THE ART INSTITUTE OF FORT LAUDERDALE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AND
AUDIT OF COMPLIANCE FOR EACH MAJOR
STATE PROJECT IN ACCORDANCE WITH
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Year Ended June 30, 2015

FOGLE & ASSOCIATES, LLC
Certified Public Accountants

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Fogle & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Art Institute of Fort Lauderdale, Inc.

Report on the Financial Statement

We have audited the accompanying schedule of expenditures of state financial assistance for the State Projects of The Art Institute of Fort Lauderdale, Inc. (the Institute) for the year ended June 30, 2015, and the related note.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General. Those standards, statutes, and rules require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the schedule of expenditures of state financial assistance referred to above presents fairly, in all material respects, the expenditures of state financial assistance under the State Projects of The Art Institute of Fort Lauderdale, Inc. for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Fogle & Associates, LLC

December 29, 2015

THE ART INSTITUTE OF FORT LAUDERDALE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2015

	CSFA No.	Grant No.	Expenditures	Transfers to Subrecipients
FLORIDA DEPARTMENT OF EDUCATION				
Direct Projects:				
Florida Student Assistance Grant	48.054	N/A	$745,659	$ -
Florida Children and Spouses of Deceased Or Disabled Veterans and Servicemembers Scholarship	48.055	N/A	5,719	-
Florida Bright Futures Scholarship	48.059	N/A	33,639	-
TOTAL DIRECT PROJECTS			$785,017	-
Indirect Projects:			$ -	$ -
Passed Through:			$ -	$ -
TOTAL FLORIDA DEPARTMENT OF EDUCATION			$785,017	$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$785,017	$ -

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

BASIS OF PRESENTATION

The purpose of the schedule of expenditures of state financial assistance is to present a summary of the operations of The Art Institute of Fort Lauderdale, Inc. which have been financed by the State of Florida. The information in this schedule is prepared on the accrual basis of accounting and is presented in accordance with Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*. Because this schedule presents only a selected portion of the operations of the Institute, it is not intended to, and does not, present either the financial position, results of operations, or cash flows of the Institute as of and for the year ended June 30, 2015.

Fogle & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors
The Art Institute of Fort Lauderdale, Inc.

Report on Compliance for Each Major State Project

We have audited The Art Institute of Fort Lauderdale, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of The Art Institute of Fort Lauderdale, Inc.'s major State projects for the year ended June 30, 2015. The Art Institute of Fort Lauderdale, Inc.'s major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Art Institute of Fort Lauderdale, Inc.'s major State projects based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about The Art Institute of Fort Lauderdale, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of The Art Institute of Fort Lauderdale, Inc.'s compliance.

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Opinion on Each Major State Project

In our opinion, The Art Institute of Fort Lauderdale, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of The Art Institute of Fort Lauderdale, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Art Institute of Fort Lauderdale, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General* but not for the purpose of expressing an opinion on the effectiveness of The Art Institute of Fort Lauderdale, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Art Institute of Fort Lauderdale, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Fogle & Associates, LLC

December 29, 2015

THE ART INSTITUTE OF FORT LAUDERDALE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS**

Year Ended June 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

1. The consolidated financial statements of Education Management Corporation and Subsidiaries (including The Art Institute of Fort Lauderdale, Inc.) were audited by another independent registered public accounting firm whose report dated September 30, 2015 expressed an unmodified opinion.

2. One material weakness disclosed during the audit of the financial statements of Education Management Corporation and Subsidiaries (including The Art Institute of Fort Lauderdale, Inc.) was reported by another independent registered public accounting firm in its "Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*" dated September 30, 2015.

3. The financial statements of Education Management Corporation and Subsidiaries (including The Art Institute of Fort Lauderdale, Inc.) were audited by another independent registered public accounting firm whose "Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*" dated September 30, 2015 identified no instances of noncompliance material to the financial statements and no findings related to the financial statements which would be required to be reported in accordance with *Government Auditing Standards*.

4. The independent auditor's report on compliance for each major State project for The Art Institute of Fort Lauderdale, Inc. expresses an unmodified opinion.

5. The audit of the major state projects of The Art Institute of Fort Lauderdale, Inc. disclosed no findings or questioned costs required to be reported under Chapter 10.650, *Rules of the Auditor General*.

