Walden E-Learning, LLC and Subsidiary

(wholly-owned subsidiaries of Laureate Education, Inc.)

Financial Report
December 31, 2017

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Report of Independent Auditors

To the Board of Directors and Management of Walden E-Learning, LLC and Subsidiary

We have audited the accompanying financial statements of Walden E-Learning, LLC and Subsidiary (the "Company", wholly-owned subsidiaries of Laureate Education, Inc.), which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in member'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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Company'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 Company'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 the company as of December 31, 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Note 8 - Title IV Program Participation, which includes the 90/10 calculation, is required by the US Department of Education and is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Note 7 - Related Party Transactions is required by the US Department of Education and accounting principles generally accepted in the United States of America. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the Company'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 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 the Company's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

June 28, 2018

Walden E-Learning, LLC and Subsidiary
(wholly-owned subsidiaries of Laureate Education, Inc.)

Consolidated Balance Sheet
December 31, 2017

($ in thousands)

Assets		
Current Assets		
Cash	$	7,228
Restricted cash		126,502
Student tuition and fees receivable, net		34,895
Interest receivable from Parent		3,740
Prepaid expenses and other current assets		4,089
Prepaid income taxes to Parent		59,850
Due from related parties		1,268
Total current assets		**237,572**
Property, Equipment and Leasehold Improvements, Net		32,807
Other Assets		
Security deposit		25
Deferred project costs, net		22,873
Note receivable from Parent (unsecured)		354,761
Deferred tax asset		9,209
Goodwill		2,812
Total other assets		**389,680**
Total assets	**$**	**660,059**
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable and accrued expenses	$	33,896
Deferred revenue and student deposits		70,807
Current maturities of capital lease obligations		18
Due to related parties		26,261
Other current liabilities		174
Total current liabilities		**131,156**
Long-Term Liabilities		
Deferred rent		241
Total long-term liabilities		**241**
Total liabilities		**131,397**
Commitments and Contingencies (Note 6)		
Member's Equity		528,662
Total liabilities and member's equity	**$**	**660,059**

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

Walden E-Learning, LLC and Subsidiary
(wholly-owned subsidiaries of Laureate Education, Inc.)

Consolidated Statement of Operations
For the Year Ended December 31, 2017

($ in thousands)

Revenues		
Masters programs	$	317,356
Doctoral programs		195,352
Undergraduate programs		64,002
Other revenues		41,284
Total revenues, net		**617,994**
Operating Expenses		
Program delivery:		
Instructional delivery		131,235
Academic support		47,267
Technology		29,774
Product development		6,767
Other program expenses		4,034
Total program delivery expenses		**219,077**
Marketing and recruiting		152,020
General and administrative:		
Provision for doubtful accounts		26,551
Executive and legal		17,796
Financial services		13,883
Human resources		5,806
Product management		3,954
Total general and administrative expenses		**67,990**
Total operating expenses		**439,087**
Operating income		**178,907**
Other income (expense):		
Interest income, net		27,762
Other expense, net		(9)
Total other income, net		**27,753**
Income before income taxes		**206,660**
Income tax expense		(91,257)
Net income	**$**	**115,403**

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

Walden E-Learning, LLC and Subsidiary
(wholly-owned subsidiaries of Laureate Education, Inc.)

Consolidated Statement of Changes in Member's Equity
For the Year Ended December 31, 2017

($ in thousands)	Member's Equity		
	Contributed Capital	Retained Earnings	**Total Member's Equity**
Balance as of December 31, 2016	**$ 88,155**	**$ 445,574**	**$ 533,729**
Non-cash stock compensation	4,530	—	**4,530**
Dividend to Parent	—	(125,000)	**(125,000)**
Net income	—	115,403	**115,403**
Balance as of December 31, 2017	**$ 92,685**	**$ 435,977**	**$ 528,662**

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

Walden E-Learning, LLC and Subsidiary
(wholly-owned subsidiaries of Laureate Education, Inc.)

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

($ in thousands)

Cash Flows From Operating Activities		
Net income	$	115,403
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		20,706
Gain on disposal of property and equipment		(41)
Impairment loss on deferred project costs		11
Deferred rent		(20)
Provision for doubtful accounts		26,575
Non-cash stock compensation		4,530
Deferred income taxes		6,766
Changes in operating assets and liabilities:		
Change in restricted cash		698
Student tuition and fees receivable		(33,890)
Interest receivable from Parent		(1,431)
Prepaid expenses and other current assets		(1,999)
Prepaid income taxes to Parent		(1,617)
Due from related parties		619
Accounts payable and accrued expenses		3,963
Deferred revenue and student deposits		390
Due to related parties		6,401
Other current liabilities		(1,126)
Net cash provided by operating activities		**145,938**
Cash Flows From Investing Activities		
Collections from Parent on note receivable		73,384
Borrowings by Parent on note receivable		(182,425)
Purchases of property, equipment and leasehold improvements		(7,475)
Change in restricted cash		(26,857)
Additions to deferred project costs		(5,895)
Net cash used in investing activities		**(149,268)**
Cash Flows From Financing Activities		
Principal payments on capital leases		(18)
Net cash used in financing activities		**(18)**
Net decrease in cash		**(3,348)**
Cash		
Beginning of year		10,576
End of year	**$**	**7,228**
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$	86,076
Cash paid for interest	$	26
Supplemental Disclosure of Non-Cash Operating and Investing Activities		
Dividend distribution applied against note receivable from Parent	$	125,000
Conversion of interest receivable to note receivable from Parent	$	26,166
Purchases of property, equipment and leasehold improvements, and deferred project costs in accrued expenses	$	471

