Rasmussen College, LLC

A Wholly-Owned Subsidiary of American Public Education, Inc.

Financial Report
December 31, 2022

INDEX TO FINANCIAL STATEMENTS

Rasmussen College, LLC
(A Wholly-Owned Subsidiary of American Public Education, Inc.)

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Independent Auditor's Report

To the Management and Audit Committee of American Public Education, Inc.
Charles Town, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rasmussen College, LLC, which comprise the balance sheet as of December 31, 2022, and the related statement of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rasmussen College, LLC as of December 31, 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 (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rasmussen College, 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 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 Rasmussen College, LLC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Rasmussen College, LLC'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 Rasmussen College, LLC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Related Party Transactions and Title IV 90/10 Revenue Test supplementary information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Related Party Transactions and Title IV 90/10 Revenue Test supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, on our consideration of Rasmussen College, LLC 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Rasmussen College, LLC'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 Rasmussen College, LLC 's internal control over financial reporting and compliance.

Deloitte & Touche LLP

Mclean, VA
June 29, 2023

Rasmussen College, LLC
(A Wholly-Owned Subsidiary of American Public Education, Inc.)

Balance Sheet

		As of December 31, 2022
Assets		
Current assets:		
Cash, cash equivalents, and restricted cash (Note 2)	$	2,216
Accounts receivable, net of allowance of $4,547 in 2022		6,626
Prepaid expenses		2,493
Income tax receivable		9,526
Total current assets		20,861
Property and equipment, net		40,238
Goodwill		86,030
Intangible assets, net		50,444
Operating lease assets, net		67,823
Other assets, net		599
Deferred income taxes		34,630
Total assets	$	300,625
Liabilities and Member’s Equity		
Current liabilities:		
Accounts payable	$	1,031
Accrued compensation and benefits		9,924
Related party payable		2,381
Accrued liabilities		4,409
Deferred revenue and student deposits		974
Operating lease liabilities, current		10,890
Total current liabilities		29,609
Operating lease liability, long-term		63,048
Total liabilities		92,657
Commitments and contingencies (Note 11)		
Stockholder’s equity:		
Additional paid-in capital		331,543
Retained earnings		(123,575)
Total stockholder’s equity		207,968
Total liabilities and stockholder’s equity	$	300,625

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

Rasmussen College, LLC
(A Wholly-Owned Subsidiary of American Public Education, Inc.)

Statement of Income

	Year Ended December 31, 2022
	(In thousands)
Revenue	$ 253,257
Costs and expenses:	
Instructional costs and services	143,444
Selling and promotional	79,182
General and administrative	25,834
Loss on disposals of long-lived assets	249
Impairment of goodwill and intangible assets	146,900
Depreciation and amortization	24,206
Total costs and expenses	419,815
Loss from operations before interest income and income taxes	(166,558)
Interest income	79
Loss from operations before income taxes	(166,479)
Income tax benefit	(41,651)
Net loss	$ (124,828)

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

Rasmussen College, LLC
(A Wholly-Owned Subsidiary of American Public Education, Inc.)

Statement of Stockholder’s Equity

(In thousands, except shares)

	Additional Paid-In Capital	Retained Earnings	Total Stockholder’s Equity
Balance as of December 31, 2021	330,906	1,253	332,159
Stock-based compensation	130	—	130
Investment from Parent	507	—	507
Net loss	—	(124,828)	(124,828)
Balance as of December 31, 2022	$ 331,543	$ (123,575)	$ 207,968

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

Rasmussen College, LLC
(A Wholly-Owned Subsidiary of American Public Education)

Statement of Cash Flows
(In thousands)

	Year Ended December 31, 2022
Operating activities	
Net loss	$ (124,828)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	24,206
Stock-based compensation	130
Deferred income taxes	(40,104)
Loss on disposal of long-lived assets	249
Impairment of goodwill and intangible assets	146,900
Changes in operating assets and liabilities:	
Accounts receivable, net of allowance for bad debt	504
Prepaid expenses	1,722
Income tax receivable / payable	(1,498)
Operating lease assets, net	1,346
Other assets	30
Accounts payable	(9,851)
Related party receivable / payable	8,885
Accrued compensation and benefits	597
Accrued liabilities	1,268
Deferred revenue and student deposits	68
Net cash provided by operating activities	9,624
Investing activities	
Capital expenditures	(9,263)
Net cash used in investing activities	(9,263)
Financing activities	
Net cash provided by financing activities	—
Net increase in cash, cash equivalents and restricted cash	361
Cash, cash equivalents, and restricted cash at beginning of period	1,855
Cash, cash equivalents, and restricted cash at end of period	$ 2,216

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

Notes to Financial Statements

Note 1. Nature of Business

Rasmussen College, LLC, or the Company, provides nursing- and health sciences-focused postsecondary education to over 15,600 students at its 22 campuses in six states and online. The Company offers programs across a broad range of study including business, technology, and education, and offers a comprehensive “ladder” of nursing degrees, including pre-licensure PN and ADN degrees, post-licensure Bachelor of Science in Nursing, or BSN and RN to BSN degrees, Master of Science degrees in Nursing, Specialties and Nurse Practitioner, and a Doctorate of Nurse Practice.

