New England College of Business and Finance, LLC
(A Wholly Owned Subsidiary of Education Corporation of America)

Financial Report
December 31, 2017

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Managers
New England College of Business and Finance, LLC

Report on the Financial Statements
We have audited the accompanying financial statements of New England College of Business and Finance, LLC (Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of comprehensive loss, member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 financial position of New England College of Business and Finance, LLC as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7, the Company was charged a management fee of $450,600 and $1,067,978 for the years ended December 31, 2017 and 2016, respectively, by the Company's parent. The decrease in the management fee for the year ended December 31, 2017, impacts the comparability of net loss between 2016 and 2017.

RSM US LLP

Birmingham, Alabama
June 29, 2018

New England College of Business and Finance, LLC
(A Wholly Owned Subsidiary of Education Corporation of America)

Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,477,226**	$ 3,072,407
Accounts receivable, net allowance for doubtful accounts of $279,400 and $259,109, respectively	**1,013,866**	612,423
Other receivables	**1,572**	72
Prepaid expenses	**85,028**	148,857
Total current assets	**4,577,692**	3,833,759
Property and equipment, net	**178,526**	50,240
Goodwill, net	**716,436**	835,842
Intangibles, net	**14,389,121**	15,522,594
Total assets	**$ 19,861,775**	$ 20,242,435
Liabilities and Member's Equity		
Current liabilities:		
Outstanding checks	**$ 109,690**	$ 76,103
Accrued expenses	**156,332**	200,700
Accrued payroll	**126,909**	51,721
Current maturities of capital leases	**3,669**	-
Deferred rent	**17,383**	23,605
Unearned tuition	**200,389**	283,417
Total current liabilities	**614,372**	635,546
Pension liability	**537,279**	609,012
Capital leases, net of current maturities	**6,568**	-
Due to related party	**2,211,506**	1,698,666
Deferred rent	**125,138**	-
Total liabilities	**3,494,863**	2,943,224
Commitments and contingencies (Note 6)		
Member's equity:		
Common equity	**16,497,624**	17,435,760
Accumulated other comprehensive loss	**(130,712)**	(136,549)
Total member's equity	**16,366,912**	17,299,211
Total liabilities and member's equity	**$ 19,861,775**	$ 20,242,435

See notes to financial statements.

New England College of Business and Finance, LLC
(A Wholly Owned Subsidiary of Education Corporation of America)

Statements of Comprehensive Loss
Years Ended December 31, 2017 and 2016

	2017	2016
Revenues:		
Tuition	**$ 8,778,294**	$ 9,022,149
Total revenues	**8,778,294**	9,022,149
Operating expenses:		
Education services	**3,184,244**	2,884,871
Marketing and advertising	**531,728**	715,195
General and administrative	**3,640,812**	4,104,745
Management fees	**450,600**	1,067,978
Facilities	**619,472**	556,486
Depreciation and amortization	**1,289,574**	1,281,803
Total operating expenses	**9,716,430**	10,611,078
Net loss	**(938,136)**	(1,588,929)
Other comprehensive loss:		
Unrecognized actuarial gain	**5,837**	33,141
Comprehensive loss	**$ (932,299)**	$ (1,555,788)

See notes to financial statements.

New England College of Business and Finance, LLC
(A Wholly Owned Subsidiary of Education Corporation of America)

Statements of Member's Equity
Years Ended December 31, 2017 and 2016

	Common Equity	Accumulated Other Comprehensive Income (Loss)	Total Member's Equity
Balance, December 31, 2015	$ 19,024,689	$ (169,690)	$ 18,854,999
Other comprehensive (loss) income	(1,588,929)	33,141	(1,555,788)
Balance, December 31, 2016	17,435,760	(136,549)	17,299,211
Other comprehensive (loss) income	(938,136)	5,837	(932,299)
Balance, December 31, 2017	**$ 16,497,624**	**$ (130,712)**	**$ 16,366,912**

See notes to financial statements.

