Financial Information

DeVry University is wholly-owned and directly operated by DeVry University, Inc. located at 1200 E. Diehl Rd., Naperville, IL 60563.

As of December 11, 2018, DeVry University, Inc. is wholly-owned by Cogswell Education, LLC, which is wholly-owned by Cogswell Capital, LLC.

The financial records are maintained in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and procedures. Almich & Associates, an independent public accounting firm, annually audits the consolidated financial statements. The audited FY2022 financial statements for both DeVry University and Cogswell Capital, LLC are attached.

DEVRY UNIVERSITY, INC.
(A Wholly-Owned Subsidiary of Cogswell Education, LLC)

OPE ID NUMBER: 01072700

Financial Statements

For the Year Ended June 30, 2022

with

Independent Auditors' Report

DEVRY UNIVERSITY, INC.
(A Wholly-Owned Subsidiary of Cogswell Education, LLC)

Table of Contents

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND OTHER INFORMATION

To the Board of Directors and
Stockholder of DeVry University, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of DeVry University, Inc. (an Illinois corporation and wholly-owned subsidiary of Cogswell Education, LLC), which comprise the balance sheet as of June 30, 2022, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DeVry University, Inc. as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DeVry University, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DeVry University, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 DeVry University, Inc.'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DeVry University, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Required Supplementary Information and Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information beginning on page 17 on DeVry University, Inc.'s calculation of its Title IV 90/10 revenue test, composite score calculation, and on related party transactions are required by the U.S. Department of Education and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 accompanying supplementary 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 October 3, 2022, on our consideration of DeVry University, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of DeVry University, Inc.'s 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 DeVry University, Inc.'s internal control over financial reporting and compliance.

Almich & Associates

Lake Forest, California
October 3, 2022

DEVRY UNIVERSITY, INC.
(A Wholly-Owned Subsidiary of Cogswell Education, LLC)
Balance Sheet
June 30, 2022

Assets

Current assets:	
Cash and cash equivalents	$ 70,546,565
Accounts and notes receivable from students, net of allowance for doubtful accounts of $18,014,500	18,250,800
Prepaid income taxes	889,620
Prepaid expenses and other	7,736,734
Total current assets	97,423,719
Property and equipment, net of accumulated depreciation and amortization of $81,350,347	10,924,684
Note receivable from stockholder	17,130,000
Due from stockholder	2,943,610
Restricted cash	680,000
Deferred income taxes	4,697,914
Other noncurrent asset	4,861,337
	$ 138,661,264

Liabilities and Stockholder's Equity

Current liabilities:	
Accounts payable	$ 18,905,105
Accrued expenses	30,492,752
Prepaid tuition	4,571,991
Current portion of deferred rent	1,133,525
Total current liabilities	55,103,373
Deferred rent, net of current portion	3,465,968
Total liabilities	58,569,341
Stockholder's equity:	
Common stock	71,570
Additional paid-in capital	4,928,431
Retained earnings	75,091,922
Total stockholder's equity	80,091,923
	$ 138,661,264

See notes to financial statements

DEVRY UNIVERSITY, INC.
(A Wholly-Owned Subsidiary of Cogswell Education, LLC)
Statement of Income and Retained Earnings
For the Year Ended June 30, 2022

Revenues:	
Tuition	$ 332,661,503
Fees and other	37,977,408
Total revenues	370,638,911
Costs and expenses:	
Course materials, services and instruction	128,023,709
Selling and promotional	93,315,019
General and administrative	88,449,393
Facilities	20,052,698
Depreciation and amortization	5,339,427
Total costs and expenses	335,180,246
Income from operations	35,458,665
Other income (expense):	
Interest income	430,438
Interest expense	(201,644)
Other income	127,283
Loss on disposal of property and equipment	(392,096)
Total other income (expense)	(36,019)
Income before income taxes	35,422,646
Provision for income taxes	(9,148,612)
Net income	26,274,034
Retained earnings, beginning of year	48,817,888
Retained earnings, end of year	$ 75,091,922

DEVRY UNIVERSITY, INC.
(A Wholly-Owned Subsidiary of Cogswell Education, LLC)
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Net income	$ 26,274,034
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation and amortization	5,339,427
Deferred income taxes	(2,341,219)
Loss on disposal of property and equipment	392,096
Change in assets and liabilities:	
Accounts receivable, net	(1,833,914)
Other accounts receivable	169,938
Prepaid income taxes	359,051
Prepaid expenses and other	(788,611)
Other noncurrent asset	1,495,725
Accounts payable	1,969,326
Accrued expenses	978,557
Prepaid tuition	(1,140,330)
Deferred rent	94,973
Net cash provided by operating activities	30,969,053
Cash flows from investing activities:	
Purchases of property and equipment	(2,700,553)
Net cash used by investing activities	(2,700,553)
Cash flows from financing activities:	
Principal repayment of note payable	(10,000,000)
Principal advances made under note receivable from stockholder	(17,130,000)
Increase in due from stockholder	(2,943,610)
Net cash used by financing activities	(30,073,610)
Decrease in cash	(1,805,110)
Cash, cash equivalents and restricted cash, beginning of year	73,031,675
Cash, cash equivalents and restricted cash, end of year	$ 71,226,565
Supplemental cash flows information:	
Cash paid for -	
Interest expense	$ 800,000
Income taxes	$ 11,131,000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

DeVry University, Inc. (DeVry) is an Illinois corporation formed in 2002 when DeVry Institute of Technology (DeVry Institute) and Keller Graduate School of Management, Inc. (Keller) were merged into a single accredited institution, which was approved by the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. DeVry Institute was founded in 1931 as DeForest Training School by Dr. Herman DeVry and renamed in 1968. Keller was founded in 1973 by Dennis Keller and Ronald Taylor and acquired DeVry Institute in 1987. DeVry's mission is to close our society's opportunity gap by preparing learners to thrive in careers shaped by continuous technological change. Through innovative programs, relevant partnerships and exceptional care, DeVry empowers students to meaningfully improve their lives, communities, and workplaces. DeVry offers online and hybrid undergraduate and graduate programs in academic disciplines that prepare students to thrive in the digital economy.

On December 11, 2018 Cogswell Education, LLC (Cogswell, a Delaware limited liability company) acquired all rights, title, and interest in and to the issued and outstanding shares of capital stock of DeVry and DeVry/New York Inc. from Adtalem Global Education, Inc. (Adtalem) under the terms of a Stock Purchase Agreement, free and clear of all liens.

The accompanying financial statements include only the accounts of DeVry.

Cash and Cash Equivalents

DeVry considers cash equivalents to be only those investments which are highly liquid and contain original maturities of three months or less. DeVry's cash equivalents consisted entirely of money market funds as of June 30, 2022.

Restricted Cash

As a requirement of continuing operations in the state of Pennsylvania, DeVry is required to maintain a "minimum protective endowment" of at least \$500,000. These funds are required to be maintained as long as DeVry operates campuses within the state. In addition, DeVry has posted a letter of credit in favor of its Arlington, Virginia facility landlord in the amount of \$180,000; such letter is secured by cash and required to remain on deposit throughout the lease term, currently scheduled to expire in May 2025.

Revenue Recognition

Revenues consist primarily of tuition and related fees on courses taught at DeVry. DeVry recognizes revenue in accordance with *ASC Topic 606, Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers. Tuition and related fee revenues are recognized on a ratable basis over the term of instruction, taking into consideration expected refunds. The majority of students serviced by DeVry are enrolled in programs designed to be completed in two to four years. Students are billed for tuition and fees on a term-by-term basis and earned evenly over the two-month terms. Prepaid tuition represents tuition and fees paid by students in excess of amounts earned as of the balance sheet date.

Accounts and Notes Receivable

Accounts and notes receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized. Accounts and notes receivable include amounts billed and earned for services rendered to students, less payments received and an allowance for doubtful accounts. The allowance for doubtful accounts associated with DeVry's accounts receivable is management's best estimate based upon historical experience. Management continually monitors and adjusts its allowances associated with DeVry's receivables to address any credit risks associated with the accounts receivable. When uncertainty exists as to the collection of receivables, DeVry records an allowance for doubtful accounts and a corresponding charge to bad debt expense.

Depreciation and Amortization

Property and equipment are recorded at cost. Property and equipment are depreciated over their estimated useful lives of 1 to 10 years using the straight-line method. Leasehold improvements are stated at cost and are being amortized over the shorter of their estimated useful life or the term of the respective facility lease. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to DeVry's long-lived assets.

Course Service and Advertising Costs

Course service and advertising costs are expensed as incurred.

Income Taxes

DeVry uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date.

Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income and member's equity. *ASU 2016-02* will be effective for DeVry for the year ending June 30, 2023. DeVry currently anticipates *ASU 2016-02* to significantly impact the presentation of its balance sheet and disclosures, but not materially impact its annual results from operations.

Letter of Credit and Educational Requirements of DeVry

In November 2016, DeVry was required to post a standby letter of credit (LC) in the favor of the U.S. Department of Education (ED) in the amount of $68,435,908, representing approximately 10% of DeVry's Title IV disbursements for the most recent fiscal year. The LC requirement was a result of a settlement agreement reached with ED in connection with ED's Notice of Intent to Limit (the Notice) issued to DeVry in January 2016. The Notice alleged that DeVry had lacked adequate records to substantiate certain representations made about the employment rate of its graduates since 1975. Currently, the LC is required to be maintained through November 9, 2021. Upon the sale of DeVry on December 11, 2018, Adtalem had continued to post the LC on DeVry's behalf. In consideration of Adtalem's maintenance of the LC, DeVry remitted an annual fee equal to 2.0% of the amount of the LC, payable quarterly in arrears. During the year ended June 30, 2022, the LC expired, and ED did not require it to be renewed.

In addition to the LC requirement, the terms of the settlement agreement also require that DeVry participate in the Title IV Programs under a provisional certification from ED, cease making certain representations to the public, comply with certain recordkeeping and verification obligations with respect to permitted representations and comply with certain disclosure obligations and reporting obligations to ED.