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

Note 1. Nature of Business

Walden E-Learning, LLC and Walden University, LLC collectively, (the “Company” or “Walden”) operates an institution of higher education under the trade name of Walden University, providing students bachelors, masters and doctoral degrees and certificates online in a broad range of disciplines including health sciences, counseling, criminal justice, human services, management, psychology, education, public health, nursing, social work, public administration and information technology. The Company is accredited by the Higher Learning Commission in addition to a number of specialized accreditations. Walden is a registered institution in the state of Minnesota and is currently authorized, licensed, registered, exempt or not subject to approval in all states of the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of Walden E-Learning, LLC and its wholly-owned subsidiary, Walden University, LLC. All intercompany accounts and transactions are eliminated in consolidation. The Company is wholly-owned by Laureate Education, Inc. (the “Parent” or “LEI”). However, the accompanying consolidated financial statements do not reflect the Parent’s cost to acquire the Company. As such, basis adjustments have not been pushed down to these consolidated financial statements.

Note 2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

The Company considers all highly liquid investments with an original maturity date of three months or less, when purchased, to be cash equivalents. No cash equivalents existed at December 31, 2017.

Restricted Cash

The Company participates in the United States Department of Education (“DOE”) Title IV student financing assistance lending programs (“Title IV Programs”). At times, the DOE may require institutions to post standby letters of credit (“LOC”) in order to continue participation in Title IV programs. LOC requirements are based on a number of considerations including recent changes in ownership and failure to meet minimum financial ratio requirements set forth by the DOE. Walden is included within a group letter of credit with other U.S. based institutions controlled by LEI totaling $136,888, of which Walden represents 92.4%, or $126,502, of the LOC that expires December 31, 2018. See Note 7 for more information on this LOC. As of December 31, 2017, Walden's restricted cash balance of $126,502 is held by the issuing bank as collateral for the LOC.

In addition, over the course of the year, the Company receives Title IV program funds in advance of billing students for educational services. As a trustee of these Title IV program funds, the Company is required to maintain and restrict these funds pursuant to the terms of the institution’s program participation agreement with the DOE. Accordingly, such funds are classified as restricted cash and excluded from cash in the accompanying consolidated balance sheet and consolidated statement of cash flows. Changes on restricted cash represent activities from operations of the Company are therefore included in cash flows from operating activities on the accompanying consolidated statement of cash flows.

Note 2. Significant Accounting Policies (continued)

As of December 31, 2017, there was no restricted cash related to advanced payments of Title IV program funds.

Concentration of Credit Risk
Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and student tuition and fees receivable. The Company has cash with financial institutions in excess of federally insured limits. Through December 31, 2017, the Company has not experienced losses related to amounts in excess of federally insured limits and believes it is not exposed to any significant credit risk on cash.

Student tuition and fees receivable are unsecured and are derived from students enrolled in the Company's educational programs. Student receivables are not collateralized; however, credit risk is reduced as the amount owed by any individual student is small relative to the total student tuition and fees receivables.

Revenue Recognition
The Company's revenues primarily consist of tuition, educational services and student fees. Revenue is reported net of scholarships and other discounts, refunds and waivers. For the year ended December 31, 2017, the Company's revenue was reduced by scholarships and discounts of $91,380 that the Company offered to students. Collectability is determined on a student-by-student basis at the time of enrollment. Generally, students cannot re-enroll for the next academic session without satisfactory resolution of any past-due amounts.

Tuition revenues are recognized ratably on a weekly straight-line basis over each academic session. Deferred revenue and student deposits, which consist of tuition paid prior to the start of academic session and unearned tuition amounts begins to be recognized as revenue after an academic session begins and totaled $70,807 at December 31, 2017. If a student withdraws within the refund period, the Company is obligated to issue a refund according to the refund policy and the timing of the student's withdrawal. The amount of refund obligations is reduced over the course of the academic term. Refunds are recorded as a reduction of deferred revenue and student deposits, as applicable. Once a student withdraws, the Company recognizes revenue on a cash basis as collectability is not reasonably assured.

Student Tuition and Fees Receivable
Student tuition and fees receivables primarily consist of tuition and educational services and are recognized when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that amounts are due and collection is reasonably assured.

Allowance for Doubtful Accounts
The Company uses estimates to determine the amount of the allowance for doubtful accounts necessary to reduce the student tuition and fees receivable to net realizable value. The Company estimates the amount of the required allowance by reviewing the status of past-due receivables, analyzing historical bad debt trends, as well as analysis of aged accounts receivable balances with allowances generally increasing as the receivable ages. The analysis of receivables is performed monthly, and allowances are adjusted accordingly. Receivables are generally due on the date on which the related class commences. Additionally, a substantial portion of the Company's receivables are derived from students that participate in the Title IV programs administered by the DOE. The Company writes off receivables deemed to be uncollectible to the allowance for doubtful accounts when all collection efforts have been exhausted. Allowance for student tuition and fees was $22,199 as of December 31, 2017. Refer to Note 8 for further details of Title IV funding received during the year ended December 31, 2017.