6. The programs tested as major state projects included:

   Florida Department of Education Student Financial Assistance Programs:

   a. Florida Student Assistance Grant - CSFA #48.054

7. The dollar threshold for distinguishing between Type A and Type B projects was $235,505 for major State projects.

8. No management letter is required because there were no matters related to major State projects required to be reported in the management letter.

9. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major State projects.

10. No Corrective Action Plan is required because there were no findings required to be reported under Chapter 10.650, *Rules of the Auditor General*.

Consolidated Financial Statements

Education Management Corporation and Subsidiaries
For The Fiscal Years Ended June 30, 2015 and 2014
With Report of Independent Auditors

Education Management Corporation and Subsidiaries

Consolidated Financial Statements
and Supplemental Information

Years Ended June 30, 2015 and 2014

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Report of Independent Auditors

The Shareholders and Board of Directors
Education Management Corporation and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Education Management Corporation and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, cash flows and shareholders' equity for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Education Management Corporation and Subsidiaries at June 30, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplemental Information section containing the consolidating balance sheets, consolidating statements of operations, composite scores, supplemental schedules of 90/10 ratios and supplemental schedules of related-party transactions is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 September 30, 2015 on our consideration of Education Management Corporation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Education Management Corporation and Subsidiaries' internal control over financial reporting and compliance.

Ernst + Young LLP

September 30, 2015

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2015	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 277,031	$ 270,567
Restricted cash	239,697	271,681
Total cash, cash equivalents and restricted cash	516,728	542,248
Student receivables, net of allowances of $140,168 and $143,335 (Note 5)	170,535	210,182
Notes, advances and other receivables	61,169	57,908
Deferred income taxes (Note 10)	21,723	24,502
Prepaid income taxes	21,075	5,283
Other current assets	31,019	35,843
Total current assets	822,249	875,966
Property and equipment, net (Note 3)	256,632	429,457
Goodwill (Note 4)	169,714	343,406
Intangible assets, net (Note 4)	77,687	169,823
Other long-term assets	50,762	58,384
Total assets	$ 1,377,044	$ 1,877,036
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Revolving credit facility (Note 7)	$ 50,000	$ 219,890
Current portion of long-term debt (Note 7)	—	11,875
Accounts payable	39,741	38,553
Accrued liabilities (Note 6)	189,327	167,282
Unearned tuition	139,732	115,869
Advance payments	67,716	81,856
Total current liabilities	486,516	635,325
Long-term debt, less current portion (Note 7)	589,827	1,271,586
Deferred income taxes (Note 10)	91,311	58,577
Deferred rent	178,379	185,795
Other long-term liabilities	56,420	10,626
Shareholders' equity (deficit):		
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	20	—
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	5,181	—
Common stock, at par	24,927	1,452
Additional paid-in capital		
Preferred Stock	197,626	—
Warrants	30,673	—
Common Stock	2,232,375	1,815,860
Treasury stock, at cost	(332,102)	(331,877)
Accumulated deficit	(2,180,710)	(1,762,096)
Accumulated other comprehensive loss	(3,399)	(8,212)
Total shareholders' equity (deficit)	(25,409)	(284,873)
Total liabilities and shareholders' equity (deficit)	$ 1,377,044	$ 1,877,036

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

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	For the Fiscal Year Ended June 30,	
	2015	**2014**
Net revenues	$ 1,936,498	$ 2,272,736
Costs and expenses:		
Educational services	1,262,948	1,373,699
General and administrative	685,998	667,567
Depreciation and amortization	134,855	152,501
Long-lived asset impairments (Notes 3 and 4)	345,075	568,216
Total costs and expenses	2,428,876	2,761,983
Loss before interest, gain on debt restructuring and income taxes	(492,378)	(489,247)
Interest expense, net	80,053	128,033
Gain on debt restructuring (Note 7)	(165,149)	—
Loss before income taxes	(407,282)	(617,280)
Income tax (benefit) expense (Note 10)	(1,947)	46,637
Net loss from operations	$ (405,335)	$ (663,917)
Beneficial conversion feature on Series A-2 convertible preferred stock	13,279	—
Net loss	(418,614)	(663,917)
Accumulated dividends on Series A-1 preferred stock	7,233	—
Net loss attributable to common stockholders	(425,847)	(663,917)