Fair Value Measurements

The carrying value of DeVry's financial instruments approximates fair value due to the relative short-term nature of these instruments.

DeVry uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. DeVry has no financial instruments utilizing Level 2 or Level 3 inputs for measurement of fair value.

Risks and Uncertainties

In addition to the regulatory matters described in Note 9, DeVry is subject to risks and uncertainties as a result of the recent novel coronavirus (COVID-19). While management continues to monitor the situation and its financial impact on DeVry, the extent to which the COVID-19 pandemic ultimately affects DeVry's financial position, cash flows and results of operations currently remains uncertain.

Estimates

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 amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

DeVry has evaluated subsequent events through the date of the auditors' report, October 3, 2022, which is the date the accompanying financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2022:

Building and improvements	$ 18,639,876
Computers and software	9,911,979
Furniture and fixtures	13,936,455
Equipment	49,649,096
Construction in progress	137,625
	92,275,031
Less: accumulated depreciation and amortization	(81,350,347)
	$ 10,924,684

Depreciation and amortization expense related to property and equipment was $5,339,427 for the year ended June 30, 2022.

NOTE 3 – RELATED PARTY TRANSACTIONS

Note Receivable from Stockholder

On September 30, 2021, DeVry and Cogswell entered into a Promissory Note Agreement providing for up to $20.0 million in advances to be made from DeVry to Cogswell. Under the terms of the agreement, outstanding principal advances are unsecured, bear interest at 2.25% and require no payment of principal or interest until maturity on September 30, 2024. As of June 30, 2022, the outstanding principal balance on the note was $17.13 million.

Due from Stockholder

In addition to the funding provided to Cogswell under the terms of the promissory note discussed above, DeVry has also advanced funds to Cogswell for operational needs which are unsecured and contain no provisions for interest or repayment. As of June 30, 2022, total funds advanced amounted to $2,943,610.

NOTE 4 – NOTE PAYABLE

In connection with its change of ownership on December 11, 2018, DeVry entered into a Promissory Note Agreement with Adtalem in the principal amount of $10.0 million and received such funds concurrent with the close of the purchase transaction. Outstanding balances under the loan bore interest at 4.0% and required annual payments of interest only. A portion of the loan was deemed to be secured by the other noncurrent asset presented on the accompanying balance sheet (see Note 5). The outstanding balance on the loan as of June 30, 2021 was $10.0 million; the loan matured on January 1, 2022 and was repaid in full along with all accrued interest in February 2022.

NOTE 5 – OTHER NONCURRENT ASSET

The other noncurrent asset included on the accompanying balance sheet represents amounts due to DeVry under the Federal Perkins Loan Program, stated at their outstanding principal amount, net of an allowance for doubtful notes. Prior to the expiration of the program's lending period on July 1, 2018, loans had been made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. DeVry has provided for an allowance for doubtful notes, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. The allowance for doubtful notes under the Perkins Loan Program was approximately $1.6 million as of June 30, 2022.

The Agreement provides Cogswell a right of indemnification from Adtalem if (a) DeVry's net proceeds from return of the Institutional Capital Contribution to the Federal Perkins Loan Program are (or are expected to be) less than $13.45 million, (b) DeVry incurs losses arising from its assignment of loans from the Federal Perkins Loan Program to ED, or (c) DeVry incurs losses arising from the required purchase from ED of Federal Perkins Loan Program loans.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

DeVry operates its corporate office and campuses under the terms of noncancelable lease agreements expiring at various times through November 2030. The facility leases generally contain stipulated annual increases to base rent and require the payment of certain operating expenses in addition to the base monthly rent. Rent expense is being recorded evenly over the terms of the respective leases. The difference between rent expense recorded and amounts paid is reflected as deferred rent on the accompanying balance sheet.

Tenant improvement allowances are recorded, (a) as leasehold improvement assets and amortized over the shorter of their economic useful lives or the remaining lease term, and (b) as a deferred rent liability and amortized over the remaining lease term as a reduction of rent expense.

Deferred rent consisted of the following as of June 30, 2022:

Unamortized tenant improvement allowances	$ 2,439,899
Straight-line rent expense in excess of payments	2,159,594
	$ 4,599,493

Facility rent expense for the year ended June 30, 2022 was approximately $18.0 million and is included within facilities expense on the accompanying statement of income and retained earnings.

Future minimum lease payments over the remaining terms of the facility leases were as follows as of June 30, 2022:

Year Ending June 30,	
2023	$ 16,258,000
2024	11,707,000
2025	7,481,000
2026	3,985,000
2027	1,279,000
Thereafter	2,934,000
	$ 43,644,000

Legal Proceedings

The terms of the Stock Purchase Agreement and certain related amendments provide that Adtalem will indemnify DeVry against and hold DeVry harmless from all damages incurred or suffered by DeVry to the extent arising out of or relating to claims filed against DeVry before the Closing or up to six years thereafter, up to a maximum of $340.0 million. All DeVry legal and regulatory matters pending at the time of the close of the transaction, including those described below, have been tendered to Adtalem under the Agreement, and Adtalem has accepted such tender and agreed to defend and indemnify DeVry against such matters per the Agreement. As of the date of the accompanying auditors' report, DeVry believes it has adequately reserved for potential losses.

The following is a description of pending legal and regulatory matters that may be considered other than ordinary, routine and incidental to the business. The timing or outcome of the following matters, or their possible impact on DeVry's business, financial condition, or results of operations, cannot be predicted at this time. The continued defense, resolution, or settlement of any of the following matters could require DeVry to expend significant resources and could have a material adverse effect on the business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on DeVry's ability to operate.

On April 13, 2018, a putative class action lawsuit was filed by Nicole Versetto, individually and on behalf of others similarly situated, against Adtalem, DeVry and DeVry/New York Inc. (collectively the "Adtalem Parties") in the Circuit Court of Cook County, Illinois, Chancery Division. The complaint was filed on behalf of herself and three separate classes of similarly situated individuals who were citizens of the State of Illinois and who purchased or paid for a DeVry program between January 1, 2008 and April 8, 2016. The plaintiff claimed that defendants made false or misleading statements regarding DeVry's graduate employment rate and asserts causes of action under the Illinois Uniform Deceptive Trade Practices Act, Illinois Consumer Fraud and Deceptive Trade Practices Act, and Illinois Private Business and Vocational Schools Act, and claims of breach of contract, fraudulent misrepresentation, concealment, negligence, breach of fiduciary duty, conversion, unjust enrichment, and declaratory relief as to violations of state law. The plaintiff sought compensatory, exemplary, punitive, treble, and statutory penalties and damages, including pre-judgment and post-judgment interest, in addition to restitution, declaratory and injunctive relief, and attorneys' fees. The plaintiff later filed an amended complaint asserting similar claims with a new lead plaintiff, Dave McCormick. After discussions among the parties, the court granted a Motion for Preliminary Approval of Class Action Settlement (the "McCormick Settlement") on May 28, 2020. In conjunction with the McCormick Settlement, Adtalem was required to establish a settlement fund by placing $44.95 million into an escrow account. The court issued an order approving the McCormick Settlement on October 7, 2020 and dismissed the action with prejudice. On November 2, 2020, Stoltmann Law Offices filed on behalf of Jose David Valderrama ("Valderrama"), a class member who objected to the terms of the McCormick Settlement, a notice of appeal of the court's order approving the McCormick Settlement. On November 5, 2020, Richardo Peart ("Peart"), another class member who objected to the terms of the McCormick Settlement, filed a similar notice of appeal. Those appeals were consolidated before the Appellate Court of Illinois, First District and fully briefed. The Appellate Court agreed to stay Valderrama's and Peart's appeals of the McCormick Settlement pending the outcome of mediation involving the objections to the McCormick Settlement. The objections were not resolved at a mediation on February 1, 2022. Valderrama's objection was withdrawn as part of the Stoltmann settlement discussed below. Peart's objection remained pending a decision by the Appellate Court. On May 4, 2022, the Appellate Court denied Peart's objection and affirmed the Circuit Court of Cook County's approval of the McCormick Settlement.

In addition to Valderrama, Stoltmann Law Offices represented 552 individuals ("Stoltmann Claimants") who opted out of the McCormick Settlement and filed claims with the Judicial Arbitration and Mediation Services, Inc. ("JAMS") alleging fraud-based claims based on DeVry's graduate employment statistics.

On November 2, 2021, Adtalem Parties and the Stoltmann Law Offices participated in a mediation to resolve the claims of the Stoltmann Claimants. Adtalem Parties and the Stoltmann Law Offices reached agreement on settlement terms ("Stoltmann Settlement"). The settlement amount, $20,375,000, was reduced by $75,000 for each of the Stoltmann Claimants that declined to participate in the settlement. Of Stoltmann's 552 Claimants, six declined to participate, reducing the settlement amount by $450,000. On February 28, 2022, Adtalem remitted $19,925,000 to the Stoltmann Laws Offices on behalf of the 546 participating Stoltmann Claimants. Of the six Stoltmann Claimants that declined to participate in the settlement, two voluntarily dismissed their arbitrations; one arbitration is in progress; one Claimant has a conference hearing scheduled in April 2022; and two Claimants have not recommenced their arbitrations.