Note 2. Significant Accounting Policies (continued)

Statement of Cash Flows

The Company makes certain assumptions related to payments made to the Parent and payments received from the Parent for notes receivable, interest receivable, prepaid taxes and intercompany transactions in order to accurately reflect the substance of transactions on the accompanying consolidated statement of cash flows. Refer to Note 7 for further details related to note and interest receivable to Parent.

Property, Equipment and Leasehold Improvements, and Impairment of Long-Lived Assets

Property, equipment and leasehold improvements are recorded at cost, except for assets acquired using acquisition accounting, which are recorded at fair value. Depreciation is provided on the straight-line method over estimated useful lives, or the shorter of the term of the lease for leasehold improvements. The depreciation expense on assets acquired under capital leases is included within depreciation expense on owned assets. Upon sale or disposition of property and equipment, the cost and related accumulated depreciation is eliminated from the accounts and any resulting gain or loss is credited or charged to income. Assets under construction are recorded in construction-in-progress until they are available for use. Interest is capitalized as a component of the cost of projects during the construction period. Maintenance and repairs costs are charged to operating expenses as incurred. Improvements and betterments are capitalized and depreciated over the remaining useful life of the related asset.

Long-lived assets, which include property, equipment, and leasehold improvements are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. No impairment of long-lived depreciable assets occurred during the year ended December 31, 2017.

The Company analyzes individual leases to determine whether it should be classified as capital or operating. The Company recognizes operating lease rent expense on a straight-line basis over the expected term of each lease. For capital leases, the assets are initially recorded at the lower of fair value or the present value of the future minimum lease payments, excluding executory costs. If the lease agreement includes a legal obligation that requires the leased premises to be returned in a predetermined condition, an asset retirement obligation is recognized along with a corresponding depreciating asset, when such an asset exists.

Deferred Project Costs

Deferred project costs include the direct cost of internally developing proprietary educational products and materials or the purchase of similar costs from affiliated companies that have extended useful lives. These costs are capitalized and amortized on a straight-line basis over the estimated period that the associated products are expected to generate revenues, which generally approximates five years. The Company had $22,873 of capitalized deferred project costs as of December 31, 2017.

Deferred costs are evaluated for impairment on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. Costs that do not meet capitalization criteria are expensed as incurred.

Goodwill

Goodwill consists of the excess of cost of acquired enterprises over the sum of the amounts assigned to identifiable assets acquired less liabilities assumed. Goodwill is reviewed for impairment annually during the Company's fourth fiscal quarter, or more frequently if impairment indicators arise. A qualitative assessment is performed to determine whether it is more likely than not that the fair value of the reporting

Note 2. Significant Accounting Policies (continued)

unit is impaired. If it is more likely than not, a comparison of fair value, which is determined utilizing both a market value method and discounted projected future cash flows, to carrying value is performed for the purpose of identifying impairment. The carrying value of goodwill at December 31, 2017 was $2,812. No impairment of goodwill occurred during the year ended December 31, 2017.

Stock-Based Compensation

Stock-based compensation expense allocated from the Parent's Stock Incentive Plan is based on the grant-date fair value, as calculated by the Black-Scholes option pricing model. Stock-based compensation expense, less estimated forfeitures, is recognized on a straight-line basis over the requisite service period for time based vesting awards and on a graded expense attribution method for performance based vesting awards to the extent that it is probable that the stated annual performance target will be achieved and awards will vest for any year. The estimated forfeitures are calculated based on historical activity, expected employee turnover, and other qualitative factors which are adjusted for changes in estimates and award vesting.

Income Taxes

The Company is included in the Parent's consolidated income tax return as a wholly-owned subsidiary. For purposes of these stand-alone financial statements, the Company applies the separate-return approach to allocate current and deferred tax as if the Company were a separate taxpayer rather than a member of the Parent's consolidated tax return. Accordingly, the Company recognizes a provision for income taxes that includes federal and state income taxes using the liability method of accounting. Under the liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases including net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company also is a party to a tax-sharing agreement with the Parent that includes provisions governing the allocation of tax liabilities that is calculated as if the Company were subject to income taxes as a separate stand-alone corporation. Management has elected to prepay amounts owed to the Parent based on forecast net income before income taxes, applying an expected blended federal and state income tax rate. The tax sharing agreement is to continue into perpetuity unless all parties agree to terminate. Refer to Note 7 for further details on amount paid to the Parent.

Management evaluated the Company's tax positions and concluded there were no uncertain tax positions taken that require adjustment to the financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the tax years before 2014.

Financial Instruments

The Company's financial instruments consist of cash, restricted cash, student tuition and fees receivable, other receivables, due from and due to related parties, accounts payable and accrued expenses, capital lease obligations and the long-term note and interest receivable from Parent and are carried at cost. Management elected to early adopt Accounting Standards Update 2016-01, *Financial Instruments - Overall*, which eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for non-public entities. Management has evaluated the impact of ASU 2016-01 on the financial statements and determined that additional aspects of the adoption are not applicable.

Note 2. Significant Accounting Policies (continued)

Advertising Costs

Advertising costs which are expensed as incurred totaled $96,802 for the year ended December 31, 2017. Advertising expenses are included in the accompanying consolidated statement of operations.

Contingencies

The Company accrues for contingent obligations when it is probable that a liability is incurred and the amount or range of amounts is reasonably estimable. As new facts become known to management, the assumptions related to a contingency are reviewed and adjustments are made, as necessary. Refer to Note 6 for further details of contingency matters.