The Company is institutionally accredited by the Higher Learning Commission, or HLC, a regional accrediting agency recognized by the U.S. Department of Education, or ED, with an Open Pathway designation, which affords institutions greater opportunity to pursue institutional improvement projects than the alternative Standard Pathway designation, and all of the Company’s Nursing programs are programmatically accredited by specialty nursing accrediting bodies. Most other higher education institutions accept the Company’s courses for transfer credit as a result of the Company’s HLC accreditation.

The Company is a wholly-owned subsidiary of American Public Education, Inc., or the Parent, and was acquired by the Parent on September 1, 2021, which is referred to throughout as the Closing Date.

Note 2. Significant Accounting Policies

A summary of the Company’s significant accounting policies follows:

Basis of presentation and accounting. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP.

Business combinations. The Company accounts for business combinations in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification or ASC 805, *Business Combinations*, which requires the acquisition method to be used for all business combinations. Under ASC 805, the assets and liabilities of an acquired company are reported at business fair value along with the fair value of acquired intangible assets at the date of acquisition. Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed, and the fair value assigned to identifiable intangible assets.

Use of estimates. In preparing financial statements in conformity with GAAP, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions and various other assumptions that the Company believes are reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions, and the impact of such differences may be material to the Company’s Financial Statements.

Cash and cash equivalents. The Company considers all short-term highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of demand deposits with financial institutions.

Restricted cash. Restricted cash includes funds held for students for unbilled educational services that were received from Title IV programs. As a trustee of these Title IV program funds, the Company is required to maintain and restrict these funds pursuant to the terms of the program participation agreement with ED. Restricted cash on the Company’s Balance Sheet was $1.0 million as of December 31, 2022.

Accounts receivable. The Company accounts for receivables in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 310, *Receivables*. Tuition is recorded as accounts receivable and deferred revenue at the time students begin a term. Students may remit tuition payments upon enrollment or they may elect various other payment options with payment terms extending beyond the start of the term. These other payment options include payments by sponsors, financial aid, alternative loans, or tuition assistance programs that remit payments directly to the Company. The Company also offers extended payment plan options.

When a student remits payment after a term has begun, accounts receivable is reduced. If payment is made prior to the start of a term, the payment is recorded as a student deposit, and the student is allowed to start the term. If a payment option is confirmed, the student is allowed to start the term. Generally, if no receipt is confirmed or payment option secured, the student will not be allowed to start the term. Therefore, billed accounts receivable represent charges that have been prepared and sent to students or the applicable third-party payor according to the terms agreed upon in advance.

Title IV programs are billed based on the courses in a student's term. Billed accounts receivable are considered past due if the invoice has been outstanding for more than 30 days.

Allowance for doubtful accounts. The allowance for doubtful accounts is based on management's evaluation of the status of existing accounts receivable. Among other factors, management considers the age of the receivable, the anticipated source of payment and historical allowance considerations. Consideration is also given to any specific known risk areas among the existing accounts receivable balances. Recoveries of receivables previously written off are recorded when received. The Company does not charge interest on past due accounts receivable.

Property and equipment. All property and equipment is carried at cost less accumulated depreciation, except the assets acquired on the Closing Date, which were recorded at fair value at the Closing Date. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvement depreciation is calculated on a straight-line basis over the lesser of the estimated useful life of the asset or the term of the lease. For tax purposes, different methods are used. Maintenance and repairs are expensed as incurred, while other costs are capitalized if they extend the useful life of the asset.

The Company also capitalizes certain costs for academic program development, and these costs are amortized over an estimated life not to exceed three years.

Leases. The Company accounts for lease arrangements in accordance with FASB ASC 842, *Leases*. The Company determines if there is a lease at inception. The Company analyzes each lease arrangement to determine whether it should be classified as an operating lease or a finance lease. Lease assets are right-of-use assets, or ROU assets, which represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When the lease does not provide an implicit interest rate, the Company uses an incremental borrowing rate based on information available at lease commencement to determine the present value of the lease payments. The ROU asset includes all lease payments and excludes lease incentives.

Leases with a term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company has elected to combine lease and non-lease components as a single component when calculating the ROU asset and lease liability.

Goodwill and indefinite-lived intangible assets. Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. Goodwill is not amortized. The Company accounts for goodwill and intangible assets in accordance with FASB ASC 350, *Intangibles Goodwill and Other,* and Accounting Standards Update, or ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The Company's goodwill and intangible assets are deductible for tax purposes.

The Company annually assesses goodwill for impairment, or more frequently if events and circumstances indicate that goodwill might be impaired. Goodwill impairment testing consists of an optional qualitative assessment as well as a quantitative test. The quantitative test compares the fair value of a reporting unit to its carrying value. If the carrying value of the reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the carrying value is greater than the fair value, the difference between the two values is recorded as an impairment.

Finite-lived intangible assets acquired in business combinations are recorded at fair value on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the asset.