New England College of Business and Finance, LLC
(A Wholly Owned Subsidiary of Education Corporation of America)

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net loss	**$ (938,136)**	$ (1,588,929)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**1,289,574**	1,281,803
Management fees	**450,600**	1,067,978
Bad debt expense	**94,921**	296,691
Changes in assets and liabilities:		
Accounts receivable	**(496,364)**	(270,555)
Other amounts receivable	**(1,500)**	374
Prepaid expenses	**63,829**	(98,925)
Outstanding checks	**33,587**	52,181
Accrued expenses	**(44,368)**	32,028
Accrued payroll	**75,188**	(13,351)
Pension liability	**(65,896)**	(236,848)
Deferred rent	**118,916**	18,481
Unearned tuition	**(83,028)**	(98,678)
Net cash provided by operating activities	**497,323**	442,250
Cash flows from investing activities:		
Purchases of property and equipment	**(153,837)**	(20,239)
Net cash used in investing activities	**(153,837)**	(20,239)
Cash flows from financing activities:		
Amounts received from (paid to) related parties	**62,240**	(449,090)
Principal repayments on capital leases	**(907)**	-
Net cash provided by (used in) financing activities	**61,333**	(449,090)
Increase (decrease) in cash and cash equivalents	**404,819**	(27,079)
Cash and cash equivalents, beginning of year	**3,072,407**	3,099,486
Cash and cash equivalents, end of year	**$ 3,477,226**	$ 3,072,407
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired through capital lease obligations	**$ 11,144**	$ -

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Organization and basis of presentation: New England College of Business and Finance, LLC (NECB, or the Company) is a for-profit educational company that operates New England College of Business and Finance, an institution of higher education accredited by the New England Association of Schools and Colleges (NEASC). Education Corporation of America (the Corporation or ECA) is a Delaware corporation incorporated on March 11, 1999. On June 12, 2012, ECA acquired all of the outstanding membership interests (represented by a certificate for common units) of NECB. NECB is a wholly owned subsidiary of ECA, and is a Massachusetts limited liability company organized on July 13, 2005. NECB provides associate, baccalaureate and graduate degree programs as well as professional development courses to students within the business community. NECB programs are delivered fully online, allowing it to expand its enrollment to include students outside of the New England financial services community.

Basis of accounting: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Management's use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements.

Cash and cash equivalents: The Company considers all highly liquid debt instruments with an initial maturity date of three months or less to be cash equivalents. At December 31, 2017 and 2016, there were no cash equivalents.

Accounts receivable: Accounts receivable consist primarily of amounts due to the Company from its students, and are recorded at cost less an allowance for amounts that are expected to become uncollectible in the future. The Company uses estimates that are subjective and require judgment in determining the allowance for doubtful accounts, which are principally based on historical collection experience, historical write-offs of receivables and current trends. Student accounts receivable are placed with an external collection agency once the student has stopped attending school in lieu of internal collection efforts. If initial collection efforts are unsuccessful, the accounts are written off and placed with an external collection agency once the account is deemed to be uncollectible. The Company does not charge interest on past due balances, but seeks the assistance of external collection agencies to recover a portion of accounts previously written off. Recoveries of receivables previously written off are recognized as a reduction of bad debt expense when received.

Revenue recognition: Revenues are derived primarily from tuition on courses taught. Tuition revenue is recognized on a straight-line basis over the term of instruction. Revenue is also derived from nonrefundable student application fees, which are recognized as revenue over the enrollment of the first term. Unearned tuition results when cash collected on a student's account exceeds tuition revenue recognized at the balance sheet date. Refunds to students who withdraw are calculated in accordance with federal, state, and accrediting agency standards.

Property and equipment: Property and equipment are stated at cost. Depreciation is recognized utilizing the straight-line method over the useful lives of the related assets. Leasehold improvements are amortized over the life of the lease or the useful life of the leasehold improvement, whichever is shorter. Expenditures for maintenance, repairs and minor renewals and betterments are expensed as incurred.

Note 1. Summary of Significant Accounting Policies (Continued)

The estimated useful lives of property and equipment at December 31, 2017, are as follows:

Asset Description	Life
Furniture, equipment and software	3-7 years
Leasehold improvements and capital leases	Lesser of useful life of asset or remaining lease term

Long-lived assets used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, the Company performs an analysis, comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value.

Intangible assets: Intangible assets are composed of partner agreements, a trade name and accreditation that were recorded based on their fair value at the date of acquisition and are being amortized over their estimated useful lives of 25 years, 10 years and 19 years, respectively. NECB does not have any indefinite lived intangible assets.

Identifiable intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the assets are less than the carrying amounts of the related assets. Impairment losses are measured as the amount by which the carrying amounts of the assets exceed their fair values.

