization and disbursement process to the student has been completed, the funds are transferred to unrestricted accounts and become available for use in current operations, except as noted in footnote two to the table below. This transfer generally occurs for the period of the academic term for which such funds were authorized, with no term being more than 16 weeks in length.

Restricted cash consisted of the following at June 30 (in thousands):

	2017	2016
Cash secured letters of credit (1)	$ 96,466	$ 145,370
Title IV funds received in excess of charges applied (2)	6,273	36,566
Surety bonds (3)	13,566	7,208
Cash collateral for purchasing card	1,750	1,750
Endowments (4)	1,500	1,500
Restricted cash	$ 119,555	$ 192,394

(1) Includes liens on certain of the Company's cash deposits, which equal 105% of the aggregate $91.9 million of outstanding letters of credit under the Company's cash secured letter of credit facilities further explained in Note 8, "Short-Term and Long-Term Debt." Such cash is not available for any purpose other than to reimburse drawings under the letters of credit or to pay related fees and obligations.

(2) U.S. Department of Education regulations require Title IV program funds received by the Company's educational institutions in excess of the charges applied to the relevant students at that time to be, with these students' permission, maintained and classified as restricted. In addition, some states have similar requirements. Such funds are recorded as restricted cash due to legal restrictions on the use of the funds and as advance payments on the Company's consolidated balance sheets. The balances also include $1.7 million and $22.7 million at June 30, 2017 and 2016, respectively, related to Title IV amounts that the Company has received for courses that fully-online students attending Argosy University and South University have not begun. Since these students take classes under a non-term academic structure, the cash is classified as restricted because the Company does not intend to use the funds for operating purposes until a student successfully demonstrates academic progress with respect to each course the student attends in the student's program of study.

(3) Relates to amounts required to be maintained on deposit in connection with surety bonds primarily provided to state regulatory agencies as described in Note 12, "Commitments and Contingencies."

(4) Relates to endowments required by state law at certain of the Company's schools.

Revenue Recognition

The Company's net revenues consist primarily of tuition and fees, student housing fees, bookstore sales, restaurant sales in connection with culinary programs, sales of related study materials, and workshop fees. Net revenues are reduced for student refunds and scholarships. The Company derived approximately 97% and 94% of its net revenues from tuition and fees in the fiscal years ended June 30, 2017 and 2016, respectively.

The Company bills tuition and housing revenues at the beginning of an academic term and, given that the Company has a contractual relationship with the student and collectability of revenue is reasonably assured, recognizes the revenue on a pro rata basis over the term of instruction or occupancy. Some of the Company's academic terms have starting and ending dates that differ from the Company's fiscal quarters. Therefore, at the end of each fiscal quarter, the Company has tuition from academic terms for which the associated revenue has not yet been earned. Such amounts are recorded as unearned tuition, which is a current liability in the accompanying consolidated balance sheets. Advance payments are generally refundable and relate to payments received for future academic periods and are also recorded as a current liability in the accompanying consolidated balance sheets.

If a student withdraws from one of the Company's schools, the extent of his or her obligation for tuition and fees depends on when the withdrawal occurs during an academic term. The Company reduces the student's obligation depending upon its refund policies, which vary by state and institution and take into account the refund requirements of the U.S. Department of Education, most state education authorities that regulate the Company's schools, the accrediting commissions that accredit the Company's schools, and the Company's institutional policies (collectively, "Refund Policies"). In the vast majority of situations, if a student withdrew from school after attending classes for at least 60.0% of a term of instruction, he or she would not be eligible for any reduction in tuition under the Company's Refund Policies. Accordingly, the student would have to pay the Company 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 60.0% of a term of instruction, the Company may reduce the amount of a student's obligation for tuition and fees based on a tiered approach 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 school for the tuition and fees related to that academic term.

Based on the application of its refund policies, the Company may be entitled to incremental revenue on the day the student withdraws from one of its schools. The Company reassesses collectability when a student withdraws from the institution (i.e., is no longer enrolled) and records incremental revenue based on cash received.

Student Receivables

The Company records student receivables at cost less an estimated allowance for doubtful accounts, which is determined on a quarterly basis based on the likelihood of collection considering students' enrollment status and historical payment experience. Historical collection experience is analyzed by disaggregating the student receivable balances based on predominant risk characteristics, such as whether the student is currently in-school, recently withdrew from school, or has not made a payment for a longer period of time. This level of disaggregation of student receivables results in individual pools of receivables which management believes appropriately differentiates credit risk in the portfolio and provides a reasonable basis to compute the estimate of loss. When certain criteria are met, which is generally when receivables age past the due date by more than four months, and internal collection measures have been taken without success, the accounts of former students are placed with a collection agency. Student accounts that have been placed with a collection agency are almost fully reserved and are written off after collection attempts have been unsuccessful.

Leases

The Company leases certain classroom, dormitory, and office space, as well as equipment and automobiles under operating leases. Before entering into a new lease, an analysis is performed to determine whether a lease should be classified as capital or operating.

Certain of the Company's lease agreements include tenant improvement allowances. Once the lease agreement is signed, these tenant improvement allowances are recorded as other current assets with the offset to deferred rent liabilities on the consolidated balance sheets. Concurrent with the expenditures for lease improvements, the Company records increases to leasehold improvement assets in property and equipment. Other current assets are reduced once the landlord reimburses the Company. The deferred rent liabilities related to tenant improvements are amortized over the term of the lease as a reduction to rent expense upon possession of the lease space.

Many of the Company's lease agreements contain escalation clauses under which, if fixed and determinable, rent expense is recognized on a straight-line basis over the lives of the leases, which generally range from five to 15 years with one or more renewal options. For leases with renewal options, the Company records rent expense over the original lease term, exclusive of the renewal period. When a renewal occurs, the Company records rent expense over the new lease term.

Property and Equipment

Property and equipment is recorded at its cost less accumulated depreciation. Depreciation policies for such assets are as follows:

- Buildings are depreciated over an estimated useful life of 30 years using the straight-line method;
- Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term, exclusive of any renewal periods, or their estimated useful lives; and

- The remainder of the Company's property and equipment is depreciated over estimated useful lives ranging from three to 10 years using the straight-line method, depending on the asset.

The Company records impairment losses on property and equipment when events and circumstances indicate that the undiscounted cash flows estimated to be generated by those assets or asset groups are less than their carrying amounts, or upon a decision by management to teach-out a specific location. Events and circumstances that could trigger an impairment review include changes in the regulatory environment, deteriorating economic conditions, or poor operating performance at individual campus locations. Any resulting impairment loss would be measured as the difference between the fair value of the assets or asset groups and their carrying value with the loss recorded as an operating expense in the consolidated statement of operations in the period incurred. Refer to Note 5, "Property and Equipment," for more information.

Unearned Tuition

Due to the fact that some of the Company's institutions have academic terms with starting and ending dates that differ throughout the period, there may be tuition from these academic terms for which the associated revenue has not been earned. Such amounts are recorded as unearned tuition as a current liability in the accompanying consolidated balance sheet.

Art Grant Program

The Art Institutes introduced a new grant program in fiscal 2015 which provides a tuition discount for students who successfully complete 12 credits towards an Associate's or Bachelor's degree, enroll in and satisfy a minimum attendance period for the next term. The Company records the discount on tuition for students who receive an Art Grant on a proportional basis starting with the first credit earned, net of estimated breakage. If the student becomes ineligible, the Company recognizes revenue in the period in which ineligibility occurs. During fiscal years 2017 and 2016, the Company recognized $2.6 million and $15.4 million, respectively in grants awarded to students participating in the Art Grant program. A liability of $1.8 million and $6.8 million was recorded as of June 30, 2017 and 2016, respectively related to these grants, and is presented within unearned tuition.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities result from (i) temporary differences in the recognition of income and expense for financial and income tax reporting requirements, and (ii) differences between the recorded value of assets acquired in business combinations accounted for as purchases for financial reporting purposes and their corresponding tax bases. Deferred income tax assets are reduced by a valuation allowance if it is more-likely-than-not that some portion of the deferred income tax asset will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The amount of the tax benefit that is recognized is measured as the largest amount of benefit that is more-likely-than-not to be realized upon effective settlement. The Company classifies interest and penalties accrued in connection with unrecognized tax benefits as income tax expense in its consolidated statement of operations.

Refer to Note 10, "Income Taxes," for more information.

Foreign Currency Translation

The financial position and results of operations of the Company's foreign subsidiary are initially measured at its functional currency, which is the Canadian dollar. Accordingly, the assets and liabilities of the foreign subsidiary are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars using average monthly exchange rates. Translation adjustments resulting from this process are recorded as a separate component of equity designated as accumulated other comprehensive loss in the consolidated balance sheets. The Company recorded a translation loss of $0.7 million in the fiscal year ended June 30, 2016. Additionally, as a result of the sale of the Canadian foreign subsidiary in the third quarter of fiscal 2017, the Company recognized a gain of $4.1 million, which is recorded as gain on sale of subsidiaries in its consolidated statement of operations.

Contingencies

The Company accrues for contingent obligations when it is probable that a liability has been incurred and the amount is reasonably estimable. As facts concerning contingencies evolve and become known, management reassesses the likelihood of probable loss and makes appropriate adjustments to its financial statements.

Costs and Expenses

Educational services expense consists primarily of costs related to the development, delivery, and administration of the Company's education programs. Major cost components are faculty compensation, salaries of administrative and student services staff, facility occupancy costs, bad debt expense, costs of educational materials, and information systems costs. These costs are expensed as services are provided to the Company or as incurred.

General and administrative expense consists of marketing and student admissions expenses and certain central staff costs such as executive management, finance and accounting, legal and consulting services, corporate development, and other departments that do not provide direct services to the Company's students. These costs are expensed as services are provided to the Company or as incurred.

Marketing costs are expensed in the fiscal year incurred and are classified as general and administrative expense in the accompanying consolidated statements of operations. The Company's marketing expense $26.8 million during fiscal 2016. The Company did not incur any marketing expense in connection with its continuing operations during fiscal 2017.

Discontinued Operations

A disposal of a component or group of components is reported as discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results. The results of discontinued operations are aggregated and separately presented in the Company's Consolidated Statements of Operations, net of income taxes.

Earnings per Share

In connection with the Debt Restructuring, the shares of Series A-2 preferred stock were converted into 2,345,804,755 shares of common stock in fiscal 2015, significantly increasing net shares outstanding. The Company does not present earnings per share as this information is not meaningful due to the dilutive impact of this conversion on the basic net loss per share. Refer to "Consolidated Statements of Shareholders' Deficit" for a roll-forward of net shares outstanding. Additionally, since the Company is in a net loss position for the twelve months ended June 30, 2017 and 2016, any effect from potentially dilutive securities would be anti-dilutive.

Recent Accounting Pronouncements

In April 2017, the FASB issued an Accounting Standards Update ("ASU") 2017-04 which will simplify the accounting for goodwill impairment. The revised guidance eliminates Step Two of the current goodwill impairment test, which requires a hypothetical purchase price to measure goodwill impairment. A goodwill impairment loss will instead be measured by the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. Early adoption is permitted for impairment testing dates after January 1, 2017. The Company has decided to early adopt this standard effective with the annual impairment testing date of April 1, 2017.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash"; which is included in ASC Topic 230, Statement of Cash Flows. The purpose of this update is to clarify how types of restricted cash should be reported on the Statement of Cash Flows. This amendment is effective for public companies in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the impact that the standard will have on its financial condition, results of operations, and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which is included in ASC Topic 230, Statement of Cash Flows. The new guidance clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows, including contingent consideration payments made after a business acquisition. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. All entities must apply the guidance retrospectively to all periods presented unless doing so would be impracticable. The implementation of the guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 that will require entities to use a new forward-looking "expected loss" model on trade and other receivables, held-to-maturity debt securities, loans, and other instruments that generally will result in the earlier recognition of allowances for credit losses. Entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. The standard is effective for the Company for the fiscal years beginning after December 15, 2020, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein. The Company is currently evaluating the impact that the standard will have on its financial condition, results of operations, and disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," replacing the existing guidance in ASC 840, "Leases." The new guidance establishes a right-of-use ("ROU") model which requires the lessee to record a ROU asset and corresponding lease liability on the balance sheet for all leases with terms exceeding twelve months. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition on the income statement. The standard is effective for the Company beginning in fiscal year 2021, with early adoption permitted. The new guidance must be applied on a modified retrospective basis at the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the impact that the standard will have on its financial condition, results of operations, and disclosures.

In July 2015, the FASB issued ASU 2015-17 "Income Taxes (Topic 740)." The new guidance requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified statement of financial position. The standard is effective for the Company beginning fiscal year 2018, with early adoption permitted, and may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company decided to implement the guidance early, beginning with the fiscal year 2016 financial statements on a prospective basis.

In April 2015, the FASB issued ASU 2015-03 "Interest-Imputation of Interest (Subtopic 853-30)," which simplifies the financial statement presentation of debt issuance costs. The new guidance specifies that debt issuance costs related to a recognized debt liability shall be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this accounting standards update. The new guidance is effective for the Company beginning fiscal year 2017, and interim periods beginning the first quarter of fiscal 2018, with early adoption permitted. The new guidance must be applied on a retrospective basis to all prior periods presented in the financial statements. The implementation of the guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15 "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern", which is included in FASB Accounting Standards Codification (ASC) 205-40, Presentation of Financial Statements - Going Concern. The standard requires that management perform a two-step going concern analysis, and make certain disclosures if it is determined that there is substantial doubt about the entity's ability to continue as a going concern. This update is effective for fiscal years ending after December 15, 2016 with early adoption permitted.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. In August 2015, the FASB issued ASU 2015-14, which deferred the implementation of ASU 2014-09 by one year for both public and non-public entities. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 for non-public entities. Early adoption is permitted as early as the original public entity effective date of annual reporting dates beginning after December 15, 2016 including the interim periods, however early adoption prior to that date is not permitted. This accounting standard, as amended, is effective for the Company beginning in the first quarter of fiscal year 2019. The Company is currently evaluating the impact that the standard will have on its financial condition, results of operations, and disclosures.

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held-for-sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The Company prepared the presentation and disclosure of its discontinued operations in accordance with this guidance.

3. GOVERNMENTAL REGULATIONS

Most of the students at the Company's schools rely, at least in part, on financial assistance to pay for the cost of their education. In the United States, the largest sources of such support are the federal student aid programs under Title IV of the Higher Education Act of 1965, as amended ("HEA"). Additional sources of funds include other federal grant programs, state grant and loan programs, private loan programs, and institutional grants and scholarships. To provide students access to financial assistance resources available through Title IV programs, a post-secondary institution must be (i) authorized to offer its programs of instruction by the relevant agency of the states in which it is physically located and comply with applicable state requirements regarding fully-online programs, (ii) institutionally accredited by an agency recognized by the U.S. Department of Education, and (iii) certified as an eligible institution by the U.S. Department of Education. In addition, the post-secondary institution must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students and remain in compliance generally with the Title IV program regulations. Most of the U.S. Department of Education's requirements, such as the financial responsibility standards and the 90/10 Rule, which are described in greater detail below, are applied on an institutional basis, with an institution defined as a main campus and its additional locations, if any. As of June 30, 2017, 18 of the Company's primary locations were recognized by the U.S. Department of Education as main campuses.

Financial Responsibility Standards. Education institutions participating in Title IV programs must satisfy a series of specific standards of financial responsibility. The U.S. Department of Education has adopted standards to determine an institution’s financial responsibility to participate in Title IV programs. The regulations establish three ratios: (i) the equity ratio, intended to measure an institution’s capital resources, ability to borrow and financial viability; (ii) the primary reserve ratio, intended to measure an institution’s ability to support current operations from expendable resources; and (iii) the net income ratio, intended to measure an institution’s profitability. Each ratio is calculated separately, based on the figures in the institution’s most recent annual audited financial statements, and then weighted and combined to arrive at a single composite score. The composite score must be at least 1.5 in order for the institution to be deemed financially responsible without conditions or additional oversight. If an institution fails to meet any of these requirements, the U.S. Department of Education may set restrictions on the institution’s eligibility to participate in Title IV programs. Institutions are evaluated for compliance with these requirements as part of the U.S. Department of Education’s renewal of certification process and also annually as each institution submits its audited financial statements to the U.S. Department of Education.

Since June 1, 2006 and through June 30, 2017, the Company has not met the required quantitative measures of financial responsibility on a consolidated basis due to the amount of indebtedness incurred and goodwill it recorded in connection with the Transaction. Accordingly, the Company is required by the U.S. Department of Education to post a letter of credit and is subject to provisional certification and additional financial and cash monitoring of its disbursements of Title IV funds. In March 2017, the U.S. Department of Education decreased the amount of the required letter of credit from $240.6 million to $194.0 million, which equals 15 percent of the total Title IV aid received by students attending EDMC’s institutions during the fiscal year ended June 30, 2016.

The “90/10 Rule”. Under a provision of the HEA commonly referred to as the “90/10 Rule”, an institution will cease to be eligible to participate in Title IV programs if, on a cash accounting basis, more than 90% of its revenues for each of two consecutive fiscal years were derived from Title IV programs as calculated under the applicable regulations. If an institution loses its Title IV eligibility under the 90/10 Rule, it may not reapply for eligibility until the end of two fiscal years. Institutions that fail to satisfy the 90/10 Rule for one fiscal year are placed on provisional certification. All of the Company's institutions satisfied the 90/10 Rule in the fiscal year ended June 30, 2017. Refer to Note 15, "90/10 Revenue Percentage," for more information.

4. DISCONTINUED OPERATIONS

On January 18, 2017, the Company entered into an Asset Purchase Agreement (the “DCF Purchase Agreement”) with Dream Center Foundation (“DCF”), a not for profit entity, and certain of its newly formed subsidiaries (collectively with DCF, the “Buyers”) for the sale of substantially all of the assets of South University, Argosy University, and all of the “core” Art Institutes school locations (other than The Art Institute of Vancouver) (collectively with EDMC Management II, LLC, the "Sellers") which are not currently being taught-out. DCF will also purchase certain assets used by The Center and our corporate services. On February 24, 2017, the Sellers and the Buyers entered into an Amended and Restated Asset Purchase Agreement (the “Restated DCF Purchase Agreement”) to effectuate certain agreed revisions to the terms of the DCF Purchase Agreement. The Restated Agreement supersedes and replaces the DCF Purchase Agreement in all respects.

The results of operations of South University, Argosy University, and The Art Institutes "core" locations are included in the Company's Consolidated Statements of Operations as loss from discontinued operations, net of tax for all periods presented.

The major components of South University, Argosy University, and The Art Institutes "core" locations' assets and liabilities, which are presented as held for sale within the Company's Consolidated Balance Sheets as of June 30, 2017 and 2016, are as follows, in thousands:

	June 30,	
	2017	2016
Assets:		
Student receivables, net of allowances of $54,715 and $83,618	$ 116,432	$ 125,107
Notes, advances, and other receivables	16,019	8,320
Other current assets	16,162	14,905
Current assets of business held for sale	148,613	148,332
Property and equipment, net	101,902	125,948
Other long-term assets	38,537	36,904
Intangible assets, net	6,971	55,924
Goodwill	15,534	85,333
Noncurrent assets of business held for sale	162,944	304,109
Total assets of business held for sale	$ 311,557	$ 452,441
Liabilities:		
Accounts payable	$ 20,844	$ 20,908
Accrued liabilities	65,153	73,853
Unearned tuition	129,269	131,291
Advance payments	24,224	57,168
Current liabilities of business held for sale	239,490	283,220
Deferred income taxes	6,253	37,457
Deferred rent	90,746	101,009
Other long-term liabilities	19	22
Noncurrent liabilities of businesses held for sale	97,018	138,488
Total liabilities of business held for sale	$ 336,508	$ 421,708

A reconciliation of the line items comprising the results of operations of the South University, Argosy University, and The Art Institutes "core" locations presented in the Consolidated Statements of Income to the loss from discontinued operations for the twelve months ending June 30, 2017 and 2016, respectively, in thousands, is included in the following table:

	For the twelve months ended June 30,	
	2017	2016
Net revenues	$ 1,082,004	$ 1,267,485
Costs and expenses:		
Educational services	709,365	790,792
General and administrative	309,312	412,602
Depreciation and amortization	40,326	53,151
Long-lived asset impairments	126,149	122,093
Total costs and expenses	1,185,152	1,378,638
Loss before income taxes	(103,148)	(111,153)
Income tax (benefit) expense	(30,818)	(28,702)
Net loss on discontinued operations	$ (72,330)	$ (82,451)

Goodwill Impairment Charges

The Company formally evaluates the carrying amount of goodwill for each of its reporting units on April 1 of each fiscal year. In addition, the Company performs an evaluation on an interim basis if it determines that recent events or prevailing conditions indicate a potential impairment of goodwill. A significant amount of judgment is involved in determining whether an indicator of impairment has occurred between annual impairment tests. These indicators include, but are not limited to, overall financial performance such as adverse changes in recent forecasts of operating results, industry and market considerations, updated business plans, and regulatory and legal developments.

During the second quarter of fiscal 2017, the Company received a letter of intent for the acquisition of substantially all of the assets of the Company's remaining school locations for a purchase price of $100 million, which later materialized into the aforementioned Restated DCF Purchase Agreement and a decreased purchase price of $60 million. This letter of intent indicated potential impairment of the Company's goodwill. As a result of the impairment testing, an impairment of the Argosy University reporting unit's goodwill was indicated due to the reporting unit's negative carrying value, coupled with the price reflected in the letter of intent, and resulted in the full impairment of the remaining $38.9 million goodwill attributed to the Argosy University reporting unit.

The Company estimated fair value of its reporting units in step one of the test using a combination of the traditional discounted cash flow method (income approach) and the guideline public company method and other market data (market approach), which takes into account the relative price and associated earnings multiples of publicly-traded peer companies.

The valuation of the Company's reporting units under the traditional cash flow method requires the use of internal business plans that are based on judgments and estimates, which account for expected future economic conditions, demand, and pricing for the Company's educational services, costs, inflation and discount rates, and other factors. The use of judgments and estimates involves inherent uncertainties. The Company's measurement of the fair values of its reporting units is dependent on the accuracy of the assumptions used and how the Company's estimates compare to future operating performance. The key assumptions include the following:

- Future cash flow assumptions - The Company's projections are based on organic growth and are derived from historical experience and assumptions regarding future growth and profitability trends. These projections also take into account the current economic climate and the extent to which the regulatory environment is expected to impact future growth opportunities. The Company's analysis incorporated an assumed period of cash flows of ten years with a terminal value determined using the Gordon Growth Model.
- Discount rate - The discount rate is based on each reporting unit's estimated weighted average cost of capital ("WACC"). The three components of WACC are the cost of equity, the cost of debt, and capital structure, each of which requires judgment by management to estimate. The Company develops its cost of equity estimate using the Capital Asset Pricing Model based on perceived risks and predictability of each reporting unit's future cash flows. The cost of debt component represents a market participant's estimated cost of borrowing, which the Company estimates using the average return on corporate bonds as of the valuation date, adjusted for taxes. At December 31, 2016, the WACC used to estimate the fair value of the Argosy University and South University were 25% and 40%, respectively.

The letter of intent was considered the best indicator of value as of the December 31, 2016 valuation date; therefore, it was the primary driver of the earnings multiples selected, discount rates chosen, and relative weighting applied to the income approach as compared to the market approach.

As a result of the Company's decision to early adopt ASU 2017-04 during the third quarter of fiscal 2017, the Company determines the fair value of each reporting unit and compares that value to the reporting unit's carrying value. The Company would recognize an impairment charge for the amount by which the carrying value exceeds fair value.

Consistent with prior years and the new guidance adopted in the third quarter of fiscal 2017, management performed its annual goodwill impairment testing as of April 1, 2017. The Company estimated the fair value of the South University reporting unit at March 31, 2017 using the guideline public company method (market approach), which takes into account the relative price and associated earnings multiples of publicly-traded peer companies which are adjusted to account for the differences in growth prospects and risk profiles of the reporting unit. The Restated DCF Purchase Agreement was considered the best indicator of value as of the March 31, 2017 valuation date; therefore, it was the primary driver of the earnings multiples selected. The results indicated that the South University reporting unit's fair value fell below its carrying value as of March 31, 2017. As a result of the impairment testing, a goodwill impairment charge of $7.6 million was recorded. The entire goodwill balance attributed to The Art Institutes, Brown Mackie Colleges, and Argosy University reporting units were written off in prior periods, and were therefore not considered in this impairment test. After recording this charge, the Company had approximately $15.5 million of goodwill remaining on its balance sheet, and reported as noncurrent assets of businesses held for sale on the Company's Consolidated Balance Sheets as of June 30, 2017.