The Company reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amount of the assets exceeds the fair value of the assets.

For additional details regarding goodwill and indefinite-lived intangible assets, please refer to "Note 6. Goodwill and Intangible Assets" in these Financial Statements.

Valuation of long-lived assets. The Company accounts for the valuation of long-lived assets under FASB ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets.* ASC 360 requires that long-lived assets and certain identifiable definite-lived intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred revenue and student deposits. Deferred revenue and student deposits at December 31, 2022 was approximately $1.0 million. Deferred revenue includes payments that have been received from students for terms that are still in process and student deposits represent cash received from students prior to the commencement of a term and are refundable to the student in the event the student withdrawals before the start of the term.

Revenue recognition. The Company recognizes revenue in accordance with accounting standard, FASB ASC 606, *Revenue from Contracts with Customers*. Under ASC 606, revenue is recognized when evidence of a contract exists, delivery has occurred or as instructional services are delivered, the price is determinable, and collectability is reasonably assured. Revenue from fees is recognized as information or services are delivered to students, assuming all other revenue recognition criteria are met. For additional information regarding revenue recognition, please refer to "Note 4. Revenue" in these Financial Statements.

The Company provides Company funded tuition Rasmussen College, LLC and scholarships to certain students to assist them financially and promote their enrollment. Scholarship and grant assistance for the year ended December 31, 2022 was approximately $16.5 million, and was included as a reduction to revenue in the accompanying Statement of Income.

Advertising costs. Advertising costs are expensed as incurred during the year. Advertising expenses for the year ended December 31, 2022 was approximately $41.9 million, and was included in selling and promotional expenses in the accompanying Statement of Income.

Income taxes. The Company has presented its current and deferred taxes under the separate return methodology whereby the Company is assumed to file a separate return with the taxing authority and pay its applicable tax or receive an appropriate refund. Deferred taxes are determined using the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. As these differences reverse, they will enter into the determination of future taxable income. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment of such changes.

Under FASB ASC 740, *Income Taxes*, the Company is required to determine whether uncertain tax positions should be recognized within the Company's financial statements. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense. Uncertain tax positions are recognized when a tax position, based solely on its technical merits, is determined more likely than not to not be sustained upon examination. Upon determination, uncertain tax positions are measured to determine the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. An uncertain tax position is reversed if it no longer meets the more likely than not threshold of being sustained. There were no material uncertain tax positions as of December 31, 2022. The Company has not recorded any material interest or penalties during the year presented.

Stock-based compensation. The Company accounts for stock-based compensation in accordance with FASB ASC 718, *Stock Compensation*, which requires companies to expense share-based compensation based on fair value, and ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. Stock-based payments may include incentive stock options or non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance shares, performance units, cash-based awards, other stock-based awards, including unrestricted shares, or any combination of the foregoing.

Stock-based compensation cost is recognized as expense generally over a three-year vesting period using the straight-line method and is measured using the Parent's closing stock price on the date of the grant. An accelerated one-year period is used to recognize stock-based compensation cost for employees who have reached certain service and retirement eligibility criteria on the date of grant. The fair value of each option award is estimated at the date of grant using a Black-Scholes option-pricing model that uses certain assumptions. The Company makes assumptions with respect to expected stock price volatility based on the average historical volatility of the Company's common stock. In addition, the Company determines the risk-free interest rate by selecting the U.S. Treasury constant maturity for the same maturity as the estimated life of the option quoted on an investment basis in effect at the time of grant for that business day.

Judgment is required in estimating the percentage of share-based awards that are expected to vest. The Company estimates forfeitures of share-based awards at the time of grant and revises such estimates in subsequent periods if actual forfeitures differ from original estimates. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. If actual results differ significantly from these estimates, stock-based compensation expense could be higher and have a material impact on the Company's financial statements. Estimates of fair value are subjective and are not intended to predict actual future events, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made under ASC 718. For additional information regarding stock-based compensation, please refer to "Note 10. Stockholder's Equity" in these Financial Statements.

Fair value of financial instruments. The Company's cash, cash equivalents, and restricted cash, accounts receivable, accounts payable and accrued liabilities are all short-term in nature. As such, their carrying amounts approximate fair value.

Concentration of credit risk. The Company maintains its cash and cash equivalents in bank deposit accounts with various financial institutions. Cash and cash equivalent balances may exceed the FDIC insurance limit. The Company has historically not experienced any losses in such accounts.

Recent Accounting Pronouncements. The Company considers the applicability and impact of all ASUs. ASUs issued but not listed were assessed and determined to be either not applicable or expected to have minimal impact on its financial position and/or results of operations.

Note 3. Acquisition Activity

On the Closing Date, all membership interests in the Company were acquired by the Parent for an adjusted aggregate purchase price, subject to post-closing working capital adjustments, and net of cash acquired, of $325.5 million in cash.