On June 23, 2020, DeVry received notice from ED of claims brought under 34 CFR §§ 685.206 and 685.222, which allows students who used federal student loan funds to attend DeVry to apply for a discharge of some or all of their federal student loans based on certain types of alleged misconduct by DeVry. These regulations are known as the Borrower Defense to Repayment (BDR) regulations. Pursuant to these regulations, ED has initiated a fact-finding process in these matters so that it may begin to adjudicate these applications. This process begins with ED sending each claim and any supporting documentation to DeVry, and DeVry must respond to the claim. DeVry communicated with ED to clarify the fact-finding process, and in July 2020 ED told DeVry to expect approximately 8,000 claims. On April 19, 2021, DeVry received a follow up letter from ED indicating that ED had received 2,100 additional claims since June 2020, and DeVry received approximately 1,100 additional claims by July 2021. As of September 23, 2022, DeVry had received a total of approximately 34,000 claims, the majority of which have been received on a weekly basis since February 2022. The majority of these claims are similar to the allegations made by the FTC in its 2016 complaint against DeVry. DeVry continues to submit responses to the BDR claims to ED on a rolling basis, with approximately 10,600 responses submitted to date. Outside counsel has engaged contract paralegals and contract attorneys to assist in producing responses for the remaining open claims in an organized and efficient fashion. If ED grants a borrower-defense application and discharges the borrower's debt, the regulations state that the ED can initiate proceedings to recover/recoup the discharged amount from the school with which that debt was associated.

The June 2020 and April 2021 letters from ED also requested documents that relate to the allegations in a large number of the claims. DeVry has made initial productions of responsive documents to ED on a rolling production. On August 4, 2021, outside counsel received an email message from ED requesting additional documentation for a request made in the April 2021 letter, and DeVry is working with counsel to provide this documentation. DeVry has not received any other communications from ED in response to its production of responsive documents.

On February 16, 2022, ED issued a press release announcing its intent to discharge the federal student loans for approximately 1,800 DeVry BDR claimants and its intent to seek recoupment of approximately $70.0 million in forgiven amounts from DeVry. DeVry received no direct communication from ED with respect to the discharged loans or recoupment until August 2022.

By a letter dated August 15, 2022, ED notified DeVry that it was initiating a recovery proceeding for approximately $23.0 million in discharged student loan proceeds on behalf of 649 borrowers who attended DeVry between 2008 and 2015 unless it contests the decision. Pursuant to ED procedures, DeVry plans to file a Request for Review (essentially a hearing) by the agency's deadline with the Office of Hearings and Appeals to contest the recoupment action. As a result, any attempts for recovery will be stayed until the administrative process is complete. The timeline for the completion of the administrative review process is unclear at this time. Other than the $70.0 million in discharged loan amounts announced by ED in February 2022, a portion of which ED is seeking to recover per their August 15, 2022 notice, DeVry does not know the total amount of outstanding loans that may be covered by the claims received to date.

NOTE 7 – INCOME TAXES

For the year ended June 30, 2022, the provision (benefit) for income taxes consisted of the following:

Current:	
Federal	$ 8,972,739
State	2,517,092
	11,489,831
Deferred:	
Federal	(1,744,409)
State	(596,810)
	(2,341,219)
	$ 9,148,612

As of June 30, 2022, total deferred tax assets recognized for deductible temporary differences were approximately $8.3 million and have resulted primarily from DeVry's future deductible temporary difference related to its accruals; total deferred tax liabilities recognized for taxable temporary differences were approximately $3.6 million and have resulted primarily from depreciation.

NOTE 8 – 401(K) RETIREMENT PLANS

DeVry maintains two 401(k) retirement plans covering virtually all employees immediately upon hire date. DeVry makes matching contributions to one of the plans in an amount up to 6.0% of eligible contributions that colleagues make to the plan. In addition, DeVry may also make discretionary contributions for the benefit of all eligible colleagues who have at least 90 days of employment. DeVry made matching contributions of approximately $5.3 million to the Plan during the year ended June 30, 2022.

NOTE 9 –REGULATORY MATTERS

DeVry is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act (the Act) and the regulations promulgated thereunder by ED subject DeVry to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Act. These standards include, among others, financial responsibility, student default rates, and the "90/10" rule. Ineligibility to participate in the Title IV programs would have a material adverse effect on DeVry's enrollments, revenue, and results of operations.

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring. Institutions receiving a composite score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. ED evaluates DeVry's composite score utilizing financial statements prepared on a consolidated basis with Cogswell, Cogswell's sole member and two other institutions under common ownership. As of and for the year ended June 30, 2022, the composite score derived from the consolidated entities' financial statements was greater than 1.5.

For each federal fiscal year, ED calculates a rate of student defaults for each educational institution known as a "cohort default rate". Under certain defined circumstances, an institution may lose its eligibility to participate in some or all Title IV programs. As of June 30, 2022, management believes that DeVry was in compliance with ED's requirements concerning cohort default rates.

Substantial portions of DeVry's revenue and collection of accounts receivable are dependent upon its continued participation in the Title IV programs of the Act. To continue to participate in the Title IV programs, DeVry must comply with certain regulations of ED. ED regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. The failure of an institution to meet the 90 percent limitation could result in the loss of an institution's ability to participate in Title IV programs. For the year ended June 30, 2022, DeVry was in compliance with the 90/10 rule. ED requires an institution to provide additional disclosures with respect to the 90/10 rule, which are included in the accompanying supplementary information beginning on page 17.

As a result of operating in a highly regulated industry, DeVry may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or other third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on DeVry's business, results of operations or financial condition, management believes that since its acquisition by Cogswell, DeVry has substantially complied with all regulatory requirements.

On October 30, 2014, ED released its final rule concerning gainful employment (GE) which was formally published in the Federal Register October 31, 2014 and effective July 1, 2015. The final rule had applied to all GE programs, which include all non-degree programs at public and private non-profit institutions, and all programs offered at for-profit institutions. The final rule aimed to assess continued eligibility of GE programs by their performance against specific defined debt-to-earnings measures. In addition, institutions were required to certify that each of their GE programs had met state and federal licensure, certification, and accreditation requirements, as well as make public disclosures regarding performance and outcomes of their GE programs, such as costs, earnings, debt and completion rates. On June 28, 2019, ED announced that it was officially rescinding the 2014 GE regulations and permitting affected institutions to elect to implement the rescission effective July 1, 2019.

On November 1, 2016, ED published regulations on the topic of BDR which went into effect in October 2018. On September 23, 2019, ED published regulations on this topic which largely became effective July 1, 2020. The regulations allow a borrower to assert a defense to repayment based upon defined criteria and establish certain triggers which would require an institution to provide ED with additional reporting and/or financial guarantees. Management believes that DeVry is in compliance with the applicable regulations in all material respects.

NOTE 10 – CONCENTRATION OF CREDIT RISK

As of June 30, 2022, DeVry maintained cash and cash equivalent balances with banks in excess of the federally insured limit.

DEVRY UNIVERSITY, INC.
(A Wholly-Owned Subsidiary of Cogswell Education, LLC)
Supplementary Information
(Information Required by the U.S. Department of Education)
June 30, 2022

Institution's Calculation of 90/10 Revenue Test

DeVry University, Inc., (the Institution) derives a substantial portion of its revenues from Student Financial Aid (SFA) received by its students under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). To continue to participate in the SFA programs the Institution must comply with the regulations promulgated under HEA. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. In July 2008, modifications to the regulations were made with respect to amounts to be included in the 90 percent calculations including the allowance for the inclusion of funds received for certain qualifying non-Title IV programs. In addition, the modifications included provisions for institutions that do not comply with the 90 percent rule for a single fiscal year, whereby such institutions would be placed on provisional certification status for a period of two years. Institutions that do not comply with the 90 percent rule for two consecutive fiscal years are subject to the loss of their ability to participate in the SFA programs. For the year ended June 30, 2021, the Institution was in compliance with the 90 percent rule.

For the year ended June 30, 2022, the Institution's 90/10 revenue test percentage was computed as follows:

Revenue by Fund Source	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue		
Subsidized Loan	$ 95,214,984	$ 95,214,984
Unsubsidized Loan	169,330,384	169,330,384
Federal Pell Grant	101,139,086	101,139,086
FSEOG (subject to matching reduction)	5,494,024	4,120,518
Federal Work Study applied to tuition and fees	-	-
Federal Direct PLUS Loan	4,977,320	4,977,320
All Other Title IV Loans and Grants	-	-
Student Title IV Revenue	$ 376,155,798	$ 374,782,292
Revenue Adjustment If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(80,696,597)
Title IV funds returned for a student under 34 C.F.R. § 668.22 (withdrawal), reduce Student Title IV Revenue		(19,388,343)
Adjusted Student Title IV Revenue		$ 274,697,352

Revenue by Fund Source	Amount Disbursed	Adjusted Amount	
Student Non-Title IV Revenue			
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ 7,680,299		
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	-		
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-		
Institutional scholarships disbursed to the student	-		
Student payments	77,964,911		
Student Non-Title IV Revenue	$ 85,645,210		
Revenue from Other Sources (Totals for the Fiscal Year)			
Activities conducted by the school that are necessary for education and training	$ -		
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training program that is not eligible	-		
Allowable student payments + allowable amounts from account receivable or institutional loan sales - any required payments under a recourse agreement	-		
Revenue from Other Sources	$ -		
Adjusted Title IV Revenue		$ 274,697,352	
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from other sources		$ 360,342,562	76.23%

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the financial statements.

Institution’s Calculation of Composite Score

ED evaluates the Institution’s composite score utilizing financial statements prepared on a consolidated basis which include the Institution’s sole member, Cogswell Education, LLC (Cogswell), Cogswell’s sole member Cogswell Capital, LLC, and two other institutions under common ownership. As of and for the year ended June 30, 2022, the composite score derived from the consolidated entities’ financial statements was greater than 1.5. The financial components utilized for the composite score calculation applicable to the Institution as of and for the year ended June 30, 2022 can be found in the consolidated financial statements of Cogswell Capital, LLC.

