RASMUSSEN COLLEGE, INC.,
A PUBLIC BENEFIT CORPORATION

AUDITED FINANCIAL STATEMENTS

YEAR ENDED
SEPTEMBER 30, 2017

OPE ID NUMBER: 00869400

McClintock & Associates, P.C.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Shareholder
Rasmussen College, Inc., a Public Benefit Corporation
Oak Brook, Illinois

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Rasmussen College, Inc., a Public Benefit Corporation which comprise the balance sheet as of September 30, 2017, and the related statements of income, changes in shareholder's equity, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

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OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rasmussen College, Inc., a Public Benefit Corporation as of September 30, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of Rasmussen College, Inc., a Public Benefit Corporation's 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 the 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 Rasmussen College, Inc., a Public Benefit Corporation's internal control over financial reporting and compliance.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
December 18, 2017

Rasmussen College, Inc., a Public Benefit Corporation

BALANCE SHEET ***(in thousands, except share data)***

ASSETS

		September 30, 2017
CURRENT ASSETS		
Cash and cash equivalents	$	27,449
Restricted cash		778
Accounts receivable, net of allowance for doubtful accounts of $2,907		2,981
Prepaid expenses and other current assets		3,635
TOTAL CURRENT ASSETS		34,843
FURNITURE, EQUIPMENT AND IMPROVEMENTS, net		16,610
OTHER ASSETS		
Deposits and other assets		145
Internally developed software, net of accumulated amortization of $2,420		687
TOTAL OTHER ASSETS		831
TOTAL ASSETS	$	52,284

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable	$	239
Accounts payable - parent company		91
Accrued expenses		3,424
Due to students under financial aid programs		778
Prepaid tuition and other deferred revenue		2,688
TOTAL CURRENT LIABILITIES		7,220
DEFERRED RENT		3,039
LEASE TERMINATION LIABILITY		446
SHAREHOLDER'S EQUITY		
Common stock (par value $.01 per share; 1,000 shares authorized, issued and outstanding)		0
Additional paid-in capital		1,131
Retained earnings		40,448
TOTAL SHAREHOLDER'S EQUITY		41,579
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$	52,284

See accompanying notes to financial statements.

STATEMENT OF INCOME *(in thousands)*

	Year Ended September 30, 2017
REVENUES	$ 203,268
OPERATING EXPENSES	
Instructional	93,428
General and administrative	46,339
Admissions	52,548
TOTAL OPERATING EXPENSES	192,316
NET INCOME	$ 10,952

See accompanying notes to financial statements.

Rasmussen College, Inc., a Public Benefit Corporation

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY *(in thousands)*

	Common Stock	Additional Paid-In Capital	Retained Earnings
BALANCE AT SEPTEMBER 30, 2016	$ 0	$ 1,131	$ 29,495
Net income	0	0	10,952
BALANCE AT SEPTEMBER 30, 2017	$ 0	$ 1,131	$ 40,448

See accompanying notes to financial statements.

Rasmussen College, Inc., a Public Benefit Corporation

STATEMENT OF CASH FLOWS *(in thousands)*

	Year Ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 10,952
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for bad debt	4,138
Depreciation and amortization	5,351
Decrease in deferred rent	(532)
Decrease (increase) in:	
Accounts receivable	(4,512)
Prepaid expenses and other current assets	(295)
Deposits and other assets	23
Increase (decrease) in:	
Accounts payable	(1,151)
Accounts payable - parent company	(554)
Accrued expenses	293
Due to students under financial aid programs	(74)
Prepaid tuition and other deferred revenue	360
Lease termination liability	(166)
Total net operating adjustments	2,879
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,831
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of furniture, equipment and improvements	(5,275)
NET CASH USED IN INVESTING ACTIVITIES	(5,275)
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in restricted cash	74
NET CASH PROVIDED BY FINANCING ACTIVITIES	74
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,631
Cash and cash equivalents at beginning of year	18,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 27,449

See accompanying notes to financial statements.