The acquisition was accounted for under the acquisition method of accounting, whereby the excess of the Closing Date fair value of consideration transferred over the fair value of identifiable assets and liabilities assumed was allocated to goodwill. Goodwill reflects the fair value associated with the Company workforce and synergies expected from cost savings, operations, and revenue enhancements of the combined company that are expected to result from the acquisition. The goodwill recorded as part of the acquisition was $217.4 million and is deductible for tax purposes. Because the Company is a wholly-owned subsidiary of the Parent, management has determined that push-down accounting is appropriate.

The preliminary opening balance sheet was subject to adjustment based on a final assessment of the fair values of certain acquired assets and liabilities, primarily intangible assets and goodwill. The Company had up to one year from the Closing Date, or the measurement period, to complete the allocation of the purchase price. The Company completed its assessment of the fair value of certain acquired assets and liabilities assumed during the measurement period, and, as a result, during the first quarter of 2022, recorded a $0.5 million increase in goodwill based on the final working capital adjustment. During the second quarter of 2022, the Company recorded a non-cash impairment charge of $131.4 million to reduce the carrying value of goodwill, as discussed further in “Note 6. Goodwill and Intangible Assets” in these Financial Statements.

The following table summarizes the components of the estimated consideration along with the purchase price allocation (in thousands):

Purchase Price Allocation		Amount
Cash and cash equivalents	$	329,000
Working capital adjustment and additional cash contributions		2,333
Total consideration		331,333
Assets acquired:		
Cash and cash equivalents		5,200
Accounts receivable		10,700
Prepaid expenses		4,600
Property and equipment, net		36,996
Operating lease assets		75,800
Deferred tax asset		3,049
Intangible assets		86,500
Other assets		600
Total assets acquired		223,445
Liabilities assumed:		
Accounts payable		1,200
Accrued expenses		6,142
Deferred revenue		22,700
Operating lease liabilities, current		11,200
Operating lease liabilities, long-term		67,000
Other liabilities		1,300
Total liabilities assumed		109,542
Net assets acquired		113,903
Goodwill	$	217,430

The fair value of the identified intangible assets, including the trade name, student roster, and lead conversions was determined using the income-based approach. The fair value of curricula and accreditation, licensing, and Title IV identified intangible assets was determined using the cost approach. The table below presents a summary of intangible assets acquired and the useful lives of these assets (in thousands):

Intangible Assets	Useful life		Amount
Trade name	Indefinite		26,500
Accreditation, licensing and Title IV	Indefinite		24,500
Student roster	2 years		20,000
Curricula	3 years		14,000
Lead conversions	2 years		1,500
		$	86,500

During the second and fourth quarters of 2022, the Company recorded non-cash impairment charges of $13.5 million and $2.0 million, respectively, to reduce the carrying value of accreditation, licensing, and Title IV indefinite lived intangible assets, as discussed further in “Note 6. Goodwill and Intangible Assets” in these Financial Statements.

Note 4. Revenue

The following is a description of principal activities from which the Company generates its revenue.

Instructional services. Instructional services revenue includes tuition, course technology and resource fees, and administrative fees. The Company generally recognizes revenue ratably as instructional services are provided over a quarterly term. Tuition is charged by term, and fees are charged on a per term basis, as applicable. Generally, instructional services are billed when a term begins and paid within thirty days of the bill date.

Textbook and other course materials fees. Textbook and other course materials revenue represents fees related to textbooks and other course materials. Textbook fee revenue is recognized at the beginning of the term when the fees are billed, while other course materials fees are recognized over the term. Payment is generally received within thirty days of the bill date. Sales tax collected from students on the sale of certain course materials is excluded from revenue.

Other fees. Other fees revenue represents one-time, non-refundable fees such as application, enrollment, transcript, and other miscellaneous fees. Generally other fees revenue is recognized when the fee is charged to the student, which coincides with the completion of the specific performance obligation to the student.

The Company provides a Company funded tuition grant to support students who are U.S. Military active-duty service members, National Guard, Reserve, retired military and veterans enrolling in a degree, Diploma, or Certificate program. The Company also extends the grant to eligible spouses and dependents of active-duty military, retirement military and veterans.

The Company also provides Company funded tuition grants and scholarships to certain students to assist them financially with their educational goals.

Disaggregation of Revenue

In the following table, revenue, shown net of tuition grants and scholarships, is disaggregated by type of service provided (in thousands):

	Year Ended December 31, 2022
Instructional services, net of tuition grants and scholarships	$ 211,253
Textbook and other course materials fees	38,740
Other fees	3,264
Total Revenue	$ 253,257

Contract Balances and Performance Obligations

The Company has no contract assets or deferred contract costs as of December 31, 2022.

The Company recognizes a contract liability, or deferred revenue, when a student starts a term. Deferred revenue at December 31, 2022 was approximately $1.0 million which represents the Company's performance obligation to transfer future instructional services to students and consideration received in advance for future terms, or student deposits.

The Company has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less.

When the Company begins providing the performance obligation, a contract receivable is created, resulting in accounts receivable on the Company's Balance Sheet. The Company uses the portfolio approach, a practical expedient, to evaluate if a contract exists and to assess collectability at the time of contract inception based on historical experience. Contracts are subsequently reviewed for collectability if significant events or circumstances indicate a change.