Intangible Asset Impairment Charges

In connection with the analyses performed as of April 1, 2017 described above, the Company performed an impairment analysis with respect to indefinite-lived intangible assets. The results indicated impairment of The Art Institutes trade name and licensing, accreditation, and Title IV program participating assets, as discussed below.

Due to the deterioration in future cash flow assumptions and the continuing decline in average enrolled student body, the Company determined the value attributable to The Art Institutes reporting unit was minimal and could not support additional value attributed to The Art Institutes trade name. As a result, the entire $3.1 million carrying value was written-off in the quarter ended March 31, 2017.

The remaining indefinite-lived intangible assets related to each reporting unit's licensing, accreditation, and Title IV program participation assets, the fair values of which were determined under a combination of the cost and income approaches. The cost approach is used for the licensing and accreditation portions of the asset. Numerous factors are considered in order to estimate the Title IV portion of the asset, including the estimated amount of time it would take for an institution to qualify for Title IV funds as a new operation, the number of students currently receiving federal financial aid, the amount schools would have to lend students during the estimated time it would take to qualify for Title IV funds, and the present value of projected cash flows. Of these assets, we recorded impairment charges of $0.9 million at The Art Institutes during the fiscal year ended June 30, 2017, utilizing a discount rate of 22%.

During the fiscal year ended June 30, 2016, the Company recorded an impairment of $8.5 million related to the trade name of The Art Institutes. The Company also recorded impairments of $10.9 million and $0.2 million related to the licensing, accreditation and Title IV assets at The Art Institutes and Argosy University reporting units, respectively.

Property and Equipment Impairment Charges

During fiscal 2017, the Company recorded charges of $6.4 million in long-lived asset impairments related to property and equipment at The Art Institutes reporting unit where estimated cash flows are projected to be insufficient to support the carrying value of the related assets.

During fiscal 2016, the Company recorded charges of $18.1 million in long-lived asset impairments related to property and equipment where estimated cash flows were projected to be insufficient to support the carrying value of the related assets. The Company recorded impairment charges of $9.6 million and $8.5 million on property and equipment at the Argosy University and The Art Institutes reporting units, respectively.

The Company estimated fair value of assets at these locations using a combination of the discounted cash flow method (income approach) and orderly liquidation value in-use (cost approach) on a non-recurring basis using unobservable Level Three inputs. Impairment losses are allocated to the assets and recorded through accumulated depreciation.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30 (in thousands):

Asset Class	2017	2016
Leasehold improvements	$ 204,583	$ 235,038
Technology	80,290	97,245
Furniture and equipment	51,192	66,141
Software	70,380	70,963
Library books	7,602	10,201
Construction in progress	—	10
Buildings and improvements	1,884	1,896
Land	204	204
Total	416,135	481,698
Less accumulated depreciation	(413,740)	(458,091)
Property and equipment, net	$ 2,395	$ 23,607

Depreciation and amortization expense related to property and equipment was $11.1 million and $28.0 million, respectively, for the fiscal years ended June 30, 2017 and 2016. Included in these amounts is amortization expense on software of $6.6 million and $11.7 million, respectively.

Impairments

During fiscal 2017, the Company recorded charges of $6.4 million in long-lived asset impairments in the consolidated statements of operations related to property and equipment where estimated cash flows are projected to be insufficient to support the carrying value of the related assets. The Company recorded impairment charges on property and equipment at the Corporate and other reporting unit.

During fiscal 2016, the Company recorded charges of $34.4 million in long-lived asset impairments in the consolidated statements of operations related to property and equipment where estimated cash flows are projected to be insufficient to support the carrying value of the related assets. The Company recorded impairment charges of $31.0 million and $3.4 million on property and equipment at the Brown Mackie Colleges and The Art Institutes reporting units, respectively.

The Company estimated fair value of assets at these locations using an orderly liquidation value in-use (cost approach) on a non-recurring basis using an orderly liquidation value factor (expressed as a percentage of original cost) ranging from 2.0% to 7.5%.

Impairment losses are allocated to the assets and recorded through accumulated depreciation.

Lease Abandonment and Restructuring

In connection with restructuring plans across the organization intended to improve operational efficiencies and align costs with student enrollment levels as further described in Note 7, "Accrued Liabilities," the Company recorded lease restructuring charges in fiscal 2017 and 2016 of $13.5 million and $5.1 million, respectively, which is primarily comprised of accelerated rent expense and the writeoff of existing leasehold improvement assets (any loss on writeoff is classified as depreciation and amortization expense in the accompanying consolidated statement of operations).

6. STUDENT RECEIVABLES

The Company offers four types of financing arrangements to its students to assist with the obligation associated with tuition and fees: retail installment contracts; commitment agreements; paid in full amounts; and lines of credit. These financing arrangements help students fund the difference between total tuition and fees and the amount covered by various sources of financial aid, including amounts awarded under Title IV programs and private loans. Paid in full amounts are short-term extensions of credit for typically small balances which are repayable upon demand by the Company. Retail installment contracts, commitment agreements, and lines of credit are extensions of credit which include a monthly minimum payment amount, permit students to repay amounts borrowed over a specified period of time, and incur interest charges that accrue each month on unpaid balances when the accounts reach an out-of-school enrollment status.

Student receivables include $1.2 million (net of $2.5 million allowance) and $3.0 million (net of $4.7 million allowance) recorded in other long-term assets on the accompanying balance sheet related to retail installment contracts, commitment agreements, and lines of credit to students for amounts due beyond one year during the fiscal years ended June 30, 2017 and 2016, respectively.

The Company monitors its student receivables based on enrollment status. Receivables from former students who are in collections are almost fully reserved for. Receivables from former students that are out-of-school are reserved for at a higher rate than the receivables from students that are in-school. The gross current and non-current student receivables, which excludes loans awarded under the student lending program further described below, by student status were as follows at June 30 (in thousands):

	2017	2016
In-school	$ 3,302	$ 17,014
Out-of-school	4,367	8,842
Collections	11,665	17,820
Gross student receivables	$ 19,334	$ 43,676

A roll forward of the Company's total allowance for doubtful accounts and loan loss reserves from June 30, 2015 to June 30, 2017 is as follows (in thousands):

Balance June 30, 2015	$	38,035
Bad debt expense		19,273
Amounts written off		(26,670)
Balance June 30, 2016	$	30,638
Bad debt expense		9,023
Amounts written off		(19,309)
Balance June 30, 2017	$	20,352

The amounts set forth above are recorded within student receivables, net and other long-term assets on the consolidated balance sheets. Recoveries of amounts previously written off were not significant in any period presented.

The Company commenced a new student lending program in fiscal 2013 under which it purchases loans awarded and disbursed to its students from a private lender. The loans purchased under this program are included in other long-term assets, net of an allowance, at an amount of $8.9 million and $12.0 million at June 30, 2017 and 2016, respectively, on the accompanying consolidated balance sheets. During October 2014, the Company decided to no longer accept new applicants into this program.

7. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30 (in thousands):

	2017	2016
Payroll and related taxes	$ 9,157	$ 11,548
Advertising	—	806
Benefits	6,115	7,651
Accrued taxes	855	877
Accrued legal	678	1,168
Legal contingencies	—	632
Capital expenditures	194	19
Other	13,414	12,982
Total accrued liabilities	$ 30,413	$ 35,683

Over the past several fiscal years, the Company has completed restructuring plans across the organization intended to improve operational efficiencies and align costs with student enrollment levels. During the fiscal years ended June 30, the Company recorded the following restructuring expenses in educational services expense and general and administrative expense (in thousands):

	2017	2016
Employee severance and other	$ 28,663	$ 24,191
Lease-related	13,450	5,056
Consulting and advisory	8,422	10,677
Total restructuring expense	$ 50,535	$ 39,924

At June 30, 2017, the remaining liability for all restructuring plans was $33.0 million, consisting of employee severance of $7.9 million recorded in accrued liabilities which will be paid through June 30, 2018 and net rent charges of $25.1 million recorded in deferred rent that will be paid through the remaining lease terms through 2023.

As further described in Note 12, "Commitments and Contingencies," the Company is involved in multiple legal matters.

8. SHORT-TERM AND LONG-TERM DEBT

U.S. Department of Education Letters of Credit:

The Company had outstanding letters of credit of $197.2 million at June 30, 2017, the largest of which is issued to the U.S. Department of Education, which requires that the Company maintain a letter of credit due to its failure to satisfy certain regulatory financial ratios after giving effect to the Transaction. In March 2016, the U.S. Department of Education decreased the amount of the required letter of credit from $240.6 million to $194.0 million, which equals 15% of the total Title IV aid received by students attending the Company's institutions during the fiscal year ended June 30, 2016.

During fiscal 2012, the Company entered into two cash secured letter of credit facilities pursuant to which the lenders agreed to issue letters of credit at any time to the U.S. Department of Education in an aggregate face amount of up to $200.0 million. The Company's obligations with respect to such letters of credit are secured by liens in favor of the lenders on certain of the Company's cash deposits, which must total at least 105% of the aggregate face amount of any outstanding letters of credit. The cash secured letter of credit facilities were amended in January 2015 to extend their expiration date from June 1, 2015 to March 31, 2019, or earlier if the existing revolving credit facility is terminated. In May 2016, the Company permanently reduced the cash secured letter of credit facilities by $30.9 million to $138.4 million, resulting in a $32.4 million reduction of restricted cash. In May 2017, the Company further permanently reduced the cash secured letter of credit facilities by $46.6 million to $91.9 million, resulting in an additional $48.9 million reduction of restricted cash. Any future reduction in the usage of the cash secured letter of credit facilities will reduce the amount of cash that is classified as restricted cash on the consolidated balance sheets.

As of June 30, 2017, in order to fund its current letter of credit obligation to the U.S. Department of Education, the Company used $91.9 million of the $138.4 million capacity under the cash secured letter of credit facilities, in connection with which the Company classified $96.5 million as restricted cash to satisfy the 105% collateralization requirement described above, and utilized $102.2 million of the $106.4 million letter of credit capacity which is included in the new senior credit facility from the prior senior credit facility. At June 30, 2017, there were approximately $3.2 million of additional letters of credit outstanding, only $0.1 million of which were issued under the new revolving credit facility.

Short-Term Debt:

The Company had $149.9 million and $110.0 million of borrowings outstanding under the existing $150.0 million revolving credit facility at June 30, 2017 and 2016 respectively, which matures March 31, 2019. Outstanding balances under the revolving credit facility are classified as short-term debt on the consolidated balance sheets. After adjusting for $0.1 million of outstanding letters of credit under the revolving credit facility, which decrease its availability for borrowings, the Company had no additional capacity under the revolving credit facility at June 30, 2017 available for borrowings or issuance of letters of credit.

Amounts borrowed under the revolving credit facility at June 30, 2017 had an interest rate of 5.72%, which equaled our LIBOR floor of 1.22%, plus a margin of 4.50%. The interest rate on amounts outstanding at June 30, 2016 under the revolving credit facility was 5.50%, which equaled our LIBOR floor of 1.00% plus a margin of 4.50%. Amounts outstanding as of June 30, 2017 and 2016 were repaid in the amounts of $83.9 million and $110.0 million, respectively. The Company is obligated to pay a per annum commitment fee on undrawn amounts under the revolving credit facility, which is currently 0.375%. The Company must also pay customary letter of credit fees for outstanding letters of credit under the revolving credit facility, which is secured by substantially all of the Company's assets.

On April 18, 2017, the Company amended its Credit and Guaranty Agreement ("the Credit Agreement") pursuant to which the revolving credit facility, Term Loan A and Term Loan B are outstanding. Under the terms of the amendment, among other things, (i) the Lenders consented to the transactions contemplated by the Restated DCF Purchase Agreement, and (ii) effective no later than July 5, 2017, the revolving commitments under the Credit Agreement will decrease to an amount equal to the sum of $66,000,000 plus the aggregate of letters of credit outstanding under the Credit Agreement on such date. The amendment to the Credit Agreement was posted to Intralinks on April 27, 2017.

Long-Term Debt:

In April 2015, we completed a restructuring of our indebtedness (the "Debt Restructuring"). In connection with the Debt Restructuring, on January 5, 2015 the Company exchanged approximately $1.4 billion of outstanding indebtedness for a senior credit facility which consists of two term loans due July 2, 2020 in the aggregate principal amount of $400.0 million, a $150.0 million revolving credit facility which matures March 31, 2019 and $106.4 million of existing letters of credit. The outstanding letters of credit rolled over from the prior senior credit facility terminate upon the earlier to occur of: (i) the Company's reduction of outstanding letters of credit, or (ii) the maturity of the revolving credit facility. Additionally, the Company granted equity interests with an aggregate fair value of $651.9 million in connection with the transaction. As the Company experienced financial difficulties and received financial concessions, the Debt Restructuring was accounted for as a troubled debt restructuring and the Company recognized a gain of $165.2 million, which represents the difference between the carrying value of the old debt ($1.4 billion) and the fair value of equity interests issued to the lenders ($651.9 million), the scheduled principal ($400.0 million) and projected interest payments on the new debt ($177.3 million), net of related fees and expense associated with the termination of the interest rate swaps.

The two term loans included in the senior credit facility (herein referred to as "Term Loan A" and "Term Loan B") have initial principal balances of $150.0 million and $250.0 million, respectively. Term Loan A bears interest at a rate equal to the greater of three-month LIBOR or 1.0%, plus a margin of 4.5%, or 5.5% at June 30, 2017 and 2016. Term Loan B bears interest at a rate equal to the greater of three-month LIBOR or 1.0%, plus a margin of 7.5%, or 8.5% at June 30, 2017 and 2016. The Company has elected a payment in kind interest option ("PIK Interest") for the first two years on the Term Loan B at an interest rate of 6.5%. There are no financial covenant requirements with respect to the senior secured credit facility.

The following table summarizes the Company's long-term debt and components (in thousands):

	June 30, 2017	June 30, 2016
Revolving credit facility	$ 149,895	$ 110,000
Senior secured term loan facility, due in July 2020 ("Term Loan A")	150,000	150,000
Senior secured term loan facility, due in July 2020 ("Term Loan B") (1)	285,156	275,485
Senior Cash Pay/PIK Notes due 2018, net of discount	17,371	16,656
Principal debt	602,422	552,141
Term Loan A - future interest (2)	26,973	35,406
Term Loan B - future interest (2)	79,287	99,292
Total debt	$ 708,682	$ 686,839

(1) The principal balance on Term Loan B reflects approximately $9.7 million and $17.5 million of PIK Interest as of June 30, 2017 and 2016, respectively.
(2) Application of accounting guidance established for troubled debt restructurings requires the Company to record the principal and estimated future interest payments as carrying value of the new debt. Subsequently, interest payments made on the new indebtedness will reduce the carrying value of the debt, provided that interest expense will be recognized to the extent that interest rates for Term Loan A and Term Loan B exceed 5.5% and 8.5%, respectively, the interest rates when the loans originated.

Senior Cash Pay/PIK Notes:

Cash interest on the Cash Pay/PIK Notes due 2018 accrues at the rate of 15% per annum and is payable semi-annually on March 30 and September 30 each year. For any interest period after March 30, 2014 up to and including July 1, 2018, PIK Interest in addition to the cash interest payable will be paid by increasing the principal amount of the outstanding Cash Pay/PIK Notes. Additionally, the Cash Pay/PIK Notes are required to be paid at a premium of 13% at their contractual maturity, which is recorded as an original issuance discount. Including cash interest, payment-in-kind interest, and the original issuance discount, the annual effective interest rate on the Cash Pay/PIK Notes is 19.8%. Upon maturity in fiscal 2019, a principal payment of $18.1 million becomes due, which includes PIK Interest and the original issuance discount.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions of what market participants would use. The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

Level One - Quoted prices for identical instruments in active markets.

Level Two - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations for which all significant inputs are observable market data.

Level Three - Unobservable inputs significant to the fair value measurement supported by little or no market activity.

In some cases, the inputs used to measure fair value may meet the definition of more than one level of fair value hierarchy. The lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

As described in Note 5, "Property and Equipment," the Company recorded asset impairments during fiscal 2017 and fiscal 2016. This resulted in certain long-lived assets at the Corporate and other, Brown Mackie Colleges, and The Art Institutes reporting units being measured at fair value on a non-recurring basis using Level Three inputs.

10. INCOME TAXES

The composition of (loss) before taxes from domestic and foreign locations was as follows for the fiscal years ended June 30 (in thousands):

	2017	2016
Domestic	$ (138,777)	$ (169,303)
Foreign	1,713	3,526
Loss before taxes	$ (137,064)	$ (165,777)

The components of income tax benefit reflected in the accompanying consolidated statements of operations were as follows for the fiscal years ended June 30 (in thousands):

	2017	2016
Current taxes:		
Federal	$ 119	$ (13,173)
State and local	(223)	(50)
Foreign	325	1,146
Total current tax benefit	221	(12,077)
Deferred tax expense	677	(4,057)
Income tax expense (benefit)	$ 898	$ (16,134)

Income tax benefit reflected in the accompanying consolidated statements of operations varies from the amounts that would have been provided by applying the United States federal statutory income tax rate to earnings before income taxes as shown below for the fiscal years ended June 30 (in thousands):

	2017	2016
U.S. federal statutory income tax	(47,972)	$ (57,916)
State and local income taxes, net of federal benefit	325	(2,404)
Increase in valuation allowance	61,026	40,075
Permanent items	(11,019)	(3,186)
Nondeductible goodwill	—	(6,465)
Uncertain tax positions	4,286	6,549
Adjustments to prior year tax	(9,409)	(9,533)
Impact of stock option expirations	4,351	17,064
Other items, net	(690)	(318)
Income tax expense (benefit)	$ 898	$ (16,134)

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. This ASU simplifies the presentation of deferred income taxes by requiring that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent in the balance sheet. The Company elected to adopt this ASU on a prospective basis during the fourth quarter of 2016. The adoption of this ASU did not have a material impact on the Company's financial position and it had no impact on its results of operations or cash flows.

Net deferred income tax assets and liabilities consisted of the following at June 30 (in thousands):

	2017	2016
Deferred Income Tax Assets		
Allowance for doubtful accounts	$ 5,267	$ 10,399
Accrued interest	40,239	52,958
Federal and state net operating losses	172,302	101,211
Federal capital loss carryforward	2,859	—
Property and equipment	10,591	17,071
Share-based compensation	5,730	11,234
Uncertain tax positions	13,168	7,386
Accrued rent	10,800	10,573
Accrued legal settlement	19,844	20,841
Deferred revenue	796	1,024
Accrued severance	855	—
Other accrued expenses	10,663	7,813
Gross Deferred Tax Assets	**293,114**	**240,510**
Less Valuation Allowance	(293,114)	(238,512)
Total	—	1,998
Deferred Income Tax Liabilities		
Other	—	23
Total	—	23
Deferred Tax Assets - net	$ —	$ 1,975

The Company has been in a cumulative pre-tax loss position for the past three years. Management considered the cumulative loss for book purposes as well as sources of taxable income and concluded that it was not more-likely-than-not that the Company's deferred tax assets would be fully realized. As such, the Company has recorded a valuation allowance against both its federal and state deferred tax assets as of June 30, 2016, which is consistent with the position taken in the prior fiscal year.

At June 30, 2017, the Company had federal net operating losses of approximately $260.1 million and a federal capital loss carryforward of $8.2 million. In addition, it had a $60.3 million deferred tax asset on its state net operating loss carryforwards. The Company has state tax credit deferred tax asset of $2.3 million available to offset future state income taxes. The net operating loss and credit carryforwards expire at varying dates beginning in fiscal 2025 through fiscal 2037 while the capital loss carryforward will expire in fiscal 2022. The Company has determined that it is more-likely-than-not that the deferred tax assets associated with of its federal and state loss carryforwards will not be realized and has established a full valuation allowance for these carryforwards. The Company has also determined that it is more-likely-than-not that the deferred tax asset associated with all of its state tax credit carryforwards will not be realized and has established a valuation allowance equal to the deferred tax asset balance. In addition, certain of the Company's state net operating losses may be subject to annual limitations imposed by Internal Revenue Code Section 382 or similar state provisions, which could result in the expiration of the state net operating loss carryforwards before they can be utilized.

The recognition and measurement of tax benefits associated with uncertain income tax positions requires the use of judgment and estimates by management, which are inherently subjective. Changes in judgment about uncertain tax positions taken in previous periods may result from new information concerning an uncertain tax position, completion of an audit or the expiration of statutes of limitation. These changes may create volatility in the Company's effective tax rate in future periods.

A reconciliation of the beginning and ending balance of unrecognized tax benefits, excluding interest expense and the indirect benefits of state taxes, for the fiscal years ended June 30 is as follows (in thousands):

	2017	2016
Unrecognized tax benefits, beginning of year	$ 11,058	$ 185
Increase in prior year unrecognized tax benefits	—	2,814
Increase in current year unrecognized tax benefits	8,991	8,115
(Decrease) in unrecognized tax benefits due to the expiration of statutes of limitation	(128)	(56)
Unrecognized tax benefits, end of year	$ 19,921	$ 11,058

Unrecognized tax benefits, excluding interest expense and the indirect benefit of state taxes, of $2.8 million would affect the annual effective tax rate if recognized. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by $0.1 million within the next twelve months due to the expiration of certain statutes of limitation. Interest expense and penalties accrued in connection with unrecognized tax benefits were not significant in fiscal 2017 and 2016.

The statutes of limitation for the Company's U.S. income tax returns are closed for years through fiscal 2012. The Internal Revenue Service has notified the Company it will comm once an examination of the fiscal 2015 tax return in the second quarter of fiscal 2017. The statutes of limitation for the Company's state and local income tax returns for prior periods vary by jurisdiction. However, the statutes of limitation with respect to the major jurisdictions in which the Company files state and local tax returns are generally closed for years through fiscal 2012.

11. EQUITY INSTRUMENTS

In connection with the Debt Restructuring, on January 5, 2015 the Company issued 1,999,909 shares of optionally convertible Series A-1 preferred stock, 7,400,015 shares of mandatorily convertible Series A-2 preferred stock, 336,729,240 Class A Warrants and 181,368,380 Class B Warrants.

Preferred Stock

Each share of preferred stock is convertible into 317.0 shares of EDMC common stock. The Series A-1 preferred stock has a par value $0.01 per share with an initial liquidation preference of $100 per share and cumulative dividends at the rate per annum of 7.5% per share on the initial liquidation preference. On the date of issuance, the fair value of the Series A-1 preferred stock was $203.8 million. Subsequently, the carrying value of the Series A-1 preferred stock was reduced by $6.1 million due to the impact of transaction fees associated with the Debt Restructuring. The shares of Series A-1 preferred stock became convertible into EDMC common stock on April 13, 2015 upon receipt of the final regulatory approval for the Debt Restructuring and are redeemable at the option of EDMC for $100 per share plus any cumulative dividends since the date of issuance, whether or not such dividends have been declared by the EDMC Board of Directors. The accumulated preferred stock dividends in arrears is approximately $37.2 million and $22.2 million at June 30, 2017 and 2016, respectively.

The mandatorily convertible Series A-2 preferred stock have a par value of $0.01 per share and were converted to shares of EDMC common stock upon receipt of the final regulatory approval for the Debt Restructuring on April 13, 2015. On the date of issuance of January 5, 2015, the fair value of the Series A-2 preferred stock was $411.2 million. Subsequently, the carrying value of the A-2 preferred stock was reduced by $12.3 million due to the impact of transaction fees associated with the Debt Restructuring.