Recent Accounting Pronouncements

In May 2014 the Financial Accounting Standards Board ("FASB") issued new guidance on revenue recognition, which requires the Company to recognize revenue when a customer obtains control rather than when it has transferred substantially all risks and rewards of a good or service and requires expanded disclosures. The new guidance is effective for the Company beginning January 1, 2019, with early adoption permitted beginning January 1, 2018. Management has completed the diagnostic assessment and the policies and processes relating to this ASU, and will adopt the new standard using the modified retrospective method effective January 1, 2018. Management does not expect the adoption of the new revenue standard to result in a significant change to the Company's method of recognizing tuition revenues and does not expect any impact on the Company's financial statements.

In February 2016, the FASB issued new lease accounting standard, which will require that all leases, operating and capital leases, be capitalized on the balance sheet. The new lease standard becomes effective January 1, 2020 for the Company, with earlier adoption permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Management has completed their diagnostic assessment and has established a cross-functional implementation team which is in the process of identifying changes to our accounting policies, business processes, systems and internal controls in preparation for the implementation. Management anticipates that the new standard will have a material impact on the Company's financial statements and does currently plan to early adopt.

In November 2016, the FASB issued final guidance that will require statements of cash flows to explain the changes during the period of total cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Therefore, restricted cash should be included when reconciling beginning and ending cash on the statement of cash flows. The new standard is effective for the Company on January 1, 2018, with early adoption permitted. The adoption of this new standard is not expected to have a material impact on the Company's statement of cash flows.

In January 2017, the FASB issued a new standard to simplify the test for goodwill impairment by eliminating Step 2, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This new guidance will be effective for the Company beginning on January 1, 2021, with early adoption permitted. The adoption of this new standard is not expected to have a material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued a new standard to improve the accounting for income tax consequences for intra-entity transfers of assets other than inventory. Under current GAAP, the recognition of current and deferred income taxes for an intra-entity transfer is prohibited until the asset has been sold to a third party. This new standard requires an entity to recognize income tax consequences of an intra-entity transfer when the transfer occurs and is effective beginning on January 1, 2019, with early adoption is permitted. The amendments in the new standard should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of this new standard is not expected to have a material impact on the Company's statement of cash flows.

Note 2. Significant Accounting Policies (continued)

On March 30, 2016, the FASB issued a new standard to simplify several aspects in the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for Laureate beginning January 1, 2018, with early adoption is permitted. The adoption of this new standard is not expected to have a material impact on the Company's consolidated financial statements

Subsequent Events

Management has evaluated events through June 28 2018, which is the date the consolidated financial statements were available to be issued.

Note 3. Property, Equipment and Leasehold Improvements

The Company's property, equipment and leasehold improvements as of December 31, 2017 consisted of the following:

	Depreciable Life		**2017**
Leasehold improvements	5 - 15 years	$	7,895
Furniture and fixtures	5 - 7 years		9,240
Computer hardware, software and other equipment	2 - 5 years		69,942
			87,077
Less: accumulated depreciation			(56,747)
			30,330
Construction in progress			2,477
Property, Equipment and Leasehold Improvements, Net		**$**	**32,807**

For the year ended December 31, 2017, the Company recorded depreciation and gain on disposal of property and equipment and leasehold improvements of $13,137 and $41, respectively, which are reflected in the accompanying consolidated statement of operations.

Note 4. Deferred Project Costs

The Company's deferred project costs as of December 31, 2017 consisted of the following:

	Amortizable Life		**2017**
Deferred projects costs	5	$	84,484
Less: accumulated amortization			(71,063)
		$	**13,421**
Construction in progress			9,452
Deferred project costs, net		**$**	**22,873**

For the year ended December 31, 2017, the Company recorded amortization and impairment loss of deferred project costs of $7,569 and $11, respectively, which are reflected in the accompanying consolidated statement of operations.

Note 5. Income Taxes

The significant components of the Company's provision for income taxes for the year ended December 31, 2017 were as follows:

Current		
Federal	$	69,750
Foreign		32
State		14,709
		84,491
Deferred		
Federal		6,439
State		327
		6,766
Total provision for income taxes	**$**	**91,257**

The tax effects of the temporary differences between financial and income tax accounting that give rise to the Company's deferred tax assets and liabilities at December 31, 2017 were as follows:

Deferred tax assets		
Deferred compensation	$	6,361
Allowance for doubtful accounts		5,838
Straight line rent		63
Foreign Exchange Differences		25
Nondeductible reserves		142
Total deferred tax assets		**12,429**
Deferred tax liabilities		
Depreciation of property and equipment		(2,480)
Amortization of intangible assets		(740)
Total deferred tax liabilities		(3,220)
Net deferred tax assets	**$**	**9,209**

The Company files a consolidated federal income tax return with LEI, who has net operating loss carryforwards available to offset future taxable income that will begin to expire in 2027.

The Tax Cuts & Jobs Act (TCJA) was enacted in December 2017. Among other things, the TCJA reduces the U.S. federal corporate tax rate from 35% to 21% beginning in 2018. The SEC staff issued Staff Accounting Bulletin (SAB) 118, which provides guidance on accounting for enactment effects of the TCJA. SAB 118 provides a measurement period of up to one year from the TCJA's enactment date for companies to complete their accounting under ASC 740. In accordance with SAB 118, to the extent that a company's accounting for certain income tax effects of the TCJA is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in its financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA.