Refund Policies

The Company provides a stated period of time during which students may withdraw from a term without further financial obligation resulting in a refund liability. If a student withdraws during the term, the Company calculates the portion of tuition that is non-refundable based on the tuition refund policy and the applicable state laws and recognizes it as revenue in the period the withdrawal occurs.

Refund Liability

The Company uses the portfolio approach and applies the expected value method to determine if a refund liability exists. This requires management judgment and the use of estimates and historical data to assess the likelihood and magnitude of a revenue reversal due to a refund liability. Because the Company’s terms coincide with the Company’s fiscal quarter period, there is no refund liability as of December 31, 2022.

Note 5. Property and Equipment

Property and equipment as of December 31, 2022 consisted of the following:

	Useful Life	2022
		(in thousands)
Leasehold improvements	up to life of lease	$ 34,120
Office equipment	5 years	699
Computer equipment	3 years	5,691
Furniture and fixtures	7 years	9,616
Software development	3 years	316
Program development	2-3 years	436
		50,878
Less accumulated depreciation and amortization		(10,640)
		$ 40,238

During the year ended December 31, 2022, the Company recorded approximately $8.8 million in depreciation and amortization expense.

Note 6. Goodwill and Intangible Assets

In connection with the acquisition of the Company by the Parent on the Closing Date, the Company recorded approximately $217.4 million of goodwill, representing the excess of the purchase price over the fair value of assets acquired and liabilities assumed, including identifiable intangible assets. The Company later recorded impairment charges reducing the carrying value of the Company’s goodwill to approximately $86.0 million.

The Company accounts for goodwill and indefinite-lived intangible assets in accordance with FASB ASC 350, *Intangibles Goodwill and Other* and ASU 2017-04, *Intangible-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The Company annually assesses goodwill for impairment, or more frequently if events and circumstances indicate that goodwill might be impaired. Goodwill impairment testing consists of an optional qualitative assessment as well as a quantitative test. The quantitative test compares the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the carrying value is greater than the fair value, the difference between the two values is recorded as an impairment

During the second quarter of 2022, the Company concluded it was more likely than not the fair value of the Company was less than its carrying amount as a result of under performance compared to projections at the time of acquisition, along with the decline in market value of the Company and comparable companies. Therefore, during the second quarter, the Company proceeded with an interim quantitative impairment test. The implied fair value of goodwill was calculated and compared to the recorded goodwill. As a result, during the second quarter, the Company recorded a non-cash impairment charge of $131.4 million, and the corresponding tax impact of $36.0 million, to reduce the carrying value of goodwill to approximately $86.0 million. The goodwill impairment charge recorded eliminated the difference between the fair value of goodwill and the book value of goodwill. During the fourth quarter of 2022, the Company completed its annual assessment of goodwill for impairment and determined that the fair value was greater than the carrying value and therefore there was no impairment of goodwill as of the valuation date which was October 31.

The Company engaged an independent valuation firm to assist with the valuations. The independent valuation firm weights the results of three different valuation methods to determine fair value: (1) discounted cash flow; (2) guideline public company; and (3) guideline transaction for comparable transactions. Under the discounted cash flow method, fair value was determined by discounting the estimated future cash flows of the Company at its estimated weighted-average cost of capital. Under the guideline public company method, pricing multiples from other public companies in the public higher education market were used to determine the fair value of the Company. Under the comparable transaction method, pricing terms from other transactions in the higher education market were used to determine the fair value. Values derived under the three valuation methods were then weighted to estimate the Company's enterprise value. The income and cost approaches were used, as applicable, to value the Company's indefinite-lived intangibles assets.

In addition to goodwill, on the Closing Date the Company recorded identified intangible assets with an indefinite useful life in the aggregate amount of approximately $51.0 million, which includes trade name and accreditation, licensing and Title IV, and recorded approximately $35.5 million of identified intangible assets with a definite useful life which includes curricula, student contracts and relationships, and lead conversions. At the Closing Date, the useful life assigned to each type of intangible asset with a definite useful life was as follows:

	Useful Life
Curricula	3 years
Student contracts and relationships	2 years
Lead conversions	2 years

During the second and fourth quarters of 2022, the Company concluded it was more likely than not the fair value of the Company's intangible assets were less than their carrying amount as a result of the Company's under performance compared to projections at the time of acquisition and as compared to revised projections. As a result, the Company completed impairment tests related to the valuation of its intangible assets during the second and fourth quarters. The implied fair value of intangible assets was calculated and compared to the recorded value and determined the fair value of the accreditation, licensing, and Title IV indefinite lived intangible assets was $11.0 million, or $13.5 million less than its carrying value during the second quarter, and $9.0 million, or $2.0 million less than the carrying value in the fourth quarter. As a result, the Company recorded a non-cash impairment charges totaling $15.5 million to reduce the carrying value of the Company's indefinite-lived intangible assets during 2022. The impairment charge recorded eliminated the difference between the fair value of the accreditation, licensing, and Title IV indefinite lived intangible assets, and the book value.