Warrants

Class A Warrants were issued with the option to purchase up to an aggregate of 336.7 million shares of common stock, par value $0.01. Class B Warrants were issued with the option to purchase up to an aggregate of 181.4 million shares of common stock, par value $0.01. With an expiration of seven years from the date of issuance, the option to exercise these warrants are at the option of the holder except to the extent that the exercise would result in the holder owning 25% or more of the outstanding common equity of the Company. On January 5, 2015, the fair value of the Class A and Class B Warrants were $24.6 million and $12.3 million, respectively. Subsequently, the carrying value of the Class A and Class B Warrants were reduced by $0.7 and $0.4 million of transaction fees.

The Company received the final regulatory approval for the Debt Restructuring on April 13, 2015 and the mandatorily convertible shares of Series A-2 preferred stock were converted into 2,345,804,755 shares of common stock. After conversion of the Series A-2 preferred stock, there were 2,472,963,157 shares of common stock outstanding at June 30, 2015. The shares of Series A-1 preferred stock issued in connection with the initial step of the Debt Restructuring are convertible into 633,971,153 shares of common stock upon election of the holder. After giving effect to the conversion of all of the preferred stock, and subject to further dilution by warrants awarded pursuant to the Debt Restructuring, EDMC's shareholders who owned common stock prior to the Debt Restructuring will now own 4% of the outstanding common stock along with warrants to purchase 5% of EDMC's common stock (subject to dilution by the MIP).

Beneficial conversion feature

The Series A-2 preferred stock issued to creditors on January 5, 2015 was converted to shares of EDMC common stock on April 13, 2015 at a conversion rate that was less than the market price of common stock on the date of issuance. Accordingly, the conversion feature represented a beneficial conversion feature which was recorded as a discount on the Series A-2 preferred stock and as a separate component of additional paid in capital. The discount on the Series A-2 preferred stock was accreted as a reduction to net income available to common stockholders over the period from the date of issuance through the mandatory conversion date.

12. COMMITMENTS AND CONTINGENCIES

Commonwealth of Massachusetts Attorneys General Investigation

In January 2013, The New England Institute of Art received a civil investigative demand from the Commonwealth of Massachusetts Attorney General requesting information for the period from January 1, 2010 to the present pursuant to an investigation of practices by the school in connection with marketing and advertising job placement and student outcomes, the recruitment of students and the financing of education. The Commonwealth of Massachusetts Attorney General issued several subsequent civil investigative demands related to the announced closing of The New England Institute of Art in May 2015 and as follow-ups to the initial civil investigative demand. The Company intends to cooperate with the Attorney General in connection with its investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time nor can it estimate any amount of a reasonably possible loss related to the investigation because of its status.

Debt Restructuring Litigation

In October 2014, a complaint captioned *Marblegate Asset Management, et al v. Education Management Corporation, et al.* was filed in federal district court in the Southern District of New York seeking, among other things, a preliminary injunction to block the Debt Restructuring. The plaintiffs, holders of Cash Pay/PIK Notes due 2018, alleged that the Debt Restructuring would force them either to convert their debt to equity or to risk the elimination of their practical ability to recover their principal and remaining interest payments in violation of the Trust Indenture Act of 1939 because substantially all of the Company's assets would be foreclosed and sold in an asset sale to an affiliate and EDMC would release its guaranty of the Cash Pay/PIK Notes due 2018. In December 2014, the District Court denied the plaintiffs' request for a preliminary injunction enjoining the Debt Restructuring but indicated that the plaintiffs were likely to win on the merits of their claim that the Debt Restructuring as constituted violated the Trust Indenture Act of 1939. The Company and the debt holders who agreed to participate in the Debt Restructuring subsequently amended the restructuring in response to the District Court's ruling and the initial step of the transaction, including the foreclosure and asset sale and the exchange of debt for equity, was completed in January 2015. Secured creditors also released EDMC of its guarantee of the secured debt in connection with the transaction but the Company did not take steps required to effectuate the release of EDMC from its guarantee of outstanding Cash Pay/PIK Notes due 2018. In addition, the subsidiary to which the Company's assets were transferred issued its own guarantee of the Cash Pay/PIK Notes due 2018, which will remain in place so long as EDMC's guarantee of the Cash Pay/PIK Notes due 2018 is not released. EDMC then brought a counterclaim seeking a declaration that it was permitted to effectuate the release of its guarantee. The Company also reached an agreement with all the plaintiffs in the case - other than Marblegate Asset Management - prior to completing the first step of the Debt Restructuring.

In June 2015, the District Court ruled that EDMC's release of its guaranty of the Cash Pay/PIK Notes due 2018 would violate the Trust Indenture Act of 1939. The Company appealed the decision to the Second Circuit Court of Appeals in order to protect the interests of the overwhelming majority of its creditors who participated in the Debt Restructuring. On January 17, 2017, the Second Circuit Court of Appeals issued an opinion vacating the District Court's ruling and remanding the case to the District Court. Marblegate Asset Management requested an *en banc* review of the decision by the full Second Circuit Court of Appeals on February 7, 2017 which was denied on March 21, 2017 and the District Court's ruling was vacated and remanded to the District Court on March 29, 2017. On June 22, the District Court entered an order in favor of the Company.

The Bank of New York Mellon Trust Company, N.A., Trustee under the Indenture pursuant to which the Cash Pay/PIK Notes due 2018 were issued to Marblegate Asset Management, filed a complaint against Education Management II LLC and Education Management Finance III LLC in federal district court in the Southern District of New York on June 19, 2017 alleging a default on the Indenture and that the defendants are liable as successors to the original issuer of the Notes. Based on information currently available, the Company cannot reasonably estimate a range of potential loss, if any, for this action because of inherent difficulty in assessing the appropriate measure of damages if we were to be found liable. Accordingly, no liability has been recognized in connection with this matter.

Brown Mackie College - Tucson Nursing Program

Brown Mackie College - Tucson agreed to teach-out its Practical Nursing diploma program pursuant to a Consent Agreement with the Arizona State Board of Nursing in May 2015 which found a number of deficiencies in the program. Though it was not required to do so by the Consent Agreement, the school offered to refund the tuition and fees paid by students enrolled in the program when the Consent Agreement was executed. Students were not required to waive potential claims against the school in connection with being reimbursed for tuition and fees paid to the school.

In May 2016, a complaint captioned *Baxley et al. v. Education Management Corporation et al.* was filed in Arizona state court by eleven students formerly enrolled in Brown Mackie College - Tucson Practical Nursing diploma program alleging, among other things, fraud, breach of contract, and intentional infliction of emotional distress. Certain of the plaintiffs received a refund of their tuition and fees pursuant to Brown Mackie College - Tucson's response to the deficiencies identified by the Arizona State Board of Nursing. Because of the many questions of fact and law that may arise in the future, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, the Company cannot reasonably estimate a range of potential loss, if any, for this action because of inherent difficulty in assessing the appropriate measure of damages if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

Argosy University - Dallas Clinical Psychology Program

In December 2016, 18 former students in the Clinical Psychology program offered by the Dallas campus of Argosy University filed a petition in the District Court for Dallas County, Texas in the case of *Carter et al. v. Argosy Education Group, Inc., et al.* The petition alleges that, prior to the plaintiffs' enrollment and/or while the plaintiffs were enrolled in the program, the defendants violated the Texas Deceptive Trade Practices and Consumer Protection Act - and committed actions which give rise to associated breach of contract and common law tort claims - with regard to representations made regarding the campus' intention to seek accreditation of the program by the American Psychological Association, the scheduling of courses within the program, and the quantity and quality of the plaintiffs' career options following graduation. Plaintiffs seek unspecified monetary compensatory and punitive damages. Because of the many questions of fact and law that may arise, the outcome of these legal proceedings is uncertain at this point. Based on the information presently available, the Company cannot reasonably estimate a range of loss for this lawsuit and, accordingly, has not accrued any liability associated with the action.

Other Matters

The Company is a defendant in certain other legal proceedings arising out of the conduct of its business. Additionally, the Company is subject to compliance reviews by various state and federal agencies which provide student financial aid programs, of which noncompliance may result in liability for educational benefits paid, as well as fines and other corrective action. In the opinion of management, based upon an investigation of these matters and discussion with legal counsel, the ultimate outcome of such other legal proceedings and compliance reviews, individually and in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

Lease Commitments

The Company leases certain classroom, dormitory, and office space as well as equipment and automobiles under operating leases that expire on various future dates. Rent expense under these leases was $52.7 million and $59.3 million for the fiscal years ended June 30, 2017 and 2016, respectively. Rent expense also includes short-term commitments for student housing of $0.8 million and $4.5 million during the fiscal years ended June 30, 2017 and 2016, respectively. Certain of the Company's operating leases contain provisions for escalating payments and options for renewal.

As of June 30, 2017, the annual minimum future commitments under non-cancelable, long-term operating leases were as follows for the fiscal years ending June 30, 2018 to 2022 and thereafter (in thousands):

2018	$	37,178
2019		30,718
2020		22,043
2021		11,555
2022		8,992
Thereafter		18,534

Other Commitments

At June 30, 2017, the Company has provided $23.0 million of surety bonds primarily provided to state regulatory agencies. The Company is required to maintain a deposit in a collateral account for a portion of the bond amount outstanding, which has resulted in $13.6 million being classified as restricted cash at June 30, 2017.

13. RELATED PARTY TRANSACTIONS

The Company did not have any material related party transactions during the fiscal years ended June 30, 2017 and 2016.

14. SEGMENT REPORTING

The Company's principal business is providing post-secondary education. The Company manages its continuing operations through two operating segments, which are The Art Institutes - Noncore and Brown Mackie Colleges. A summary of each reportable segment is below.

- *The Art Institutes.* The Art Institutes focus on applied arts in creative professions such as media arts and animation, graphic design, culinary arts, photography, interior design, digital filmmaking and video production, fashion design, audio production, game art and design, fashion marketing, graphic and web design, and baking and pastry. The Art Institutes offer Associate's, Bachelor's and Master's degree programs, as well as selective non-degree diploma programs. Students pursue their degrees through local campuses, fully-online programs through The Art Institute of Pittsburgh, Online Division, and blended formats, which combine campus-based and online education. As of June 30, 2017, there were 43 Art Institutes campuses in 24 U.S. states. As of October 2016, students enrolled at The Art Institutes represented approximately 47% of the Company's total enrollments. We are currently teaching-out 12 ("Noncore") Art Institute locations, completed the teach-out of seven additional Noncore Art Institute locations, and closed on the sale of another Noncore location during fiscal 2017. Approximately 380 students (out of approximately 22,680 total students) were enrolled in programs offered at The Art Institutes being taught-out as of June 30, 2017. We have agreed to sell the the remaining ("Core") Art Institute locations that are currently accepting new students. The operating results of the Core Art Institutes that are held for sale as of June 30, 2017 are presented as discontinued operations within the Consolidated Statements of Operations for all periods presented.
- *Brown Mackie Colleges.* Brown Mackie Colleges offer flexible Associate's and non-degree diploma programs that enable students to develop skills for entry-level positions in high demand vocational specialties and Bachelor's degree programs that assist students to advance within the workplace. Brown Mackie Colleges offer programs in fields such as medical assisting, business, criminal justice, occupational therapy assistant, healthcare administration, veterinary technology, and nursing. As of June 30, 2017, there were 23 Brown Mackie College campuses in 14 U.S. states. As of October 2016, students enrolled at Brown Mackie Colleges represented approximately 8% of the Company's total enrollments. We are currently teaching-out all 23 Brown Mackie Colleges locations and completed the teach-out of one additional Brown Mackie Colleges location during fiscal 2017. This was in addition to the previously completed teach-out of a Brown Mackie College location during fiscal 2016. Approximately 920 students were enrolled in programs offered at the Brown Mackie Colleges being taught-out as of June 30, 2017.

The measure used by the chief operating decision maker to evaluate segment performance and allocate resources is EBITDA excluding certain expenses, which we define as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization, and certain other expenses. EBITDA excluding certain expenses is not a recognized term under accounting principles generally accepted in the United States of America ("GAAP") and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA excluding certain expenses is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments, and debt service requirements. Management believes EBITDA excluding certain expenses is helpful in highlighting trends because EBITDA excluding certain expenses excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, our presentation of EBITDA excluding certain expenses may not be comparable to similarly titled measures of other companies. Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate and other," which primarily includes unallocated corporate activity.

As well as other summary financial information by operating segment, a reconciliation of loss before income taxes to EBITDA excluding certain expenses by operating segment is presented below (in thousands):

	For the Fiscal Year Ended June 30,	
	2017	2016
Net revenues:		
The Art Institutes - Noncore	47,375	127,381
Brown Mackie Colleges	60,693	168,215
Net revenues, continuing operations	$ 108,068	$ 295,596
Loss on continuing operations before income taxes	$ (137,064)	$ (165,777)
Restructuring and other	40,637	27,747
Gain on sale of subsidiaries	(12,595)	—
Consulting and advisory	8,422	10,677
Long-lived asset impairments	6,396	34,408
Settlement-related costs	455	(157)
Depreciation and amortization	11,090	28,042
Net interest expense	9,530	9,738
EBITDA excluding certain expenses, continuing operations	$ (73,129)	$ (55,322)
The Art Institutes - Noncore	$ (20,800)	(9,409)
Brown Mackie Colleges	(27,679)	(14,242)
Corporate and other	(24,650)	(31,671)
EBITDA excluding certain expenses, continuing operations	$ (73,129)	$ (55,322)

	As of June 30,	
	2017	2016
Assets: *		
The Art Institutes - Noncore	$ 5,162	$ 69,311
Brown Mackie Colleges	5,108	73,728
Corporate and other	397,396	438,589
Total assets, continuing operations	**$ 407,666**	**$ 581,628**

* Excludes inter-company activity.

15. 90/10 Revenue Percentage

The Company derives a substantial portion of its revenues from financial aid received by its 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 Company must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges from eligible programs to not be more than 90 percent from Title IV programs. The failure of The Company to meet the 90 percent limitation for two consecutive years will result in the loss of The Company's ability to participate in Title IV programs. If a school receives more than 90 percent of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years. This 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 financial statements.

For the fiscal year ended June 30, 2017 The Company's cash basis calculation is:

Adjusted Student Title IV Revenue	Amount Disbursed	Adjusted Amount
Subsidized Stafford	$ 193,452,380	$ 193,452,380
Unsubsidized Stafford	492,910,681	492,910,681
Federal Pell Grant	175,925,241	175,925,241
FSEOG	11,301,947	11,301,947
Federal Work Study Applied to Tution and Fees		
Federal ACG Grant		
Federal SMART Grant		
PLUS Loan	76,749,749	76,749,749
Grad PLUS Loan	54,495,009	54,495,009
Perkins Loan	(10,030)	(10,030)
Student Title IV Revenue		**$ 1,004,824,977**
Revenue Adjustment		**$ 132,923,583**
Adjusted Student Title IV Revenue		**$ 871,901,394**
Student Non-Title IV Revenue		
Grant funds for the student from non-federal public agencies or private sources independent of the institution	17,998,241	
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	1,958,378	
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	2,108,301	
Institutional scholarships disbursed to the student	—	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	—	
Student Payments	272,759,331	
Tuition assistance funds for employees of related institutions	4,502,852	
Student Non-Title IV Revenue	**$ 299,327,103**	
Revenue From Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training	—	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	—	
The Net Present Value (NPV) of institutional loans disbursed to students	—	
Revenue from Other Sources	**—**	
Numerator	**$ 871,901,394**	
Denominator	**$ 1,171,228,496**	
Rate	**74.4%**	

16. SUBSEQUENT EVENTS

On November 16, 2017, the Company received notification that HLC and MSCHE granted approval for the change in control for The Art Institute of Pittsburgh, The Art Institute of Philadelphia, The Art Institute of Colorado, The Illinois Institute of Art, The Art Institute of Michigan, and The Illinois Institute of Art at Schaumburg. The closing on the transfer of these institutions cannot occur until state approvals and other consents have been received, and due primarily to the Pennsylvania approval process, the parties anticipate that the closing will occur in January 2018.

The Company has evaluated subsequent events through December 21, 2017, the date which the financial statements were issued.

Supplemental Information

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	The Art Institute of Pittsburgh 00747000	The Art Institute of Philadelphia 00835000	The Art Institute of Colorado 02078900	The Art Institute of Phoenix 04051300	The Art Institute of Las Vegas 04051303	The Art Institute of Indianapolis 04051304	The Art Institute of Vancouver 04051340	Brown Mackie College - Quad Cities 04051313	Brown Mackie College - Hopkinsville 04051320	Brown Mackie College - North Canton 04051326	Brown Mackie College - Northern Kentucky 04051309	Eliminations	The Art Institute of Phoenix Combined
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 7,650	$ 5,842	$ 25,909	$ 1,345	$ 1,316	$ 300	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,961
Restricted cash (a)	974	539	18	35	34	117	-	-	-	-	-	-	186
Total cash	8,624	6,381	25,927	1,380	1,350	417	-	-	-	-	-	-	3,147
Receivables:													
Trade	11,692	2,818	1,405	3,233	2,660	2,260	-	-	-	-	23	-	8,176
Allowance for doubtful accounts	(2,210)	(1,215)	(448)	(1,700)	(1,438)	(1,055)	-	-	-	-	(14)	-	(4,207)
Notes, advances, and other receivables	812	481	544	499	6	59	-	-	-	-	1	-	565
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	1,084	31	73	54	19	51	-	-	-	-	-	-	124
Total current assets	20,002	8,496	27,501	3,466	2,597	1,732	-	-	-	-	10	-	7,805
Property and equipment, net	394	2,337	8,583	932	336	393	-	-	-	-	-	-	1,661
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	27	-	20	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	1,001	817	648	517	336	468	-	-	-	-	-	-	1,321
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	2,123	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 23,547	$ 11,650	$ 36,752	$ 4,915	$ 3,269	$ 2,593	$ -	$ -	$ -	$ -	$ 10	$ -	$ 10,787
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	714	31	40	125	55	45	-	-	-	-	1	-	226
Accrued liabilities	3,687	691	555	419	306	271	-	-	-	-	6	-	1,002
Advance payments	1,434	426	849	331	550	348	-	-	-	-	-	-	1,229
Unearned tuition	8,474	1,667	1,138	921	946	303	-	-	-	-	-	-	2,170
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	14,309	2,815	2,582	1,796	1,857	967	-	-	-	-	7	-	4,627
Long-term debt, less current portion	-	-	14,095	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	56	-	-	-	-	-	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	99	1,382	1,318	260	244	494	-	-	-	-	29	-	1,027
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	275,037	104,050	100,632	47,415	23,268	17,783	-	(731)	992	18,350	6,811	(8,655)	105,233
Net investment of EDMC (b)	(265,898)	(96,718)	(81,875)	(44,556)	(22,100)	(16,651)	-	731	(992)	(18,350)	(6,837)	8,655	(100,100)
Accumulated other comprehensive (loss) income	-	65	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	9,139	7,397	18,757	2,859	1,168	1,132	-	-	-	-	(26)	-	5,133
Total liabilities and shareholders' equity	$ 23,547	$ 11,650	$ 36,752	$ 4,915	$ 3,269	$ 2,593	$ -	$ -	$ -	$ -	$ 10	$ -	$ 10,787

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	The Art Institute of York - Pennsylvania 02557800	The Art Institute of Ft. Lauderdale 01019500	The Art Institute of Houston 02117100	The Art Institute of Austin 02117102	The Art Institute of Houston North 02117103	The Art Institute of San Antonio 02117104	The Art Institute of Houston Combined	The Art Institutes International Minnesota 01024800	The Art Institutes International Kansas City 04051301	The Art Institute of Wisconsin 04051302	The Art Institute of Salt Lake City 04051305	The Art Institute of Tucson TDC 04051306	The Art Institute of St. Louis 04051343
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 2	$ 5,580	$ 5,636	$ 2,797	$ 1	$ 1,501	$ 9,935	$ 10	$ 2	$ 6	$ 1	$ 18	$ 11
Restricted cash (a)	533	131	-	-	-	1	1	-	19	-	4	2	-
Total cash	535	5,711	5,636	2,797	1	1,502	9,936	10	21	6	5	20	11
Receivables:													
Trade	678	1,384	4,945	1,460	581	2,732	9,718	1,222	169	461	260	453	444
Allowance for doubtful accounts	(396)	(606)	(1,927)	(292)	(469)	(931)	(3,619)	(894)	(26)	(412)	(112)	(288)	(382)
Notes, advances, and other receivables	4	-	-	6	-	-	6	258	-	-	-	3	2
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	57	66	18	-	42	126	(18)	-	-	-	-	-
Total current assets	821	6,546	8,720	3,989	113	3,345	16,167	578	164	55	153	188	75
Property and equipment, net	16	914	6,138	2,444	20	2,974	11,576	12	16	14	15	36	16
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	3,419	345	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	71	205	1,182	194	71	280	1,727	227	9	62	8	65	49
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	57	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 4,327	$ 8,010	$ 16,040	$ 6,627	$ 204	$ 6,599	$ 29,470	$ 817	$ 189	$ 131	$ 176	$ 346	$ 140
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	5	29	72	25	-	42	139	5	8	19	1	10	4
Accrued liabilities	145	332	615	390	9	373	1,387	205	27	83	75	72	42
Advance payments	91	789	622	636	-	625	1,883	189	6	31	21	75	35
Unearned tuition	233	1,183	2,411	1,333	89	1,332	5,165	423	22	61	191	72	53
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	474	2,333	3,720	2,384	98	2,372	8,574	822	63	194	288	229	134
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	5	951	4,865	1,293	986	1,058	8,202	214	-	1,104	312	353	1,621
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	1,933	116,269	78,598	31,502	(1,291)	14,845	123,654	45,289	(5,996)	(9,329)	(3,752)	(5,517)	(7,169)
Net investment of EDMC (b)	1,915	(111,543)	(71,143)	(28,552)	411	(11,676)	(110,960)	(45,508)	6,122	8,162	3,328	5,281	5,554
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	3,848	4,726	7,455	2,950	(880)	3,169	12,694	(219)	126	(1,167)	(424)	(236)	(1,615)
Total liabilities and shareholders' equity	$ 4,327	$ 8,010	$ 16,040	$ 6,627	$ 204	$ 6,599	$ 29,470	$ 817	$ 189	$ 131	$ 176	$ 346	$ 140

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	Brown Mackie College - Dallas/ Ft. Worth 04051342	Brown Mackie College - Cincinnati 04051307	Brown Mackie College - Akron 04051308	Brown Mackie College - Miami 04051310	Brown Mackie College - Merrillville 04051311	Brown Mackie College - Findlay 04051317	Brown Mackie College - Indianapolis 04051318	Brown Mackie College - Louisville 04051319	Brown Mackie College - South Bend 04051321	Brown Mackie College - Ft. Wayne 04051322	Brown Mackie College - Boise 04051323	Brown Mackie College - Tulsa 04051324	Brown Mackie College - San Antonio 04051332
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 1	$ -	$ 1	$ -	$ -	$ 1	$ 1	$ -	$ -	$ -	$ -	$ -	$ 1
Restricted cash (a)	-	-	-	95	10	-	4	3	-	-	-	-	-
Total cash	1	-	1	95	10	1	5	3	-	-	-	-	1
Receivables:													
Trade	275	212	148	154	334	383	384	376	188	118	134	407	417
Allowance for doubtful accounts	(6)	(139)	(109)	(79)	(198)	(143)	(292)	(253)	(134)	(65)	(78)	(203)	(234)
Notes, advances, and other receivables	1	1	-	-	-	-	-	1	-	5	-	-	1
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	271	74	40	170	146	241	97	127	54	58	56	204	185
Property and equipment, net	-	16	1	1	-	-	-	-	-	-	4	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	18	43	5	7	14	51	31	43	11	2	7	18	13
Investment in affiliate	-	1,932	-	-	-	966	-	-	966	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 289	$ 2,065	$ 46	$ 178	$ 160	$ 1,258	$ 128	$ 170	$ 1,031	$ 60	$ 67	$ 222	$ 198
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	6	8	5	61	6	5	20	23	4	9	24	3	7
Accrued liabilities	38	111	138	31	14	54	52	59	34	51	44	43	42
Advance payments	26	5	6	60	10	3	45	33	15	9	23	23	18
Unearned tuition	118	37	47	61	75	72	122	66	19	55	49	72	114
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	188	161	196	213	105	134	239	181	72	124	140	141	181
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	973	970	14	1,245	77	24	1,514	806	585	190	270	160	696
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(8,208)	(4,724)	14,036	(3,701)	(2,352)	7,744	3,402	18,129	(4,443)	28,152	(2,671)	(3,325)	(667)
Net investment of EDMC (b)	7,336	5,658	(14,200)	2,421	2,330	(6,644)	(5,027)	(18,946)	4,817	(28,406)	2,328	3,246	(12)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	(872)	934	(164)	(1,280)	(22)	1,100	(1,625)	(817)	374	(254)	(343)	(79)	(679)
Total liabilities and shareholders' equity	$ 289	$ 2,065	$ 46	$ 178	$ 160	$ 1,258	$ 128	$ 170	$ 1,031	$ 60	$ 67	$ 222	$ 198