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

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	For the Fiscal Year Ended June 30,	
	2015	**2014**
Net loss	$ (418,614)	$ (663,917)
Other comprehensive income:		
Net change in interest rate swaps:		
Periodic revaluation of interest rate swaps, net of tax benefit of $0 and ($1,252)	—	(1,799)
Reclassification adjustment for interest recognized in consolidated statements of operations, net of tax expense of $4,099 and $4,658	6,624	7,898
Net change in unrecognized loss on interest rate swaps, net of tax	6,624	6,099
Foreign currency translation loss	(1,811)	(670)
Other comprehensive income	4,813	5,429
Comprehensive loss	$ (413,801)	$ (658,488)

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

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Fiscal Year Ended June 30, 2015	2014
Cash flows from operating activities:		
Net loss	$ (418,614)	$ (663,917)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	129,528	146,158
Amortization of intangible assets	5,327	6,343
Bad debt expense	135,458	141,946
Long-lived asset impairments	345,075	568,216
Gain on debt restructuring	(165,149)	—
Accretion of beneficial conversion feature	13,279	—
Amortization of debt issuance costs, including PIK interest	69,443	14,160
Share-based compensation	29,538	16,419
Non-cash adjustments related to deferred rent	(17,977)	(18,654)
Amortization of deferred gains on sale-leaseback transactions	(2,252)	(2,252)
Deferred income taxes	28,960	36,274
Changes in assets and liabilities:		
Restricted cash	31,984	(341)
Receivables	(67,106)	(174,163)
Reimbursements for tenant improvements	4,219	2,457
Other assets	(27,121)	6,869
Accounts payable	2,740	4,404
Accrued liabilities, including income taxes	57,237	(1,998)
Unearned tuition	23,863	2,497
Advance payments	(13,641)	(13,772)
Total adjustments	583,405	734,563
Net cash flows provided by (used in) operating activities	164,791	70,646
Cash flows from investing activities:		
Expenditures for long-lived assets	(53,940)	(73,760)
Proceeds from sale of fixed assets	1,235	9,565
Reimbursements for tenant improvements	(4,219)	(2,457)
Other	—	—
Net cash flows used in investing activities	(56,924)	(66,652)
Cash flows from financing activities:		
Borrowings under revolving credit facility	50,000	219,890
Payments under revolving credit facility	(150,000)	(75,000)
Principal payments on long-term debt	(42)	(12,051)
Issuance of common stock as a result of stock-option exercises	—	2,968
Gross excess tax benefit from share-based compensation	—	3,417
Minimum tax withholding requirements for restricted stock units	(225)	(3,272)
Net cash flows provided by (used in) financing activities	(100,267)	135,952
Effect of exchange rate changes on cash and cash equivalents	(1,136)	(74)
Net change in cash and cash equivalents	6,464	139,872
Cash and cash equivalents, beginning of period	270,567	130,695
Cash and cash equivalents, end of period	$ 277,031	$ 270,567
Cash paid (received) during the period for:		
Interest (including swap settlement)	$ 15,608	$ 116,639
Income taxes, net of refunds	$ (14,105)	$ (1,464)

	As of June 30, 2015	2014
Noncash investing activities:		
Capital expenditures in current liabilities	$ 7,380	$ 13,780
Noncash investing activities:		
Preferred stock issued in connection with debt restructuring	$ 596,532	$—
Common stock warrants issued in connection with debt restructuring	$ 35,800	$—
Extinguishment of obligations through debt restructuring	$ 1,399,700	$—
Creation of obligations through debt restructuring	$ 577,000	$—