Goodwill: On January 1, 2014, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which allows the Company to amortize goodwill on a straight-line basis over a period of ten years, or less than ten years if management determines that another useful life is more appropriate. Furthermore, pursuant to ASU 2014-02, the Company tests its goodwill for impairment at the entity level but only upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount. There were no events or conditions identified during the year ended December 31, 2016, that caused the Company to conclude that goodwill should be tested for impairment. The Company's goodwill represents the excess of the purchase price over the fair market value of the net assets acquired in connection with ECA's acquisition of NECB in 2012 and is being amortized over 10 years.

Educational instruction and advertising costs: Educational instruction costs are expensed as incurred. The Company expenses production, collateral, media and other related costs of advertising as incurred, except for direct-response advertising, which is capitalized and currently amortized over a period which reflects the realization of future economic benefits.

Direct-response advertising consists solely of the costs associated with internet lead purchases and associated telemarketing costs. The costs are amortized over a period following the purchase of the leads to correspond with the revenue earned on those leads in subsequent terms. In accordance with ASC No. 340, it is possible that the benefit period associated with future direct-response advertising costs will differ from the currently determined benefit period.

Note 1. Summary of Significant Accounting Policies (Continued)

Income taxes: The Company is not subject to income tax. As a wholly owned limited liability company, the income and expenses of the Company are included in the consolidated income tax return of its single owner, ECA. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

Pension liability: The Company sponsors a defined benefit pension plan covering some NECB employees. The Company's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act (ERISA) plus such additional amounts as the Company may determine to be appropriate from time to time. Contributions are intended to provide for benefits attributed to service to date. The Company records the under-funded status of the pension plan as a liability, and recognizes changes in the funded status in the year in which those changes occur. As described in Note 5, effective September 26, 2005, the benefits of the plan were frozen and participants no longer accrue benefits.

Comprehensive loss: Other comprehensive loss refers to revenues, expenses, gains and losses that are not included in net loss but rather are recorded directly in member's equity. Other comprehensive income (loss) consists of net loss and unrealized actuarial losses on the pension liability.

Subsequent events: The Company has evaluated subsequent events through June 29, 2018, which is the date the accompanying financial statements were available to be issued.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, the entity should apply certain steps outlined in the amendment. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Company is currently evaluating the effect of the adoption of ASU 2014-09 on its financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement, and presentation of expenses will depend upon classification as a finance or operating lease. ASU 2016-02 also requires certain quantitative and qualitative disclosures. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Company is currently evaluating the impact of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

Note 1. Summary of Significant Accounting Policies (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. This amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires employers that offer or maintain defined benefit plans to disaggregate the service component from the other components of net benefit cost and provides guidance on presentation of the service component and the other components of net benefit cost in the statement of comprehensive income. ASU 2017-07 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2017-07 will have on its financial statements.

Note 2. Property and Equipment

Property and equipment at December 31, 2017 and 2016, consists of the following:

	2017	2016
Furniture and equipment	$ 169,927	$ 163,994
Software	14,399	10,875
Leasehold improvements	167,728	46,045
Capital leases	11,144	-
Construction in process	26,285	3,588
	389,483	224,502
Less accumulated depreciation and amortization	(210,957)	(174,262)
	$ 178,526	$ 50,240

Depreciation expense associated with property and equipment was $36,695 and $28,924 for the years ended December 31, 2017 and 2016, respectively. Included in depreciation expense was amortization of assets under capital leases for the year ended December 31, 2017. Amortization expense and accumulated amortization for assets under capital leases was immaterial as of and for the year ended December 31, 2017.

Note 3. Goodwill and Intangibles

Goodwill and intangibles are as follows at December 31:

	2017			
	Weighted-Average Remaining Life (Years)	Cost	Accumulated Amortization	Net
Goodwill, net	6.0	$ 1,194,060	$ (477,624)	$ 716,436
Partner agreements	20.0	$ 9,947,501	$ (2,188,450)	$ 7,759,051
Accreditation	15.0	4,679,552	(985,169)	3,694,383
Trade name	6.0	4,892,811	(1,957,124)	2,935,687
Total intangible assets, net		$ 19,519,864	$ (5,130,743)	$ 14,389,121

	2016			
	Weighted-Average Remaining Life (Years)	Cost	Accumulated Amortization	Net
Goodwill, net	7.0	$ 1,194,060	$ (358,218)	$ 835,842
Partner agreements	21.0	$ 9,947,501	$ (1,790,550)	$ 8,156,951
Accreditation	16.0	4,679,552	(738,877)	3,940,675
Trade name	7.0	4,892,811	(1,467,843)	3,424,968
Total intangible assets, net		$ 19,519,864	$ (3,997,270)	$ 15,522,594

There are no accumulated impairment losses for goodwill at December 31, 2016.