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	Brown Mackie College - Tucson (Chaparral) 04051325	Brown Mackie College - Phoenix 04051327	Brown Mackie College - Greenville 04051328	Brown Mackie College - St. Louis 04051329	Brown Mackie College - Atlanta 04051331	Brown Mackie College - Albuquerque 04051330	Eliminations	The Art Institutes International Minnesota Combined	The New England Institute of Art 00748600	The Art Institute of New York City 02525600	The Art Institute of Portland 00781900	The Art Institute of Seattle 02291300	Miami International University of Art & Design 00887800
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ -	$ 1	$ -	$ -	$ -	$ -	$ -	$ 54	$ 10	$ 1	$ 2,224	$ 21,954	$ 8,083
Restricted cash (a)	-	-	-	-	-	-	-	137	-	32	363	52	312
Total cash	-	1	-	-	-	-	-	191	10	33	2,587	22,006	8,395
Receivables:													
Trade	210	259	502	147	431	187	-	8,275	104	311	963	2,224	2,189
Allowance for doubtful accounts	(95)	(160)	(294)	(88)	(301)	(121)	-	(5,106)	131	81	(70)	(800)	(766)
Notes, advances, and other receivables	-	-	-	-	1	-	-	273	-	-	-	1	57
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	122	-	11	-	1	-	-	116	-	(5)	295	180	59
Total current assets	237	100	219	59	132	66	-	3,749	245	420	3,775	23,611	9,934
Property and equipment, net	-	(4)	-	-	-	-	-	127	16	38	260	8,037	797
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	2,732	1,229	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	10	10	31	2	14	7	-	757	1	4	168	851	189
Investment in affiliate	-	-	-	-	-	-	(3,864)	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	57	-	-	-	-	79
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	8,353
Total assets	$ 247	$ 106	$ 250	$ 61	$ 146	$ 73	$ (3,864)	$ 4,690	$ 2,994	$ 1,691	$ 4,203	$ 32,499	$ 19,352
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	12	5	18	11	9	16	-	299	2	4	70	64	225
Accrued liabilities	53	55	46	42	27	76	-	1,514	93	111	321	460	518
Advance payments	9	15	3	8	7	9	-	684	54	129	458	1,018	1,520
Unearned tuition	40	47	79	19	62	54	-	2,030	101	107	808	1,008	1,775
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	114	122	146	80	105	155	-	4,527	250	351	1,657	2,550	4,038
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	15,880	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	493	2,924
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	166	700	743	653	944	959	-	15,293	9,016	1,134	801	456	337
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(5,201)	(5,419)	(2,107)	(5,846)	2,717	(1,818)	703	37,927	(6,131)	(26,633)	38,616	90,530	76,482
Net investment of EDMC (b)	5,168	4,703	1,468	5,174	(3,620)	777	(4,567)	(53,057)	(141)	26,839	(36,871)	(77,410)	(64,429)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	(33)	(716)	(639)	(672)	(903)	(1,041)	(3,864)	(15,130)	(6,272)	206	1,745	13,120	12,053
Total liabilities and shareholders' equity	$ 247	$ 106	$ 250	$ 61	$ 146	$ 73	$ (3,864)	$ 4,690	$ 2,994	$ 1,691	$ 4,203	$ 32,499	$ 19,352

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	The Art Institute of Tampa 00887805	The Art Institute of Jacksonville 00887806	The Art Institute of Dallas 01303912	The Art Institute of Charlotte 01303918	The Art Institute of Raleigh - Durham 01303919	The Art Institute of Fort Worth 01303913	Miami International University of Art & Design Combined	The Art Institute of Atlanta 00927000	The Art Institute of Tennessee - Nashville 00927003	The Art Institute of Charleston 00927004	The Art Institute of Washington 00927002	The Art Institute of Decatur 00927005	The Art Institute of Washington - Dulles 00927006
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 2,134	$ 1	$ 3,942	$ 3,529	$ 4,204	$ -	$ 21,893	$ 4,852	$ 2,765	$ 2,440	$ 5,507	$ -	$ 1
Restricted cash (a)	2	-	3,436	-	-	-	3,750	355	99	11	662	-	-
Total cash	2,136	1	7,378	3,529	4,204	-	25,643	5,207	2,864	2,451	6,169	-	1
Receivables:													
Trade	1,468	166	2,369	3,368	1,766	86	11,412	7,179	1,935	1,957	2,209	120	184
Allowance for doubtful accounts	(776)	(85)	(1,131)	(2,300)	(924)	(17)	(5,999)	(4,784)	(1,067)	(896)	(977)	(95)	(128)
Notes, advances, and other receivables	68	8	12	10	-	10	165	-	-	-	9	17	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	54	-	61	8	24	1	207	176	10	30	301	1	1
Total current assets	2,950	90	8,689	4,615	5,070	80	31,428	7,778	3,742	3,542	7,711	43	58
Property and equipment, net	397	18	1,030	282	408	-	2,932	2,262	664	220	916	(1)	14
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	117	12	293	601	281	7	1,500	728	281	194	761	14	28
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	79	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	8,353	-	-	-	-	-	-
Total assets	$ 3,464	$ 120	$ 10,012	$ 5,498	$ 5,759	$ 87	$ 44,292	$ 10,768	$ 4,687	$ 3,956	$ 9,388	$ 56	$ 100
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	40	1	35	32	31	-	364	145	13	23	40	-	1
Accrued liabilities	217	25	494	310	244	15	1,823	735	392	230	406	5	-
Advance payments	600	59	372	193	206	-	2,950	1,044	386	154	454	33	-
Unearned tuition	746	86	1,414	773	714	5	5,513	2,671	818	670	1,099	13	28
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	1,603	171	2,315	1,308	1,195	20	10,650	4,595	1,609	1,077	1,999	51	29
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	2,924	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	333	554	3,375	685	1,856	354	7,494	1,000	735	528	2,763	1,180	1,123
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	12,604	(9,981)	38,861	9,298	(4,238)	(2,435)	120,591	125,838	6,830	566	19,325	(743)	(7,837)
Net investment of EDMC (b)	(11,076)	9,376	(34,539)	(5,793)	6,946	2,148	(97,367)	(120,665)	(4,487)	1,785	(14,699)	(432)	6,785
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	1,528	(605)	4,322	3,505	2,708	(287)	23,224	5,173	2,343	2,351	4,626	(1,175)	(1,052)
Total liabilities and shareholders' equity	$ 3,464	$ 120	$ 10,012	$ 5,498	$ 5,759	$ 87	$ 44,292	$ 10,768	$ 4,687	$ 3,956	$ 9,388	$ 56	$ 100

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	The Art Institute of Virginia Beach 00927007	The Art Institute of Atlanta Combined	The Illinois Institute of Art (Chicago) 01258400	The Illinois Institute of Art - Schaumburg 01258401	The Art Institute of Michigan 01258405	The Art Institute of Ohio - Cincinnati 01258406	The Art Institute of Michigan Troy 01258408	The Art Institute of Tinley Park 01258407	The Illinois Institute of Art (Chicago) Combined	Argosy University 021799	Western State University - College of Law 02179937	The Art Institute of California - San Francisco 02179943	The Art Institute of California - Los Angeles 02179941
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 2,268	$ 17,833	$ 12,975	$ 4,274	$ 3,800	$ 2	$ -	$ 1	$ 21,052	$ 41,543	$ 3,814	$ 11,357	$ 5
Restricted cash (a)	-	1,127	-	-	2,333	2	-	5	2,340	49,485	-	31	11
Total cash	2,268	18,960	12,975	4,274	6,133	4	-	6	23,392	91,028	3,814	11,388	16
Receivables:													
Trade	492	14,076	3,491	1,983	1,705	970	118	118	8,385	36,329	434	1,738	1,924
Allowance for doubtful accounts	(56)	(8,003)	(1,833)	(593)	(975)	(829)	(116)	(80)	(4,426)	(9,999)	241	(851)	(1,578)
Notes, advances, and other receivables	-	26	214	216	-	8	-	134	572	4,472	397	32	9
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	27	546	35	16	36	-	1	-	88	3,256	851	74	(21)
Total current assets	2,731	25,605	14,882	5,896	6,899	153	3	178	28,011	125,086	5,737	12,381	350
Property and equipment, net	1,196	5,271	2,007	249	137	16	-	14	2,423	14,962	331	1,053	33
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	233	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	54	2,060	624	275	157	91	15	4	1,166	958	1,231	233	198
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	667	(86)	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 3,981	$ 32,936	$ 17,513	$ 6,420	$ 7,193	$ 260	$ 18	$ 196	$ 31,600	$ 141,673	$ 7,213	$ 13,900	$ 581
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	29	251	77	5	44	4	-	3	133	1,977	43	183	124
Accrued liabilities	236	2,004	581	223	396	56	45	89	1,390	11,824	527	378	140
Advance payments	474	2,545	444	167	250	48	1	19	929	3,150	540	508	61
Unearned tuition	753	6,052	1,414	1,060	291	77	2	30	2,874	32,136	273	2,747	178
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	1,492	10,852	2,516	1,455	981	185	48	141	5,326	49,087	1,383	3,816	503
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	14,940	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	109	407	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	721	8,050	5,080	1,310	1,747	792	70	649	9,648	10,463	1,634	2,837	5,017
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	4,461	148,440	51,583	45,740	(12,374)	(4,307)	(4,544)	(3,281)	72,817	70,690	(5,378)	2,365	27,663
Net investment of EDMC (b)	(2,693)	(134,406)	(41,666)	(42,085)	16,839	3,590	4,444	2,687	(56,191)	(3,616)	9,167	4,882	(32,602)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	1,768	14,034	9,917	3,655	4,465	(717)	(100)	(594)	16,626	67,074	3,789	7,247	(4,939)
Total liabilities and shareholders' equity	$ 3,981	$ 32,936	$ 17,513	$ 6,420	$ 7,193	$ 260	$ 18	$ 196	$ 31,600	$ 141,673	$ 7,213	$ 13,900	$ 581

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	The Art Institute of California - Orange County 02179944	The Art Institute of California - Sacramento 02179945	The Art Institute of California - San Diego 02179947	The Art Institute of California - Inland Empire 02179948	The Art Institute of California - Hollywood 02179938	The Art Institute of California - Silicon Valley 02179939	Eliminations	Argosy University Combined	South University - Savannah 01303900	South University - Tampa 01303908	South University - West Palm Beach 01303904	South University - Montgomery 01303906	South University - Richmond 01303910
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 5,865	$ 2,521	$ 3,940	$ 3,688	$ 2,029	$ -	$ -	$ 74,762	$ 549	$ 2,601	$ 16	$ 2,411	$ 3,593
Restricted cash (a)	15	7	18	-	171	-	-	49,738	28,925	-	5,467	159	200
Total cash	5,880	2,528	3,958	3,688	2,200	-	-	124,500	29,474	2,601	5,483	2,570	3,793
Receivables:													
Trade	2,791	3,345	2,233	5,971	6,691	174	-	61,630	20,144	3,035	2,907	2,057	3,040
Allowance for doubtful accounts	(1,194)	(1,286)	(793)	(3,253)	(2,654)	(143)	-	(21,510)	(4,284)	75	331	(483)	(677)
Notes, advances, and other receivables	59	32	176	244	76	-	-	5,497	6,680	3	1	1	19
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	41	35	89	73	126	-	-	4,524	313	144	-	7	3
Total current assets	7,577	4,654	5,663	6,723	6,439	31	-	174,641	52,327	5,858	8,722	4,152	6,178
Property and equipment, net	1,310	231	2,816	1,102	758	3	-	22,599	2,849	1,643	2,862	1,082	3,570
Investment in subsidiaries	-	-	-	-	-	-	-	-	44,718	-	-	-	-
Deferred income taxes	-	-	-	-	4,051	-	(516)	3,768	-	-	175	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	308	482	202	984	990	6	-	5,592	3,355	854	916	695	1,428
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	581	1,384	-	45	30	-
Goodwill	-	-	-	-	-	-	-	-	15,533	-	-	-	-
Total assets	$ 9,195	$ 5,367	$ 8,681	$ 8,809	$ 12,238	$ 40	$ (516)	$ 207,181	$ 120,166	$ 8,355	$ 12,720	$ 5,959	$ 11,176
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	87	61	73	76	54	-	-	2,678	3,527	88	40	74	58
Accrued liabilities	633	423	641	757	851	4	-	16,178	7,069	569	452	346	454
Advance payments	380	202	548	571	466	2	-	6,428	2,522	93	411	35	109
Unearned tuition	951	935	1,192	1,435	1,927	-	-	41,774	23,422	4,152	4,190	1,887	2,933
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	2,051	1,621	2,454	2,839	3,298	6	-	67,058	36,540	4,902	5,093	2,342	3,554
Long-term debt, less current portion	-	-	-	-	-	-	-	14,940	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	(516)	-	5,664	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,846	238	1,457	1,691	2,706	552	-	28,441	1,220	708	3,319	1,342	2,298
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	54,053	6,210	105,731	34,147	5,104	(6,605)	-	293,980	82,865	13,254	29,513	10,721	(1,063)
Net investment of EDMC (b)	(48,755)	(2,702)	(100,961)	(29,868)	1,130	6,087	-	(197,238)	(6,123)	(10,509)	(25,205)	(8,446)	6,387
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	5,298	3,508	4,770	4,279	6,234	(518)	-	96,742	76,742	2,745	4,308	2,275	5,324
Total liabilities and shareholders' equity	$ 9,195	$ 5,367	$ 8,681	$ 8,809	$ 12,238	$ 40	$ (516)	$ 207,181	$ 120,166	$ 8,355	$ 12,720	$ 5,959	$ 11,176

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	South University - Columbia 01303907	South University - Virginia Beach 01303911	South University - Novi 01303914	South University - Austin 01303915	South University - Cleveland 01303922	South University - Highpoint 01303923	South University - Orlando 01303926	South University Reclass & Elims	South University Consolidated	Brown Mackie College - Salina 00675500	Brown Mackie College - Birmingham 00675508	Brown Mackie College - Oklahoma City 00675506	Brown Mackie College - Kansas City 00675501
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 3,102	$ 3,558	$ 3,502	$ 4,222	$ 1,340	$ 2,218	$ 772	$ -	$ 27,884	$ 1	$ -	$ -	$ 1
Restricted cash (a)	365	-	1,400	1,100	2,549	2,500	-	-	42,665	-	-	-	-
Total cash	3,467	3,558	4,902	5,322	3,889	4,718	772	-	70,549	1	-	-	1
Receivables:													
Trade	5,750	2,016	1,703	1,978	1,600	1,905	93	-	46,228	63	353	222	188
Allowance for doubtful accounts	(974)	(439)	(60)	(195)	(413)	(537)	9	-	(7,647)	(18)	(228)	(130)	(134)
Notes, advances, and other receivables	54	1	1	1	26	-	-	-	6,787	193	-	-	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	60	24	2	3	2	45	-	-	603	4	-	-	-
Total current assets	8,357	5,160	6,548	7,109	5,104	6,131	874	-	116,520	243	125	92	55
Property and equipment, net	3,630	2,839	1,795	3,425	2,373	2,680	593	-	29,341	(1)	1	-	880
Investment in subsidiaries	-	-	-	-	-	-	-	(44,718)	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	(175)	-	966	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	2,268	656	755	574	796	699	10	-	13,006	25	23	13	9
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	18	-	-	-	-	-	-	-	1,477	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	15,533	-	-	-	-
Total assets	$ 14,273	$ 8,655	$ 9,098	$ 11,108	$ 8,273	$ 9,510	$ 1,477	$ (44,893)	$ 175,877	$ 1,233	$ 149	$ 105	$ 944
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	130	68	65	101	39	100	39	-	4,329	2	5	8	9
Accrued liabilities	876	481	385	361	332	388	31	-	11,744	46	69	39	107
Advance payments	190	106	79	24	82	50	11	-	3,712	13	5	1	10
Unearned tuition	5,635	2,645	2,126	1,993	1,624	1,748	375	-	52,730	31	78	33	22
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	6,831	3,300	2,655	2,479	2,077	2,286	456	-	72,515	92	157	81	148
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	(175)	5,489	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,461	1,156	1,583	2,854	1,939	2,099	154	-	21,133	180	1,097	515	37
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	52,166	1,209	(7,459)	(15,296)	(12,443)	(9,173)	(671)	(59,293)	84,330	(4,648)	(6,572)	(793)	(980)
Net investment of EDMC (b)	(47,185)	2,990	12,319	21,071	16,700	14,298	1,538	14,575	(7,590)	5,609	5,467	302	1,739
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,981	4,199	4,860	5,775	4,257	5,125	867	(44,718)	76,740	961	(1,105)	(491)	759
Total liabilities and shareholders' equity	$ 14,273	$ 8,655	$ 9,098	$ 11,108	$ 8,273	$ 9,510	$ 1,477	$ (44,893)	$ 175,877	$ 1,233	$ 149	$ 105	$ 944

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2017
(in thousands)

OPEID#	Brown Mackie Educaiton Corporation	Corporate & Eliminations	EDMC
Assets:			
Current Assets:			
Cash:			
Cash and cash equivalents	$ 2	$ 9,681	$ 255,229
Restricted cash (a)	-	16,969	119,555
Total cash	2	26,650	374,784
Receivables:			
Trade	826	(174,613)	15,692
Allowance for doubtful accounts	(510)	55,709	(10,851)
Notes, advances, and other receivables	193	(10,224)	5,702
Prepaid income taxes	-	1,995	1,995
Current assets of business held for sale	-	148,613	148,613
Other current assets	4	5,233	13,286
Total current assets	515	53,363	549,221
Property and equipment, net	880	(95,010)	2,395
Investment in subsidiaries	-	-	-
Deferred income taxes	966	(12,506)	-
Noncurrent assets of business held for sale	-	162,944	162,944
Other long-term assets	70	(26,313)	4,652
Investment in affiliate	-	-	-
Intangible assets, net of amortization	-	(4,317)	-
Goodwill	-	(23,886)	-
Total assets	$ 2,431	$ 54,275	$ 719,212
Liabilities and shareholders' investment:			
Current liabilities:			
Revolver	$ -	$ 149,895	$ 149,895
Accounts payable	24	(7,271)	2,131
Accrued liabilities	261	(13,285)	30,413
Advance payments	29	(24,444)	1,193
Unearned tuition	164	(130,047)	3,144
Current liabilities of business held for sale	-	239,490	239,490
Total current liabilities	478	214,338	426,266
Long-term debt, less current portion	-	513,872	558,787
Deferred income taxes	-	(8,962)	-
Noncurrent liabilities of business held for sale	-	97,018	97,018
Other long-term liabilities	1,829	(14,742)	101,537
Shareholders' equity:			
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	20	20
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	5,181	5,181
Common stock, at par	-	24,927	24,927
Additional paid-in capital	-	2,460,674	2,460,674
Treasury stock, at cost	-	(332,102)	(332,102)
(Accumulated deficit) Retained earnings	(4,309)	(4,300,062)	(2,623,096)
Net investment of EDMC (b)	4,433	1,395,554	1,376
Accumulated other comprehensive (loss) income	-	(65)	-
Total shareholders' equity	124	(745,873)	(463,020)
Total liabilities and shareholders' equity	$ 2,431	$ 55,651	$ 720,588

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	The Art Institute of Pittsburgh 00747000	The Art Institute of Philadelphia 00835000	The Art Institute of Colorado 02078900	The Art Institute of Phoenix 04051300	The Art Institute of Las Vegas 04051303	The Art Institute of Indianapolis 04051304	The Art Institute of Vancouver 04051340	Brown Mackie College - Quad Cities 04051313	Brown Mackie College - Hopkinsville 04051320	Brown Mackie College - North Canton 04051326	Brown Mackie College - Northern Kentucky 04051309	Eliminations	The Art Institute of Phoenix Combined
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 10,624	$ 501	$ 9,830	$ 1,399	$ 3,215	$ 245	$ 4,394	$ 5,100	$ 5,109	$ 2,250	$ 7	$ -	$ 21,719
Restricted cash (a)	5,528	857	2,629	41	25	39	-	-	-	580	-	-	685
Total cash	16,152	1,358	12,459	1,440	3,240	284	4,394	5,100	5,109	2,830	7	-	22,404
Receivables:													
Trade	25,913	3,839	1,694	3,806	2,854	2,254	327	316	146	501	102	-	10,306
Allowance for doubtful accounts	(8,886)	(1,324)	(581)	(1,794)	(1,516)	(1,140)	19	(147)	(52)	(309)	(69)	-	(5,008)
Notes, advances, and other receivables	267	147	24	1,170	13	16	122	(8)	4	7	-	-	1,324
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	1,057	54	47	68	73	95	144	3	-	13	-	-	396
Total current assets	34,503	4,074	13,643	4,690	4,664	1,509	5,006	5,264	5,207	3,042	40	-	29,422
Property and equipment, net	7,972	2,575	10,470	1,206	1,263	596	4,274	-	-	-	-	-	7,339
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	27	-	20	-	-	-	1,625	-	-	-	-	-	1,625
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	717	734	853	548	392	585	-	20	4	48	5	-	1,602
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	1,451	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	5,931	-	-	-	-	-	5,931
Total assets	$ 44,670	$ 7,383	$ 24,986	$ 6,444	$ 6,319	$ 2,690	$ 16,836	$ 5,284	$ 5,211	$ 3,090	$ 45	$ -	$ 45,919
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	379	138	94	83	84	132	119	34	10	19	4	-	485
Accrued liabilities	4,905	963	684	543	404	395	497	109	91	101	71	-	2,211
Advance payments	2,059	683	771	450	670	360	2,578	36	13	46	21	-	4,174
Unearned tuition	13,536	2,071	1,304	1,086	1,170	351	-	221	128	239	18	-	3,213
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	20,879	3,855	2,853	2,162	2,328	1,238	3,194	400	242	405	114	-	10,083
Long-term debt, less current portion	9,565	-	14,095	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	56	-	-	-	-	-	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	89	1,505	853	374	389	487	1,935	151	235	771	50	-	4,392
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	272,489	107,502	102,283	46,354	22,185	16,069	(16,593)	(386)	1,359	19,192	7,333	(8,655)	86,858
Net investment of EDMC (b)	(258,352)	(105,600)	(95,098)	(42,446)	(18,583)	(15,104)	28,300	5,119	3,375	(17,278)	(7,452)	8,655	(55,414)
Accumulated other comprehensive (loss) income	-	65	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	14,137	1,967	7,185	3,908	3,602	965	11,707	4,733	4,734	1,914	(119)	-	31,444
Total liabilities and shareholders' equity	$ 44,670	$ 7,383	$ 24,986	$ 6,444	$ 6,319	$ 2,690	$ 16,836	$ 5,284	$ 5,211	$ 3,090	$ 45	$ -	$ 45,919