Related Party Transactions

The Institution participates in Student Financial Aid under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). The Institution must comply with the regulations promulgated under HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

Organization

The Institution is an Illinois corporation formed in 2002 when DeVry Institute of Technology (DeVry Institute) and Keller Graduate School of Management, Inc. (Keller) were merged into a single accredited institution, which was approved by the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. DeVry Institute was founded in 1931 as DeForest Training School by Dr. Herman DeVry and renamed in 1968. Keller was founded in 1973 by Dennis Keller and Ronald Taylor and acquired DeVry Institute in 1987. The Institution’s mission is to close our society's opportunity gap by preparing learners to thrive in careers shaped by continuous technological change. Through innovative programs, relevant partnerships and exceptional care, the Institution empowers students to meaningfully improve their lives, communities, and workplaces. The Institution offers online and hybrid undergraduate and graduate programs in academic disciplines that prepare students to thrive in the digital economy.

Note Receivable from Stockholder

On September 30, 2021, the Institution and its stockholder, Cogswell Education, LLC (Cogswell), entered into a Promissory Note Agreement providing for up to $20.0 million in advances to be made from the Institution to Cogswell. Under the terms of the agreement, outstanding principal advances are unsecured, bear interest at 2.25% and require no payment of principal or interest until maturity on September 30, 2024. As of June 30, 2022, the outstanding principal balance on the note was $17.13 million.

Due from Stockholder

In addition to the funding provided to Cogswell under the terms of the promissory note discussed above, the Institution has also advanced funds to Cogswell for operational needs which are unsecured and contain no provisions for interest or repayment. As of June 30, 2022, total advanced funds amounted to $2,943,610.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the financial statements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and
Stockholder of DeVry University, Inc.:

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 DeVry University. Inc. (DeVry, an Illinois corporation and wholly-owned subsidiary of Cogswell Education, LLC), which comprise the balance sheet as of June 30, 2022, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeVry'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 DeVry's internal control. Accordingly, we do not express an opinion on the effectiveness of DeVry'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 DeVry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance 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.

Almich & Associates

Lake Forest, California
October 3, 2022

COGSWELL CAPITAL, LLC and SUBSIDIARY

Consolidated Financial Statements

For the Year Ended June 30, 2022

with

Independent Auditors' Report

COGSWELL CAPITAL, LLC and SUBSIDIARY

Table of Contents

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

To the Board of Directors and
Member of Cogswell Capital, LLC:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Cogswell Capital, LLC (a Delaware limited liability company) and Subsidiary, which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of income and member's equity and cash flows for year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cogswell Capital, LLC and Subsidiary as of June 30, 2022, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cogswell Capital, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cogswell Capital, LLC and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Cogswell Capital, LLC and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cogswell Capital, LLC and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Required Supplementary Information and Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary information beginning on page 20 on Cogswell Capital, LLC and Subsidiary's calculation of their Title IV 90/10 revenue tests, composite score calculation, and on related party transactions are required by the U.S. Department of Education and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 accompanying supplementary 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 November 29, 2022, on our consideration of Cogswell Capital, LLC and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Cogswell Capital, LLC and Subsidiary's 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 Cogswell Capital, LLC and Subsidiary's internal control over financial reporting and compliance.

Almich & Associates

Lake Forest, California
November 29, 2022

COGSWELL CAPITAL, LLC and SUBSIDIARY
Consolidated Balance Sheet
June 30, 2022

Assets

Current assets:	
Cash and cash equivalents	$ 73,319,723
Current portion of accounts and notes receivable from students, net of allowance for doubtful accounts of $19,261,549	19,360,261
Prepaid income taxes	889,620
Prepaid expenses and other	9,440,567
Total current assets	103,010,171
Property and equipment, net of accumulated depreciation and amortization of $93,802,441	17,289,076
Restricted cash	680,000
Deposits	332,127
Deferred income taxes	4,697,914
Goodwill	14,193,892
Other noncurrent asset	4,861,337
	$ 145,064,517

Liabilities and Member's Equity

Current liabilities:	
Accounts payable	$ 20,298,270
Accrued expenses	32,725,475
Prepaid tuition	7,238,380
Deferred revenue	995,774
Purchase price payable - Salem Education	600,000
Current portion of contingent purchase price payable - DeVry	4,104,000
Current portion of deferred rent	1,351,691
Current portion of capital lease obligations	284,042
Total current liabilities	67,597,632
Contingent purchase price payable - DeVry, net of current portion	11,286,800
Deferred rent, net of current portion	4,355,276
Capital lease obligations, net of current portion	286,967
Note payable	1,496,887
Total liabilities	85,023,562
Member's equity	60,040,955
	$ 145,064,517

COGSWELL CAPITAL, LLC and SUBSIDIARY
Consolidated Statement of Income and Member's Equity
For the Year Ended June 30, 2022

Revenues:	
Tuition	$ 355,466,683
Fees and other	40,243,929
Total revenues	395,710,612
Costs and expenses:	
Course materials, services and instruction	136,963,607
Selling and promotion	98,138,604
General and administrative	97,490,932
Facilities	24,063,902
Depreciation and amortization	6,345,696
Total costs and expenses	363,002,741
Income from operations	32,707,871
Other income (expense):	
Interest income	199,542
Interest expense	(284,821)
Other income	248,401
Loss on disposal of property and equipment	(392,096)
Contingent consideration	(2,578,410)
Transaction costs	(147,709)
Total other income (expense)	(2,955,093)
Income before income taxes	29,752,778
Provision for income taxes	(9,148,612)
Net income	20,604,166
Member's equity, beginning of year	39,436,789
Member's equity, end of year	$ 60,040,955

See notes to consolidated financial statements

COGSWELL CAPITAL, LLC and SUBSIDIARY
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Net income	$ 20,604,166
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation and amortization	6,345,696
Loss on disposal of property and equipment	392,096
Contingent consideration	2,578,410
Deferred income taxes	(2,341,219)
Change in assets and liabilities:	
Accounts and notes receivable from students, net	(1,751,589)
Other accounts receivable	638,969
Prepaid income taxes	359,051
Prepaid expenses and other	(929,670)
Deposits	(89,454)
Other noncurrent asset	1,495,725
Accounts payable	1,829,339
Accrued expenses	1,136,778
Deferred revenue	995,774
Prepaid tuition	(2,427,852)
Deferred rent	(96,960)
Net cash provided by operating activities	28,739,260
Cash flows from investing activities:	
Purchases of property and equipment	(3,149,326)
Payment of contingent purchase price	(2,943,610)
Purchase of Salem Education	(15,708,846)
Net cash used by investing activities	(21,801,782)
Cash flows from financing activities:	
Principal repayment of note payable	(10,000,000)
Principal payments on capital lease obligations	(202,872)
Net cash used by financing activities	(10,202,872)
Decrease in cash	(3,265,394)
Cash, cash equivalents and restricted cash, beginning of year	76,527,209
Cash acquired in purchase of Salem Education	737,908
Cash, cash equivalents and restricted cash, end of year	$ 73,999,723
Supplemental cash flows information:	
Cash paid for -	
Interest expense	$ 883,200
Income taxes	$ 11,131,000

See notes to consolidated financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Cogswell Capital, LLC (Capital) is a Delaware limited liability company organized on September 2, 2010. Capital was formed to facilitate the acquisition of private postsecondary educational institutions and is the sole voting member of Cogswell Education, LLC (Education), a Delaware limited liability company organized on April 20, 2010.

Education has owned and operated Cogswell College, LLC dba University of Silicon Valley (USV), a California limited liability company, since November 2010. USV operates a four-year institution of higher learning which offers bachelor and masters level degrees primarily in the fields of digital arts and audio, game design and development, engineering and entrepreneurship. USV's campus and administrative offices are located in San Jose, California.

On December 11, 2018, Education acquired all rights, title, and interest in and to the issued and outstanding shares of capital stock of DeVry University, Inc. (DeVry) from Adtalem Global Education, Inc. (Adtalem) under the terms of a Stock Purchase Agreement (the DeVry Agreement), free and clear of all liens. DeVry's mission is to close our society's opportunity gap by preparing learners to thrive in careers shaped by continuous technological change. Through innovative programs, relevant partnerships and exceptional care, DeVry empowers students to meaningfully improve their lives, communities, and workplaces. DeVry offers online and hybrid undergraduate and graduate programs in academic disciplines that prepare students to thrive in the digital economy.

Terms of the DeVry Agreement and certain related amendments provide for (i) indemnification by Adtalem for all damages incurred or suffered by DeVry to the extent arising out of or relating to claims filed against DeVry before the Closing or up to six years thereafter, up to a maximum of $340.0 million, and (ii) a right of indemnification for liabilities associated with the Federal Perkins Loan Program.

Effective October 1, 2021, Education purchased a majority interest in Salem Education, LLC (Salem Ed, a Delaware limited liability company) under the terms of a Membership Interest Family Purchase and Transfer Agreement (the Salem Agreement, see Note 2). The balance of the membership interest in Salem Ed was obtained by Education in December 2021. Salem Ed owns and operates Salem University, LLC (Salem), an institution of higher learning which offers associates, bachelors, masters and doctoral degrees, primarily in the fields of business, education and nursing. Salem operates from one campus located in Salem, West Virginia and maintains a location in Indianapolis, Indiana for purposes of recruiting and supporting on-line education.

The accompanying consolidated financial statements include the accounts of Capital, Education, Salem Ed, USV, DeVry and Salem (collectively, the Company). All intercompany accounts and transactions have been eliminated in consolidation.

Restricted Cash

As a requirement of continuing operations in the state of Pennsylvania, DeVry is required to maintain a "minimum protective endowment" of at least $500,000. These funds are required to be maintained as long as DeVry operates campuses in the state. In addition, DeVry has posted a letter of credit in favor of its Arlington, Virginia facility landlord in the amount of $180,000; such letter is secured by cash and required to remain on deposit throughout the lease term, currently scheduled to expire in May 2025.

Cash and Cash Equivalents

The Company considers cash equivalents to be only those investments which are highly liquid and contain original maturities of three months or less. The Company's cash equivalents consisted entirely of money market funds as of June 30, 2022.