NOTE A - NATURE OF OPERATIONS

Rasmussen College, Inc., a Public Benefit Corporation (Company) operates post-secondary schools in Florida, Illinois, Kansas, Minnesota, North Dakota, and Wisconsin. These schools award diplomas, certificates, associate degrees, and bachelor degrees focused on the following career fields: Health Sciences, Business, Justice Studies, Nursing, Technology and Design. The schools also award master degrees in Nursing. In addition to students who matriculate locally at the Company's locations, the schools reach students nationwide through their online programs and corporate training programs. The Company is regionally accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and participates in the federal Title IV student aid programs, as well as student grant programs in several states.

The Company is incorporated in the state of Delaware with the Main Campus in St. Cloud, Minnesota and is a wholly-owned subsidiary of Rasmussen, Inc. (Parent Company), a Delaware corporation.

The Company participates in Student Financial Aid (SFA) under the Title IV Programs administered by the U.S. Department of Education (ED) pursuant to the Higher Education Act of 1965, as amended (HEA).

Management has evaluated subsequent events through December 18, 2017, the date the financial statements were available to be issued and has no material subsequent events to report.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. In addition, because of the inherent uncertainties in estimating certain accrued expenses, it is at least reasonably possible that the estimates used will change in the near term.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank, overnight sweep accounts and all short-term investments with an original maturity of 90 days or less. At September 30, 2017, the Company only held cash and did not have any cash equivalents.

Restricted Cash

The Company has cash of approximately $778,000 as of September 30, 2017, shown as restricted with a corresponding liability "Due to Students Under Financial Aid Programs". These funds represent amounts advanced by various governmental agencies that have not yet been earned or distributed to eligible students.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts due to the Company from its students for tuition and fees. Student receivables are recorded at the amounts originally billed, less payments received, and are non-interest bearing. Management has estimated an allowance for doubtful accounts based upon historical losses and the sum of the collection risks associated with student uncollected balances at year-end. Balances owed by students who have graduated or withdrawn are pursued by the Company and eventually submitted to an outside collection agency and written off after 90 to 110 days unless the student is in compliance with their payment plan.

Furniture, Equipment and Improvements

Furniture, equipment and leasehold improvements are recorded on the basis of cost. Expenditures for renewals and betterments which extend the life of the assets are capitalized. Repairs and maintenance items are charged to expense as incurred. Gain or loss on the sale or disposal is recorded in the year of disposition.

Internally Developed Software

The Company has capitalized internally developed software costs in accordance with FASB ASC Subtopic 350-40, *Internal-Use Software*. Costs associated with the research phase, including the determination of existence of needed technology and the formation, evaluation and selection of alternatives are expensed as incurred. Costs associated with the development phase, including software design and configuration, coding, installations, testing and parallel processing are capitalized. General administrative, overhead, training, maintenance, updates, and minor modifications are expensed when incurred.

Amortization expense is computed using the straight-line method based on an estimated useful life of three to five years. The amortization expense for the year ended September 30, 2017, was approximately $895,000.

Prepaid Tuition, Other Deferred Revenue and Revenue Recognition

Revenue from student tuition is deferred at the time of registration and are recognized ratably over the term of enrollment. Fees are recognized as earned. Institutional scholarships are reported as a reduction to net revenue. Tuition adjustments for students who withdraw are calculated in accordance with federal, state, and accrediting agency standards. Student tuition and fees are earned as of the Company's year-end and, as such, no deferred tuition as of September 30, 2017 exists. In addition, as of September 30, 2017, $0 in prepaid tuition exists which relates to corporate training programs taught on schedules different from the Company's traditional calendar. As of September 30, 2017, the Company has established a reserve of approximately $114,000 for deferred scholarships which are expected to be earned in the future by current students. Amounts remitted by students, or on behalf of the students through financial aid sources for future tuition, are recorded as prepaid tuition which was approximately $2,574,000 as of September 30, 2017.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Company has entered into operating leases for its educational facilities which contain provisions for escalating rent. The Company recognizes rent expense on the straight-line method over the lives of the leases. The cumulative excess of the amounts expensed over the payments required under the leases through September 30, 2017, is recorded as deferred rent. This credit will be used to offset future rent expense for financial statement purposes.

Sublease rental income is recognized on a straight-line basis over the term of the lease and deferred sublease income is recorded with prepaid expenses and other current assets. Sublease rental income is recorded as a reduction of rent expense.