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	The Art Institute of York - Pennsylvania 02557800	The Art Institute of Ft. Lauderdale 01019500	The Art Institute of Houston 02117100	The Art Institute of Austin 02117102	The Art Institute of Houston North 02117103	The Art Institute of San Antonio 02117104	The Art Institute of Houston Combined	The Art Institutes International Minnesota 01024800	The Art Institutes International Kansas City 04051301	The Art Institute of Wisconsin 04051302	The Art Institute of Salt Lake City 04051305	The Art Institute of Tucson TDC 04051306	The Art Institute of St. Louis 04051343
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ (3)	$ 2,752	$ 6,794	$ 2,689	$ (7)	$ 139	$ 9,615	$ 229	$ 1,517	$ 4,971	$ 2,135	$ 2,285	$ 3,949
Restricted cash (a)	760	31	99	61	-	66	226	39	25	8	2	804	10
Total cash	757	2,783	6,893	2,750	(7)	205	9,841	268	1,542	4,979	2,137	3,089	3,959
Receivables:													
Trade	1,052	1,827	5,981	1,758	1,450	2,867	12,056	1,952	515	1,046	509	963	1,037
Allowance for doubtful accounts	(539)	(912)	(3,038)	(728)	(897)	(1,286)	(5,949)	(996)	(259)	(635)	(287)	(543)	(640)
Notes, advances, and other receivables	-	31	15	1	(5)	6	17	65	-	2	(4)	3	2
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	35	72	82	90	-	47	219	66	-	-	-	-	-
Total current assets	1,305	3,801	9,933	3,871	541	1,839	16,184	1,355	1,798	5,392	2,355	3,512	4,358
Property and equipment, net	26	5,487	7,112	3,645	16	4,326	15,099	2	10	7	11	35	12
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	3,420	345	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	141	329	1,468	321	182	307	2,278	482	18	116	10	114	91
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	57	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 4,892	$ 9,962	$ 18,513	$ 7,837	$ 739	$ 6,472	$ 33,561	$ 1,839	$ 1,826	$ 5,515	$ 2,376	$ 3,718	$ 4,461
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	10	67	114	101	1	39	255	56	4	17	6	20	10
Accrued liabilities	207	636	868	478	70	418	1,834	359	98	139	129	152	112
Advance payments	323	1,069	857	1,008	20	748	2,633	664	40	71	103	169	124
Unearned tuition	423	1,476	1,989	1,393	322	1,301	5,005	852	89	131	348	383	160
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	963	3,248	3,828	2,980	413	2,506	9,727	1,931	231	358	586	724	406
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	57	800	5,115	1,414	376	1,316	8,221	597	273	1,457	486	631	1,858
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	2,929	120,981	77,793	31,098	(147)	12,213	120,957	47,571	(5,343)	(8,644)	(2,796)	(5,032)	(6,503)
Net investment of EDMC (b)	943	(115,067)	(68,223)	(27,655)	97	(9,563)	(105,344)	(48,260)	6,665	12,344	4,100	7,395	8,700
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	3,872	5,914	9,570	3,443	(50)	2,650	15,613	(689)	1,322	3,700	1,304	2,363	2,197
Total liabilities and shareholders' equity	$ 4,892	$ 9,962	$ 18,513	$ 7,837	$ 739	$ 6,472	$ 33,561	$ 1,839	$ 1,826	$ 5,515	$ 2,376	$ 3,718	$ 4,461

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	Brown Mackie College - Dallas/ Ft. Worth 04051342	Brown Mackie College - Cincinnati 04051307	Brown Mackie College - Akron 04051308	Brown Mackie College - Miami 04051310	Brown Mackie College - Merrillville 04051311	Brown Mackie College - Findlay 04051317	Brown Mackie College - Indianapolis 04051318	Brown Mackie College - Louisville 04051319	Brown Mackie College - South Bend 04051321	Brown Mackie College - Ft. Wayne 04051322	Brown Mackie College - Boise 04051323	Brown Mackie College - Tulsa 04051324	Brown Mackie College - San Antonio 04051332
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 3,005	$ 2	$ 205	$ 8,137	$ 39	$ 9	$ 2,742	$ 2,845	$ 12	$ 573	$ 500	$ 2,233	$ 2,559
Restricted cash (a)	-	65	780	84	51	38	2,672	48	112	-	1,475	490	-
Total cash	3,005	67	985	8,221	90	47	5,414	2,893	124	573	1,975	2,723	2,559
Receivables:													
Trade	826	804	388	730	691	862	1,474	1,157	486	310	342	732	909
Allowance for doubtful accounts	(298)	(510)	(208)	(338)	(277)	(273)	(826)	(479)	(273)	(133)	(141)	(311)	(365)
Notes, advances, and other receivables	6	5	2	16	2	2	5	(3)	-	1	9	11	10
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	2	13	15	5	13	1	19	19	(1)	11	11	6	28
Total current assets	3,541	379	1,182	8,634	519	639	6,086	3,587	336	762	2,196	3,161	3,141
Property and equipment, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	22	111	20	39	38	124	102	97	53	9	16	27	36
Investment in affiliate	-	3,306	-	-	-	1,653	-	-	1,653	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 3,563	$ 3,796	$ 1,202	$ 8,673	$ 557	$ 2,416	$ 6,188	$ 3,684	$ 2,042	$ 771	$ 2,212	$ 3,188	$ 3,177
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	6	71	10	23	19	14	32	21	16	12	29	14	22
Accrued liabilities	207	229	214	222	109	169	266	272	93	115	83	136	236
Advance payments	96	55	56	125	63	31	64	95	33	58	43	78	127
Unearned tuition	508	488	262	354	376	530	596	704	237	274	219	461	651
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	817	843	542	724	567	744	958	1,092	379	459	374	689	1,036
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,089	1,067	99	1,418	126	24	1,858	1,035	853	247	510	266	877
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(8,239)	(1,589)	14,992	(1,522)	(2,217)	8,896	4,931	19,388	(2,325)	29,340	(1,424)	(3,122)	(755)
Net investment of EDMC (b)	9,896	3,475	(14,431)	8,053	2,081	(7,248)	(1,559)	(17,831)	3,135	(29,275)	2,752	5,355	2,019
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	1,657	1,886	561	6,531	(136)	1,648	3,372	1,557	810	65	1,328	2,233	1,264
Total liabilities and shareholders' equity	$ 3,563	$ 3,796	$ 1,202	$ 8,673	$ 557	$ 2,416	$ 6,188	$ 3,684	$ 2,042	$ 771	$ 2,212	$ 3,188	$ 3,177

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	Brown Mackie College - Tucson (Chaparral) 04051325	Brown Mackie College - Phoenix 04051327	Brown Mackie College - Greenville 04051328	Brown Mackie College - St. Louis 04051329	Brown Mackie College - Atlanta 04051331	Brown Mackie College - Albuquerque 04051330	Eliminations	The Art Institutes International Minnesota Combined	The New England Institute of Art 00748600	The Art Institute of New York City 02525600	The Art Institute of Portland 00781900	The Art Institute of Seattle 02291300	Miami International University of Art & Design 00887800
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 1,116	$ 2,128	$ 2,316	$ 3,605	$ 2,612	$ 3,279	$ -	$ 53,003	$ 50	$ 11	$ 4,916	$ 9,623	$ 17,634
Restricted cash (a)	136	1,375	980	-	918	-	-	10,112	-	36	439	9,326	5,721
Total cash	1,252	3,503	3,296	3,605	3,530	3,279	-	63,115	50	47	5,355	18,949	23,355
Receivables:													
Trade	724	654	1,124	632	1,177	717	-	20,761	1,090	2,111	1,377	2,303	2,866
Allowance for doubtful accounts	(390)	(255)	(529)	(251)	(579)	(295)	-	(10,091)	(578)	(1,039)	(506)	(1,105)	(1,314)
Notes, advances, and other receivables	8	8	10	5	11	6	-	182	24	4	(1)	(7)	77
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	188	16	27	6	28	14	-	487	31	42	358	82	152
Total current assets	1,782	3,926	3,928	3,997	4,167	3,721	-	74,454	617	1,165	6,583	20,222	25,136
Property and equipment, net	-	-	-	(1)	-	-	-	76	22	25	484	8,518	2,632
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	2,765	1,228	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	32	27	85	14	57	34	-	1,774	7	36	166	905	169
Investment in affiliate	-	-	-	-	-	-	(6,611)	1	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	57	-	-	-	-	145
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	8,353
Total assets	$ 1,814	$ 3,953	$ 4,013	$ 4,010	$ 4,224	$ 3,755	$ (6,611)	$ 76,362	$ 3,411	$ 2,454	$ 7,233	$ 29,645	$ 36,435
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	68	20	60	21	32	18	-	621	50	31	47	130	83
Accrued liabilities	144	204	123	137	204	200	-	4,352	621	421	463	678	659
Advance payments	60	70	62	35	60	85	-	2,467	122	211	694	1,054	1,468
Unearned tuition	337	462	553	302	541	515	-	10,333	411	478	1,243	1,314	2,451
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	609	756	798	495	837	818	-	17,773	1,204	1,141	2,447	3,176	4,661
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	15,880	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	493	2,924
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	202	927	1,060	896	1,148	1,259	-	20,263	9,483	310	866	427	257
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(3,926)	(4,737)	(562)	(4,795)	3,599	(970)	(2,044)	62,172	(835)	(20,820)	38,509	91,403	75,279
Net investment of EDMC (b)	4,929	7,007	2,717	7,414	(1,360)	2,648	(4,567)	(23,846)	(6,441)	21,823	(34,589)	(81,734)	(46,686)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	1,003	2,270	2,155	2,619	2,239	1,678	(6,611)	38,326	(7,276)	1,003	3,920	9,669	28,593
Total liabilities and shareholders' equity	$ 1,814	$ 3,953	$ 4,013	$ 4,010	$ 4,224	$ 3,755	$ (6,611)	$ 76,362	$ 3,411	$ 2,454	$ 7,233	$ 29,645	$ 36,435

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	The Art Institute of Tampa 00887805	The Art Institute of Jacksonville 00887806	The Art Institute of Dallas 01303912	The Art Institute of Charlotte 01303918	The Art Institute of Raleigh - Durham 01303919	The Art Institute of Fort Worth 01303913	Eliminations	Miami International University of Art & Design Combined	The Art Institute of Atlanta 00927000	The Art Institute of Tennessee - Nashville 00927003	The Art Institute of Charleston 00927004	The Art Institute of Washington 00927002	The Art Institute of Decatur 00927005
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 1,831	$ 1,997	$ 6,163	$ 2,020	$ 3,825	$ 1,983	$ -	$ 35,453	$ 1,422	$ 1,341	$ 1,847	$ 4,470	$ 1,203
Restricted cash (a)	19	1,202	3,441	96	37	5	-	10,521	219	91	704	1,144	2
Total cash	1,850	3,199	9,604	2,116	3,862	1,988	-	45,974	1,641	1,432	2,551	5,614	1,205
Receivables:													
Trade	2,079	498	2,969	5,387	2,099	528	-	16,426	9,281	3,358	1,476	3,246	699
Allowance for doubtful accounts	(1,126)	(247)	(1,432)	(3,506)	(1,194)	(251)	-	(9,070)	(4,984)	(1,660)	(580)	(1,784)	(479)
Notes, advances, and other receivables	(14)	25	3	30	1	4	-	126	16	10	27	(24)	52
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	67	4	57	52	46	-	-	378	220	44	47	275	-
Total current assets	2,856	3,479	11,201	4,079	4,814	2,269	-	53,834	6,174	3,184	3,521	7,327	1,477
Property and equipment, net	539	17	857	331	426	9	-	4,811	3,257	995	378	959	12
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	137	22	371	865	409	26	-	1,999	797	307	177	831	23
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	145	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	8,353	-	-	-	-	-
Total assets	$ 3,532	$ 3,518	$ 12,429	$ 5,275	$ 5,649	$ 2,304	$ -	$ 69,142	$ 10,228	$ 4,486	$ 4,076	$ 9,117	$ 1,512
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	62	12	54	57	55	9	-	332	347	52	72	104	6
Accrued liabilities	308	110	727	437	363	84	-	2,688	1,016	364	368	556	60
Advance payments	383	162	574	224	175	57	-	3,043	909	581	233	494	202
Unearned tuition	757	326	999	955	674	199	-	6,361	2,593	1,045	739	1,353	310
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	1,510	610	2,354	1,673	1,267	349	-	12,424	4,865	2,042	1,412	2,507	578
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	2,924	-	-	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	365	745	3,504	748	2,050	467	-	8,136	1,281	734	338	2,897	501
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	11,629	(8,413)	39,422	11,169	(4,313)	(1,836)	-	122,937	122,032	6,664	1,456	19,960	779
Net investment of EDMC (b)	(9,972)	10,576	(32,851)	(8,315)	6,645	3,324	-	(77,279)	(117,950)	(4,954)	870	(16,247)	(346)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	1,657	2,163	6,571	2,854	2,332	1,488	-	45,658	4,082	1,710	2,326	3,713	433
Total liabilities and shareholders' equity	$ 3,532	$ 3,518	$ 12,429	$ 5,275	$ 5,649	$ 2,304	$ -	$ 69,142	$ 10,228	$ 4,486	$ 4,076	$ 9,117	$ 1,512

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	The Art Institute of Washington - Dulles 00927006	The Art Institute of Virginia Beach 00927007	The Art Institute of Atlanta Combined	The Illinois Institute of Art (Chicago) 01258400	The Illinois Institute of Art - Schaumburg 01258401	The Art Institute of Michigan 01258405	The Art Institute of Ohio - Cincinnati 01258406	The Art Institute of Michigan Troy 01258408	The Art Institute of Tinley Park 01258407	The Illinois Institute of Art (Chicago) Combined	Argosy University 021799	Western State University - College of Law 02179937	The Art Institute of California - San Francisco 02179943
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 1,482	$ 1,093	$ 12,858	$ 11,980	$ 3,377	$ 3,819	$ 2,496	$ 1,122	$ 699	$ 23,493	$ 56,059	$ 1,986	$ 5,561
Restricted cash (a)	11	112	2,283	323	115	2,334	16	4	734	3,526	52,240	-	10,508
Total cash	1,493	1,205	15,141	12,303	3,492	6,153	2,512	1,126	1,433	27,019	108,299	1,986	16,069
Receivables:													
Trade	403	550	19,013	5,231	2,194	1,626	2,206	502	369	12,128	29,988	386	2,653
Allowance for doubtful accounts	(228)	(199)	(9,914)	(3,030)	(1,003)	(908)	(1,659)	(291)	(217)	(7,108)	(9,483)	173	(1,594)
Notes, advances, and other receivables	-	1	82	(51)	320	(8)	13	13	3	290	1,928	839	4
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	22	608	34	23	68	13	1	-	139	1,078	478	118
Total current assets	1,668	1,579	24,930	14,487	5,026	6,931	3,085	1,351	1,588	32,468	131,810	3,862	17,250
			-										
Property and equipment, net	14	1,763	7,378	2,346	250	158	9	13	10	2,786	18,079	373	1,294
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	233
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	87	49	2,271	609	273	115	234	32	17	1,280	1,002	1,674	204
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	964	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	38,895	-	-
Total assets	$ 1,769	$ 3,391	$ 34,579	$ 17,442	$ 5,549	$ 7,204	$ 3,328	$ 1,396	$ 1,615	$ 36,534	$ 190,750	$ 5,909	$ 18,981
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	1	45	627	66	37	89	11	9	1	213	2,962	78	292
Accrued liabilities	54	318	2,736	771	262	376	159	84	157	1,809	13,936	603	697
Advance payments	31	574	3,024	526	183	227	134	51	51	1,172	13,942	482	698
Unearned tuition	187	700	6,927	1,518	1,145	273	343	75	210	3,564	25,263	204	2,935
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	273	1,637	13,314	2,881	1,627	965	647	219	419	6,758	56,103	1,367	4,622
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	14,940	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	108	407	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	735	894	7,380	4,784	1,397	1,790	953	635	778	10,337	13,317	2,075	3,210
			-										
Shareholders' equity:			-										
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(6,562)	3,394	147,723	54,963	44,852	(12,785)	(2,581)	(4,532)	(2,983)	76,934	102,735	(4,745)	3,994
Net investment of EDMC (b)	7,323	(2,534)	(133,838)	(45,186)	(42,327)	17,234	4,309	5,074	3,401	(57,495)	3,547	6,805	7,155
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	761	860	13,885	9,777	2,525	4,449	1,728	542	418	19,439	106,282	2,060	11,149
Total liabilities and shareholders' equity	$ 1,769	$ 3,391	$ 34,579	$ 17,442	$ 5,549	$ 7,204	$ 3,328	$ 1,396	$ 1,615	$ 36,534	$ 190,750	$ 5,909	$ 18,981

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

OPEID#	The Art Institute of California - Los Angeles 02179941	The Art Institute of California - Orange County 02179944	The Art Institute of California - Sacramento 02179945	The Art Institute of California - San Diego 02179947	The Art Institute of California - Inland Empire 02179948	The Art Institute of California - Hollywood 02179938	The Art Institute of California - Silicon Valley 02179939	Eliminations	Argosy University Combined	South University - Savannah 01303900	South University - Tampa 01303908	South University - West Palm Beach 01303904	South University - Montgomery 01303906
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 14,814	$ 4,629	$ 2,879	$ 7,835	$ 1,801	$ 10,338	$ 3,571	$ -	$ 109,473	$ 646	$ 2,745	$ 3,540	$ 2,301
Restricted cash (a)	49	43	7	2,623	76	1,069	7	-	66,622	34,823	-	4,188	155
Total cash	14,863	4,672	2,886	10,458	1,877	11,407	3,578	-	176,095	35,469	2,745	7,728	2,456
Receivables:													
Trade	4,028	3,023	3,947	2,845	8,209	7,001	508	-	62,588	21,715	3,000	2,646	2,218
Allowance for doubtful accounts	(2,362)	(1,621)	(1,884)	(1,253)	(4,750)	(3,986)	(330)	-	(27,090)	(6,374)	(107)	112	(616)
Notes, advances, and other receivables	141	61	-	23	37	16	(5)	-	3,044	2,039	11	1	1
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	38	249	55	67	49	115	-	-	2,247	144	146	4	(3)
Total current assets	16,708	6,384	5,004	12,140	5,422	14,553	3,751	-	216,884	52,993	5,795	10,491	4,056
Property and equipment, net	28	1,658	530	3,394	1,738	798	11	-	27,903	1,487	1,417	3,768	1,285
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	55,640	-	-	-
Deferred income taxes	-	-	-	-	-	4,051	-	(516)	3,768	-	-	175	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	385	342	436	226	1,491	1,137	42	-	6,939	1,000	586	501	641
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	964	1,052	-	67	45
Goodwill	-	-	-	-	-	-	-	-	38,895	44,295	-	-	-
Total assets	$ 17,121	$ 8,384	$ 5,970	$ 15,760	$ 8,651	$ 20,539	$ 3,804	$ (516)	$ 295,353	$ 156,467	$ 7,798	$ 15,002	$ 6,027
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	154	98	72	89	115	136	8	-	4,004	1,702	152	98	45
Accrued liabilities	407	865	492	841	822	746	165	-	19,574	6,006	414	375	340
Advance payments	493	694	318	638	563	602	153	-	18,583	19,389	545	363	249
Unearned tuition	1,408	1,321	1,065	1,723	2,041	1,414	185	-	37,559	18,952	4,447	4,725	2,197
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	2,462	2,978	1,947	3,291	3,541	2,898	511	-	79,720	46,049	5,558	5,561	2,831
Long-term debt, less current portion	-	-	-	-	-	-	-	-	14,940	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	(516)	(1)	17,424	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	6,809	2,035	716	1,906	2,086	3,593	184	-	35,931	1,226	942	3,791	1,537
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	33,273	54,615	6,674	103,184	33,656	5,321	(3,991)	-	334,716	80,062	10,982	28,062	10,516
Net investment of EDMC (b)	(25,423)	(51,244)	(3,367)	(92,621)	(30,632)	8,727	7,100	-	(169,953)	11,706	(9,684)	(22,412)	(8,857)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	7,850	3,371	3,307	10,563	3,024	14,048	3,109	-	164,763	91,768	1,298	5,650	1,659
Total liabilities and shareholders' equity	$ 17,121	$ 8,384	$ 5,970	$ 15,760	$ 8,651	$ 20,539	$ 3,804	$ (516)	$ 295,353	$ 156,467	$ 7,798	$ 15,002	$ 6,027

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

	South University - Richmond	South University - Columbia	South University - Virginia Beach	South University - Novi	South University - Austin	South University - Cleveland	South University - Highpoint	South University - Orlando	South University Reclass & Elims	South University Consolidated	Brown Mackie College - Salina	Brown Mackie College - Birmingham	Brown Mackie College - Oklahoma City
OPEID#	01303910	01303907	01303911	01303914	01303915	01303922	01303923	01303926			00675500	00675508	00675506
Assets:													
Current Assets:													
Cash:													
Cash and cash equivalents	$ 3,357	$ 3,516	$ 2,562	$ 2,529	$ 4,946	$ 1,872	$ 3,286	$ 860	$ -	$ 32,160	$ 24	$ 57	$ 29
Restricted cash (a)	200	200	-	1,400	1,100	2,510	2,500	-	-	47,076	83	-	-
Total cash	3,557	3,716	2,562	3,929	6,046	4,382	5,786	860	-	79,236	107	57	29
Receivables:													
Trade	3,639	5,567	2,161	1,846	1,523	1,850	1,859	54	-	48,078	283	999	485
Allowance for doubtful accounts	(1,268)	(857)	(359)	(248)	(128)	(577)	(236)	7	-	(10,651)	(127)	(541)	(165)
Notes, advances, and other receivables	-	54	1	1	1	17	1	(37)	-	2,090	155	33	3
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Current assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	598	61	26	(7)	(1)	17	40	-	-	1,025	18	24	10
Total current assets	6,526	8,541	4,391	5,521	7,441	5,689	7,450	884	-	119,778	436	572	362
Property and equipment, net	2,992	4,156	3,523	2,276	3,858	2,776	3,174	746	-	31,458	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	(55,640)	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	(175)	-	1,653	-	-
Noncurrent assets of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	1,146	2,020	491	709	302	594	566	-	-	8,556	66	53	35
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	27	-	-	-	-	-	-	-	1,191	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	44,295	-	-	-
Total assets	$ 10,664	$ 14,744	$ 8,405	$ 8,506	$ 11,601	$ 9,059	$ 11,190	$ 1,630	$ (55,815)	$ 205,278	$ 2,155	$ 625	$ 397
Liabilities and shareholders' investment:													
Current liabilities:													
Revolver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	61	178	139	80	63	93	96	11	-	2,718	17	20	6
Accrued liabilities	672	710	253	323	302	325	333	42	-	10,095	151	185	152
Advance payments	183	408	403	404	107	137	105	16	-	22,309	49	51	30
Unearned tuition	2,988	6,259	2,830	2,633	1,974	1,917	1,959	330	-	51,211	199	524	216
Current liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	3,904	7,555	3,625	3,440	2,446	2,472	2,493	399	-	86,333	416	780	404
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	(175)	17,249	-	-	-
Noncurrent liabilities of business held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,558	2,506	1,340	1,821	2,828	2,152	2,274	199	-	23,174	241	1,417	674
Shareholders' equity:													
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(1,122)	48,175	1,143	(6,393)	(13,996)	(10,117)	(7,104)	(680)	(58,001)	81,527	694	(2,709)	(6,204)
Net investment of EDMC (b)	5,324	(43,492)	2,297	9,638	20,323	14,552	13,527	1,712	2,361	(3,005)	804	1,137	5,523
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,202	4,683	3,440	3,245	6,327	4,435	6,423	1,032	(55,640)	78,522	1,498	(1,572)	(681)
Total liabilities and shareholders' equity	$ 10,664	$ 14,744	$ 8,405	$ 8,506	$ 11,601	$ 9,059	$ 11,190	$ 1,630	$ (55,815)	$ 205,278	$ 2,155	$ 625	$ 397

Education Management Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2016
(in thousands)