The following table represents the balance of the Company's intangible assets as of December 31, 2022 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Finite-lived intangible assets				
Student roster	20,000	13,334	—	6,666
Curricula	14,000	6,222	—	7,778
Lead Conversions	1,500	1,000	—	500
Total finite-lived intangible assets	35,500	20,556	—	14,944
Indefinite-lived intangible assets				
Trade name	26,500	—	—	26,500
Accreditation, licensing and Title IV	24,500	—	15,500	9,000
Total indefinite-lived intangible assets	51,000	—	15,500	35,500
Total intangible assets	86,500	20,556	15,500	50,444

Finite-lived intangible assets are amortized in a manner that reflects the estimated economic benefit of the intangible assets on a straight-line basis. During the year ended December 31, 2022, the Company recorded amortization expense related to intangible assets of approximately $15.4 million.

The future amortization of finite-lived intangible assets is as follows (in thousands):

Future Amortization of Intangibles	**Amortization**
2023	$ 11,833
2024	3,111
Total	$ 14,944

Determining fair value requires judgment and the use of significant estimates and assumptions, including fluctuations in enrollments, revenue growth rates, operating margins, discount rates, and future market conditions, among others. Given the current competitive and regulatory environment and the uncertainties regarding the related impact on the business, there can be no assurance that the estimates and assumptions made for purposes of the Company's interim and annual goodwill impairment tests will prove to be accurate predictions of the future. If the Company's assumptions are not realized, the Company may record additional impairment charges in future periods. It is not possible at this time to determine if any such future impairment charge would result or whether such charge would be material.

Note 7. Leases.

The Company has operating leases for office space and campus facilities under operating leases that expire through October 2033. Some leases include options to terminate or extend for one or more years. These options are included in the lease term when it is reasonably certain that the option will be exercised.

Operating lease assets are ROU assets, which represent the right to use an underlying asset for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating leases are included in the Operating lease assets, net, and Operating lease liabilities, current and long-term on the Balance Sheet. These assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When the lease does not provide an implicit interest rate, the Company uses an incremental borrowing rate based on information available at lease commencement to determine the present value of the lease payments. The ROU asset includes all lease payments and include lease incentives in the form of rent abatements and tenant improvements allowances.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. There are no variable lease payments. Lease expense for the year ended December 31, 2022 was approximately $13.5 million. Cash paid for amounts included in the present value of operating lease liability during the year ended December 31, 2022 was $13.6 million respectively, and is included in operating cash flows.

The following tables present information about the amount and timing of cash flows arising from the Company's operating leases as of December 31, 2022 (dollars in thousands):

Maturity of Lease Liabilities		**Lease**
2023	$	12,894
2024		11,881
2025		10,538
2026		10,015
2027		9,784
2028 and beyond		27,366
Total future minimum lease payments	$	82,478
Less imputed interest		(8,540)
Present value of operating lease liabilities	$	73,938
Less lease liabilities, current		(10,890)
Lease liabilities, long-term	$	63,048

Balance Sheet Classification		
Operating lease liabilities, current	$	10,890
Operating lease liabilities, long-term		63,048
Total operating lease liabilities	$	73,938

Other Information	
Weighted average remaining lease term (in years)	7.45
Weighted average discount rate	3.0 %

Note 8. Income Taxes

The components of income tax benefit for year ended December 31, 2022 was as follows (in thousands):

Current income tax benefit		
Federal	$	(672)
State		(875)
		(1,547)
Deferred tax benefit		
Federal	$	(34,202)
State		(5,902)
		(40,104)
Income tax benefit	$	(41,651)

The tax effects of principal temporary differences as of December 31, 2022 are as follows (in thousands):

Deferred tax assets		
Operating lease liability	$	18,236
Goodwill and intangibles		34,930
Property and equipment		307
Allowance for doubtful accounts		273
Accrued vacation and severance		150
Restricted stock		28
Stock compensation expense		7
Total deferred tax assets	$	53,931
Deferred tax liabilities		
Operating lease asset	$	(16,758)
Property and equipment		(2,543)
Total deferred tax liabilities		(19,301)
Deferred taxes, net	$	34,630

Income tax benefit for the year ended December 31, 2022, differs from the amount of tax determined by applying the United States Federal income tax rates to pretax income and loss due to the application of state apportionment laws, permanent tax differences, and other than temporary differences (in thousands):

		Amount	%
Tax expense at statutory rate	$	(34,961)	21.00 %
State taxes, net		(6,518)	3.92 %
Permanent differences		86	(0.05)%
Equity-based compensation benefits		(31)	0.02 %
Other		(227)	0.13 %
	$	(41,651)	25.02 %

Permanent differences in the table above are primarily attributable to stock compensation, nondeductible meals and entertainment expenses, and non-deductible employer contributions to the Parent's Employee Stock Purchase Plan.

The Company is subject to U.S. federal income taxes as well as income tax of multiple state jurisdictions. For U.S. federal and state tax purposes, tax year 2021 remains open to examination.