Income Taxes

The Parent Company has elected under the Internal Revenue Code to be taxed as a Subchapter S Corporation, and the Company has elected under the Federal Internal Revenue Code to be a Qualified Subchapter S Subsidiary (QSSS) of the Parent Company. A QSSS is treated as a disregarded entity for income tax purposes, so only one federal and one state tax return is filed for the consolidated group. In lieu of corporate income taxes, the shareholders of an S Corporation are taxed on their proportionate shares of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

Financial Instruments

The fair values and carrying amounts of the Company's financial instruments, primarily current assets and liabilities, are approximately equivalent due to their short-term lives.

Advertising Costs

Advertising costs are expensed as incurred. Total marketing cost, inclusive of advertising expense for the year ended September 30, 2017, was approximately $33,306,000.

NOTE C - CONCENTRATION OF CREDIT RISK

The Company, at times, has cash deposits which exceed $250,000 in an individual bank. The Federal Deposit Insurance Corporation (FDIC) insures only the first $250,000 of funds at member banks.

The accounts receivable are primarily amounts due from students for tuition and fees. Many of the Company's students are eligible for federal government loan and grant programs and state grant programs which are administered by the Company. These receivables are unsecured.

The Company has entered into various multiyear contracts, including leases and other service agreements that may result in additional costs if the Company chose to pursue early termination.

NOTE D - FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements as of September 30, 2017, consist of the following (*in thousands*):

Furniture and equipment	$	25,938
Computer equipment and software		11,382
Leasehold improvements		17,985
		55,306
Less accumulated depreciation and amortization		(39,551)
		15,755
Construction in progress		855
	$	16,610

Depreciation and amortization expense is computed using the straight-line method based on the following estimated useful lives:

Furniture and equipment	5 – 7 years
Computer equipment and software	3 – 5 years
Leasehold improvements	Remaining lease term

Depreciation and amortization expense for the year ended September 30, 2017, was approximately $4,456,000.

NOTE E - COMMITMENTS AND CONTINGENCIES

The Company leases classroom and office facilities under numerous operating leases expiring at various dates through 2027. Some of the facilities leased by the Company are owned by related parties, as more fully described in Note G. The Company has options to extend some of these leases, and to lease additional space at the then current rates of the leases. Future minimum lease payments are subject to annual increases. In addition, the Company is responsible for supplemental lease payments to reimburse the landlords for their proportionate share of the building's operating costs, real estate taxes, and insurance.

The Company receives income from third parties for sublease agreements expiring at various dates through July 2020. The Company is still responsible for the proportionate share of the building's operating costs, real estate taxes, and insurance which are included in the commitments. Sublease rental income of approximately $568,000 is recorded as a reduction of rent expense for the year ended September 30, 2017.

The Company has entered into Service Agreements with a third party, whereas the third party provides marketing and IT services to the Company. The agreements have initial terms that expire September 30, 2024 (Initial Term). The marketing agreement automatically renews for successive three-year periods (MA Renewal Term) unless terminated 12 months prior to the end of the Initial Term or MA Renewal Term. The Company paid approximately $23,103,000 as base costs under the marketing agreement. The Company paid approximately $1,755,000 as additional services during the year under the marketing agreement. The IT service agreement will automatically renew for successive five-year terms (IT Renewal Term) unless terminated 24 months prior to the Initial Term or IT Renewal Term. The IT service fee was approximately $13,737,000 for the year ended September 30, 2017. The Company paid approximately $74,000 as additional services during the year under the IT service agreement.

Future minimum lease payments under noncancelable operating lease agreements, service agreements and sublease income for the next five years and in the aggregate are approximately as follows (*in thousands*):

Years Ending September 30,	Future Commitments	Future Sublease Income
2018	$ 32,057	$ 523
2019	30,319	385
2020	27,648	325
2021	24,661	0
2022	25,227	0
Thereafter	47,964	0
	$ 187,876	$ 1,233

NOTE E - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The amount charged to operations under all operating leases for the year ended September 30, 2017, was approximately $12,920,000.

In certain instances, the Company has issued letters of credit naming a landlord as beneficiary. At September 30, 2017, there was $110,000 of letters of credit issued and the letters of credit are secured by cash of the Parent Company (Note G).