	Brown Mackie College - Kansas City	Brown Mackie Educaiton Corporation	Corporate & Eliminations	EDMC
OPEID#	00675501			
Assets:				
Current Assets:				
Cash:				
Cash and cash equivalents	$ 8	$ 118	$ (20,907)	$ 315,289
Restricted cash (a)	-	83	31,654	192,394
Total cash	8	201	10,747	507,683
Receivables:				
Trade	532	2,299	(208,698)	36,163
Allowance for doubtful accounts	(271)	(1,104)	82,428	(19,027)
Notes, advances, and other receivables	-	191	(6,362)	1,473
Prepaid income taxes	-	-	10,514	10,514
Current assets of business held for sale	-	-	148,332	148,332
Other current assets	16	68	17	7,362
Total current assets	285	1,655	36,978	692,500
Property and equipment, net	880	880	(109,702)	23,607
Investment in subsidiaries	-	-	-	-
Deferred income taxes	-	1,653	(12,876)	1,975
Noncurrent assets of business held for sale	-	-	304,109	304,109
Other long-term assets	38	192	(18,901)	11,878
Investment in affiliate	-	-	(1)	-
Intangible assets, net of amortization	-	-	(3,808)	-
Goodwill	-	-	(97,474)	-
Total assets	$ 1,203	$ 4,380	$ 98,325	$ 1,034,069
Liabilities and shareholders' investment:				
Current liabilities:				
Revolver	$ -	$ -	$ 110,000	$ 110,000
Accounts payable	17	60	(4,893)	5,368
Accrued liabilities	186	674	(19,868)	35,683
Advance payments	35	165	(47,492)	17,064
Unearned tuition	309	1,248	(139,907)	7,770
Current liabilities of business held for sale	-	-	283,220	283,220
Total current liabilities	547	2,147	181,060	459,105
Long-term debt, less current portion	-	-	522,359	576,839
Deferred income taxes	-	-	(20,721)	-
Noncurrent liabilities of business held for sale	-	-	138,488	138,488
Other long-term liabilities	18	2,350	(16,745)	117,829
Shareholders' equity:				
Preferred A-1 stock, $0.01 par value, 1,999,999 shares authorized, issued, and outstanding. 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	20	20
Warrants, $0.01 par value, 518,097,620 shares authorized, issued, and outstanding	-	-	5,181	5,181
Common stock, at par	-	-	24,927	24,927
Additional paid-in capital	-	-	2,460,674	2,460,674
Treasury stock, at cost	-	-	(332,102)	(332,102)
(Accumulated deficit) Retained earnings	229	(7,990)	(4,153,079)	(2,412,804)
Net investment of EDMC (b)	409	7,873	1,292,416	-
Accumulated other comprehensive (loss) income	-	-	(4,153)	(4,088)
Total shareholders' equity	638	(117)	(706,116)	(258,192)
Total liabilities and shareholders' equity	$ 1,203	$ 4,380	$ 98,325	$ 1,034,069

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	The Art Institute of Pittsburgh 00747000	The Art Institute of Philadelphia 00835000	The Art Institute of Colorado 02078900	The Art Institute of Phoenix 04051300	The Art Institute of Las Vegas 04051303	The Art Institute of Indianapolis 04051304	The Art Institute of Vancouver 04051340	Brown Mackie College - Quad Cities 04051313	Brown Mackie College - Hopkinsville 04051320	Brown Mackie College - North Canton 04051326	Brown Mackie College - Northern Kentucky 04051309	The Art Institute of Phoenix Combined
Net revenues	$ 80,132	$ 20,076	$ 15,357	$ 16,955	$ 14,960	$ 12,386	$ 11,372	$ 1,293	$ 827	$ 1,761	$ 32	$ 59,586
Costs and expenses:												
Educational services	46,119	18,280	10,091	11,678	9,895	7,842	7,574	1,300	992	2,325	559	42,165
General and administrative	26,378	4,797	3,495	3,647	2,951	2,609	2,207	265	204	278	23	12,184
Long-lived asset impairments	1,277	-	1,104	-	-	-	-	-	-	-	-	-
Depreciation and amortization	1,930	451	1,105	569	1,031	221	775	(1)	-	-	(40)	2,555
Total costs and expenses	75,704	23,528	15,795	15,894	13,877	10,672	10,556	1,564	1,196	2,603	542	56,904
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	4,428	(3,452)	(438)	1,061	1,083	1,714	816	(271)	(369)	(842)	(510)	2,682
Interest expense	1,847	-	1,213	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	2,581	(3,452)	(1,651)	1,061	1,083	1,714	816	(271)	(369)	(842)	(510)	2,682
Income tax expense (benefit)	33	-	-	-	-	-	501	74	(2)	-	12	585
Income (loss) from continuing operations	2,548	(3,452)	(1,651)	1,061	1,083	1,714	315	(345)	(367)	(842)	(522)	2,097
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 2,548	$ (3,452)	$ (1,651)	$ 1,061	$ 1,083	$ 1,714	$ 315	$ (345)	$ (367)	$ (842)	$ (522)	$ 2,097
Composite Score	**1.9**	**1.8**	**1.8**	**2.8**	**2.1**	**2.4**	**0.0**	**0.0**	**0.9**	**0.0**	**(1.0)**	**2.3**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	The Art Institute of York - Pennsylvania 02557800	The Art Institute of Ft. Lauderdale 01019500	The Art Institute of Houston 02117100	The Art Institute of Austin 02117102	The Art Institute of Houston North 02117103	The Art Institute of San Antonio 02117104	The Art Institute of Houston Combined	The Art Institutes International Minnesota 01024800	The Art Institutes International Kansas City 04051301	The Art Institute of Wisconsin 04051302	The Art Institute of Salt Lake City 04051305	The Art Institute of Tucson TDC 04051306
Net revenues	$ 1,653	$ 17,133	$ 25,944	$ 16,300	$ 877	$ 18,127	$ 61,248	$ 6,140	$ 1,357	$ 1,934	$ 1,194	$ 3,106
Costs and expenses:												
Educational services	2,621	12,935	15,786	9,970	2,009	9,615	37,380	8,340	1,952	2,540	2,109	3,561
General and administrative	18	4,177	8,131	4,436	7	4,420	16,994	70	55	76	37	20
Long-lived asset impairments	-	3,983	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	10	750	1,152	1,448	4	1,412	4,016	2	3	2	4	10
Total costs and expenses	2,649	21,845	25,069	15,854	2,020	15,447	58,390	8,412	2,010	2,618	2,150	3,591
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(996)	(4,712)	875	446	(1,143)	2,680	2,858	(2,272)	(653)	(684)	(956)	(485)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(996)	(4,712)	875	446	(1,143)	2,680	2,858	(2,272)	(653)	(684)	(956)	(485)
Income tax expense (benefit)	-	-	70	42	1	48	161	10	-	1	-	-
Income (loss) from continuing operations	(996)	(4,712)	805	404	(1,144)	2,632	2,697	(2,282)	(653)	(685)	(956)	(485)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (996)	$ (4,712)	$ 805	$ 404	$ (1,144)	$ 2,632	$ 2,697	$ (2,282)	$ (653)	$ (685)	$ (956)	$ (485)
Composite Score	**1.8**	**1.8**	**2.1**	**1.8**	**(1.0)**	**2.1**	**1.9**	**(0.9)**	**1.2**	**(1.0)**	**(1.0)**	**(1.0)**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	The Art Institute of St. Louis 04051343	Brown Mackie College - Dallas/ Ft. Worth 04051342	Brown Mackie College - Cincinnati 04051307	Brown Mackie College - Akron 04051308	Brown Mackie College - Miami 04051310	Brown Mackie College - Merrillville 04051311	Brown Mackie College - Findlay 04051317	Brown Mackie College - Indianapolis 04051318	Brown Mackie College - Louisville 04051319	Brown Mackie College - South Bend 04051321	Brown Mackie College - Ft. Wayne 04051322	Brown Mackie College - Boise 04051323
Net revenues	$ 2,605	$ 3,145	$ 2,622	$ 1,608	$ 2,173	$ 2,220	$ 2,749	$ 3,451	$ 4,031	$ 1,525	$ 1,783	$ 1,508
Costs and expenses:												
Educational services	3,236	2,713	4,346	2,292	4,278	2,323	3,194	4,968	5,314	2,919	2,953	2,754
General and administrative	32	395	14	272	84	32	26	29	25	37	26	16
Long-lived asset impairments	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	3	-	23	-	(10)	-	(6)	(17)	(39)	-	(8)	(15)
Total costs and expenses	3,271	3,108	4,383	2,564	4,352	2,355	3,214	4,980	5,300	2,956	2,971	2,755
Earnings (loss) in investment in subsidiaries	-	-	(1,374)	-	-	-	(687)	-	-	(687)	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(666)	37	(3,135)	(956)	(2,179)	(135)	(1,152)	(1,529)	(1,269)	(2,118)	(1,188)	(1,247)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(666)	37	(3,135)	(956)	(2,179)	(135)	(1,152)	(1,529)	(1,269)	(2,118)	(1,188)	(1,247)
Income tax expense (benefit)	-	6	-	-	-	-	-	-	(10)	-	-	-
Income (loss) from continuing operations	(666)	31	(3,135)	(956)	(2,179)	(135)	(1,152)	(1,529)	(1,259)	(2,118)	(1,188)	(1,247)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (666)	$ 31	$ (3,135)	$ (956)	$ (2,179)	$ (135)	$ (1,152)	$ (1,529)	$ (1,259)	$ (2,118)	$ (1,188)	$ (1,247)
Composite Score	**(1.0)**	**(0.3)**	**1.7**	**(1.0)**	**(1.0)**	**(0.7)**	**1.8**	**(1.0)**	**(1.0)**	**1.3**	**(1.0)**	**(1.0)**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	Brown Mackie College - Tulsa 04051324	Brown Mackie College - San Antonio 04051332	Brown Mackie College - Tucson (Chaparral) 04051325	Brown Mackie College - Phoenix 04051327	Brown Mackie College - Greenville 04051328	Brown Mackie College - St. Louis 04051329	Brown Mackie College - Atlanta 04051331	Brown Mackie College - Albuquerque 04051330	Eliminations	The Art Institutes International Minnesota Combined	The New England Institute of Art 00748600	The Art Institute of New York City 02525600
Net revenues	$ 3,147	$ 4,019	$ 1,983	$ 2,964	$ 3,278	$ 1,575	$ 2,682	$ 2,938	$ -	$ 65,737	$ 1,680	$ 1,219
Costs and expenses:												
Educational services	3,310	3,895	2,544	3,530	4,373	2,588	3,558	3,757	-	87,347	6,857	7,040
General and administrative	42	29	714	116	483	43	6	29	-	2,708	116	(10)
Long-lived asset impairments	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	(5)	-	-	-	(53)	3	(7)
Total costs and expenses	3,352	3,924	3,258	3,646	4,856	2,626	3,564	3,786	-	90,002	6,976	7,023
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	2,747	(1)	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(205)	95	(1,275)	(682)	(1,578)	(1,051)	(882)	(848)	2,747	(24,266)	(5,296)	(5,804)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(205)	95	(1,275)	(682)	(1,578)	(1,051)	(882)	(848)	2,747	(24,266)	(5,296)	(5,804)
Income tax expense (benefit)	(2)	7	-	-	(33)	-	-	-	-	(21)	-	9
Income (loss) from continuing operations	(203)	88	(1,275)	(682)	(1,545)	(1,051)	(882)	(848)	2,747	(24,245)	(5,296)	(5,813)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (203)	$ 88	$ (1,275)	$ (682)	$ (1,545)	$ (1,051)	$ (882)	$ (848)	$ 2,747	$ (24,245)	$ (5,296)	$ (5,813)
Composite Score	**(0.8)**	**(0.2)**	**(0.7)**	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**		**(1.0)**	**(1.0)**	**0.1**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	The Art Institute of Portland 00781900	The Art Institute of Seattle 02291300	Miami International University of Art & Design 00887800	The Art Institute of Tampa 00887805	The Art Institute of Jacksonville 00887806	The Art Institute of Dallas 01303912	The Art Institute of Charlotte 01303918	The Art Institute of Raleigh - Durham 01303919	The Art Institute of Fort Worth 01303913	Miami International University of Art & Design Combined	The Art Institute of Atlanta 00927000	The Art Institute of Tennessee - Nashville 00927003
Net revenues	$ 12,211	$ 19,700	$ 24,776	$ 11,354	$ 1,938	$ 15,748	$ 11,713	$ 9,433	$ 647	$ 75,609	$ 36,673	$ 11,423
Costs and expenses:												
Educational services	9,432	12,106	15,053	6,125	3,486	11,743	10,558	7,210	1,220	55,395	22,776	8,216
General and administrative	2,295	5,877	6,562	4,028	15	4,298	2,886	2,032	12	19,833	8,914	2,525
Long-lived asset impairments	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	362	1,247	1,958	226	5	226	140	116	14	2,685	1,177	524
Total costs and expenses	12,089	19,230	23,573	10,379	3,506	16,267	13,584	9,358	1,246	77,913	32,867	11,265
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	122	470	1,203	975	(1,568)	(519)	(1,871)	75	(599)	(2,304)	3,806	158
Interest expense	-	1,343	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	122	(873)	1,203	975	(1,568)	(519)	(1,871)	75	(599)	(2,304)	3,806	158
Income tax expense (benefit)	15	-	-	-	-	42	-	-	-	42	-	(8)
Income (loss) from continuing operations	107	(873)	1,203	975	(1,568)	(561)	(1,871)	75	(599)	(2,346)	3,806	166
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 107	$ (873)	$ 1,203	$ 975	$ (1,568)	$ (561)	$ (1,871)	$ 75	$ (599)	$ (2,346)	$ 3,806	$ 166
Composite Score	**2.1**	**1.7**	**2.3**	**2.6**	**(1.0)**	**1.9**	**1.8**	**2.4**	**(1.0)**	**1.9**	**2.6**	**2.5**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	The Art Institute of Charleston 00927004	The Art Institute of Washington 00927002	The Art Institute of Decatur 00927005	The Art Institute of Washington - Dulles 00927006	The Art Institute of Virginia Beach 00927007	The Art Institute of Atlanta Combined	The Illinois Institute of Art (Chicago) 01258400	The Illinois Institute of Art - Schaumburg 01258401	The Art Institute of Michigan 01258405	The Art Institute of Ohio - Cincinnati 01258406	The Art Institute of Michigan Troy 01258408	The Art Institute of Tinley Park 01258407
Net revenues	$ 8,873	$ 13,213	$ 741	$ 704	$ 9,852	$ 81,479	$ 17,090	$ 9,011	$ 10,693	$ 1,619	$ 500	$ 1,095
Costs and expenses:												
Educational services	7,880	10,861	2,231	1,948	5,947	59,859	14,940	6,514	7,594	3,334	490	1,393
General and administrative	1,681	2,773	14	27	2,239	18,173	5,034	1,513	2,616	18	9	15
Long-lived asset impairments	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	229	214	18	4	599	2,765	496	96	72	3	13	(15)
Total costs and expenses	9,790	13,848	2,263	1,979	8,785	80,797	20,470	8,123	10,282	3,355	512	1,393
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(917)	(635)	(1,522)	(1,275)	1,067	682	(3,380)	888	411	(1,736)	(12)	(298)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(917)	(635)	(1,522)	(1,275)	1,067	682	(3,380)	888	411	(1,736)	(12)	(298)
Income tax expense (benefit)	(27)	-	-	-	-	(35)	-	-	-	(10)	-	-
Income (loss) from continuing operations	(890)	(635)	(1,522)	(1,275)	1,067	717	(3,380)	888	411	(1,726)	(12)	(298)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (890)	$ (635)	$ (1,522)	$ (1,275)	$ 1,067	$ 717	$ (3,380)	$ 888	$ 411	$ (1,726)	$ (12)	$ (298)
Composite Score	**1.8**	**1.9**	**(1.0)**	**(1.0)**	**2.4**	**2.1**	**1.8**	**3.0**	**2.8**	**(1.0)**	**(0.6)**	**(1.0)**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	The Illinois Institute of Art (Chicago) Combined	Argosy University 021799	Western State University - College of Law 02179937	The Art Institute of California - San Francisco 02179943	The Art Institute of California - Los Angeles 02179941	The Art Institute of California - Orange County 02179944	The Art Institute of California - Sacramento 02179945	The Art Institute of California - San Diego 02179947	The Art Institute of California - Inland Empire 02179948	The Art Institute of California - Hollywood 02179938	The Art Institute of California - Silicon Valley 02179939	Argosy University Combined
Net revenues	$ 40,008	$ 222,551	$ 7,850	$ 13,042	$ 6,628	$ 14,274	$ 9,932	$ 24,417	$ 19,178	$ 22,755	$ 868	$ 341,495
Costs and expenses:												
Educational services	34,265	129,163	7,612	11,155	12,039	11,690	7,606	13,055	13,663	17,577	3,446	227,006
General and administrative	9,205	79,738	689	3,149	195	2,657	2,381	8,075	4,297	5,082	18	106,281
Long-lived asset impairments	-	38,902	7	-	-	-	-	-	-	-	-	38,909
Depreciation and amortization	665	5,179	174	366	3	488	408	739	726	312	17	8,412
Total costs and expenses	44,135	252,982	8,482	14,670	12,237	14,835	10,395	21,869	18,686	22,971	3,481	380,608
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(4,127)	(30,431)	(632)	(1,628)	(5,609)	(561)	(463)	2,548	492	(216)	(2,613)	(39,113)
Interest expense	-	1,535	-	-	-	-	-	-	-	-	-	1,535
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(4,127)	(31,966)	(632)	(1,628)	(5,609)	(561)	(463)	2,548	492	(216)	(2,613)	(40,648)
Income tax expense (benefit)	(10)	79	1	1	1	1	1	1	1	1	1	88
Income (loss) from continuing operations	(4,117)	(32,045)	(633)	(1,629)	(5,610)	(562)	(464)	2,547	491	(217)	(2,614)	(40,736)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (4,117)	$ (32,045)	$ (633)	$ (1,629)	$ (5,610)	$ (562)	$ (464)	$ 2,547	$ 491	$ (217)	$ (2,614)	$ (40,736)
Composite Score	**1.8**	**1.7**	**1.8**	**1.8**	**(1.0)**	**2.0**	**1.9**	**2.6**	**2.6**	**2.3**	**(1.0)**	**1.7**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	South University - Savannah 01303900	South University - Tampa 01303908	South University - West Palm Beach 01303904	South University - Montgomery 01303906	South University - Richmond 01303910	South University - Columbia 01303907	South University - Virginia Beach 01303911	South University - Novi 01303914	South University - Austin 01303915	South University - Cleveland 01303922	South University - Highpoint 01303923	South University - Orlando 01303926
Net revenues	$ 160,239	$ 19,760	$ 20,891	$ 9,515	$ 13,878	$ 28,314	$ 12,973	$ 10,034	$ 9,068	$ 8,016	$ 8,458	$ 1,401
Costs and expenses:												
Educational services	67,612	11,273	12,817	6,476	9,861	16,514	8,783	7,111	6,637	6,675	7,290	785
General and administrative	72,069	5,735	5,642	2,530	2,991	6,731	3,386	3,455	3,140	3,106	2,674	422
Long-lived asset impairments	28,762	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	2,008	480	981	419	967	835	738	534	565	561	563	185
Total costs and expenses	170,451	17,488	19,440	9,425	13,819	24,080	12,907	11,100	10,342	10,342	10,527	1,392
Earnings (loss) in investment in subsidiaries	1,292	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(8,920)	2,272	1,451	90	59	4,234	66	(1,066)	(1,274)	(2,326)	(2,069)	9
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(8,920)	2,272	1,451	90	59	4,234	66	(1,066)	(1,274)	(2,326)	(2,069)	9
Income tax expense (benefit)	(11,723)	-	-	(115)	-	243	-	-	26	-	-	-
Income (loss) from continuing operations	2,803	2,272	1,451	205	59	3,991	66	(1,066)	(1,300)	(2,326)	(2,069)	9
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 2,803	$ 2,272	$ 1,451	$ 205	$ 59	$ 3,991	$ 66	$ (1,066)	$ (1,300)	$ (2,326)	$ (2,069)	$ 9
Composite Score	**1.8**	**2.1**	**2.1**	**2.0**	**2.3**	**2.1**	**2.2**	**1.8**	**1.8**	**1.8**	**1.8**	**2.5**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2017
(in thousands)