Note 9. Other Employee Benefits

The Company's Parent has established a tax deferred 401(k) retirement plan that provides retirement benefits to its eligible employees. Participants may elect to contribute up to 60% of their gross annual earnings not to exceed ERISA and Internal Revenue limits. The plan provides for Company discretionary profit-sharing contributions at matching percentages. Employees immediately vest 100% in all salary reduction contributions and employer contributions.

The Company made discretionary contributions to the plan for the year ended December 31, 2022 of approximately $1.8 million.

The Company's employees may participate in the American Public Education, Inc. Employee Stock Purchase Plan, or the ESPP, with quarterly enrollment periods. Eligible participants may only enter the plan and establish their withholdings at the start of an enrollment period. Participating employees may withdraw from the plan and end payroll deductions at any time up to five days before the share purchase date and funds will be returned to them. Under the ESPP, participating employees may purchase shares of the Company's common stock, subject to certain limitations, at 85% of its fair market value on the last day of the quarterly period. The total value of contributions per participant may not exceed $21,000 annually or the value of the common stock purchased per participant cannot exceed $25,000.

During the year ended December 31, 2022, compensation expense pertaining to the ESPP for the Company totaled approximately $39,000.

Note 10. Stockholder’s Equity

Stock Incentive Plans

The Parent’s American Public Education, Inc. 2017 Omnibus Incentive Plan, or 2017 Incentive Plan, became effective on May 12, 2017, or the Effective Date. Upon effectiveness of the 2017 Incentive Plan, the Parent ceased making awards under the American Public Education, Inc. 2011 Omnibus Incentive Plan, or the 2011 Incentive Plan. The 2017 Incentive Plan allows the Parent to grant up to 1,675,000 shares, as well as shares of the Parent’s common stock that were available for issuance under the 2011 Incentive Plan as of the Effective Date. In addition, the number of shares of common stock available under the 2017 Incentive Plan was increased from time to time by the number of shares subject to outstanding awards granted under the 2011 Incentive Plan that terminate by expiration, forfeiture, cancellation or otherwise without issuance of such shares following the Effective Date.

On May 15, 2020, the Parent’s stockholders approved an amendment to the 2017 Incentive Plan to increase the number of shares available for issuance thereunder by 1,425,000 and to extend the term of the 2017 Plan to May 15, 2030, as well as to clarify limitations on repricing.

On May 20, 2022, the Company’s stockholders approved an amendment to the 2017 Incentive Plan to increase the number of shares available for issuance thereunder by 1,125,000 and to clarify provisions on vesting in dividends or dividend equivalent rights paid on unvested awards and the determination of fair market value.

Grants under the 2017 Incentive Plan generally vest over a period of three years and the Company recognizes compensation expense over that period. The 2017 Incentive Plan includes a provision that allows individuals who have reached certain service and retirement eligibility criteria on the date of grant an accelerated service period of one year. The Company recognizes compensation expense for these individuals over the accelerated period. As of December 31, 2022, all shares subject to outstanding awards are under the 2017 Incentive Plan.

Restricted Stock and Restricted Stock Unit Awards

The fair value of the Parent’s restricted stock and restricted stock unit awards is calculated based on the closing price of Parent’s stock on the date of grant. The estimated fair value of these awards is recognized as stock-based compensation expense and is expensed over the vesting period using the straight-line method for the Company’s employees. The Company estimates forfeitures of share-based awards at the time of grant and revises such estimates in subsequent periods if actual forfeitures differ from original estimates.

The table below sets forth the restricted stock and restricted stock unit activity for the year ended December 31, 2022:

	Number of Shares	Weighted Average Grant Price and Fair Value
Non vested, December 31, 2021	20,086	$ 26.20
Shares granted	39,208	$ 20.99
Vested shares	(2,511)	$ 26.20
Shares forfeited	(36,471)	$ 23.73
Non vested, December 31, 2022	20,312	$ 20.57

At December 31, 2022, total unrecognized compensation expense in the amount of $0.3 million relates to non-vested restricted stock and restricted stock units which will be recognized over a weighted average period of 2.14 years.

As a result of termination of employment, the Company accepted the following common shares for forfeiture: 36,471 shares for $0.9 million in 2022.

Option Awards

The fair value of each option award is estimated at the date of grant using a Black-Scholes option-pricing model. The Parent makes assumptions with respect to expected stock price volatility based on the average historical volatility of the Parent's common stock. In addition, the Parent determines the risk-free interest rate by selecting the U.S. Treasury constant maturity for the same maturity as the estimated life of the option, quoted on an investment basis in effect at the time of grant for that business day. Estimates of fair value are subjective and are not intended to predict actual future events, and subsequent events are not necessarily indicative of the reasonableness of the original estimates of fair value made under *FASB ASC Topic 718.* Options currently outstanding vest ratably over a period of three years and expire in ten years from the date of grant.