In accordance with ASC 420-10: *Accounting for Costs Associated with Exit or Disposal Activities,* the Company recorded liabilities for costs that will continue to be incurred under operating lease contracts for the remaining term without economic benefit and has measured the fair value using the right conveyed by the contract. In the current and prior years, the Company ceased using four facilities and entered into operating lease termination agreements and sublease agreements. The fair value of the termination payments net of any sublease agreement payments including other operating costs to complete the lease terminations was approximately $2,923,000 at the time of termination.

The following is a reconciliation of the liability from the lease termination costs (*in thousands*):

Lease termination liability as of September 30, 2016	$ 789
Costs incurred and charged to expense	0
Costs paid or otherwise settled	(167)
Adjustments made to the liability	0
Lease termination liability as of September 30, 2017	622
Less current portion (included in accrued expenses)	(175)
	$ 446

NOTE F - RETIREMENT SAVINGS PLAN

The Parent Company sponsors a 401(k) retirement plan for all eligible employees as defined by the Plan. The participants may contribute a portion of their salary not to exceed certain Internal Revenue Code limits. The Parent Company may make discretionary contributions. The employer currently matches 50% of the first 6% of compensation. For the year ended September 30, 2017, the discretionary contribution charged to the Company's operations was approximately $784,000. The Parent Company may also make discretionary "non-elective" contributions. For the year ended September 30, 2017, the Parent Company did not make any additional discretionary "non-elective" contributions.

NOTE G - RELATED PARTY TRANSACTIONS

The Company participates in SFA under the Title IV Programs administered by ED pursuant to the HEA. The Company must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

Three of the Company's Minnesota and North Dakota classrooms and school offices are leased from several corporations, a partnership, and a limited liability corporation, which are each owned, in part, by an officer of the Company as more fully described in Note E. The amount of rent charged to operations from these related parties totaled approximately $1,209,000 for the year ended September 30, 2017.

The Company pays management fees to the Parent Company in exchange for services provided on behalf of the Company. The management fee represents the Company's proportionate share of instructional, admissions, and general and administrative expenses paid for by the Parent Company on the Company's behalf. During the year ended September 30, 2017, the management fees charged to operations was approximately $35,907,000.

The Company has a payable to the Parent Company in the amount of $91,000 for operating expenditures.

Employees of the Company donate money to a not-for-profit organization and the Company receives scholarships, on behalf of its students, from the not-for-profit organization. The Company did not receive any scholarships, on behalf of its students, from the not-for-profit organization during the year ended September 30, 2017.

The Company has issued letters of credit naming various landlords as beneficiaries (Note E). These letters of credit are secured by cash of the Parent Company.

This information is required by ED and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

NOTE H - 90/10 CALCULATION

The Company derives a substantial portion of its revenues from SFA received by its students under the Title IV Programs administered by ED pursuant to the HEA. To continue to participate in the SFA 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% from the Title IV Programs. The failure of the Company to meet the 90% 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% 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 ED and is presented for purposes of additional analysis and is not a required part of the basic financial statements. For the year ended September 30, 2017, the Company had the following 90/10 percentage (*in thousands*):

	OPE ID#	00869400
Adjusted Student Title IV Revenue		
Subsidized Loan	$	60,610
Unsubsidized Loan		76,820
Plus Loan		2,850
Federal Pell Grant		45,267
FSEOG (subject to matching reduction)		1,518
Federal Work Study Applied to Tuition and Fees (subject to matching reduction)		0
Student Title IV Revenue		187,065
Revenue Adjustment		(20,328)
Title IV funds returned for a student under 34 C.F.R. § 668.22 (withdrawal)		(8,074)
Adjusted Student Title IV Revenue	$	158,663
Adjusted Student Non-Title IV Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$	5,841
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		571
Institutional scholarships disbursed to the student		0
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		497
Student payments on current charges		42,906
Student Non-Title IV Revenue		49,815
Revenue Adjustment		(8,079)
Adjusted Student Non-Title IV Revenue	$	41,736
Revenue From Other Sources		
Activities conducted by the institution that are necessary for education and training	$	0
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs		2,318
Allowable student payments + allowable amounts from account receivable or institutional loan sales – any required payments under a recourse agreement		0
Revenue from Other Sources	$	2,318
Adjusted Student Title IV Revenue	$	158,663
Adjusted Student Title IV Revenue + Adjusted Student Non-Title IV Revenue + Revenue from Other Sources	$	202,716
		78.27%

NOTE I - REGULATORY

The Company participates in SFA under the Title IV Programs administered by ED pursuant to the HEA. Political and budgetary concerns can significantly affect the Title IV Programs, and Congress must reauthorize the HEA approximately every six years. The Company must also demonstrate to ED its compliance with the HEA and the regulations promulgated thereunder on an ongoing basis.