Note 5. Income Taxes (continued)

With the Company's initial analysis of the impact of the enactment of the TCJA, the Company recorded a net tax expense of $4.6M in the fourth quarter of 2017, which relates to the rate change upon remeasurement of deferred tax assets/liabilities. The Company's remeasured of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% under the TCJA.

Prepaid income taxes as of December 31, 2017 were $59,850, which represent a portion of the Company's estimated 2017 federal income taxes.

A reconciliation of the reported income tax expense to the amount that would result by applying the U.S. federal statutory rate of 35% to income before income taxes for the year ended December 31, 2017 was as follows:

Tax expense at U.S. statutory rate of 35%	$	72,331
State income tax expense, net of federal tax effect		9,561
Deferred only adjustment		4,410
Effect of U.S. Federal tax rate change		4,574
Effect of permanent differences and other		381
Income tax expense	**$**	**91,257**

Note 6. Commitments and Contingencies

Operating Leases
The Company has a lease agreement in Minneapolis, Minnesota extending through December 2022. Total rent expense, including amounts allocated by Parent, was $4,029 for the year ended December 31, 2017 and is reflected in the accompanying consolidated statement of operations.

Future minimum rental payments under these leases, summarized by year, were as follows as of December 31, 2017:

2018	$	427
2019		439
2020		450
2021		461
2022		473
Total minimum lease payments	**$**	**2,250**

Deferred rent of $31 and $241 is included in other current liabilities and other long-term liabilities, respectively, on the accompanying consolidated balance sheet as of December 31, 2017.

Surety Bonds Collateralized by Parent
As part of normal operations, LEI's insurers issue surety bonds on it's behalf, as required by various state education authorities in the United States. LEI is obligated to reimburse the insurers for any payments made by the insurers under the surety bonds. As of December 31, 2017, the total face amount of the surety bonds related to Walden's operations was $12,595 and were fully collateralized by cash from LEI.

Note 6. Commitments and Contingencies (continued)

Other Commitments

The Company participates in student financial aid through the Federal Department of Education's Guaranteed Student Loan Program (the "Program"). Transfers of funds from the financial aid programs to the Company are made in accordance with the DOE requirements. The financial aid and assistance programs are subject to political and budgetary considerations. There is no assurance that such funding will be maintained at current levels. Extensive and complex regulations govern the financial assistance programs in which the Company's students participate. The Company's administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potential adverse actions including a suspension, limitation or termination proceeding which could have a material adverse effect on the Company. While unlikely, if the Company were to lose its eligibility to participate in federal student financial aid programs, the students at that institution would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Management believes there are no matters of noncompliance that could have a material effect on the accompanying financial statements or the Company's liquidity.

Litigation Matters

From time to time, the Company can be a defendant in various lawsuits. Management monitors the status of such events and accrues an estimated amount when an obligation becomes probable and estimable. Any amount recorded is based on the status of current activity and the advice from legal counsel. There are lawsuits and pending claims in various stages of proceedings, many of which the outcome cannot be determined through the date of this report. While the Company intends to vigorously defend its position, a litigation accrual totaling $520 is included in the accompanying consolidated balance sheet as of December 31, 2017.

Note 7. Related Party Transactions

The Company receives funds under Title IV programs administered by the DOE pursuant to the HEA, which require the disclosure of all related party transactions.

Employee Benefit Plans

Eligible employees of the Company participate in a defined contribution plan administered by LEI under Section 401(k) of the Internal Revenue Code, up to certain annual limits. LEI matches 50% of the first 6% of eligible compensation an employee contributes to the benefit plan. The Company match is discretionary and based on LEI's financial performance. Additional discretionary contributions may also be made at the option of LEI. Matching contributions of $1,797 were funded to the plan in March 2018 for the 2017 plan year. No additional discretionary contributions were made by LEI. No employee benefit related liabilities were included in the accompanying consolidated balance sheet as of December 31, 2017. The annual amount of discretionary 401(k) match, along with employee health insurance and other benefits provided by LEI, is allocated to the Company on a bi-monthly basis that equates to 13% of an employee's base compensation.

Shared Service Allocation

Under a shared services agreement with LEI, the Company receives services for academic support, technology, financial services, marketing, product development, sales and other management and administrative services to support continuing operations and to help accelerate the Company's business plan. As consideration of these services, the Company is allocated a monthly management fee that is based on LEI's good faith estimate of the portion of the centralized costs incurred by the LEI shared

Note 7. Related Party Transactions (continued)

services group attributable to the Company. Shared service fees incurred by the Company totaled $102,221 for the year ended December 31, 2017, which is reflected in the accompanying statement of operations.

Expenditures Paid by LEI and Affiliates on Behalf of the Company
In addition to the amount charged to the Company under the shared services agreement, there were other costs paid on behalf of the Company by LEI and other affiliates. These costs consist of both operating costs, including payroll and benefits, as well as capitalizable costs, including deferred projects and property and equipment. For the year ended December 31, 2017, the total expenditures in excess of the shared service allocation, paid on behalf of the Company by LEI and other affiliate, was $136,426. These expenditures consisted of: $90,095 of normal course accounts payable, $26,075 of labor and benefits related expenses, $9,351 of capital expenditures, and $10,905 of other miscellaneous charges.