The table below sets forth stock option activity for the year ended December 31, 2022:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Aggregate Intrinsic Value
				(in thousands)
Outstanding, December 31, 2021	15,873	$ 26.20	9.67	$ —
Options granted	—	—	—	$ —
Awards exercised	—	—		
Options forfeited	(13,889)	26.20		
Outstanding, December 31, 2022	1,984	$ 26.20	0.04	$ —
Exercisable, December 31, 2022	1,984	$ 26.20	0.04	$ —

Stock-Based Compensation Expense

For the year ended December 31, 2022, the Company recognized stock-based compensation expense as follows (in thousands):

	Year Ended December 31, 2022
Instructional costs and services	$ 41
Selling and promotional	80
General and administrative	9
Total stock-based compensation expense	$ 130

The Company recognized a total income tax benefit of approximately $45,000 from stock-based compensation expense for the year ended December 31, 2022.

Note 11. Contingencies

The Company accrues for costs associated with contingencies including, but not limited to, regulatory compliance and legal matters when such costs are probable and can be reasonably estimated. Liabilities established to provide for contingencies are adjusted as further information develops, circumstances change, or contingencies are resolved. The Company bases these accruals on management's estimate of such costs, which may vary from the ultimate costs and expenses, associated with any such contingency.

From time to time the Company may be involved in legal matters in the normal course of its business.

Note 12. Concentration

The Company's students utilize various payment sources and programs to finance their education expenses, including funds from: federal student aid from Title IV programs and education benefit programs administered by the U.S. Department of Veteran's Affairs, or VA, as well as cash and other sources. A summary of the Company's revenue derived from students by primary funding source for the year ended December 31, 2022 is as follows:

Title IV programs	74%
Cash and other sources	24%
VA education benefits	2%

A reduction in, or change to, these programs could have a significant impact on the Company's operations and financial condition.

Note 13. Subsequent Events

The Company has reviewed its business activities and has no subsequent events to report.

Note 14. Related Party Transactions (Supplementary Information)

The Company participates in the Student Financial Aid, or the SFA, under the Title IV programs administered by the ED pursuant to the Higher Education Act of 1965, as amended, or the HEA. The Company must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. For this purpose, related party transactions consist of intercompany transactions between the Company and the Parent, the Company and the Parent's subsidiaries, and the Company and other related parties.

At December 31, 2022, the Company had accounts payable to the Parent and American Public University System, Inc., a subsidiary of the Parent, in the amount of $9.5 million and $0.4 million, respectively.

The Company receives services for marketing, finance, technology, and other management and administrative services to support continuing operations and to assist the Company in accomplishing its business plan. These services are charged by the Parent to the Company at actual cost. For the year ended December 31, 2022 shared service costs charged by the Parent to the Company totaled approximately $19.8 million which is reflected in the accompanying Statement of Income.

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 basic financial statements.

Note 15. Title IV 90/10 Revenue Test (Supplementary Information)

The Company currently derives a portion of its revenue from the SFA received by its students under the Title IV programs administered by the U.S. Department of Education pursuant to the HEA. To continue to participate in the SFA programs, the Company must comply with the regulations promulgated under the HEA. The regulations require that the Company derive at least 10% of its revenue each fiscal year from sources other than Title IV, HEA program funds. Failure by the Company to meet the 10% requirement will result in the loss of the Company's ability to participate in the SFA programs. For the fiscal year ended December 31, 2022, the Company had the following 90/10 percentage. 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 basic financial statements.

OPE ID# 00869400		**2022**
Adjusted Student Title IV Revenue		
Subsidized Loan	$	65,058,796
Unsubsidized Loan		108,714,326
Plus Loan		4,435,302
Federal Pell Grant		55,038,538
FSEOG (subject to matching reduction)		2,624,400
Student Title IV Revenue		235,871,362
Revenue Adjustment		(35,005,096)
Title IV Funds Returned For A Student Under 34 C.F.R. 668.22		(9,386,015)
Adjusted Student Title IV Revenue	$	191,480,251
Adjusted Student Non-Title IV Revenue		
Grant Funds for the student from non-federal public agencies or private sources independent of the Company	$	5,569,040
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		767,393
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code		495,870
Student Payments on current charges		59,806,725
Student Non-Title IV Revenue		66,639,028
Revenue Adjustment		—
Adjusted Student Non-Title IV Revenue	$	66,639,028
Revenue From Other Sources		
Activities conducted by the institution that are necessary for education and training	$	—
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs		—
Allowable student payments + allowable amounts from account receivable or institutional loan sales – any required payments under a recourse agreement		—
	$	—
Adjusted Student Non-Title IV Revenue		66,639,028
Total Revenue (Adjusted Student Title IV Revenue + Adjusted Student Non-Title IV Revenue + Revenue from Other Sources)		258,119,279
Title IV 90/10 Revenue Percentage		**74.18 %**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Management and Audit Committee of American Public Education, Inc.
Charles Town, West Virginia

We have audited, in accordance with the 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 Rasmussen College, LLC., which comprise the balance sheet as of December 31, 2022, and the related statements of income, stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rasmussen College, LLC's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rasmussen College, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rasmussen College, LLC's internal control over financial reporting.

A *deficiency in internal control over financial reporting* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rasmussen College, LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. Such tests included compliance tests as set forth in the Financial Statement chapter of 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), specifically those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this 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 the Rasmussen College, LLC's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rasmussen College, LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

Mclean, VA
June 29, 2023