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

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Preferred Stock, at par value	Warrants, at par value	Common Stock at par value (2)	Additional Paid-in Capital	Treasury Stock, at cost (2)	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total
June 30, 2013	—	—	1,435	1,794,846	(328,605)	(1,098,179)	(13,641)	355,856
Net loss	—	—	—	—	—	(663,917)	—	(663,917)
Share-based compensation	—	—	—	16,419	—	—	—	16,419
Exercise of stock-options	—	—	17	2,951	—	—	—	2,968
Net excess tax benefit from share based compensation	—	—	—	1,644	—	—	—	1,644
Minimum tax withholding requirements for restricted stock units	—	—	—	—	(3,272)	—	—	(3,272)
Other comprehensive income	—	—	—	—	—	—	5,429	5,429
June 30, 2014	—	—	1,452	1,815,860	(331,877)	(1,762,096)	(8,212) (1)	(284,873)
Net loss	—	—	—	—	—	(418,614)	—	(418,614)
Share-based compensation	—	—	—	29,538	—	—	—	29,538
Exercise of stock-options	—	—	17	(17)	—	—	—	—
Net excess tax benefit from share based compensation	—	—	—	(1,659)	—	—	—	(1,659)
Minimum tax withholding requirements for restricted stock units	—	—	—	—	(225)	—	—	(225)
Stock issued in connection with debt restructuring	94	—	—	596,384	—	—	—	596,478
Conversion of series A-2 preferred stock	(74)	—	23,458	(23,384)	—	—	—	—
Warrants issued in connection with debt restructuring	—	5,181	—	30,673	—	—	—	35,854
Beneficial conversion feature	—	—	—	13,279				13,279
Other comprehensive income	—	—	—	—	—	—	4,813	4,813
June 30, 2015	$ 20	$ 5,181	$ 24,927	$ 2,460,674	$(332,102)	$ (2,180,710)	$ (3,399) (1)	$ (25,409)

(1) The balance in accumulated other comprehensive loss at June 30, 2015 was comprised of $3.4 million of cumulative foreign currency translation losses. The balance in accumulated other comprehensive loss at June 30, 2014 was comprised of $6.6 million of cumulative unrealized losses on interest rate swaps, net of tax, and $1.6 million of cumulative foreign currency translation losses.

(2) There were 2,472,963,157 and 600,000,000 authorized shares of $0.01 par value common stock at June 30, 2015 and 2014, respectively. Common stock outstanding and treasury stock balances and activity were as follows for the periods indicated:

	Treasury Shares	Net Shares Outstanding
June 30, 2013	18,902,140	124,601,524
Issued for stock-based compensation plans	—	1,716,419
Minimum tax withholding requirements for restricted stock units	274,644	(274,644)
June 30, 2014	19,176,784	126,043,299
Issued for stock-based compensation plans and conversion of preferred stock	—	2,347,480,554
Minimum tax withholding requirements for restricted stock units	560,696	(560,696)
June 30, 2015	19,737,480	2,472,963,157

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

1. DESCRIPTION OF BUSINESS AND CHANGE IN OWNERSHIP

Description of Business

Education Management Corporation ("EDMC" and collectively with its subsidiaries, the "Company") is among the largest providers of post-secondary education in North America, with approximately 112,430 enrolled students as of October 2014. The Company offers campus-based education through four different education systems and through online platforms at three of the four education systems, or through a combination of both. These four education systems comprise the Company's reportable segments, which are The Art Institutes, Argosy University, Brown Mackie Colleges and South University. Refer to Item 2. Management's Discussion and Analysis, "Analysis of Operating Results by Reportable Segment" for additional information.

The Company is committed to offering quality academic programs and strives to improve the learning experience for its students to help them achieve their educational goals across the spectrum of in-demand careers. The Company's innovative academic programs are designed with an emphasis on employment-focused content and technology that advances education, and are taught primarily by faculty members who, in addition to having appropriate academic credentials, typically offer practical and relevant professional experience in their respective fields.

Ownership

On June 1, 2006, the Company was acquired by a consortium of private equity investment funds led by Providence Equity Partners, Goldman Sachs Capital Partners and Leeds Equity Partners (collectively, the "Former Sponsors"). The acquisition was accomplished through the merger of EM Acquisition Corporation into EDMC, with EDMC surviving the merger (the "Transaction") and was financed by equity invested by the Former Sponsors and other investors, cash on hand and secured and unsecured borrowings.

In October 2009, EDMC completed an initial public offering of 23.0 million shares of its common stock, $0.01 par value per share ("Common Stock"), at a per share price of $18.00 (the "Initial Public Offering"). The Former Sponsors did not sell any of their shares in connection with the Initial Public Offering.