Amortization expense for goodwill was $119,406 for each of the years ended December 31, 2017 and 2016. Amortization expense for intangible assets was $1,133,473 for each of the years ended December 31, 2017 and 2016.

Note 3. Goodwill and Intangibles (Continued)

The estimated future annual amortization for goodwill and intangible assets for the next five years is as follows for the years ending December 31:

	Goodwill	Intangible Assets
Years ending December 31:		
2018	$ 119,406	$ 1,133,473
2019	119,406	1,133,473
2020	119,406	1,133,473
2021	119,406	1,133,473
2022	119,406	1,133,473

Note 4. Profit Sharing Plan and Trust

The Company participates in a 401(k) plan of ECA, which provides for participation by all full-time employees after the first of the month following 30 days of full-time employment. Participants of the plan may elect to defer not less than 1% and not more than 85%, up to the current IRS maximum, of compensation each year. The Company provides a match of 50% on participants' voluntary contributions up to 6% of pay. For the years ended December 31, 2017 and 2016, the Company made matching contributions of approximately $90,000 and $84,000, respectively.

Note 5. Pension Liability

In connection with the acquisition of the Company by ECA in 2012, any previously unrecognized net gain or loss, unrecognized prior service cost or unrecognized transaction obligations or assets were eliminated, leaving the liability for the projected benefit obligation in excess of the plan assets as accrued pension cost.

Effective September 26, 2005, the benefits of the plan were frozen and participants no longer accrued benefits. However, the plan will remain in existence as long as required to pay previously accrued benefits. As such, the Company expects to contribute approximately $24,000 during the next year.

The plan assets are maintained by John Hancock Retirement Plan Services. As of December 31, 2017, the plan's funds were 100% invested in pooled separate accounts.

Note 5. Pension Liability (Continued)

A summary of the fair value of plan assets, benefit obligations, and funded status as of December 31, 2017 and 2016, is as follows:

	2017	2016
Fair value of plan assets	$ 1,777,691	$ 1,605,340
Benefit obligations	2,314,970	2,214,352
Funded status at end of year	$ (537,279)	$ (609,012)
Reconciliation of benefit obligations:		
Benefit obligation at January 1	$ 2,214,352	$ 2,247,600
Service cost	-	-
Interest cost	82,841	89,883
Actuarial loss (gain)	127,956	(13,494)
Benefits paid	(110,179)	(109,637)
Benefit obligation at December 31	$ 2,314,970	$ 2,214,352
Reconciliation of fair value of plan assets:		
Fair value of plan assets at January 1	$ 1,605,340	$ 1,368,599
Actual return on plan assets	227,991	105,665
Employer contributions	54,539	240,713
Participant contributions	-	-
Benefits paid	(110,179)	(109,637)
Fair value of plan assets at December 31	$ 1,777,691	$ 1,605,340

Amounts recognized in the balance sheets at December 31, 2017 and 2016, consist of the following:

	2017	2016
Noncurrent liabilities	$ (537,279)	$ (609,012)

The accumulated benefit obligation for the defined benefit pension plan was $2,314,970 and $2,214,352 at December 31, 2017 and 2016, respectively. Accumulated benefit obligations in excess of assets at December 31, 2017 and 2016, were the following:

	2017	2016
Projected benefit obligations	$ 2,314,970	$ 2,214,352
Accumulated benefit obligations	2,314,970	2,214,352
Plan assets	1,777,691	1,605,340

Note 5. Pension Liability (Continued)

Net periodic benefit cost and other amounts recognized in the statements of comprehensive loss for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Net periodic benefit income (cost)	$ 11,357	$ (3,865)
Other changes in plan assets and benefit obligations recognized in other comprehensive loss:		
Net actuarial gain	5,837	33,141
Total net value added	$ 17,194	$ 29,276

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $0.