	South University Reclass & Elims	South University Consolidated	Brown Mackie College - Salina 00675500	Brown Mackie College - Birmingham 00675508	Brown Mackie College - Oklahoma City 00675506	Brown Mackie College - Kansas City 00675501	Brown Mackie Educaiton Corporation	Corporate & Eliminations	EDMC
Net revenues	$ -	$ 302,547	$ 1,659	$ 2,975	$ 1,555	$ 1,945	$ 8,134	$ (1,096,936)	$ 108,068
Costs and expenses:									
Educational services	-	161,834	2,909	3,377	2,550	2,917	11,753	(664,301)	178,184
General and administrative	-	111,881	40	11	27	15	93	(291,968)	52,527
Long-lived asset impairments	-	28,762	-	-	-	-	-	(67,639)	6,396
Depreciation and amortization	-	8,836	(38)	(45)	-	(7)	(90)	(24,552)	11,090
Total costs and expenses	-	311,313	2,911	3,343	2,577	2,925	11,756	(1,048,460)	248,197
Earnings (loss) in investment in subsidiaries	(1,292)	-	(687)	-	-	-	(687)	688	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(1,292)	(8,766)	(1,939)	(368)	(1,022)	(980)	(4,309)	(47,788)	(140,129)
Interest expense	-	-	-	-	-	-	-	3,592	9,530
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	(12,595)	(12,595)
Income (loss) from continuing operations before income tax expense (benefit)	(1,292)	(8,766)	(1,939)	(368)	(1,022)	(980)	(4,309)	(38,785)	(137,064)
Income tax expense (benefit)	-	(11,569)	-	-	-	-	-	11,600	898
Income (loss) from continuing operations	(1,292)	2,803	(1,939)	(368)	(1,022)	(980)	(4,309)	(50,385)	(137,962)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	(72,330)	(72,330)
Net income (loss)	$ (1,292)	$ 2,803	$ (1,939)	$ (368)	$ (1,022)	$ (980)	$ (4,309)	$ (122,715)	$ (210,292)
Composite Score		**1.2**	**1.8**	**(1.0)**	**(1.0)**	**0.7**	**(0.5)**		**0.0**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	The Art Institute of Pittsburgh 00747000	The Art Institute of Philadelphia 00835000	The Art Institute of Colorado 02078900	The Art Institute of Phoenix 04051300	The Art Institute of Las Vegas 04051303	The Art Institute of Indianapolis 04051304	The Art Institute of Vancouver 04051340	Brown Mackie College - Quad Cities 04051313	Brown Mackie College - Hopkinsville 04051320	Brown Mackie College - North Canton 04051326	Brown Mackie College - Northern Kentucky 04051309	The Art Institute of Phoenix Combined
Net revenues	$ 125,609	$ 26,899	$ 20,819	$ 20,437	$ 15,886	$ 14,526	$ 19,183	$ 3,545	$ 1,669	$ 4,552	$ 968	$ 80,766
Costs and expenses:												
Educational services	68,052	20,542	11,914	11,331	10,767	8,866	12,229	2,605	1,708	4,377	1,696	53,579
General and administrative	52,298	8,050	6,733	4,909	3,835	3,436	4,756	890	567	1,066	45	19,504
Long-lived asset impairments	371	784	-	-	2,006	-	8,381	1,402	615	322	491	13,217
Depreciation and amortization	2,773	497	1,549	559	1,106	472	1,341	143	64	86	175	3,946
Total costs and expenses	123,494	29,873	20,196	16,799	17,714	12,774	26,707	5,040	2,954	5,851	2,407	90,246
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	2,115	(2,974)	623	3,638	(1,828)	1,752	(7,524)	(1,495)	(1,285)	(1,299)	(1,439)	(9,480)
Interest expense	2,183	-	1,199	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(68)	(2,974)	(576)	3,638	(1,828)	1,752	(7,524)	(1,495)	(1,285)	(1,299)	(1,439)	(9,480)
Income tax expense (benefit)	1,416	2,878	(297)	445	387	1,509	1,163	(2,613)	(2,763)	(1,023)	(352)	(3,247)
Income (loss) from continuing operations	(1,484)	(5,852)	(279)	3,193	(2,215)	243	(8,687)	1,118	1,478	(276)	(1,087)	(6,233)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (1,484)	$ (5,852)	$ (279)	$ 3,193	$ (2,215)	$ 243	$ (8,687)	$ 1,118	$ 1,478	$ (276)	$ (1,087)	$ (6,233)
Composite Score	**1.6**	**0.2**	**1.6**	**3.0**	**1.7**	**1.9**	**1.2**	**1.8**	**1.8**	**1.8**	**(1.0)**	**1.8**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	The Art Institute of York - Pennsylvania 02557800	The Art Institute of Ft. Lauderdale 01019500	The Art Institute of Houston 02117100	The Art Institute of Austin 02117102	The Art Institute of Houston North 02117103	The Art Institute of San Antonio 02117104	The Art Institute of Houston Combined	The Art Institutes International Minnesota 01024800	The Art Institutes International Kansas City 04051301	The Art Institute of Wisconsin 04051302	The Art Institute of Salt Lake City 04051305	The Art Institute of Tucson TDC 04051306
Net revenues	$ 4,623	$ 22,705	$ 28,875	$ 20,549	$ 3,067	$ 21,430	$ 73,921	$ 13,819	$ 3,389	$ 3,402	$ 3,010	$ 6,538
Costs and expenses:												
Educational services	5,288	15,153	18,506	12,154	2,742	10,643	44,045	11,128	3,175	4,545	3,173	4,818
General and administrative	58	6,497	8,836	6,549	219	8,049	23,653	3,181	60	121	51	1,215
Long-lived asset impairments	16	-	-	-	42	-	42	1,085	21	65	13	2,537
Depreciation and amortization	1	948	1,534	1,522	8	1,410	4,474	382	2	13	1	218
Total costs and expenses	5,363	22,598	28,876	20,225	3,011	20,102	72,214	15,776	3,258	4,744	3,238	8,788
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(740)	107	(1)	324	56	1,328	1,707	(1,957)	131	(1,342)	(228)	(2,250)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(740)	107	(1)	324	56	1,328	1,707	(1,957)	131	(1,342)	(228)	(2,250)
Income tax expense (benefit)	(2,852)	(713)	220	(567)	103	648	404	(968)	(953)	(1,569)	(753)	(862)
Income (loss) from continuing operations	2,112	820	(221)	891	(47)	680	1,303	(989)	1,084	227	525	(1,388)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 2,112	$ 820	$ (221)	$ 891	$ (47)	$ 680	$ 1,303	$ (989)	$ 1,084	$ 227	$ 525	$ (1,388)
Composite Score	**1.8**	**1.7**	**2.0**	**1.5**	**0.2**	**1.6**	**1.7**	**(1.0)**	**2.8**	**1.8**	**1.8**	**1.8**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	The Art Institute of St. Louis 04051343	Brown Mackie College - Dallas/ Ft. Worth 04051342	Brown Mackie College - Cincinnati 04051307	Brown Mackie College - Akron 04051308	Brown Mackie College - Miami 04051310	Brown Mackie College - Merrillville 04051311	Brown Mackie College - Findlay 04051317	Brown Mackie College - Indianapolis 04051318	Brown Mackie College - Louisville 04051319	Brown Mackie College - South Bend 04051321	Brown Mackie College - Ft. Wayne 04051322	Brown Mackie College - Boise 04051323
Net revenues	$ 7,378	$ 6,572	$ 7,807	$ 4,583	$ 7,102	$ 6,082	$ 5,941	$ 10,902	$ 11,365	$ 4,529	$ 4,901	$ 3,728
Costs and expenses:												
Educational services	4,643	3,959	7,050	4,152	8,502	3,617	4,402	8,019	7,759	3,876	4,170	3,360
General and administrative	1,261	2,787	2,378	1,238	1,622	1,653	1,285	2,732	2,394	1,023	1,088	883
Long-lived asset impairments	344	1,801	857	285	3,415	141	937	2,809	2,021	258	620	193
Depreciation and amortization	58	380	271	(44)	263	130	431	701	679	84	174	86
Total costs and expenses	6,306	8,927	10,556	5,631	13,802	5,541	7,055	14,261	12,853	5,241	6,052	4,522
Earnings (loss) in investment in subsidiaries	-	-	(1,023)	-	-	-	(510)	-	-	(511)	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	1,072	(2,355)	(3,772)	(1,048)	(6,700)	541	(1,624)	(3,359)	(1,488)	(1,223)	(1,151)	(794)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	1,072	(2,355)	(3,772)	(1,048)	(6,700)	541	(1,624)	(3,359)	(1,488)	(1,223)	(1,151)	(794)
Income tax expense (benefit)	(538)	(202)	2,958	(331)	(3,680)	1,779	1,216	(140)	446	971	449	(647)
Income (loss) from continuing operations	1,610	(2,153)	(6,730)	(717)	(3,020)	(1,238)	(2,840)	(3,219)	(1,934)	(2,194)	(1,600)	(147)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 1,610	$ (2,153)	$ (6,730)	$ (717)	$ (3,020)	$ (1,238)	$ (2,840)	$ (3,219)	$ (1,934)	$ (2,194)	$ (1,600)	$ (147)
Composite Score	**3.0**	**1.7**	**1.8**	**1.4**	**1.8**	**0.4**	**1.8**	**1.8**	**1.4**	**1.6**	**0.0**	**1.8**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	Brown Mackie College - Tulsa 04051324	Brown Mackie College - San Antonio 04051332	Brown Mackie College - Tucson (Chaparral) 04051325	Brown Mackie College - Phoenix 04051327	Brown Mackie College - Greenville 04051328	Brown Mackie College - St. Louis 04051329	Brown Mackie College - Atlanta 04051331	Brown Mackie College - Albuquerque 04051330	Eliminations	The Art Institutes International Minnesota Combined	The New England Institute of Art 00748600	The Art Institute of New York City 02525600
Net revenues	$ 7,624	$ 10,144	$ 6,389	$ 7,639	$ 8,674	$ 4,671	$ 9,160	$ 9,203	$ -	$ 174,552	$ 5,188	$ 10,143
Costs and expenses:												
Educational services	4,973	5,620	4,773	5,350	6,570	4,301	5,504	6,218	-	133,657	9,974	11,155
General and administrative	1,793	2,421	1,731	2,532	1,812	1,451	2,913	1,701	-	41,326	122	249
Long-lived asset impairments	1,452	1,636	14	1,227	1,678	413	1,543	1,707	-	27,072	38	17
Depreciation and amortization	617	467	129	465	654	81	506	553	-	7,301	3	78
Total costs and expenses	8,835	10,144	6,647	9,574	10,714	6,246	10,466	10,179	-	209,356	10,137	11,499
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	2,044	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(1,211)	-	(258)	(1,935)	(2,040)	(1,575)	(1,306)	(976)	(2,044)	(34,804)	(4,949)	(1,356)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(1,211)	-	(258)	(1,935)	(2,040)	(1,575)	(1,306)	(976)	(2,044)	(34,804)	(4,949)	(1,356)
Income tax expense (benefit)	(243)	451	(795)	(349)	(402)	(1,159)	(346)	292	-	(5,375)	(3,128)	(2,063)
Income (loss) from continuing operations	(968)	(451)	537	(1,586)	(1,638)	(416)	(960)	(1,268)	(2,044)	(29,429)	(1,821)	707
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (968)	$ (451)	$ 537	$ (1,586)	$ (1,638)	$ (416)	$ (960)	$ (1,268)	$ (2,044)	$ (29,429)	$ (1,821)	$ 707
Composite Score	**1.8**	**2.0**	**2.0**	**1.8**	**1.8**	**1.8**	**1.8**	**1.7**	**0.0**	**1.8**	**(1.0)**	**1.2**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	The Art Institute of Portland 00781900	The Art Institute of Seattle 02291300	Miami International University of Art & Design 00887800	The Art Institute of Tampa 00887805	The Art Institute of Jacksonville 00887806	The Art Institute of Dallas 01303912	The Art Institute of Charlotte 01303918	The Art Institute of Raleigh - Durham 01303919	The Art Institute of Fort Worth 01303913	Eliminations	Miami International University of Art & Design Combined	The Art Institute of Atlanta 00927000
Net revenues	$ 15,419	$ 22,692	$ 31,807	$ 13,186	$ 5,028	$ 17,909	$ 16,465	$ 11,117	$ 2,978	$ -	$ 98,490	$ 39,086
Costs and expenses:												
Educational services	10,965	13,346	17,437	7,143	4,923	13,213	13,557	7,831	2,894	-	66,998	21,811
General and administrative	4,049	7,630	11,260	5,438	34	6,108	4,254	2,914	56	-	30,064	12,770
Long-lived asset impairments	1,519	-	13,395	-	24	-	1,314	-	31	-	14,764	-
Depreciation and amortization	322	1,274	2,073	368	2	215	257	100	6	-	3,021	1,284
Total costs and expenses	16,855	22,250	44,165	12,949	4,983	19,536	19,382	10,845	2,987	-	114,847	35,865
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(1,436)	442	(12,358)	237	45	(1,627)	(2,917)	272	(9)	-	(16,357)	3,221
Interest expense	-	1,325	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(1,436)	(883)	(12,358)	237	45	(1,627)	(2,917)	272	(9)	-	(16,357)	3,221
Income tax expense (benefit)	(601)	445	(4,642)	160	(712)	(1,112)	(624)	(530)	(295)	-	(7,755)	1,414
Income (loss) from continuing operations	(835)	(1,328)	(7,716)	77	757	(515)	(2,293)	802	286	-	(8,602)	1,807
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (835)	$ (1,328)	$ (7,716)	$ 77	$ 757	$ (515)	$ (2,293)	$ 802	$ 286	$ -	$ (8,602)	$ 1,807
Composite Score	**1.8**	**1.6**	**1.8**	**2.1**	**2.5**	**1.8**	**1.7**	**2.4**	**2.4**	**0.0**	**1.8**	**2.0**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	The Art Institute of Tennessee - Nashville 00927003	The Art Institute of Charleston 00927004	The Art Institute of Washington 00927002	The Art Institute of Decatur 00927005	The Art Institute of Washington - Dulles 00927006	The Art Institute of Virginia Beach 00927007	The Art Institute of Atlanta Combined	The Illinois Institute of Art (Chicago) 01258400	The Illinois Institute of Art - Schaumburg 01258401	The Art Institute of Michigan 01258405	The Art Institute of Ohio - Cincinnati 01258406	The Art Institute of Michigan Troy 01258408
Net revenues	$ 15,550	$ 10,512	$ 17,861	$ 4,368	$ 1,879	$ 11,389	$ 100,645	$ 22,590	$ 12,179	$ 10,496	$ 5,881	$ 2,841
Costs and expenses:												
Educational services	9,280	7,680	14,712	3,027	2,207	6,533	65,250	19,087	9,040	8,369	5,938	2,020
General and administrative	4,400	2,375	4,777	661	56	3,552	28,591	6,793	2,402	3,741	74	743
Long-lived asset impairments	-	-	-	14	27	-	41	456	1,725	-	18	(3)
Depreciation and amortization	1,318	1,281	246	2	4	674	4,809	408	546	416	1	-
Total costs and expenses	14,998	11,336	19,735	3,704	2,294	10,759	98,691	26,744	13,713	12,526	6,031	2,760
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	552	(824)	(1,874)	664	(415)	630	1,954	(4,154)	(1,534)	(2,030)	(150)	81
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	552	(824)	(1,874)	664	(415)	630	1,954	(4,154)	(1,534)	(2,030)	(150)	81
Income tax expense (benefit)	385	17	(134)	(287)	(410)	633	1,618	(2,670)	290	(816)	(324)	(277)
Income (loss) from continuing operations	167	(841)	(1,740)	951	(5)	(3)	336	(1,484)	(1,824)	(1,214)	174	358
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 167	$ (841)	$ (1,740)	$ 951	$ (5)	$ (3)	$ 336	$ (1,484)	$ (1,824)	$ (1,214)	$ 174	$ 358
Composite Score	**1.9**	**1.8**	**1.5**	**2.3**	**1.6**	**1.2**	**1.9**	**1.8**	**1.7**	**1.8**	**2.2**	**2.4**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	The Art Institute of Tinley Park 01258407	The Illinois Institute of Art (Chicago) Combined	Argosy University 021799	Western State University - College of Law 02179937	The Art Institute of California - San Francisco 02179943	The Art Institute of California - Los Angeles 02179941	The Art Institute of California - Orange County 02179944	The Art Institute of California - Sacramento 02179945	The Art Institute of California - San Diego 02179947	The Art Institute of California - Inland Empire 02179948	The Art Institute of California - Hollywood 02179938	The Art Institute of California - Silicon Valley 02179939
Net revenues	$ 2,453	$ 56,440	$ 245,139	$ 7,618	$ 15,976	$ 19,717	$ 19,417	$ 13,250	$ 30,434	$ 27,151	$ 23,578	$ 3,949
Costs and expenses:												
Educational services	2,050	46,504	143,209	(2,619)	13,594	18,126	13,938	9,734	17,478	18,457	20,442	5,230
General and administrative	32	13,785	81,064	745	5,027	3,688	4,685	3,307	7,313	5,772	6,254	110
Long-lived asset impairments	37	2,233	31,069	5,640	-	1,249	-	1,285	9,212	-	5,510	25
Depreciation and amortization	7	1,378	8,626	(856)	195	287	516	1,126	1,990	1,776	881	1
Total costs and expenses	2,126	63,900	263,968	2,910	18,816	23,350	19,139	15,452	35,993	26,005	33,087	5,366
Earnings (loss) in investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	327	(7,460)	(18,829)	4,708	(2,840)	(3,633)	278	(2,202)	(5,559)	1,146	(9,509)	(1,417)
Interest expense	-	-	1,522	375	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	327	(7,460)	(20,351)	4,333	(2,840)	(3,633)	278	(2,202)	(5,559)	1,146	(9,509)	(1,417)
Income tax expense (benefit)	(233)	(4,030)	1,318	(1,373)	(2,721)	1,177	(419)	(1,124)	1,516	1,760	(5,098)	(1,666)
Income (loss) from continuing operations	560	(3,430)	(21,669)	5,706	(119)	(4,810)	697	(1,078)	(7,075)	(614)	(4,411)	249
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ 560	$ (3,430)	$ (21,669)	$ 5,706	$ (119)	$ (4,810)	$ 697	$ (1,078)	$ (7,075)	$ (614)	$ (4,411)	$ 249
Composite Score	**2.4**	**1.8**	**1.7**	**2.6**	**1.8**	**1.7**	**2.0**	**1.8**	**1.8**	**1.9**	**1.8**	**1.8**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	Argosy University Combined	South University - Savannah 01303900	South University - Tampa 01303908	South University - West Palm Beach 01303904	South University - Montgomery 01303906	South University - Richmond 01303910	South University - Columbia 01303907	South University - Virginia Beach 01303911	South University - Novi 01303914	South University - Austin 01303915	South University - Cleveland 01303922	South University - Highpoint 01303923
Net revenues	$ 406,229	$ 158,870	$ 21,132	$ 22,845	$ 11,317	$ 14,283	$ 30,422	$ 13,877	$ 12,608	$ 7,122	$ 8,655	$ 8,580
Costs and expenses:												
Educational services	257,589	66,418	10,550	11,807	6,728	9,391	16,066	8,120	7,910	5,689	6,574	6,538
General and administrative	117,965	71,355	6,005	6,135	3,745	3,745	7,395	4,693	4,015	3,056	3,227	2,837
Long-lived asset impairments	53,990	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	14,542	3,556	506	1,102	419	904	916	598	572	513	588	565
Total costs and expenses	444,086	141,329	17,061	19,044	10,892	14,040	24,377	13,411	12,497	9,258	10,389	9,940
Earnings (loss) in investment in subsidiaries	-	3,531	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(37,857)	21,072	4,071	3,801	425	243	6,045	466	111	(2,136)	(1,734)	(1,360)
Interest expense	1,897	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(39,754)	21,072	4,071	3,801	425	243	6,045	466	111	(2,136)	(1,734)	(1,360)
Income tax expense (benefit)	(6,630)	10,761	1,866	1,219	1,362	(16)	2,306	(179)	(28)	(1,313)	(385)	(567)
Income (loss) from continuing operations	(33,124)	10,311	2,205	2,582	(937)	259	3,739	645	139	(823)	(1,349)	(793)
Income (loss) from discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (33,124)	$ 10,311	$ 2,205	$ 2,582	$ (937)	$ 259	$ 3,739	$ 645	$ 139	$ (823)	$ (1,349)	$ (793)
Composite Score	**1.8**	**2.8**	**1.3**	**2.4**	**1.5**	**1.9**	**1.8**	**1.6**	**1.8**	**1.8**	**1.8**	**1.8**

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2016
(in thousands)

	South University - Orlando 01303926	South University Reclass & Elims	South University Consolidated	Brown Mackie College - Salina 00675500	Brown Mackie College - Birmingham 00675508	Brown Mackie College - Oklahoma City 00675506	Brown Mackie College - Kansas City 00675501	Brown Mackie Educaiton Corporation	Corporate & Eliminations	EDMC
Net revenues	$ 873	$ -	$ 310,584	$ 4,563	$ 8,393	$ 3,760	$ 5,555	$ 22,271	$ (1,282,399)	$ 295,596
Costs and expenses:										
Educational services	462	-	156,253	4,398	5,566	3,249	4,215	17,428	(717,692)	290,000
General and administrative	783	-	116,991	1,056	2,176	1,643	1,594	6,469	(384,849)	99,185
Long-lived asset impairments	-	-	-	888	2,187	334	1,262	4,671	(84,367)	34,408
Depreciation and amortization	178	-	10,417	293	626	166	361	1,446	(30,737)	28,042
Total costs and expenses	1,423	-	283,661	6,635	10,555	5,392	7,432	30,014	(1,217,645)	451,635
Earnings (loss) in investment in subsidiaries	-	(3,531)	-	(511)	-	-	-	(511)	511	-
Income (loss) from continuing operations before interest expense (income), loss (gain) on sale of subsidiaries, and income tax expense (benefit)	(550)	(3,531)	26,923	(2,583)	(2,162)	(1,632)	(1,877)	(8,254)	(65,265)	(156,039)
Interest expense	-	-	-	-	-	-	-	-	3,134	9,738
Loss (gain) on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-
Income (loss) from continuing operations before income tax expense (benefit)	(550)	(3,531)	26,923	(2,583)	(2,162)	(1,632)	(1,877)	(8,254)	(68,399)	(165,777)
Income tax expense (benefit)	(135)	-	14,891	(178)	(882)	(1,011)	20	(2,051)	956	(16,134)
Income (loss) from continuing operations	(415)	(3,531)	12,032	(2,405)	(1,280)	(621)	(1,897)	(6,203)	(69,355)	(149,643)
Income (loss) from discontinued operations, net of tax	-	-		-	-	-	-	-	(82,451)	(82,451)
Net income (loss)	$ (415)	$ (3,531)	$ 12,032	$ (2,405)	$ (1,280)	$ (621)	$ (1,897)	$ (6,203)	$ (151,806)	$ (232,094)
Composite Score	**1.8**	**0.0**	**1.4**	**1.8**	**(1.0)**	**(1.0)**	**0.7**	**(0.6)**	**0.0**	**(1.0)**

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2017

	EDMC Total		Ai Atlanta 009270-00		Ai Colorado 020789-00		Ai Fort Lauderdale 010195-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 193,452,378	$ 193,452,380	$ 14,465,955	$ 14,465,955	$ 2,451,863	$ 2,451,863	$ 2,873,128	$ 2,873,128
Unsubsidized Stafford	$ 492,910,681	$ 492,910,681	$ 15,482,641	$ 15,482,641	$ 2,793,599	$ 2,793,599	$ 3,159,126	$ 3,159,126
Federal Pell Grant	$ 175,925,241	$ 175,925,241	$ 13,271,261	$ 13,271,261	$ 1,865,240	$ 1,865,240	$ 2,722,788	$ 2,722,788
FSEOG	$ 11,301,947	$ 11,301,947	$ 862,741	$ 862,741	$ 128,875	$ 128,875	$ 174,454	$ 174,454
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 76,749,749	$ 76,749,749	$ 13,208,884	$ 13,208,884	$ 1,286,314	$ 1,286,314	$ 1,581,942	$ 1,581,942
Grad PLUS Loan	$ 54,495,009	$ 54,495,009	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ (10,030)	$ (10,030)	$ -	$ -	$ -	$ -	$ -	$ -
Student Title IV Revenue		**$ 1,004,824,977**		**$ 57,291,482**		**$ 8,525,890**		**$ 10,511,439**
Revenue Adjustment		$ (132,923,583)		$ (1,280,070)		$ (98,971)		$ (170,854)
Adjusted Student Title IV Revenue		**$ 871,901,394**		**$ 56,011,412**		**$ 8,426,919**		**$ 10,340,585**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 17,998,241		$ 2,209,589		$ 366,567		$ 693,962	
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	$ 1,958,378		$ -		$ 14,165		$ 97,964	
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	$ 2,108,301		$ 141,168		$ 22,446		$ 118,493	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 272,759,331		$ 19,608,670		$ 5,698,900		$ 4,933,374	
Tuition assistance funds for employees of related institutions	$ 4,502,852		$ 32,076		$ -		$ 9,382	
Student Non-Title IV Revenue	**$ 299,327,103**		**$ 21,991,503**		**$ 6,102,078**		**$ 5,853,175**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	EDMC Total	Ai Atlanta 009270-00	Ai Colorado 020789-00	Ai Fort Lauderdale 010195-00
Numerator	$ 871,901,394	$ 56,011,412	$ 8,426,919	$ 10,340,585
Denominator	$ 1,171,228,496	$ 78,002,915	$ 14,528,997	$ 16,193,760
Rate	74.4%	71.8%	58.0%	63.9%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2017

	Ai Houston 021171-00		Ai Minnesota 010248-00		Ai Miami 008878-00		Ai New England 007486-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 10,239,428	$ 10,239,428	$ 1,154,933	$ 1,154,933	$ 5,111,500	$ 5,111,500	$ 316,813	$ 316,813
Unsubsidized Stafford	$ 11,624,244	$ 11,624,244	$ 1,192,725	$ 1,192,725	$ 5,869,933	$ 5,869,933	$ 291,927	$ 291,927
Federal Pell Grant	$ 9,151,794	$ 9,151,794	$ 823,356	$ 823,356	$ 4,370,063	$ 4,370,063	$ 210,390	$ 210,390
FSEOG	$ 259,150	$ 259,150	$ 62,961	$ 62,961	$ 245,350	$ 245,350	$ 32,150	$ 32,150
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 7,790,080	$ 7,790,080	$ 453,340	$ 453,340	$ 3,308,153	$ 3,308,153	$ 281,726	$ 281,726
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ 7,659	$ 7,659	$ -	$ -
Perkins Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Student Title IV Revenue		**$ 39,064,696**		**$ 3,687,315**		**$ 18,912,657**		**$ 1,133,005**
Revenue Adjustment		$ (575,008)		$ (100,097)		$ (492,908)		$ (828)
Adjusted Student Title IV Revenue		**$ 38,489,688**		**$ 3,587,218**		**$ 18,419,749**		**$ 1,132,177**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 622,427		$ 705,475		$ 1,342,347		$ 16,309	
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	$ 21,837		$ 24,687		$ -		$ -	
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	$ 102,747		$ 8,312		$ 144,238		$ -	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 18,468,245		$ 1,738,476		$ 15,757,262		$ 551,477	
Tuition assistance funds for employees of related institutions	$ -		$ -		$ 28,851		$ 39,140	
Student Non-Title IV Revenue	**$ 19,215,255**		**$ 2,476,950**		**$ 17,272,697**		**$ 606,926**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai Houston 021171-00	Ai Minnesota 010248-00	Ai Miami 008878-00	Ai New England 007486-00
Numerator	$ 38,489,688	$ 3,587,218	$ 18,419,749	$ 1,132,177
Denominator	$ 57,704,944	$ 6,064,167	$ 35,692,446	$ 1,739,103
Rate	66.7%	59.2%	51.6%	65.1%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2017