Accounts and Notes Receivable

Accounts and notes receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized. Accounts and notes receivable include amounts earned, less payments received and an allowance for doubtful accounts. The allowance for doubtful accounts associated with the Company's accounts receivable is management's best estimate based upon historical experience. Management continually monitors and adjusts its allowances associated with the Company's receivables to address any credit risks associated with the accounts receivable. When uncertainty exists as to the collection of receivables, the Company records an allowance for doubtful accounts and a corresponding charge to bad debt expense.

Revenue Recognition

Revenues consist primarily of tuition on courses taught at USV, DeVry and Salem, and from the sale of related products and services. The Company recognizes revenue in accordance with *ASC Topic 606, Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers. Tuition and related fee revenues are recognized on a ratable basis over the term of instruction, taking into consideration expected refunds. The majority of students serviced by the Company are enrolled in programs designed to be completed in two to four years. Students are billed for tuition and fees, including room and board, on a term-by-term basis and earned evenly over the respective two-month or four-month terms. Revenues from the sale of products and services are recognized when the products are sold or when the services have been provided. Prepaid tuition represents tuition and fees paid by students in excess of amounts earned as of the balance sheet date.

Depreciation and Amortization

Property and equipment are recorded at cost. Property and equipment are depreciated over their estimated useful lives of 1 to 30 years using the straight-line method. Leasehold improvements are stated at cost and are being amortized over the shorter of their estimated useful life or the lease term. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to the Company's long-lived assets.

Letters of Credit and Educational Requirements of DeVry

Pursuant to the terms of USV's facility lease, USV was required to post a standby letter of credit (LC) with a bank. The LC is secured by the revolving credit facility discussed in Note 5 and was initially posted on June 30, 2015 in the amount of $704,225. Under the terms of the lease agreement, USV was permitted to reduce the LC to $352,113 in December 2015 and then to $117,371 in June 2019. The LC renews automatically on an annual basis and had not been drawn upon as of June 30, 2022.

In November 2016, DeVry was required to post a standby letter of credit (LC) in the favor of the U.S. Department of Education (ED) in the amount of $68,435,908, representing approximately 10% of DeVry's Title IV disbursements for the most recent fiscal year. The LC requirement was a result of a settlement agreement reached with ED in connection with ED's Notice of Intent to Limit (the Notice) issued to DeVry in January 2016. The Notice alleged that DeVry had lacked adequate records to substantiate certain representations made about the employment rate of its graduates since 1975. Upon the sale of DeVry on December 11, 2018, Adtalem had continued to post the LC on DeVry's behalf. In consideration of Adtalem's maintenance of the LC, DeVry remitted an annual fee equal to 2.0% of the amount of the LC, payable quarterly in arrears. During the year ended June 30, 2022, the LC expired, and ED did not require it to be renewed.

In addition to the LC requirement, the terms of the settlement agreement also require that DeVry participate in the Title IV Programs under a provisional certification from ED, cease making certain representations to the public, comply with certain recordkeeping and verification obligations with respect to permitted representations and comply with certain disclosure obligations and reporting obligations to ED.

Goodwill

Goodwill represents the excess of the purchase price over the fair market value of the identifiable net assets acquired. Goodwill is not amortized, but evaluated for impairment annually, in the fourth quarter of each fiscal year, or whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. The implied fair value of goodwill is determined by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded value of goodwill exceeds its implied value, an impairment charge is recorded for the excess. The Company tests for goodwill impairment at the reporting unit level. The Company's annual impairment testing did not result in an impairment of goodwill and there have been no goodwill impairment losses recorded by the Company to date.

Determining the fair value of a reporting unit and other intangible assets acquired is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include, among others, future economic and market conditions and determination of appropriate market comparables. Such estimates are unpredictable and inherently uncertain; actual future results may differ from the estimates. The Company may also assess qualitative factors to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount.

Income Taxes

Capital, Education, USV, Salem Ed and Salem operate as limited liability companies. As such, income and expenses of these entities are passed through to the sole member of Capital and reported on the individual income tax returns. As limited liability companies, these entities are not required to pay federal or state income taxes but may be subject to certain state fees.

DeVry operates as a corporation and uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date.

Course Service and Advertising Costs

Course service and advertising costs are expensed as incurred.

Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of income and member's equity. *ASU 2016-02* will be effective for the Company for the year ending June 30, 2023. The Company currently anticipates *ASU 2016-02* to significantly impact the presentation of its consolidated balance sheet and disclosures, but not materially impact its annual results from operations.

Fair Value Measurements

The carrying value of the Company's financial instruments approximates fair value due to the relative short-term nature of these instruments.

The Company uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company has no financial instruments utilizing Level 2 or Level 3 inputs for measurement of fair value.

Risks and Uncertainties

In addition to the regulatory matters described in Note 11, the Company is subject to risks and uncertainties as a result of the recent novel coronavirus (COVID-19). While management continues to monitor the situation and its financial impact on the Company, the extent to which the COVID-19 pandemic ultimately affects the Company's financial position, cash flows and results of operations currently remains uncertain.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through the date of the auditors' report, November 29, 2022, which is the date the accompanying consolidated financial statements were available to be issued.

NOTE 2 – PURCHASE AND TRANSFER OF SALEM ED

Effective October 1, 2021, Education entered into the Salem Agreement, which provided for a two-step transfer of ownership of Salem Ed to Education by the seller. The initial transfer of a majority interest took place on October 1, 2021 with the remainder of interest transferred to Education on December 23, 2021. The Salem Agreement provided for an initial (base) purchase price of $16.0 million, subject to adjustment based on certain financial criteria of Salem Ed, as outlined in the Salem Agreement. After giving consideration to the financial position of Salem Ed on October 1, 2021 and the related adjustments provided for by the Salem Agreement, the resulting initial purchase price was determined to be $15,708,846.

Education settled the initial purchase price of $15,708,846 through cash payments totaling $10.7 million on October 1, 2021 and (net) cash payments for the balance on December 23, 2021; payments were made both to the Salem Ed seller and to various third-parties on behalf of the Salem Ed seller.

The Salem Agreement also provided for additional consideration of up to $1.5 million to be paid to the Salem Ed seller upon achievement of certain operational goals, to be measured at various times through December 31, 2022. As of the date of the accompanying auditors' report, Salem Ed has met certain of the operational goals set forth in the Salem Agreement, resulting in an additional payment of $0.6 million to the Salem Ed seller; such payment was made in July 2022 and is included on the accompanying consolidated balance sheet as a current liability of the Company. Management does not believe that the remaining operational goals will be met and no liability for the remaining $0.9 million has been recorded as of June 30, 2022.

The following is a summary of the purchase and transfer and the related allocation of the assigned values and initial purchase price (inclusive of the $0.6 million contingent payment) as of June 30, 2022. The Company is currently in the process of evaluating the existence of other assets and liabilities of Salem Ed, thus the allocation of assigned values remains subject to refinement:

Assets acquired:	
Cash	$ 737,908
Accounts and notes receivable from students, net	1,045,028
Inventories	385,149
Prepaid expenses and other	820,955
Property and equipment, net	5,235,204
Deposits and other	125,302
Total assets acquired	8,349,546
Liabilities assumed:	
Accounts payable	1,253,005
Accrued expenses	276,088
Deferred rent	522,976
Prepaid tuition	2,358,108
Capital lease obligations	773,881
Total liabilities assumed	5,184,058
Net assets acquired	3,165,488
Adjusted purchase price	16,308,846
Goodwill	$ 13,143,358

The purchase and transfer of Salem Ed is a strategic transaction, serving to compliment and build upon the Company's portfolio of educational institutions. Management believes that through its professional expertise in the industry and the financial commitment of the Company, it will be able to continue the growth of the student population and program offerings of Salem.

The transaction has been accounted for by the acquisition method of accounting under *ASC 805 – Business Combinations*. The excess of the adjusted purchase price over the net assets acquired has been allocated to goodwill, which is not expected to be deductible for income tax purposes. In accordance with the acquisition method of accounting, transaction related expenses totaled $147,709 and were expensed as incurred by the Company.

NOTE 3 – CONTINGENT PURCHASE PRICE PAYABLE

In addition to the contingent consideration related to the Salem Ed purchase and transfer discussed in Note 2, Education's acquisition of DeVry in December 2018 also contained a provision for future consideration of up to $20.0 million to be to be paid to Adtalem, contingent upon the achievement of certain financial goals of DeVry over a period of eight years beginning on the first day of the fiscal year following the date of acquisition and ending on the last day of the tenth fiscal year following the date of acquisition. As of December 11, 2018, management of the Company believed that achievement of the financial goals and payment of contingent consideration was probable of occurrence and had estimated that potential consideration amount to be $5.0 million, inclusive of a present value discount of approximately $2.7 million to reflect the time value of money (at 7.5%) on payments estimated to be made through the year ending December 31, 2027. Since the date of acquisition, management has revised its estimate on this and currently anticipates the entire $20.0 million to be paid to Adtalem. The contingent purchase price payable on the accompanying consolidated balance sheet represents the net present value of the full $20.0 million as of June 30, 2022 ($18.33 million), less the Company's first payment in the amount of $2.94 million made during the year ended June 30, 2022. During the year ended June 30, 2022, the Company recorded an additional expense of $2.58 million related to this future consideration payable. Based on DeVry's recent results from operations and achievement of the financial goals set out in the Agreement, an additional payment of $4.1 million was made in November 2022.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2022:

Building and improvements	$ 25,724,941
Computers and software	11,957,080
Furniture and fixtures	22,821,297
Equipment	49,949,178
Land and land improvements	474,026
Construction in progress	164,995
	111,091,517
Less: accumulated depreciation and amortization	(93,802,441)
	$ 17,289,076

Depreciation and amortization expense related to property and equipment was $6,345,696 for the year ended June 30, 2022.