As of December 31, 2017, $26,261 is owed to affiliates for property and equipment, deferred project costs, payroll and other operating expenses, and is included in due to affiliates in the accompanying consolidated balance sheet.

Due From Related Parties
The Parent and certain affiliates owe the Company $1,268 as of December 31, 2017 for expenses paid by the Company on behalf of those entities.

Affiliate Agreements
The Company has entered into Educational Program agreements with certain affiliates. The agreements provide for compensation to Walden in exchange for courses offered to affiliate students and faculty. Total revenue recognized for the year ended December 31, 2017 related to such services was $845.

Prepaid Income Taxes to Parent
Prepaid income taxes to Parent as of December 31, 2017 are $59,850, and represent amounts paid by the Company as a result of the tax sharing arrangement with the Parent based on expected profits and tax rates forecasted.

Note and Interest Receivable from Parent
As of December 31, 2017, the Company granted LEI a revolving credit agreement and related interest receivable from LEI totaling $358,501, including accrued interest of $3,740. The note is unsecured, accrues interest at the 3 month US Dollar LIBOR interest rate plus 4.01%, and matures on November 15, 2018. Historically, the note has not been fully repaid by each maturity date; rather the outstanding balance at maturity is rolled into the subsequent credit agreement. The note is reflected as a non-current asset on the accompanying consolidated balance sheet for the year ended December 31, 2017 as repayment is not expected within the next twelve months. Accrued interest is reflected as a current asset on the accompanying consolidated balance sheet for the year ended December 31, 2017 as interest is paid quarterly. Collections from Parent on the note receivable are first applied to accrued interest, then to principal on the accompanying consolidated statement of cash flows.

Compensation
The Company's financial statements include an expense allocation of non-cash stock compensation from the Parent of $4,530 for the year ended December 31, 2017. Periodically the Parent grants share-based compensation awards, including stock options, restricted stock, and restricted stock unit awards, to Company employees under the following incentive plans:

Note 7. Related Party Transactions (continued)

2007 Stock Incentive Plan

In 2007, the Board of Directors of the Parent approved LEI's 2007 Stock Incentive Plan (the "2007 Plan"). Stock option awards under the 2007 Plan have a contractual life of 10 years and were granted with an exercise price equal to the fair market value of LEI's stock at the date of grant. The 2007 Plan option agreements generally divide each option grant equally into options that are subject to time-based vesting (Time Options) and options that are eligible for vesting based on achieving pre-determined performance targets (Performance Options). The Time Options generally vest ratably on the first through fifth grant date anniversary. The Performance Options are divided into tranches.

Each tranche is eligible to vest annually upon the Board of Directors' determination that Laureate has attained fiscal year earnings (Pro-rata EBITDA, as defined in the agreement) that equal the performance targets (Pro-rata EBITDA targets).

These performance targets are set at the time of the award's issuance and, for options outstanding at the time, were amended in August 2010 and October 2013. The option agreements provide that if Laureate's fiscal year earnings are at least 95%, at least 90%, or below 90%, of the applicable earnings target then 75%, 50%, or 0%, respectively, of the applicable Performance Option tranche will vest.

The Plan includes a "catch-up" provision such that, in the event that Laureate does not achieve 100% of the performance target in a particular fiscal year, the Performance Option Tranche may vest in any subsequent year, within eight years from the date of the grant, if and to the extent a greater percentage of a subsequent year's earnings target is achieved.

Certain Performance Option awards granted prior to February 2, 2008 also include a separate tranche, equal to 30% of the total performance award, that vests upon the Board of Directors' determination that Laureate has attained a higher earnings target prior to August 17, 2017 (Special 30% Performance Vesting). This special 30% Performance Vesting trance was fully vested as of December 31, 2014. On October 2, 2013, the Compensation Committee of the Parent's Board of Directors modified the 2007 Plan. The modification i) changed the performance metrics and targets for all unvested Performance Options to match the targets of the 2013 Plan beginning with the 2013 target; ii) modified the post termination exercise provisions for resignation, good leaving, death and disability, and retirement to match the termination provision under the 2013 Plan, which is a post termination exercise period of: ninety days for resignation, two years for termination due to death or disability or, after an initial public offering of Laureate common stock, good leaving, and five years for retirement; iii) reallocated the outstanding unvested 2012 performance tranche to vest in the remaining performance years of the grant on a pro-rata basis for only those employees who received stock options awards for the first time in 2012; and iv) forfeit all other outstanding unvested 2012 performance options, disallowing the ability to catch up on the vesting, as the performance target was not met.

2013 Long-Term Incentive Plan

In June 2013, the Board of Directors of the Parent approved the Laureate Education, Inc. 2013 Long-Term Incentive Plan (the "2013 Plan"), as a successor plan to the 2007 Plan.

Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, unrestricted common stock or restricted stock (collectively, "stock awards"), unrestricted stock units or restricted stock units, and other stock-based awards, to eligible individuals on the terms and subject to the conditions set forth in the 2013 Plan. Stock options awards under the 2013 Plan generally have a contractual term of 10 years and are granted with an exercise price equal to the fair market value of Laureate's stock at the date of grant. Restricted stock and restricted stock units awards under 2013 Plan are measured using the fair value of Laureate's common stock on the date of grant or the most recent modification date, whichever is later. Stock options and restricted stock units awards are split into two tranches: a time-based vesting and a performance-based vesting tranche. The time-based vesting tranche typically vest over a five-year or three-year period. The performance-based vesting tranche are eligible for vesting

Note 7. Related Party Transactions (continued)

based on achieving annual pre-determined Equity Value performance targets, as defined in the plan, and the continued service of the employee. The performance based awards include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is achieved as long as the following year is within eight years from the grant date. Stock options, stock appreciation rights, and restricted stock units granted under the 2013 Plan have provisions for accelerated vesting if there is a change in control of Laureate, as defined by the 2013 Plan.

For Time Options, expense is recognized ratably over the five-year or three-year vesting period. For Performance Options, expense is recognized to the extent that it is probable that the stated annual earnings target will be achieved. Laureate assesses the probability of each option tranche vesting throughout the life of each grant. For the year ended December 31, 2017, the Company recorded $3,187 of stock option and $1,343 of restricted stock and restricted stock unit expenses, respectively.

Pledged Assets
Pursuant to a Second Amended and Restated Collateral Agreement dated as of April 26, 2017 between the Company and Citibank, N.A., as collateral agent (in such capacity, the “Collateral Agent”), the Company has pledged specific assets as collateral for a revolving credit facility and term loans from various lenders to the Parent. These assets include all of the Company’s receivables (except Title IV student loans) as well as the Company’s copyrights, patents and trademarks.

Standby Letters of Credit
During the year ended December 31, 2017, the Parent’s LOC in favor of the DOE, which allows Walden and certain other LEI subsidiaries to participate in Title IV programs, was increased by $31,289, to a total of $136,888. The percentage attributable to the Company of 92.4% was calculated based on Walden’s portion of the total 2016 Title IV HEA program funds. For the year ended December 31, 2017, $126,502 was held as collateral in a money market account by the Company and is reflected as restricted cash in the accompanying consolidated balance sheet.

Note 8. Title IV Program Participation

The Company derives a substantial portion of its revenues from Student Financial Aid (“SFA”) received by its students under the Title IV programs administered by the DOE, 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 and fees from eligible programs to be not more than 90 percent from Title IV programs. If an institution fails to satisfy the test for one year, its participation status becomes provisional for two consecutive fiscal years. If the test is not satisfied for two consecutive years, eligibility to participate in Title IV programs is lost for at least two fiscal years.

For the year ended December 31, 2017, the Company derived 74.71% of its revenue from Title IV funds (calculated on a cash basis in accordance with applicable statutory provisions and DOE regulations).

The following information for the year ended December 31, 2017 is required by the DOE and is presented for purposes of additional analysis, but is not a required part of the basic financial statements.

Note 8. Title IV Program Participation (continued)

	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue		
Subsidized Loan	$ 22,880,344.00	$ 22,880,344.00
Unsubsidized Loan up to pre-ECASLA Loan Limits	659,945,759.00	659,945,759.00
Federal Pell Grant	13,336,218.00	13,336,218.00
Plus Loans	137,682,073.00	137,682,073.00
FSEOG (subject to matching reduction, amount of FSEOG funds disbursed to a student and the amount of FWS funds credited to the student's account are reduced by the amount of the School matching)	277,636.00	277,636.00
TEACH Grant	339,606.00	339,606.00
Federal Work Study Applied to Tuition and Fees (subject to matching reduction	—	—
Student Title IV Revenue		$ 834,461,636.00
Revenue Adjustment (If the amount of Funds Applied First plus Student Title IV Revenue is more than Tuition and fees, then reduce Student Title IV Revenue by the amount over Tuition and Fees)		(365,162,232.04)
Title IV funds returned for a student under 34 C.F.R. § 668.22 (withdrawal), reduce Student Title IV Revenue		(24,503,699.00)
Adjusted Student Title IV Revenue		$ 444,795,704.96
Student Non-Title IV Revenue		
Grant funds for the student from non-federal public agencies or private sources independent of the School	$ 6,874,829.68	
Funds provided for the student under a contractual arrangement with a Federal, State or local government agency for the purposes of providing job training to low-income individuals	19,423,045.83	
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	42,514.84	
School scholarships disbursed to the student	—	
Amount of Unsubsidized Loan over the pre-ECASLA Loan Limits	—	
Student payments on current charges	124,263,009.85	
Student Non-Title IV Revenue	$150,603,400.20	
Revenue From Other Sources (Total for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training (34 C.F.R. 668.28 (a)(3)(ii))	$ —	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs (34 C.F.R. 668.28 (a)(3)(iii))	—	
Allowable student payments + allowable amounts from account receivable or institutional loan sales - any required payments under a recourse agreement	—	
Revenue from Other Sources	$ —	
Total Non-Title IV Revenue (Student non-Title IV Revenue + Revenue from Other Sources)		$ 150,603,400.20
Total Revenue (Adjusted Student Title IV Revenue + Student Non-Title IV Revenue + Revenue from Other Sources)		$ 595,399,105.16

Supplementary Information Required by Government Auditing Standards

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*

To the Board of Directors and Management of Walden E-Learning, LLC and Subsidiary

We have audited, 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, the financial statements of Walden E-Learning, LLC and Subsidiary ("the Company", wholly-owned subsidiaries of Laureate Education, Inc.), which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in member'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 June 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company'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 the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Company'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. We consider the deficiencies described in the accompanying schedule of findings as 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from 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. 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*.