Weighted-average assumptions used to determine benefit obligations at December 31, 2017 and 2016, are as follows:

	2017	2016
Discount rate	3.40%	3.85%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Discount rate	3.85%	4.10%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	6.00%	6.00%

The long term rate of return for the plan assets was determined using input from third party actuaries, and is based on current and expected asset allocations, considering account historical and expected returns on various categories of assets in addition to current market conditions such as inflation, interest and equity performance.

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under U.S. GAAP are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Note 5. Pension Liability (Continued)

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used by the Company seek to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is the description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in valuation methodologies at December 31, 2017.

Pooled separate accounts: Valued at the net asset value (NAV) of shares held by the plan at year-end.

The table below presents the balances of the plan's assets measured at fair value hierarchy on a recurring basis at December 31.

	2017			
	Total	Level 1	Level 2	Level 3
Pooled separate accounts	$ 1,777,691	$ -	$ 1,777,691	$ -

	2016			
	Total	Level 1	Level 2	Level 3
Pooled separate accounts	$ 1,605,340	$ -	$ 1,605,340	$ -

The following benefit payments are expected to be paid:

Years ending December 31:	
2018	$ 132,043
2019	130,209
2020	128,201
2021	140,698
2022	138,902
2023-2027	671,841

Note 6. Commitments and Contingencies

Commitments: The Company leases its facilities under non-cancelable operating lease agreements that expire in 2024. These real estate lease agreements typically contain provisions for rent escalations.

Accounting for leased properties requires compliance with technical accounting rules and significant judgment by management. Application of these accounting rules and assumptions made by management will determine whether the Company is considered the owner for accounting purposes or whether the lease is accounted for as a capital or operating lease in accordance with ASC No. 840, Leases. If the Company is considered the owner for accounting purposes or the lease is considered a capital lease, the property is recorded as a capital lease asset and a corresponding amount is recorded as a capital lease obligation in an amount equal to the lesser of the present value of minimum lease payments to be made over the lease life or the fair value of the property being leased. The Company amortizes capital lease assets on a straight-line basis over the lesser of the lease term or the economic life of the property. The Company allocates each minimum lease payment between a reduction of the lease obligation and interest expense, yielding a fixed rate of interest throughout the lease obligation. As of December 31, 2017, the Company's capital leases represented certain equipment leases.

Aggregate cash payments for base rent are recognized as rent expense on a straight-line basis over the term (including any rent abatement periods) for each lease. Differences between periodic rent expense and periodic cash payments for rent are recorded as deferred rent liabilities in the financial statements.

Future minimum lease payments under the terms of the above described leases are as follows:

	Operating Leases	Capital Leases
Years ending December 31:		
2018	$ 587,254	$ 3,895
2019	600,626	3,895
2020	613,998	2,906
2021	627,370	-
2022	640,742	-
Thereafter	708,716	-
Total minimum lease payments	$ 3,778,706	10,696
Less amounts representing interest		(459)
Present value of future minimum lease payments		10,237
Less current maturities		(3,669)
Long-term obligations		$ 6,568

Facility rent expense was $578,239 and $493,718 for the years ended December 31, 2017 and 2016, respectively, and is reflected within facilities expense in the accompanying statements of comprehensive loss.

Contingencies: The Company has, from time to time, claims and pending legal proceedings that generally involve liability and employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Company. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Note 7. Related-Party Transactions

Joint and Several Liability: NECB is listed as co-borrower along with EC Alabama and Virginia College, LLC (Virginia College), a wholly owned subsidiary of EC Alabama, under a term loan (Term Loan) and revolving credit facility (Credit Facility) entered into on September 3, 2015, and is jointly and severally liable under each of these credit agreements. The amounts outstanding under the Term Loan and Credit Facility were as follows at December 31, 2017 and 2016, and have not been recorded as a liability on the Company's balance sheets, as NECB has not agreed to pay any amounts due and does not expect to pay any amounts on behalf of EC Alabama or Virginia College:

	2017	2016
Term note dated September 3, 2015 in the amount of $32,000,000. Principal and interest payments due quarterly, commencing on September 3, 2015 and maturing on December 31, 2018. The note bears interest at three-month LIBOR plus 11% (12.69% and 11.99% at December 31, 2017 and 2016, respectively) and has an effective interest rate of 14.51% and 12.59% at December 31, 2017 and 2016, respectively, due to unamortized discount of $295,053 and $665,527. The Corporation and its subsidiaries are jointly and severally liable under the term note.	$ 3,000,000	$ 20,000,000
Borrowings under the terms of a revolving credit facility. The note bears interest at variable rates as defined in the Credit Agreement, 5.37% and 4.20% at December 31, 2017 and 2016, respectively. The Corporation and its subsidiaries are jointly and severally liable under the revolving credit facility.	35,000,000	20,000,000
	$ 38,000,000	$ 40,000,000