	Ai New York 025256-00		Ai Pittsburgh 007470-00		Ai Portland 007819-00		Ai Philadelphia 008350-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 292,559	$ 292,559	$ 16,358,264	$ 16,358,264	$ 2,338,548	$ 2,338,548	$ 3,701,542	$ 3,701,542
Unsubsidized Stafford	$ 297,931	$ 297,931	$ 22,996,145	$ 22,996,145	$ 2,580,816	$ 2,580,816	$ 3,996,996	$ 3,996,996
Federal Pell Grant	$ 362,152	$ 362,152	$ 13,791,462	$ 13,791,462	$ 1,860,634	$ 1,860,634	$ 3,015,633	$ 3,015,633
FSEOG	$ 71,714	$ 71,714	$ 1,421,764	$ 1,421,764	$ 98,800	$ 98,800	$ 215,569	$ 215,569
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 300,474	$ 300,474	$ 4,003,103	$ 4,003,103	$ 1,058,229	$ 1,058,229	$ 3,792,075	$ 3,792,075
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Student Title IV Revenue		**$ 1,324,830**		**$ 58,570,738**		**$ 7,937,027**		**$ 14,721,814**
Revenue Adjustment		$ (9,382)		$ (2,262,656)		$ (76,304)		$ (689,613)
Adjusted Student Title IV Revenue		**$ 1,315,448**		**$ 56,308,081**		**$ 7,860,723**		**$ 14,032,201**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 111,285		$ 1,375,805		$ -		$ 578,457	
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	$ -		$ 73,479		$ 35,465		$ 567	
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	$ -		$ 102,343		$ 47,929		$ 78,709	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 417,024		$ 14,389,793		$ 3,234,345		$ 3,865,692	
Tuition assistance funds for employees of related institutions	$ -		$ 114,260		$ -		$ -	
Student Non-Title IV Revenue	**$ 528,309**		**$ 16,055,680**		**$ 3,317,739**		**$ 4,523,425**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai New York 025256-00	Ai Pittsburgh 007470-00	Ai Portland 007819-00	Ai Philadelphia 008350-00
Numerator	$ 1,315,448	$ 56,308,081	$ 7,860,723	$ 14,032,201
Denominator	$ 1,843,757	$ 72,363,762	$ 11,178,462	$ 18,555,626
Rate	71.3%	77.8%	70.3%	75.6%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2017

	Ai Seattle 022913-00		Ai York 025578-00		Ai Chicago 012584-00		Ai Phoenix 040513-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 2,752,921	$ 2,752,921	$ 329,016	$ 329,016	$ 8,367,982	$ 8,367,982	$ 24,047,812	$ 24,047,812
Unsubsidized Stafford	$ 3,462,234	$ 3,462,234	$ 232,399	$ 232,399	$ 9,011,371	$ 9,011,371	$ 28,289,326	$ 28,289,326
Federal Pell Grant	$ 2,185,331	$ 2,185,331	$ 231,520	$ 231,520	$ 6,762,375	$ 6,762,375	$ 23,350,467	$ 23,350,467
FSEOG	$ 162,225	$ 162,225	$ 31,000	$ 31,000	$ 450,854	$ 450,854	$ 2,331,056	$ 2,331,056
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 1,772,057	$ 1,772,057	$ 257,706	$ 257,706	$ 5,612,219	$ 5,612,219	$ 6,490,318	$ 6,490,318
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ (11,750)	$ (11,750)
Student Title IV Revenue		**$ 10,334,767**		**$ 1,081,641**		**$ 30,204,801**		**$ 84,497,230**
Revenue Adjustment		$ (267,494)		$ (10,652)		$ (758,397)		$ (5,239,494)
Adjusted Student Title IV Revenue		**$ 10,067,273**		**$ 1,070,988**		**$ 29,446,404**		**$ 79,257,736**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 474,561		$ 219,094		$ 1,637,411		$ 2,011,841	
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	$ 85,486		$ -		$ -		$ 924,361	
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	$ 79,758		$ -		$ 188,902		$ 286,118	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 10,691,920		$ 267,232		$ 6,788,562		$ 36,410,123	
Tuition assistance funds for employees of related institutions	$ 42,680		$ -		$ -		$ 104,560	
Student Non-Title IV Revenue	**$ 11,374,406**		**$ 486,326**		**$ 8,614,875**		**$ 39,737,004**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai Seattle 022913-00	Ai York 025578-00	Ai Chicago 012584-00	Ai Phoenix 040513-00
Numerator	$ 10,067,273	$ 1,070,988	$ 29,446,404	$ 79,257,736
Denominator	$ 21,441,679	$ 1,557,315	$ 38,061,279	$ 118,994,739
Rate	47.0%	68.8%	77.4%	66.6%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2017

	BMC Salina 006755-00		South 013039-00		Argosy 021799-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue						
Subsidized Stafford	$ 1,999,892	$ 1,999,892	$ 43,199,334	$ 43,199,334	$ 53,450,889	$ 53,450,889
Unsubsidized Stafford	$ 2,416,376	$ 2,416,376	$ 192,012,445	$ 192,012,445	$ 187,200,448	$ 187,200,448
Federal Pell Grant	$ 2,094,197	$ 2,094,197	$ 37,678,470	$ 37,678,470	$ 52,178,108	$ 52,178,108
FSEOG	$ 160,909	$ 160,909	$ 1,920,644	$ 1,920,644	$ 2,671,732	$ 2,671,732
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 215,111	$ 215,111	$ 9,951,580	$ 9,951,580	$ 15,386,439	$ 15,386,439
Grad PLUS Loan	$ -	$ -	$ 18,081,568	$ 18,081,568	$ 36,405,782	$ 36,405,782
Perkins Loan	$ -	$ -	$ 1,720	$ 1,720	$ -	$ -
Student Title IV Revenue		**$ 6,886,486**		**$ 302,845,762**		**$ 347,293,397**
Revenue Adjustment		$ (342,601)		$ (44,019,695)		$ (76,528,558)
Adjusted Student Title IV Revenue		**$ 6,543,885**		**$ 258,826,067**		**$ 270,764,839**
Student Non-Title IV Revenue						
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 62,736		$ 2,702,450		$ 2,867,925	
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	$ 25,955		$ 99,153		$ 555,259	
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	$ 13,380		$ 360,076		$ 413,681	
Institutional scholarships disbursed to the student	$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -	
Student Payments	$ 1,051,815		$ 60,375,331		$ 68,511,092	
Tuition assistance funds for employees of related institutions	$ -		$ 1,942,740		$ 2,189,162	
Student Non-Title IV Revenue	**$ 1,153,886**		**$ 65,479,749**		**$ 74,537,119**	
Revenue From Other Sources (Totals for the Fiscal Year)	**$ -**					
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**	
Numerator	$ 6,543,885		$ 258,826,067		$ 270,764,839	
Denominator	$ 7,697,771		$ 324,305,816		$ 345,301,958	
Rate	85.0%		79.8%		78.4%	

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2016

	EDMC Total		Ai Atlanta 009270-00		Ai Colorado 020789-00		Ai Fort Lauderdale 010195-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 272,911,081	$ 272,911,081	$ 17,615,009	$ 17,615,009	$ 3,431,150	$ 3,431,150	$ 3,928,879	$ 3,928,879
Unsubsidized Stafford	$ 589,029,303	$ 589,029,303	$ 19,777,242	$ 19,777,242	$ 4,099,459	$ 4,099,459	$ 4,446,855	$ 4,446,855
Federal Pell Grant	$ 258,674,650	$ 258,674,650	$ 16,257,933	$ 16,257,933	$ 2,770,579	$ 2,770,579	$ 3,621,579	$ 3,621,579
FSEOG	$ 12,882,606	$ 12,882,606	$ 1,004,290	$ 1,004,290	$ 192,813	$ 192,813	$ 209,107	$ 209,107
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 100,237,604	$ 100,237,604	$ 15,452,156	$ 15,452,156	$ 1,663,156	$ 1,663,156	$ 1,948,659	$ 1,948,659
Grad PLUS Loan	$ 51,294,324	$ 51,294,324	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ 579,959	$ 579,959	$ 27,328	$ 27,328	$ (6,506)	$ (6,506)	$ 106,212	$ 106,212
Student Title IV Revenue		**$ 1,285,609,527**		**$ 70,133,958**		**$ 12,150,651**		**$ 14,261,291**
Revenue Adjustment		$ (136,336,261)		$ (1,280,788)		$ (207,046)		$ (158,893)
Adjusted Student Title IV Revenue		**$ 1,149,273,266**		**$ 68,853,170**		**$ 11,943,605**		**$ 14,102,398**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 21,957,714		$ 3,036,004		$ 530,564		$ 855,707	
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	$ 2,758,349		$ 1,132		$ 30,162		$ 66,599	
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	$ 2,665,360		$ 179,760		$ 59,436		$ 239,563	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 354,360,199		$ 26,240,855		$ 7,313,120		$ 6,490,931	
Tuition assistance funds for employees of related institutions	$ 6,514,798		$ 109,311		$ 8,766		$ 24,454	
Student Non-Title IV Revenue	**$ 388,256,420**		**$ 29,567,062**		**$ 7,942,048**		**$ 7,677,254**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	EDMC Total	Ai Atlanta 009270-00	Ai Colorado 020789-00	Ai Fort Lauderdale 010195-00
Numerator	$ 1,149,273,266	$ 68,853,170	$ 11,943,605	$ 14,102,398
Denominator	$ 1,537,529,686	$ 98,420,232	$ 19,885,653	$ 21,779,652
Rate	74.7%	70.0%	60.1%	64.8%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2016

	Ai Houston 021171-00		Ai Minnesota 010248-00		Ai Miami 008878-00		Ai New England 007486-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 12,305,928	$ 12,305,928	$ 2,534,127	$ 2,534,127	$ 7,076,382	$ 7,076,382	$ 944,730	$ 944,730
Unsubsidized Stafford	$ 14,920,858	$ 14,920,858	$ 2,757,491	$ 2,757,491	$ 8,723,500	$ 8,723,500	$ 872,156	$ 872,156
Federal Pell Grant	$ 10,818,182	$ 10,818,182	$ 1,928,701	$ 1,928,701	$ 6,174,624	$ 6,174,624	$ 592,908	$ 592,908
FSEOG	$ 532,784	$ 532,784	$ 109,680	$ 109,680	$ 323,869	$ 323,869	$ 64,375	$ 64,375
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 8,940,276	$ 8,940,276	$ 1,201,818	$ 1,201,818	$ 5,306,875	$ 5,306,875	$ 1,237,163	$ 1,237,163
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ 38,913	$ 38,913	$ -	$ -
Perkins Loan	$ (1,833)	$ (1,833)	$ -	$ -	$ -	$ -	$ -	$ -
Student Title IV Revenue		**$ 47,516,195**		**$ 8,531,817**		**$ 27,644,163**		**$ 3,711,332**
Revenue Adjustment		$ (204,479)		$ (75,409)		$ (681,171)		$ (44,505)
Adjusted Student Title IV Revenue		**$ 47,311,716**		**$ 8,456,408**		**$ 26,962,992**		**$ 3,666,827**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 871,818		$ 1,397,039		$ 1,785,901		$ 23,899	
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	$ 35,901		$ 43,962		$ -		$ -	
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	$ 170,073		$ 7,224		$ 256,345		$ 26,659	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 24,218,312		$ 4,159,271		$ 20,346,908		$ 1,707,133	
Tuition assistance funds for employees of related institutions	$ 4,067		$ 6,734		$ 58,258		$ 43,210	
Student Non-Title IV Revenue	**$ 25,300,171**		**$ 5,614,230**		**$ 22,447,412**		**$ 1,800,901**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	
Numerator	$ 47,311,716		$ 8,456,408		$ 26,962,992		$ 3,666,827	
Denominator	$ 72,611,887		$ 14,070,638		$ 49,410,404		$ 5,467,728	
Rate	65.2%		60.1%		54.6%		67.1%	

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2016

	Ai New York 025256-00 Amount Disbursed	Ai New York 025256-00 Adjusted Amount	Ai Pittsburgh 007470-00 Amount Disbursed	Ai Pittsburgh 007470-00 Adjusted Amount
Adjusted Student Title IV Revenue				
Subsidized Stafford	$ 1,606,307	$ 1,606,307	$ 25,394,866	$ 25,394,866
Unsubsidized Stafford	$ 1,670,164	$ 1,670,164	$ 35,193,663	$ 35,193,663
Federal Pell Grant	$ 1,528,388	$ 1,528,388	$ 22,185,288	$ 22,185,288
FSEOG	$ 163,554	$ 163,554	$ 1,306,446	$ 1,306,446
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -
PLUS Loan	$ 1,377,432	$ 1,377,432	$ 5,483,397	$ 5,483,397
Grad PLUS Loan	$ -	$ -	$ -	$ -
Perkins Loan	$ -	$ -	$ 52,455	$ 52,455
Student Title IV Revenue		**$ 6,345,845**		**$ 89,616,115**
Revenue Adjustment		$ (45,901)		$ (2,298,172)
Adjusted Student Title IV Revenue		**$ 6,299,944**		**$ 87,317,943**
Student Non-Title IV Revenue				
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 616,690		$ 1,777,257	
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	$ -		$ 53,261	
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	$ 1,795		$ 143,339	
Institutional scholarships disbursed to the student	$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -	
Student Payments	$ 1,767,216		$ 21,504,285	
Tuition assistance funds for employees of related institutions	$ 9,124		$ 225,132	
Student Non-Title IV Revenue	**$ 2,394,825**		**$ 23,703,274**	
Revenue From Other Sources (Totals for the Fiscal Year)				
Activities conducted by the institution that are necessary for education and training	$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**	

	Ai Portland 007819-00 Amount Disbursed	Ai Portland 007819-00 Adjusted Amount	Ai Philadelphia 008350-00 Amount Disbursed	Ai Philadelphia 008350-00 Adjusted Amount
Adjusted Student Title IV Revenue				
Subsidized Stafford	$ 3,055,318	$ 3,055,318	$ 5,339,174	$ 5,339,174
Unsubsidized Stafford	$ 3,504,950	$ 3,504,950	$ 5,836,718	$ 5,836,718
Federal Pell Grant	$ 2,405,809	$ 2,405,809	$ 4,631,228	$ 4,631,228
FSEOG	$ 127,064	$ 127,064	$ 211,352	$ 211,352
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -
PLUS Loan	$ 1,681,169	$ 1,681,169	$ 5,024,565	$ 5,024,565
Grad PLUS Loan	$ -	$ -	$ -	$ -
Perkins Loan	$ -	$ -	$ 38,496	$ 38,496
Student Title IV Revenue		**$ 10,774,310**		**$ 21,081,533**
Revenue Adjustment		$ (171,718)		$ (884,860)
Adjusted Student Title IV Revenue		**$ 10,602,592**		**$ 20,196,673**
Student Non-Title IV Revenue				
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 2,885		$ 834,271	
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	$ 83,543		$ -	
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	$ 55,588		$ 31,856	
Institutional scholarships disbursed to the student	$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -	
Student Payments	$ 4,629,361		$ 5,590,562	
Tuition assistance funds for employees of related institutions	$ 8,658		$ -	
Student Non-Title IV Revenue	**$ 4,780,035**		**$ 6,456,689**	
Revenue From Other Sources (Totals for the Fiscal Year)				
Activities conducted by the institution that are necessary for education and training	$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**	

	Ai New York	Ai Pittsburgh	Ai Portland	Ai Philadelphia
Numerator	$ 6,299,944	$ 87,317,943	$ 10,602,592	$ 20,196,673
Denominator	$ 8,694,769	$ 111,021,217	$ 15,382,627	$ 26,653,362
Rate	72.5%	78.6%	68.9%	75.8%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2016

	Ai Seattle 022913-00		Ai York 025578-00		Ai Chicago 012584-00		Ai Phoenix 040513-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 2,812,048	$ 2,812,048	$ 977,336	$ 977,336	$ 11,781,341	$ 11,781,341	$ 53,558,844	$ 53,558,844
Unsubsidized Stafford	$ 3,518,434	$ 3,518,434	$ 740,291	$ 740,291	$ 13,107,635	$ 13,107,635	$ 65,851,519	$ 65,851,519
Federal Pell Grant	$ 2,259,116	$ 2,259,116	$ 482,056	$ 482,056	$ 9,330,245	$ 9,330,245	$ 55,287,976	$ 55,287,976
FSEOG	$ 157,656	$ 157,656	$ 39,550	$ 39,550	$ 538,442	$ 538,442	$ 2,571,014	$ 2,571,014
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 1,756,273	$ 1,756,273	$ 910,461	$ 910,461	$ 7,953,012	$ 7,953,012	$ 10,130,974	$ 10,130,974
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ 56,770	$ 56,770	$ -	$ -	$ -	$ -	$ 18,222	$ 18,222
Student Title IV Revenue		**$ 10,560,297**		**$ 3,149,694**		**$ 42,710,675**		**$ 187,418,549**
Revenue Adjustment		$ (180,987)		$ (2,676)		$ (338,109)		$ (10,637,031)
Adjusted Student Title IV Revenue		**$ 10,379,310**		**$ 3,147,018**		**$ 42,372,566**		**$ 176,781,518**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 461,463		$ 402,085		$ 1,840,255		$ 3,142,292	
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	$ 79,622		$ -		$ 1,005		$ 1,674,020	
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	$ 89,130		$ 12,380		$ 282,347		$ 295,158	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 10,965,978		$ 813,942		$ 10,758,427		$ 55,381,203	
Tuition assistance funds for employees of related institutions	$ 24,250		$ -		$ 17,833		$ 195,039	
Student Non-Title IV Revenue	**$ 11,620,443**		**$ 1,228,407**		**$ 12,899,867**		**$ 60,687,712**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai Seattle 022913-00	Ai York 025578-00	Ai Chicago 012584-00	Ai Phoenix 040513-00
Numerator	$ 10,379,310	$ 3,147,018	$ 42,372,566	$ 176,781,518
Denominator	$ 21,999,753	$ 4,375,425	$ 55,272,433	$ 237,469,231
Rate	47.2%	71.9%	76.7%	74.4%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2016

	BMC Salina 006755-00		South 013039-00		Argosy 021799-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue						
Subsidized Stafford	$ 5,647,648	$ 5,647,648	$ 50,729,697	$ 50,729,697	$ 64,172,296	$ 64,172,296
Unsubsidized Stafford	$ 6,643,440	$ 6,643,440	$ 188,953,420	$ 188,953,420	$ 208,411,507	$ 208,411,507
Federal Pell Grant	$ 6,029,786	$ 6,029,786	$ 47,552,973	$ 47,552,973	$ 64,817,280	$ 64,817,280
FSEOG	$ 171,039	$ 171,039	$ 2,570,910	$ 2,570,910	$ 2,588,661	$ 2,588,661
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 537,592	$ 537,592	$ 10,765,740	$ 10,765,740	$ 18,866,886	$ 18,866,886
Grad PLUS Loan	$ -	$ -	$ 17,247,325	$ 17,247,325	$ 34,008,086	$ 34,008,086
Perkins Loan	$ -	$ -	$ 43,630	$ 43,630	$ 245,185	$ 245,185
Student Title IV Revenue		**$ 19,029,505**		**$ 317,863,695**		**$ 393,109,901**
Revenue Adjustment		$ (845,813)		$ (41,203,448)		$ (77,075,255)
Adjusted Student Title IV Revenue		**$ 18,183,692**		**$ 276,660,247**		**$ 316,034,646**
Student Non-Title IV Revenue						
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 147,073		$ 3,187,475		$ 1,045,037	
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	$ 47,661		$ 88,827		$ 552,654	
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	$ 46,262		$ 438,485		$ 329,961	
Institutional scholarships disbursed to the student	$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -	
Student Payments	$ 2,820,388		$ 66,988,498		$ 82,663,808	
Tuition assistance funds for employees of related institutions	$ 8,214		$ 2,364,479		$ 3,407,269	
Student Non-Title IV Revenue	**$ 3,069,598**		**$ 73,067,764**		**$ 87,998,729**	
Revenue From Other Sources (Totals for the Fiscal Year)	**$ -**					
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -	
Funds Paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**	

	BMC Salina 006755-00	South 013039-00	Argosy 021799-00
Numerator	$ 18,183,693	$ 276,660,247	$ 316,034,646
Denominator	$ 21,253,290	$ 349,728,011	$ 404,033,375
Rate	85.6%	79.1%	78.2%

Ernst & Young LLP
2100 One PPG Place
Pittsburgh, PA 15222

Tel: +1 412 644 7800
Fax: +1 412 644 0477
ey.com

Report of Independent Auditors 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*

The Board of Directors
Education Management Corporation and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Education Management Corporation and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, shareholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Education Management Corporation and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Education Management Corporation and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Education Management Corporation 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 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses that we consider to be a material weakness (2017-001).

Building a better working world

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Education Management Corporation and Subsidiaries' financial statements are free of 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 determination of financial statement amounts. Such tests included compliance tests as set forth in the *Guide For Audits of Proprietary Schools and For Compliance Attestation Engagements of 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*.

Education Management Corporation and Subsidiaries' Response to Findings

Education Management Corporation and Subsidiaries' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Education Management Corporation and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on 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.

Ernst + Young LLP

December 21, 2017

Education Management Corporation and Subsidiaries

Schedule of Findings and Responses

Year Ended June 30, 2017

2017-001

Criteria:	Education Management Corporation and Subsidiaries' (the "Company") financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).
Condition:	The Company has not maintained effective controls over the financial statement close process to review non-routine accounting entries, specifically related to the Asset Purchase Agreement sale (Transaction).
Cause:	The Company's lack of adequate internal controls over non-routine accounting entries associated with the Transaction resulted in various adjustments to the June 30, 2017 consolidated financial statements.
Effect:	The lack of adequately designed controls over non-routine processes, specifically the Transaction could result in errors within the Company's financial statements that could be material.
Recommendation:	We recommend that the Company implement controls over the financial statement close process to give specific consideration of non-recurring events such as the Transaction.

2017-001

Views of responsible officials planned corrective actions:	Management acknowledges there are a limited number of persons in its accounting and reporting departments dealing with a number of strategic initiatives in addition to their routine processes. Therefore, in preparation for the Transaction, management evaluated utilizing additional resources to supplement our existing technical accounting resources in their review of Transaction-related accounting entries. Given the Company's limited financial resources, management determined that the potential benefit of utilizing additional resources to prevent or detect misstatements did not justify the expenses associated with such benefit. In making its determination, management considered the needs of financial statement users and noted the accounts most susceptible to Transaction-related errors (e.g., property and equipment/long-lived asset impairments; restructuring liabilities/expenses; and accumulated other comprehensive income/cumulative foreign currency translation gains and losses) are not ones on which users focus their attention when evaluating the Company's financial position or performance. Management further noted the benchmarks which users do focus their attention on (e.g., net revenues and EBITDA excluding certain expenses) were not at risk of material misstatement due to Transaction-related accounting entries. Management continues to believe the Company's existing accounting and reporting resources possess the requisite integrity, expertise, competence and capabilities to prepare and fairly present the financial statements in conformity with U.S GAAP and in accordance with the needs of financial statement users. Management further believes the possibility of the identified deficiency leading to future material misstatements is remote, but will periodically review this matter and may make modifications, including adding additional resources, it determines appropriate.

Education Management Corporation and Subsidiaries

Schedule of Prior Year Findings and Responses

Year Ended June 30, 2016

2016-001

Criteria:	Education Management Corporation and Subsidiaries' (the "Company") financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).
Condition:	During fiscal year 2016, the Company did not maintain effective controls to ensure the proper selection of its revenue recognition policy. Specifically, the process for analyzing the collectability criterion for revenue recognition was not designed to assess collectability, on a student-by-student basis, prior to enrollment in the Company's schools. **This material weakness was remediated by June 30, 2016.**
Cause:	The Company's lack of adequate internal controls over the selection of the revenue recognition policy did not appropriately address the assertion of collectability being reasonably assured on a student-by-student basis prior to enrollment.
Effect:	The lack of adequately designed controls over the proper selection of its revenue recognition policy could result in errors within the Company's financial statements that could be material.
Recommendation:	We recommended that the Company implement controls over the selection of the revenue recognition policy to appropriately assess collectability, on a student-by-student basis, prior to enrollment in the Company's schools.
Views of responsible officials planned corrective actions:	In fiscal 2016, the Company remediated a historical material weakness on internal controls surrounding the revenue recognition policy by developing a suite of controls that operate together to mitigate the collectability risk associated with day one revenue recognition. **The controls were implemented and fully operational at June 30, 2016, remediating the material weakness.**