



Consolidated Financial Statements (unaudited)
Period ended December 31, 2017

Education Corporation of America
Consolidated Comparative Balance Sheets (unaudited)

(\$ in thousands)

	As of	
	12/31/2017	12/31/2016
Current assets:		
Cash and cash equivalents	\$ 36,940	\$ 31,809
Restricted cash	11,582	13,575
Accounts receivable, net	65,230	49,624
Other amounts receivable	5,106	5,360
Inventories	1,443	3,452
Income taxes receivable	165	292
Prepaid expenses and other	13,117	16,185
Deferred income taxes	0	0
Total current assets	133,583	120,295
Property and equipment:		
Furniture and equipment	83,474	80,175
Buildings and land	952	2,681
Leasehold improvements	77,254	73,843
Leasehold Improvements - TIA	11,527	8,786
Capitalized leases	10,329	8,118
Curriculum	2,501	-
Construction in process	435	4,450
Total Property and Equipment	186,472	178,052
Less: Accumulated depreciation and amortization	(138,768)	(122,391)
Property and equipment, net	47,704	55,662
Other assets:		
Goodwill	18,836	21,975
Curriculum intangible asset, net	198	2,302
Other intangible assets, net	14,389	16,070
Deferred loan costs, net	208	100
Investment in subsidiaries	-	-
Investment in third party	-	-
Deposits and other	1,581	1,982
Prepaid expenses	1,101	1,067
Due from related party	-	-
Deferred income taxes	-	-
Intercompany deferred taxes	-	-
Total other assets	36,313	43,496
Total assets	\$ 217,600	\$ 219,453
Current liabilities:		
Outstanding checks	\$ 3,614	\$ 7,098
Accounts payable	19,914	18,425
Accrued payroll	3,265	3,140
Accrued expenses	16,459	19,489
Due to seller	-	-
Deferred income taxes	-	-
Income taxes payable	706	59
Current portion of notes payable	3,000	20,000
Current portion of other liabilities	1,275	835
Current portion of deferred rent	1,327	802
Unearned tuition	38,115	23,816
Total current liabilities	87,676	93,663
Pension liability	537	609
Deferred income taxes	-	-
Notes payable, net of current portion	34,930	19,705
Other liabilities, net of current portion	8,831	8,036
Deferred rent, net of current portion	11,224	6,745
Total liabilities	143,198	128,758
Stockholders' equity:		
Members equity	-	-
Preferred stock	6	6
Common stock	1	1
Treasury stock	(406)	(406)
Notes receivable from sale of stock	-	-
Additional paid-in capital	255,725	259,362
Retained earnings (accumulated deficit)	(168,132)	(151,143)
Accumulated other comprehensive income (loss)	(131)	(137)
Net income (loss)	(12,661)	(16,989)
Total stockholders' equity	74,402	90,694
Total liabilities and stockholders' equity	\$ 217,600	\$ 219,453

Education Corporation of America
Consolidated Comparative Statements of Income (unaudited)

(\$ in thousands)

	For the year ending	
	12/31/2017	12/31/2016
Campus revenue	\$ 428,896	\$ 476,326
Education services (campus academic costs)	125,003	142,068
Campus contribution margin	303,893	334,258
Campus overhead		
Administration	45,000	48,720
Facilities (excluding depreciation)	63,179	66,170
Marketing and advertising	54,966	64,521
Admissions	49,096	47,604
Student Services	15,070	18,732
Bad debt	13,478	15,039
Gain/(Loss) on sale of assets	(295)	
Total campus overhead	240,494	260,786
Campus EBITDA	63,399	73,472
Non-campus operations		
Retail operations	(1,157)	(780)
KPE operations	494	3,890
Corporate overhead	(48,772)	(60,999)
Discontinued operations	(1,223)	(1,447)
Add: Loss on sale of non-campus assets	317	
Total non-campus operations	(50,340)	(59,337)
Total company EBITDA	\$ 13,058	\$ 14,136
Depreciation and amortization	22,296	24,323
Net interest expense	2,531	5,265
Income before provision for income taxes	(11,769)	(15,452)
Provision for income taxes	280	(196)
Net income (loss)	\$ (12,049)	\$ (15,257)
Other comprehensive loss:		
Prior period balance sheet adjustment		(1,732)
Other comprehensive loss		(1,732)
Comprehensive income (loss)	\$ (12,049)	\$ (16,989)
Note: Proforma Adjusted EBITDA (see reconciliation)	\$ 18,575	\$ 29,065

Education Corporation of America
Consolidated Comparative Statements of Cash Flow (unaudited)

(\$ in thousands)

	For the year ending	
	12/31/2017	12/31/2016
Operating activities		
Net income (loss)	\$ (12,049)	(16,989)
Adjustments to reconcile net income (loss) to net cash:		
Depreciation and amortization	22,296	24,323
Non-cash stock compensation expense	17	268
Non-cash capitalization of interest expense	72	(105)
(Gain) loss on disposal of fixed assets	(612)	-
Amortization of deferred loan costs	317	408
Allowance for doubtful accounts	1,191	1,265
Deferred income taxes	-	(0)
Changes in assets & liabilities:		
Student accounts receivable	(16,797)	10,984
Other amounts receivable	306	(4,644)
Inventories	2,008	(1,645)
Prepaid expenses & other assets	(619)	(3,125)
Income taxes receivable	127	(249)
Intangibles	-	(2,604)
Deposits and other assets	381	144
Outstanding checks	(3,484)	(10,166)
Accounts payable & accrued expenses	(1,415)	9,505
Income taxes payable	648	(324)
Pension plan liability & other comprehensive income (loss)	(72)	(270)
Deferred rent	2,096	1,297
Unearned tuition	14,264	(16,476)
Net cash provided by operating activities	8,675	(8,403)
Investing activities		
Purchases of property and equipment	(4,004)	(10,936)
Purchases for capital curriculum development	(441)	-
Purchases for capital leases	-	-
Decrease (increase) in restricted cash	-	-
Proceeds from sale of property and equipment	2,084	-
Proceeds from sale of cost method investment	-	5,772
Net cash used by investing activities	(2,361)	(5,164)
Financing activities		
Borrowings (repayment) under revolving credit facility	15,000	-
Increase (repayment), Short term debt	-	-
Increase (repayment), Long term debt	(17,000)	(8,000)
Increase (repayment) on other liabilities	(976)	(753)
Proceeds from issuance of preferred stock	-	-
Issuance prepaid dividend	-	-
Deferred loan costs	(200)	(50)
Contributions	-	11,790
Stock issuance costs	-	-
Purchase of treasury stock	-	-
Net cash used by financing activities	(3,176)	2,986
Increase (decrease) in cash and cash equivalents	3,139	(10,581)
Cash and cash equivalents, beginning of period	45,383	55,965
Cash and cash equivalents, end of period	48,522	45,383