At December 31, 2016, the Credit Facility had an availability of $20,000,000 and expired on April 30, 2018. During 2017, ECA amended the Credit Facility to increase the availability to $35,000,000 and extend the term to April 30, 2021. The Term Note has an outstanding balance of $3,000,000 at December 31, 2017, and requires quarterly principal payments of $2,000,000 plus accrued interest through its maturity date of December 31, 2018, when the remaining principal and accrued interest is due. The Term Note is held by an investor in ECA that holds all of ECA's outstanding Series G Preferred Stock. ECA executed an agreement with this investor during 2016 requiring ECA to make a $15,000,000 principal payment on the Term Note on or prior to February 1, 2017. ECA made this required principal payment on February 1, 2017, which ECA applied to two of the required quarterly principal payments during 2017.

The Credit Facility and the Term Note each contain customary restrictive covenants relating to financial measurement, additional indebtedness, payment of distributions and other circumstances. These covenants include varying levels over time with respect to minimum liquidity and profitability, maximum senior leverage, minimum fixed charge coverage and maximum capital expenditures. Both the Credit Facility and the Term Note are collateralized by substantially all of ECA's assets, including NECB.

The Credit Facility also includes a $50,000,000 standby letter of credit facility, which had $27,149,122 previously pledged for the letter of credit required by the Company's provisional certification discussed in Note 8. The amount pledged for the letter of credit was released during 2017 as ECA was informed by the U.S. Department of Education (ED) that it was no longer required to comply with the letter of credit requirement. See Note 8 for further discussion

Note 7. Related-Party Transactions (Continued)

Transactions: The Company advances and receives funds with ECA, EC Alabama and Virginia College, LLC, a wholly owned subsidiary of EC Alabama. Net amounts owed to related parties at December 31, 2017 and 2016, were $2,211,506 and $1,698,666, respectively.

For the years ended December 31, 2017 and 2016, NECB was charged $450,600 and $1,067,978, respectively, in management fees by ECA that are reflected within management fees in the accompanying statements of comprehensive loss. During 2017, NECB and ECA executed a shared services agreement whereby ECA will charge NECB $37,550 a month for certain ECA services utilized by NECB.

Included within general and administrative expenses are fees of approximately $28,885 and $26,930 for the years ended December 31, 2017 and 2016, respectively, charged to NECB by Education Technology Partners, LLC (EP), formerly Broadleaf Systems, LLC, for software applications for student enrollment and financial planning solutions, cohort default management solutions and a net price calculator. EP is an entity controlled by ECA's majority shareholder.

Note 8. Concentration of Credit Risk and Regulatory Considerations

As of December 31, 2017 and 2016, NECB had cash and cash equivalents with banks in excess of the federally insured amount. NECB has not experienced and does not anticipate any credit losses on cash accounts on deposit with financial institutions.

The Company participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuition. Substantial portions of the Company's revenue and collection of accounts receivable as of December 31, 2017, are dependent upon the Company's continued participation in the Title IV programs. The loss of participation in the Title IV programs could affect the Company's ability to continue existing programs or limit the Company's ability to expand programs and services. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Management is not aware of any material questioned costs and therefore no provision for any liabilities associated with questioned costs has been recorded in the accompanying financial statements.

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring, and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. This composite score is one summary indicator of an institution's financial performance and profile. The Company's financial responsibility is measured through ECA's consolidated score.