To participate in the Title IV Programs, an institution is subject to extensive regulation and periodic reviews by the federal and state governmental agencies, and accrediting bodies involved. An institution must be authorized to offer its programs of instruction by the relevant agencies of the state in which it is located, accredited by an accrediting agency recognized by ED, and certified as eligible by ED. On a periodic basis, an institution must be re-approved by these agencies and bodies to continue to receive Title IV funds. As of September 30, 2017, the Company was properly authorized by the regulatory agencies involved. During 2017, ED performed a program review of the Company authorized by Title IV of the HEA and the Company has not received a report from ED.

Regulations have been established which impose limitations on institutions whose former students default on the repayment of their federally guaranteed or funded student loans above a specific cohort default rate (CDR). An institution whose CDR equals or exceeds 30% for three consecutive years will no longer be eligible to participate in the William D. Ford Federal Direct Loan (Direct Loan) and Federal Pell Grant programs for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years. An institution whose CDR exceeds 40% will lose Direct Loan program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years. The Company's most recent official three-year CDR (FY2014) published by ED, is 8.1%.

Under the federal regulations mentioned above, ED calculates the institution's composite score based on a three-factor financial responsibility ratio. An institution which does not meet ED's minimum composite score of 1.5 can demonstrate financial responsibility by meeting the "zone alternative" or posting a letter of credit in favor of ED. The "zone alternative" includes a delayed method of cash funding for Title IV aid, and the providing of additional information to ED, upon request. As of September 30, 2017, the Company had a composite score equal to 2.8, compared to a minimum required of 1.5.

In October 2014, ED issued Gainful Employment regulations that measure our students' ability to repay their educational loans and debts, incurred at our institution, subsequent to their enrollment. These regulations are effective for all of our Title IV eligible programs. The regulations require a debt-to-earnings ratio (D/E Rate) be computed which is based upon the median debt loan repayment compared to their earnings as provided by the Social Security Administration (SSA). This D/E Rate is computed separately for each Title IV eligible program. An institution may appeal the loan and debt information compiled by ED and has the right to submit alternative earnings in lieu of the SSA information under specific conditions and requirements. Each individual program subject to Gainful Employment is deemed to be either passing, failing, or in the zone. An individual program is deemed to be ineligible for Title IV aid if it fails two out of three consecutive years or has a combination of zone and failing rates for four consecutive years. A program deemed to be ineligible will lose Title IV aid beginning on the date ED notifies the institution or the institution voluntarily discontinues a failing program or program in the zone.

NOTE I - REGULATORY (CONTINUED)

In October 2016, ED issued draft 2015 year Gainful Employment D/E Rates and in January 2017, issued final D/E Rates. Based on the final rates, the Company had 14 programs that passed, 8 that were in the zone and 2 that failed. The Company filed earnings appeals with ED for the two programs which failed and has filed a Notice of Intent to File Alternate Earnings Appeals with ED for the eight programs in the zone. In July 2017, ED announced a new negotiated rule making session regarding the Gainful Employment regulation and these rules making sessions will be held in late 2017 and early 2018. At this point in time, management cannot anticipate the impact of potential changes, if any, to the regulation.

REPORT 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*

INDEPENDENT AUDITOR'S REPORT

To the Shareholder
Rasmussen College, Inc., a Public Benefit Corporation
Oak Brook, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *in Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Rasmussen College, Inc., a Public Benefit Corporation, which comprise the balance sheet as of September 30, 2017, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Rasmussen College, Inc., a Public Benefit Corporation's 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 Rasmussen College, Inc., a Public Benefit Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rasmussen College, Inc., a Public Benefit Corporation's 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 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Rasmussen College, Inc., a Public Benefit Corporation's 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* or the Guide.

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 results of that testing, and not to provide an opinion on the effectiveness of 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.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
December 18, 2017