NOTE 5 – NOTES PAYABLE

USV has a Promissory Note Agreement with a bank providing for up to $3.0 million in borrowings under a revolving credit facility. Outstanding balances bear interest at a variable rate (3.05% at June 30, 2022). The revolving credit facility is secured by collateral pledged by the sole member of Capital and requires monthly payments of interest only on outstanding balances, with all principal and accrued interest due upon maturity on November 30, 2023. As of June 30, 2022, the outstanding balance on the credit facility was $1,496,887.

In connection with its change of ownership on December 11, 2018, DeVry entered into a Promissory Note Agreement with Adtalem in the principal amount of $10.0 million and received such funds concurrent with the close of the purchase transaction. Outstanding balances under the loan bear interest at 4.0%, with payments of interest only required annually in arrears on January 1st and on the maturity date. A portion of the loan is deemed to be secured by the other noncurrent asset presented on the accompanying consolidated balance sheet (see Note 7). The outstanding balance on the loan as of June 30, 2021 was $10.0 million; the loan matured on January 1, 2022 and was repaid in full along with all accrued interest in February 2022.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

The Company leases equipment under the terms of non-cancelable capital lease agreements expiring through January 2025. As of June 30, 2022, the cost of equipment acquired under the terms of the capital lease agreement was approximately $1.0 million and accumulated depreciation was approximately $250,000. Depreciation expense associated with the equipment under terms of capital lease is included within depreciation and amortization expense on the accompanying statement of income and member's equity. As of June 30, 2022, future minimum payments under the capital lease agreements were as follows:

Year Ending June 30,	
2023	$ 325,496
2024	271,729
2025	27,600
Future minimum lease payments	624,825
Less: amount representing interest	(53,816)
Present value of future minimum lease payments	571,009
Less: current portion	(284,042)
	$ 286,967

NOTE 7 – OTHER NONCURRENT ASSET

The other noncurrent asset included on the accompanying consolidated balance sheet represents amounts due to DeVry under the Federal Perkins Loan Program, stated at their outstanding principal amount, net of an allowance for doubtful notes. Prior to the expiration of the program's lending period on July 1, 2018, loans were made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. DeVry has provided for an allowance for doubtful notes, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. The allowance for doubtful notes under the Perkins Loan Program was approximately $1.6 million as of June 30, 2022.

The Agreement provides Education a right of indemnification from Adtalem if (a) DeVry's net proceeds from return of the Institutional Capital Contribution to the Federal Perkins Loan Program are (or are expected to be) less than $13.45 million, (b) DeVry incurs losses arising from its assignment of loans from the Federal Perkins Loan Program to the ED, or (c) DeVry incurs losses arising from the required purchase from ED of Federal Perkins Loan Program loans.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Facility Leases

The Company operates a majority of its campuses and corporate office locations under the terms of noncancelable lease agreements expiring at various times through November 2030. The facility leases generally contain stipulated annual increases to base rent and require the payment of certain operating expenses in addition to the base monthly rent; certain leases also provide for periods of abated rent. Rent expense is being recorded evenly over the terms of the respective leases. The difference between rent expense recorded and amounts paid is reflected as deferred rent on the accompanying consolidated balance sheet.

Tenant improvement allowances are recorded, (a) as leasehold improvement assets and amortized over the shorter of their economic useful lives or the remaining lease term, and (b) as a deferred rent liability and amortized over the remaining lease term as a reduction of rent expense.

Deferred rent consisted of the following as of June 30, 2022:

Unamortized tenant improvement allowances	$ 2,547,927
Straight-line rent expense in excess of payments	3,159,040
	$ 5,706,967

Facility rent expense for the year ended June 30, 2022 amounted to approximately $19.0 million and is included within facilities expense on the accompanying consolidated statement of income and member's equity.

As of June 30, 2022, future minimum lease payments over the remaining terms of the facility leases were as follows:

Year Ending June 30,	
2023	$ 17,451,000
2024	12,934,000
2025	8,745,000
2026	4,953,000
2027	1,527,000
Thereafter	2,934,000
	$ 48,544,000

Legal Proceedings

The terms of the DeVry Agreement and certain related amendments provide that Adtalem will indemnify DeVry against and hold DeVry harmless from all damages incurred or suffered by DeVry to the extent arising out of or relating to claims filed against DeVry before the Closing or up to six years thereafter, up to a maximum of $340.0 million. All DeVry legal and regulatory matters pending at the time of the close of the transaction, including those described below, have been tendered to Adtalem under the Agreement, and Adtalem has accepted such tender and agreed to defend and indemnify DeVry against such matters per the Agreement. As of the date of the accompanying auditors' report, DeVry believes it has adequately reserved for potential losses.

The following is a description of pending legal and regulatory matters that may be considered other than ordinary, routine and incidental to the business. The timing or outcome of the following matters, or their possible impact on DeVry's business, financial condition or results of operations, cannot be predicted at this time. The continued defense, resolution or settlement of any of the following matters could require DeVry to expend significant resources and could have a material adverse effect on the business, financial condition, results of operations and cash flows and result in the imposition of significant restrictions on DeVry's ability to operate.

On April 13, 2018, a putative class action lawsuit was filed by Nicole Versetto, individually and on behalf of others similarly situated, against Adtalem, DeVry and DeVry/New York Inc. (collectively the "Adtalem Parties") in the Circuit Court of Cook County, Illinois, Chancery Division. The complaint was filed on behalf of herself and three separate classes of similarly situated individuals who were citizens of the State of Illinois and who purchased or paid for a DeVry program between January 1, 2008 and April 8, 2016. The plaintiff claimed that defendants made false or misleading statements regarding DeVry's graduate employment rate and asserts causes of action under the Illinois Uniform Deceptive Trade Practices Act, Illinois Consumer Fraud and Deceptive Trade Practices Act, and Illinois Private Business and Vocational Schools Act, and claims of breach of contract, fraudulent misrepresentation, concealment, negligence, breach of fiduciary duty, conversion, unjust enrichment, and declaratory relief as to violations of state law. The plaintiff sought compensatory, exemplary, punitive, treble, and statutory penalties and damages, including pre-judgment and post-judgment interest, in addition to restitution, declaratory and injunctive relief, and attorneys' fees. The plaintiff later filed an amended complaint asserting similar claims with a new lead plaintiff, Dave McCormick. After discussions among the parties, the court granted a Motion for Preliminary Approval of Class Action Settlement (the "McCormick Settlement") on May 28, 2020. In conjunction with the McCormick Settlement, Adtalem was required to establish a settlement fund by placing $44.95 million into an escrow account. The court issued an order approving the McCormick Settlement on October 7, 2020 and dismissed the action with prejudice. On November 2, 2020, Stoltmann Law Offices filed on behalf of Jose David Valderrama ("Valderrama"), a class member who objected to the terms of the McCormick Settlement, a notice of appeal of the court's order approving the McCormick Settlement. On November 5, 2020, Richardo Peart ("Peart"), another class member who objected to the terms of the McCormick Settlement, filed a similar notice of appeal. Those appeals were consolidated before the Appellate Court of Illinois, First District and fully briefed. The Appellate Court agreed to stay Valderrama's and Peart's appeals of the McCormick Settlement pending the outcome of mediation involving the objections to the McCormick Settlement. The objections were not resolved at a mediation on February 1, 2022. Valderrama's objection was withdrawn as part of the Stoltmann settlement discussed below. Peart's objection remained pending a decision by the Appellate Court. On May 4, 2022, the Appellate Court denied Peart's objection and affirmed the Circuit Court of Cook County's approval of the McCormick Settlement.

In addition to Valderrama, Stoltmann Law Offices represented 552 individuals ("Stoltmann Claimants") who opted out of the McCormick Settlement and filed claims with the Judicial Arbitration and Mediation Services, Inc. ("JAMS") alleging fraud-based claims based on DeVry's graduate employment statistics.

On November 2, 2021, Adtalem Parties and the Stoltmann Law Offices participated in a mediation to resolve the claims of the Stoltmann Claimants. Adtalem Parties and the Stoltmann Law Offices reached agreement on settlement terms ("Stoltmann Settlement"). The settlement amount, $20,375,000, was reduced by $75,000 for each of the Stoltmann Claimants that declined to participate in the settlement. Of Stoltmann's 552 Claimants, six declined to participate, reducing the settlement amount by $450,000. On February 28, 2022, Adtalem remitted $19,925,000 to the Stoltmann Laws Offices on behalf of the 546 participating Stoltmann Claimants. Of the six Stoltmann Claimants that declined to participate in the settlement, two voluntarily dismissed their arbitrations; one arbitration was stayed at the Claimant's request; one Claimant has a conference hearing scheduled in April 2022; and two Claimants have not recommenced their arbitrations.

On June 23, 2020, DeVry received notice from ED of claims brought under 34 CFR §§ 685.206 and 685.222, which allows students who used federal student loan funds to attend DeVry to apply for a discharge of some or all of their federal student loans based on certain types of alleged misconduct by DeVry. These regulations are known as the Borrower Defense to Repayment (BDR) regulations. Pursuant to these regulations, ED has initiated a fact-finding process in these matters so that it may begin to adjudicate these applications. This process begins with ED sending each claim and any supporting documentation to DeVry, and DeVry must respond to the claim. DeVry communicated with ED to clarify the fact-finding process, and in July 2020 ED told DeVry to expect approximately 8,000 claims. On April 19, 2021, DeVry received a follow up letter from ED indicating that ED had received 2,100 additional claims since June 2020, and DeVry received approximately 1,100 additional claims by July 2021. As of November 27, 2022, DeVry had received a total of approximately 41,000 claims, the majority of which have been received on a weekly basis since February 2022. The majority of these claims are similar to the allegations made by the FTC in its 2016 complaint against DeVry. DeVry continues to submit responses to the BDR claims to ED on a rolling basis, with approximately 10,600 responses submitted to date. Outside counsel has engaged contract paralegals and contract attorneys to assist in producing responses for the remaining open claims in an organized and efficient fashion. If ED grants a borrower-defense application and discharges the borrower's debt, the regulations state that the ED can initiate proceedings to recover/recoup the discharged amount from the school with which that debt was associated.