Note 8. Concentration of Credit Risk and Regulatory Considerations (Continued)

On September 11, 2015, ECA received notification from ED indicating that it did not meet the required quantitative measures of financial responsibility for the year ended December 31, 2014, and must take the necessary steps to continue its participation in Title IV programs. ECA had the option to comply with the financial responsibility standards by posting a letter of credit equivalent to 50% of the Title IV funding received by its students in fiscal year 2014 or the option to obtain provisional certification by posting a letter of credit equivalent to 10% of the Title IV funding received by its students in fiscal year 2014. ECA notified ED that it will maintain provisional certification and continue Title IV participation by posting an irrevocable letter of credit equal to $27,149,122, an amount which represents 10% of the Title IV funding received by ECA's students in fiscal year 2014. ECA notified ED that it will maintain provisional certification and continue Title IV participation by posting an irrevocable letter of credit equal to $27,149,122, an amount which represents 10% of the Title IV funding received by ECA's students in fiscal year 2014. This letter of credit was required to be posted within 75 days of ECA's receipt of the letter from ED and must provide coverage until January 31, 2017. ECA posted this letter of credit, which was accepted by ED, on November 13, 2015, using the $50,000,000 standby letter of credit facility discussed in Note 7. On December 15, 2016, ECA received notification from ED requesting an extension of the current letter of credit to reflect an expiration of March 31, 2017. ECA complied with this extension request, and it was accepted by ED on January 5, 2017. As part of provisional certification, ECA is subject to additional financial monitoring and cash monitoring of its disbursements of Title IV funds.

On April 13, 2017, ECA received notification from ED that it met the required composite score to be considered financially responsible and would no longer be required to comply with the letter of credit requirement previously imposed on ECA by ED's September 11, 2015, notification. ECA continues to be subject to additional cash monitoring of its disbursements of Title IV funds due to administrative capability regarding an open compliance audit review.

Under the Higher Education Act of 1965 (HEA), as amended, proprietary schools are generally eligible to participate in Title IV programs only in respect of educational programs that prepare students for "gainful employment in a recognized occupation." Historically, this concept has not been defined in detailed regulations. Final regulations adopted by ED, which generally became effective on July 1, 2011, address certain institutional and program eligibility issues, including gainful employment. Under these regulations, all institutions must use a template designed by ED to disclose to prospective students, with respect to each gainful employment program, occupations that the program prepares students to enter, total cost of the program, on-time graduation rate, job placement rate, if applicable, and the median loan debt of program completers for the most recently completed award year. The regulations included additional rules pertinent to gainful employment (GE) programs. A federal court struck down these additional rules and left the disclosure requirements in place.

Note 8. Concentration of Credit Risk and Regulatory Considerations (Continued)

ED published a final rule on October 30, 2014, that went into effect on July 1, 2015. The final rule applies to all GE programs, which include non-degree programs at public and private non-profit institutions, and all programs offered by proprietary institutions. The rule is based exclusively on the ratio of students' loan servicing obligations to both total income and discretionary income, as it establishes a debt-to-earnings (DTE) ratio that GE programs must satisfy over the course of annual measurement periods to remain eligible for Title IV federal student aid. A program is determined to "pass" in a given year if the calculation shows that the graduates who received loans have annual loan payments less than 8% of total earnings or less than 20% of discretionary earnings. A program is determined to "fail" in a given year if the calculation shows that graduates who received loans have annual loan payments greater than 12% of total earnings AND greater than 30% of discretionary earnings. A program is determined to be in the "zone" in a given year if the program does not "pass," and if the calculation shows that graduates who received loans have annual loan payments between 8% and 12% of total earnings or between 20% and 30% of discretionary earnings. Earnings are calculated by ED using Social Security Administration data. Earnings information is then aggregated and made available to institutions.

Pursuant to the final rule, and subject to the potential for adjustments based on a transition period, a program will become ineligible for Title IV funding if it fails both DTE measures twice in three consecutive years, or if the program is in the warning "zone" for four consecutive years. An institution will be required to provide warnings to students, including prospective students, when notified by ED that a program could become ineligible based on its final DTE measures for the next award year. The warning must state that the program has not passed standards established by the Department of Education, based on amounts students borrow for enrollment in the program and their reported earnings. The warning must also inform students that if the program does not pass the standards in the future, students who are then enrolled may not be able to use federal student grants or loans to pay for the program.

In addition to the DTE measures, the final rule includes new requirements related to gainful employment programs. For example, the final rule requires an institution's most senior executive officer to certify, as part of the program participation agreement, that each eligible gainful employment program offered by the institution satisfies certain requirements related to institutional and programmatic accreditation and professional licensure or certification exam requirements. Also, the final rule expands upon the existing gainful employment program disclosure requirements. A failure to comply with the final rule could result in the Company losing eligibility to participate in Title IV programs, which could, in turn, adversely affect the Company's enrollments and revenue and have a material effect on the Company's business.

The Company does not currently have any programs that have triggered assessment under GE.