Company's Response to Findings

The Company's response to the findings identified in our audit is described in the accompanying schedule of findings. The Company's 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 results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

June 28, 2018

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Schedule of Findings
For the year ended December 31, 2017

There were two 2016 findings partially remediated during 2017. However, as of December 31, 2017, the findings remain outstanding.

Finding 2017-001 (repeat of 2016-001): Information Technology General Controls (ITGC)

Criteria:

In accordance with AU-C Section 265 – Communicating internal control related matters identified in an audit, the auditor should communicate in writing to those charged with governance on a timely basis significant deficiencies and material weaknesses identified during the audit, including those that were remediated during the audit.

Based on the above considerations, the Company needs to have in place strong controls over their information technology systems and a proper segregation of duties over these systems.

Condition:

A weakness was identified at the consolidated level during the 2016 audit as a result of Laureate Education, Inc.'s failure to maintain effective controls over the operating effectiveness of information technology ("IT") general controls for information systems that are relevant to the preparation of the financial statements.

Cause and Context:

During testing of the Company's information technology general controls, the following items were noted:

i. Failure to maintain program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately;
ii. Failure to maintain user access controls to ensure appropriate segregation of duties and that access to financial applications and data is adequately restricted to appropriate personnel; and
iii. Failure to maintain computer operations controls to ensure that privileges are appropriately granted, and data backups are authorized and monitored.

We acknowledge that the Company implemented a plan of remediation commencing in 2017 that is still in process, including walkthrough procedures and limited testing of operating effectiveness of the controls. Management will need to complete operating effectiveness testing for the period to fully remediate the findings.

Effect:

Information technology general controls are relevant for all financial statement processes. Therefore, the material weakness is pervasive to the financial statements and presents a reasonable possibility that a material misstatement of the Company's financial statements will not prevented, or detected and corrected on a timely basis by management.

Recommendation:

Ensure that the design of the Company's policies and procedures as designed have been fully implemented and are operational, including monitoring of access, change management and segregation of duties relating to IT development and production roles.

Management's Response:

Laureate management was and continues to be in agreement with the recommendations stated above during the 2016 audit and developed a plan of remediation that was implemented during 2017. During 2017, management made significant progress towards remediating the material weaknesses identified and expects to complete all remediation efforts during the second half of 2018. Additionally, the University's internal control department is performing an ongoing evaluation of the design and operating effectiveness of the University's control environment.

Management identified 16 financially significant systems and started implementing controls in 2017 to remediate the identified material weaknesses. Through Q1 2018, management has reviewed the design of these new controls, performed walkthrough procedures, and performed limited operating effectiveness testing. Based on the results of procedures performed, management expects to remediate the controls during the second half of 2018 and will monitor the operating effectiveness of the controls implemented in response to the material weaknesses.

<u>Finding 2017-002 (repeat of 2016-002): Key Reports and Spreadsheets</u>

Criteria:

In accordance with AU-C Section 265 – Communicating internal control related matters identified in an audit, the auditor should communicate in writing to those charged with governance on a timely basis significant deficiencies and material weaknesses identified during the audit, including those that were remediated during the audit.

Based on the above considerations, the Company needs to have in place strong controls over their key reports and spreadsheets.

Condition:

A weakness was identified at the consolidated level as a result of Laureate Education, Inc.'s failure to design and place in operation adequate controls to address the completeness and accuracy of key reports and key spreadsheets.

Cause & Context:

During testing of the Company's controls over key reports and spreadsheets, the following items were noted:

i. Failure to ensure that the appropriate level of spreadsheet documentation is maintained and kept up to date to understand the business objective and specific functions of the spreadsheet and applications;
ii. Failure to maintain a controlled process for requesting changes to a spreadsheet or file, make changes and then test the spreadsheet, and obtain a formal sign-off from an independent individual that the change is functioning as intended;
iii. Failure to limit access at the file level to spreadsheets on a central server or protected directory and assign appropriate rights;
iv. Failure to ensure only current and approved versions of spreadsheets and files were being used.

We acknowledge that the Company implemented a plan of remediation commencing in 2017 that is still in process, including walkthrough procedures and limited testing of operating effectiveness of the controls. Management will need to complete operating effectiveness testing for the period to fully remediate the findings.

Effect:

Key reports and spreadsheets are relevant for all financial statement processes. Therefore, this weakness is pervasive to the financial statements and presents a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis by management.

Recommendation:

Design and implement procedures to address the design deficiencies relating to the completeness and accuracy of their key reports and spreadsheets.

Management's Response:

Laureate management was and continues to be in agreement with the recommendations stated above during the 2016 audit and developed a plan of remediation that was implemented during 2017. During 2017, management made significant progress towards remediating the material weaknesses identified and expects to complete all remediation efforts during the second half of 2018. Additionally, the University's internal control department is performing an ongoing evaluation of the design and operating effectiveness of the University's control environment.

Management identified more than 100 financially significant key reports and spreadsheets and started implementing controls in 2017 to remediate the identified material weaknesses. Through Q1 2018, management has reviewed the design of these new controls, performed walkthrough procedures, and performed limited operating effectiveness testing. Based on the results of procedures performed, management expects to remediate the controls during the second half of 2018 and will monitor the operating effectiveness of the controls implemented in response to the material weaknesses.