In June 2010, the Company's Board of Directors approved a stock repurchase program under which it could purchase its common stock in the open market, in privately negotiated transactions, through accelerated repurchase programs or in structured share repurchase programs. From the inception of the stock repurchase program through its expiration on December 31, 2012, the Company repurchased 18.9 million shares of its common stock for a total cost of $328.6 million.

In November 2014, the Company voluntarily delisted its common stock from The Nasdaq Global Select Market and subsequently deregistered its common stock under the Securities Exchange Act of 1934, as amended.

On January 5, 2015, the Company issued shares of Series A-1 optionally convertible preferred stock and Series A-2 mandatorily convertible preferred stock (together with the Series A-1 preferred stock, the "Preferred Stock") in connection with a restructuring of its outstanding indebtedness (the "Debt Restructuring"). On April 13, 2015, the shares of Series A-2 preferred stock were converted into shares of EDMC common stock upon receipt of the final regulatory approval for the Debt Restructuring, transferring control of the Company to creditors who participated in the Debt Restructuring. EDMC's shareholders who owned common stock prior to the Debt Restructuring now own 4% of the outstanding common stock along with warrants to purchase 5% of EDMC's common stock after giving effect to the conversion of the Preferred Stock and subject to further dilution by warrants awarded pursuant to the Debt Restructuring. Refer to Note 7, "Short-Term and Long-Term Debt" for more information.

Revisions and Reclassifications

Certain reclassifications of prior year data have been made to conform to the fiscal 2015 presentation, with no effect on previously reported net loss or shareholders' equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Including Debt Restructuring)

The consolidated balance sheet includes the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

In order to address financial covenant compliance and maturity issues with respect to outstanding indebtedness at June 30, 2014, the Company entered into a Restructuring Support Agreement (the "RSA") in September 2014 pursuant to which the holders of substantially all of the Company's term loan facilities and 100% of the revolving credit facility, holders of a majority of the Cash Pay/PIK Interest Notes due 2018, certain of the Company's interest rate swap counter-parties and holders of in excess of 72% of EDMC's outstanding common stock agreed to support the Debt Restructuring. On January 5, 2015, the Company entered into the following transaction in connection with the closing of the initial step of the Debt Restructuring:

- $150 million of revolving loans under the Company's existing revolving credit facility were repaid in cash at par, with such amount available for re-borrowing under a new revolving credit facility which matures March 31, 2019;
- Except for $15.8 million of Senior Cash Pay/PIK Notes due 2018, the remaining portion of the Company's outstanding indebtedness was exchanged for two first lien senior secured term loans due July 2, 2020 in the aggregate principal amount of $400 million, mandatorily convertible Series A-2 preferred stock of EDMC, optionally convertible Series A-1 preferred stock of EDMC and warrants to purchase common stock of EDMC; and
- $106.4 million of existing letters of credit were rolled into the new senior secured credit facility.

The Company received the final regulatory approval for the Debt Restructuring on April 13, 2015 and the mandatorily convertible shares of Series A-2 preferred stock were converted into 2,345,804,755 shares of EDMC common stock. After conversion of the Series A-2 preferred stock, there were 2,472,963,157 shares of EDMC common stock outstanding on June 30, 2015. EDMC’s shareholders prior to the Debt Restructuring own 4% of the outstanding common stock along with warrants to purchase 5% of EDMC’s common stock after giving effect to the conversion of all of the preferred stock and subject to further dilution by warrants awarded pursuant to the Debt Restructuring. The Company recorded a gain on the Debt Restructuring of $165.2 million during the quarter ended March 31, 2015 due to the excess of the carrying value of the Company's prior indebtedness over the recorded value of the new indebtedness.

The Company’s recent deteriorating results from operations have created uncertainty as to the Company's ability to continue as a going concern and such uncertainty has been adequately addressed through management’s plans and actions, as discussed below. Management continues to implement cost reduction actions to reduce cash outflows in order to maintain sufficient liquidity to allow the Company to meet its obligations as they become due. While no assurance can be given that management’s cost reduction actions will continue to reduce cash outflows at the necessary levels, based on management’s projected cash flows for fiscal 2016, management believes that cash flow from operations and available cash on hand, supplemented from time to time with borrowings under the revolving credit facility, will provide adequate funds for ongoing operations, required debt service and other obligations as they become due during the next twelve months.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates on assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. These investments are stated at cost, which approximates fair value.