The June 2020 and April 2021 letters from ED also requested documents that relate to the allegations in a large number of the claims. DeVry has made initial productions of responsive documents to ED on a rolling production. On August 4, 2021, outside counsel received an email message from ED requesting additional documentation for a request made in the April 2021 letter, and DeVry is working with counsel to provide this documentation. DeVry has not received any other communications from ED in response to its production of responsive documents.

On February 16, 2022, ED issued a press release announcing its intent to discharge the federal student loans for approximately 1,800 DeVry BDR claimants and its intent to seek recoupment of approximately $70.0 million in forgiven amounts from DeVry. DeVry received no direct communication from ED with respect to the discharged loans or recoupment until August 2022.

By a letter dated August 15, 2022, ED notified DeVry that it was initiating a recovery proceeding for approximately $23.0 million in discharged student loan proceeds on behalf of 649 borrowers who attended DeVry between 2008 and 2015 unless it contests the decision. DeVry submitted a request for a hearing before the ED Office of Hearings and Appeals on October 11, 2022 to contest the ED demand for recoupment (thereby staying the repayment demand) and simultaneously filed a request for relief challenging the action in the United States District Court for the Northern District of Illinois, now pending before the Honorable Nancy Maldonado (*DeVry University, Inc. v. U.S. Dep't of Educ., et al*., No. 1:22-cv-05549; N.D. Ill. Oct. 11, 2022). The initial pre-hearing conference before an Administrative Law Judge (ALJ) occurred on November 1, and the initial status hearing for the legal action is scheduled for December 14, 2022. The ALJ asked the parties to brief (a) his authority to rule on the threshold issues DeVry identified and (b) the parties' views on the threshold issues within his authority to adjudicate. A briefing schedule has been set with DeVry's initial brief due November 22, 2022, ED's response due December 13, 2022, and DeVry's reply due December 20, 2022. Other than the $70.0 million in discharged loan amounts announced by ED in February 2022, a portion of which ED is seeking to recover per their August 15, 2022 notice, DeVry does not know the total amount of outstanding loans that may be covered by the claims received to date.

NOTE 9 – INCOME TAXES

The provision (benefit) for income taxes consisted of the following for the year ended June 30, 2022 and is attributable solely to the income recognized from DeVry operations:

Current:	
Federal	$ 8,972,739
State	2,517,092
	11,489,831
Deferred:	
Federal	(1,744,409)
State	(596,810)
	(2,341,219)
	$ 9,148,612

As of June 30, 2022, total deferred tax assets recognized for taxable temporary differences were approximately $8.3 million and have resulted primarily from DeVry's future deductible temporary difference related to its accruals; total deferred tax liabilities recognized for taxable temporary differences were approximately $3.6 million and have resulted primarily from depreciation.

NOTE 10 – 401(K) RETIREMENT PLANS

The Company maintains 401(k) retirement plans covering virtually all employees whose employment is not covered by a collective bargaining agreement and that meet the respective plans' required terms of service, when applicable. Company contributions and matching contributions are made in accordance with the provisions of the respective plan, with certain Company contributions vesting over periods of up to 5 years. During the year ended June 30, 2022, Company contributions to the plans amounted to approximately $5.3 million.

NOTE 11 – REGULATORY MATTERS

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act (the Act) and the regulations promulgated thereunder by ED subject the Company to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Act. These standards include, among others, financial responsibility, student default rates, and the "90/10" rule. Ineligibility to participate in the Title IV programs would have a material adverse effect on the Company's enrollments, revenue and results of operations.

For each federal fiscal year, ED calculates a rate of student defaults for each educational institution known as a "cohort default rate". Under certain defined circumstances, an institution may lose its eligibility to participate in some or all Title IV programs. As of June 30, 2022, management believes that the Company was in compliance with ED's requirements concerning cohort default rates.

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring. Institutions receiving a composite score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of and for the year ended June 30, 2022, the Company's composite score was greater than 1.5. ED requires an institution to provide additional disclosures with respect to its composite score calculation, which are included in the accompanying supplementary information beginning on page 20.

Substantial portions of the Company's revenue and collection of accounts receivable are dependent upon its continued participation in the Title IV programs of the Act. To continue to participate in the Title IV programs, the Company must comply with certain regulations of ED. ED regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. The failure of an institution to meet the 90 percent limitation could result in the loss of an institution's ability to participate in Title IV programs. For the year ended June 30, 2022, the Company was in compliance with the 90/10 rule. ED requires an institution to provide additional disclosures with respect to the 90/10 rule, which are included in the accompanying supplementary information beginning on page 20.

As a result of operating in a highly regulated industry, the Company may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or other third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on the Company's business, results of operations or financial condition, management believes that the Company has complied with all regulatory requirements.

On October 30, 2014, ED released its final rule concerning gainful employment (GE) which was formally published in the Federal Register October 31, 2014 and effective July 1, 2015. The final rule had applied to all GE programs, which include all non-degree programs at public and private non-profit institutions, and all programs offered at for-profit institutions. The final rule aimed to assess continued eligibility of GE programs by their performance against specific defined debt-to-earnings measures. In addition, institutions were required to certify that each of their GE programs had met state and federal licensure, certification, and accreditation requirements, as well as make public disclosures regarding performance and outcomes of their GE programs, such as costs, earnings, debt and completion rates. On June 28, 2019, ED announced that it was officially rescinding the 2014 GE regulations and permitting affected institutions to elect to implement the rescission effective July 1, 2019.

On November 1, 2016, ED published regulations on the topic of borrower defense to repayment which went into effect in October 2018. On September 23, 2019, ED published regulations on this topic which largely became effective July 1, 2020. The regulations allow a borrower to assert a defense to repayment based upon defined criteria and establish certain triggers which would require an institution to provide ED with additional reporting and/or financial guarantees. Management believes that USV, DeVry and Salem are in compliance with the applicable regulations in all material respects.

NOTE 12 – CONCENTRATION OF CREDIT RISK

At June 30, 2022, the Company maintained cash balances with banks in excess of the federally insured limit.

Institution's Calculation of 90/10 Revenue Test

Cogswell Capital, LLC and Subsidiary (the Institution) derives a substantial portion of its revenues from Student Financial Aid (SFA) received by its students 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). To continue to participate in the SFA programs the Institution must comply with the regulations promulgated under HEA. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. In July 2008, modifications to the regulations were made with respect to amounts to be included in the 90 percent calculations including the allowance for the inclusion of funds received for certain qualifying non-Title IV programs. In addition, the modifications included provisions for institutions that do not comply with the 90 percent rule for a single fiscal year, whereby such institutions would be placed on provisional certification status for a period of two years. Institutions that do not comply with the 90 percent rule for two consecutive fiscal years are subject to the loss of their ability to participate in the SFA programs.

For their previously reported years ended June 30, 2021, DeVry University and Cogswell College, LLC dba University of Silicon Valley were both in compliance with the 90 percent rule. For its previously reported year ended December 31, 2021, Salem University, LLC was in compliance with the 90 percent rule.

For the year ended June 30, 2022, the Institution's revenue test percentages were computed as detailed on the following page:

Revenue by Fund Source	Cogswell College, LLC OPE ID No. 00117700 Amount Disbursed	Cogswell College, LLC Adjusted Amount	DeVry University, Inc. OPE ID No. 01072700 Amount Disbursed	DeVry University, Inc. Adjusted Amount	Salem University, LLC OPE ID No. 00382000 Amount Disbursed	Salem University, LLC Adjusted Amount
Adjusted Student Title IV Revenue						
Subsidized Loan	$ 1,465,046	$ 1,465,046	$ 95,214,984	$ 95,214,984	$ 2,752,040	$ 2,752,040
Unsubsidized Loan	1,469,656	1,469,656	169,330,384	169,330,384	6,186,308	6,186,308
Federal Pell Grant	1,240,416	1,240,416	101,139,086	101,139,086	3,669,572	3,669,572
FSEOG (subject to matching reduction)	82,400	61,800	5,494,024	4,120,518	410,485	307,864
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-	-	-
Federal Direct PLUS Loan	2,288,382	2,288,382	4,977,320	4,977,320	849,116	849,116
All Other Title IV Loans and Grants (Perkins)	-	-		-		-
Student Title IV Revenue	$ 6,545,900	$ 6,525,300	$ 376,155,798	$ 374,782,292	$ 13,867,521	$ 13,764,900
Revenue Adjustment - If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(6,327)		(80,696,597)		(764,108)
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue		(387,455)		(19,388,343)		(1,920,869)
Adjusted Student Title IV Revenue		$ 6,131,518		$ 274,697,352		$ 11,079,923
Student Non-Title IV Revenue						
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ 967,694		$ 7,680,299		$ 350,649	
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	-		-		-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-		-		-	
Institutional scholarships disbursed to the student	-		-		-	
Student payments	4,906,785		77,964,911		4,389,091	
Student Non-Title IV Revenue	$ 5,874,479		$ 85,645,210		$ 4,739,740	
Revenue from Other Sources (Totals for the Fiscal Year)						
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -	
Funds paid by a student, or on behalf of a student, by a party other than the school for an education or training program that is not eligible	-		-		-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-		-		-	
Revenue from Other Sources	$ -		$ -		$ -	
Adjusted Title IV Revenue		$ 6,131,518		$ 274,697,352		$ 11,079,923
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from other sources		$ 12,005,997		$ 360,342,562		$ 15,819,663
		51.07%		**76.23%**		**70.04%**

Institution's Calculation of Composite Score

ED determines an institution's financial responsibility through the calculation of a composite score based on certain financial ratios, as defined in the regulations. As of and for the year ended June 30, 2022, the financial components utilized for calculation of the financial ratios contained in the composite score were as follows:

Primary Reserve Ratio

Location	*Ref. Page*	**Adjusted Equity:**	*Amount*
Consolidated Balance Sheet	4	Total equity	$ 60,040,955
n/a	-	Secured and unsecured related party receivables and/or other related party assets	-
n/a	-	Unsecured related party receivables	-
n/a	-	Other unsecured related party assets	-
Consolidated Balance Sheet	**4**	**Property, equipment and improvements, net - including construction in progress and capital leases**	**17,289,076**
Supplementary Information	24	Property, equipment and improvements, net - pre-implementation less any construction in progress	4,112,398
Supplementary Information	24	Property, equipment and improvements, net - post-implementation (less any construction in progress) with outstanding debt for original purchase	763,701
Supplementary Information	24	Property, equipment and improvements, net - post-implementation (less any construction in progress) without outstanding debt for original purchase	12,247,982
Supplementary Information	24	Construction in progress	164,995
n/a	**-**	**Lease right-of use asset**	**-**
n/a	-	Lease right-of use asset - pre-implementation	-
n/a	-	Lease right-of use asset - post-implementation	-
Supplementary Information	24	Intangible assets	18,891,806
n/a	-	Post-employment and defined pension plan liabilities	-
Supplementary Information	**24**	**Long-term debt - for long-term purposes and construction in progress debt**	**2,067,896**
Supplementary Information	24	Long-term debt for long-term purposes pre-implementation	1,496,887
Supplementary Information	24	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant and equipment	571,009
n/a	-	Line of credit for construction in progress	-
n/a	**-**	**Lease right-of-use asset liability**	**-**
n/a	-	Pre-Implementation right-of-use leases liabilities	-
n/a	-	Post-Implementation right-of-use leases liabilities	-

Location	*Ref. Page*	**Total Expenses and Losses:**	*Amount*
Consolidated Statement of Income and Member's Equity	5	Total operating expenses and losses	$ 363,002,741
Supplementary Information	24	Total non-operating expenses and losses	3,403,036
n/a	-	Comprehensive losses	-
n/a	-	Discontinued operations not classified as an operating expense	-
n/a	-	Change in accounting principle	-
n/a	-	Investment losses	-
n/a	-	Post-employment and defined pension plans losses less nonservice component of net periodic pension and other post-employment plan expenses	-

Equity Ratio

Location	*Ref. Page*	**Modified Equity:**	*Total*
Consolidated Balance Sheet	4	Total equity	$ 60,040,955
n/a	-	Lease right-of use asset - pre-implementation	-
n/a	-	Pre-Implementation right-of-use leases liabilities	-
Supplementary Information	24	Intangible assets	18,891,806
n/a	-	Unsecured related party receivables	-
n/a	-	Other unsecured related party assets	-

		Modified Assets:	
Consolidated Balance Sheet	4	Total assets	$ 145,064,517
n/a	-	Lease right-of use asset - pre-implementation	-
Supplementary Information	24	Intangible assets	18,891,806
n/a	-	Unsecured related party receivables	-
n/a	-	Other unsecured related party assets	-

Net Income Ratio

Location	*Ref. Page*	**Income Before Taxes:**	*Total*
Consolidated Statement of Income and Member's Equity	5	Net income (loss) before income taxes	$ 29,752,778
n/a	-	Net comprehensive income (loss)	-

Location	*Ref. Page*	**Total Revenue and Gains:**	*Total*
Consolidated Statement of Income and Member's Equity	5	Total operating revenue and gains	$ 395,710,612
Supplementary Information	24	Total other revenue and gains	447,943
n/a	-	Comprehensive income and gains	-
n/a	-	Discontinued operations not classified as an operating gain	-
n/a	-	Change in accounting principle gains	-

As of June 30, 2022, the Institution has not adopted the new lease standards under *Accounting Standards Update (ASU) 2016-02*. In addition, certain amounts included in the supplemental schedule above have been presented on a summarized basis utilizing the Institution's consolidated financial statements and underlying accounting records used to prepare the consolidated financial statements as of and for the year ended June 30, 2022; such amounts are detailed further, as follows:

Property and equipment, net:	
Pre-implementation property and equipment	$ 4,112,398
Post-implementation property and equipment - purchased by obtaining debt	763,701
Construction in progress	164,995
Post-implementation property and equipment - no outstanding debt	12,247,982
Total	$ 17,289,076

Intangible assets:	
Goodwill	$ 14,193,892
Deferred income taxes	4,697,914
Total intangible assets	$ 18,891,806

Long-term debt for long-term purposes:	Note Payable	Capital Leases	Total
Pre-implementation long-term debt	$ 1,496,887	$ -	$ 1,496,887
Allowable post-implementation long-term debt	-	571,009	571,009
Construction in progress - debt	-	-	-
Long-term debt deemed not allowable	-	-	-
Total long-term debt	$ 1,496,887	$ 571,009	$ 2,067,896

Non-operating expenses and losses:	
Interest expense	$ 284,821
Loss on disposal of property and equipment	392,096
Contingent consideration	2,578,410
Transaction costs	147,709
Total non-operating expenses and losses	$ 3,403,036

Other revenue and gains:	
Interest income	$ 199,542
Other income	248,401
Total other revenue and gains	$ 447,943

Related Party Transactions

HEA regulations require that all related party transactions be disclosed, regardless of their materiality to the consolidated financial statements.

Organization

Cogswell Capital, LLC (Capital) is a Delaware limited liability company organized on September 2, 2010. Capital was formed to facilitate the acquisition of private postsecondary educational institutions and is the sole voting member of Cogswell Education, LLC (Education), a Delaware limited liability company organized on April 20, 2010.

Education has owned and operated Cogswell College, LLC dba University of Silicon Valley (USV), a California limited liability company, since November 2010. USV operates a four-year institution of higher learning which offers bachelor and masters level degrees primarily in the fields of digital arts and audio, game design and development, engineering and entrepreneurship. USV's campus and administrative offices are located in San Jose, California.

On December 11, 2018, Education acquired all rights, title, and interest in and to the issued and outstanding shares of capital stock of DeVry University, Inc. (DeVry) from Adtalem Global Education, Inc. under the terms of a Stock Purchase Agreement, free and clear of all liens. DeVry's mission is to close our society's opportunity gap by preparing learners to thrive in careers shaped by continuous technological change. Through innovative programs, relevant partnerships and exceptional care, DeVry empowers students to meaningfully improve their lives, communities, and workplaces. DeVry offers online and hybrid undergraduate and graduate programs in academic disciplines that prepare students to thrive in the digital economy.

Effective October 1, 2021, Education purchased a majority interest in Salem Education, LLC (Salem Ed, a Delaware limited liability company) under the terms of a Membership Interest Family Purchase and Transfer Agreement (the Salem Agreement). The balance of the membership interest in Salem Ed was obtained by Education in December 2021. Salem Ed owns and operates Salem University, LLC (Salem), an institution of higher learning which offers associates, bachelors, masters and doctoral degrees, primarily in the fields of business, education and nursing. Salem operates from one campus located in Salem, West Virginia and maintains a location in Indianapolis, Indiana for purposes of recruiting and supporting on-line education.

Purchase and Transfer of Salem Ed

Effective October 1, 2021, Education entered into the Salem Agreement, which provided for a two-step transfer of ownership of Salem Ed to Education by the seller. The initial transfer of a majority interest took place on October 1, 2021 with the remainder of interest transferred to Education on December 23, 2021. The Salem Agreement provided for an initial (base) purchase price of $16.0 million, subject to adjustment based on certain financial criteria of Salem Ed, as outlined in the Salem Agreement. After giving consideration to the financial position of Salem Ed on October 1, 2021 and the related adjustments provided for by the Salem Agreement, the resulting initial purchase price was determined to be $15,708,846.

Education settled the initial purchase price of $15,708,846 through cash payments totaling $10.7 million on October 1, 2021 and (net) cash payments for the balance on December 23, 2021; payments were made both to the Salem Ed seller and to various third-parties on behalf of the Salem Ed seller.

The Salem Agreement also provided for additional consideration of up to $1.5 million to be paid to the Salem Ed seller upon achievement of certain operational goals, to be measured at various times through December 31, 2022. As of the date of the accompanying auditors' report, Salem Ed has met certain of the operational goals set forth in the Salem Agreement, resulting in an additional payment of $0.6 million to the Salem Ed seller; such payment was made in July 2022. Management does not believe that the remaining operational goals will be met and does not expect payment of the remaining $0.9 million to occur

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and
Member of Cogswell Capital, LLC:

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 consolidated financial statements of Cogswell Capital, LLC and Subsidiary (collectively, the Company), which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of income and member's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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.

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 consolidated 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 an instance of non-compliance that is required to be reported under the Guide and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

The Company's Response to Finding

The Company's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the auditing procedures applied in the audit of the consolidated 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 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.

Almich & Associates

Lake Forest, California
November 29, 2022

FINDING NO. 2022-001

Criteria

The U.S. Department of Education (ED) requires Cogswell College, LLC to compute and present its annual 90/10 percentage in accordance with 34 C.F.R. §668.28.

Statement of Condition

Cogswell College, LLC's 90/10 percentage for the year ended June 30, 2022, has not been entirely calculated in accordance with ED's regulations due to deviations from the required 90/10 percentage calculation methodology. During our audit, we noted certain student payments to be excluded from the calculation as well as others to be improperly classified.

Effect

This finding does not affect Cogswell College, LLC's compliance with the 90 percent rule. We reviewed the excluded and misclassified transactions, noting all to be non-Title IV transactions. Proper inclusion of these transactions would serve to decrease the 90/10 percentage by up to 0.42% from that included in the audited financial statements.

Cause

Cogswell College, LLC had both omitted and improperly coded certain transactions in its student accounting and information system.

Recommendation

Cogswell College, LLC should review the 90/10 calculation report from its student accounting and information system and confirm that all information is properly accounted for and reconciled, as necessary.

Views of Responsible Officials

Cogswell College, LLC concurs with the finding and shall take appropriate action to ensure proper calculation and reporting of the 90/10 percentage.