The Company’s institutions hold funds from the United States government under various student aid grant and loan programs in separate bank accounts, and serve as trustee for the U.S. Department of Education or respective lender or student borrower, as applicable. The Company does not record funds held in these bank accounts as cash or restricted cash until the authorization and disbursement process has occurred. Once the authorization and disbursement process to the student has been completed, the funds are transferred to unrestricted accounts and become available for use in current operations, except as noted in footnote two to the table below. This transfer generally occurs for the period of the academic term for which such funds were authorized, with no term being more than 16 weeks in length.

Restricted cash consisted of the following at June 30 (in thousands):

	2015	2014
Cash secured letters of credit (1)	$ 177,818	$ 210,000
Title IV funds received in excess of charges applied (2)	44,962	50,406
Surety bonds (3)	10,292	7,275
Cash collateral for purchasing card	2,625	—
Escrowed in connection with student lending program (4)	2,500	2,500
Endowments (5)	1,500	1,500
Restricted cash	$ 239,697	$ 271,681

(1) Includes liens on certain of the Company's cash deposits, which equal 105% of the aggregate $169.3 million of outstanding letters of credit under the Company's cash secured letter of credit facilities further explained in Note 7, "Short-Term and Long-Term Debt." Such cash is not available for any purpose other than to reimburse drawings under the letters of credit or to pay related fees and obligations.

(2) U.S. Department of Education regulations require Title IV program funds received by the Company's educational institutions in excess of the charges applied to the relevant students at that time to be, with these students' permission, maintained and classified as restricted. In addition, some states have similar requirements. Such funds are recorded as restricted cash due to legal restrictions on the use of the funds and as advance payments on the Company's consolidated balance sheets. The balances also include $30.7 million and $35.1 million at June 30, 2015 and 2014, respectively, related to Title IV amounts that the Company has received for courses that fully-online students attending Argosy University and South University have not begun. Since these students take classes under a non-term academic structure, the cash is classified as restricted because the Company does not intend to use the funds for operating purposes until a student successfully demonstrates academic progress with respect to each course the student attends in the student's program of study.

(3) Relates to amounts required to be maintained on deposit in connection with surety bonds primarily provided to state regulatory agencies as described in Note 14, "Commitments and Contingencies."

(4) Relates to an account required to be maintained in connection with the Company's student lending program further described in Note 5, "Student Receivables."

(5) Relates to endowments required by state law at certain of the Company's schools.

Revenue Recognition

The Company's net revenues consist primarily of tuition and fees, student housing fees, bookstore sales, restaurant sales in connection with culinary programs, workshop fees and sales of related study materials. Net revenues are reduced for student refunds and scholarships. The Company derived approximately 93% of its net revenues from tuition and fees in each of the fiscal years ended June 30, 2015 and 2014.

The Company bills tuition and housing revenues at the beginning of an academic term and recognizes the revenue on a pro rata basis over the term of instruction or occupancy. Some of the Company's academic terms have starting and ending dates that differ from the Company's fiscal quarters. Therefore, at the end of each fiscal quarter, the Company has tuition from academic terms for which the associated revenue has not yet been earned. Such amounts are recorded as unearned tuition, which is a current liability in the accompanying consolidated balance sheets. Advance payments are generally refundable and relate to payments received for future academic periods and are also recorded as a current liability in the accompanying consolidated balance sheets.

If a student withdraws from one of the Company's schools, the extent of his or her obligation for tuition and fees depends on when the withdrawal occurs during an academic term. The Company reduces the student's obligation depending upon its refund policies, which vary by state and institution and take into account the refund requirements of the U.S. Department of Education, most state education authorities that regulate the Company's schools, the accrediting commissions that accredit the Company's schools and the Company's institutional policies (collectively, "Refund Policies"). In the vast majority of situations, if a student withdrew from school after attending classes for at least 60.0% of a term of instruction, he or she would not be eligible for any reduction in tuition under the Company's Refund Policies. Accordingly, the student would have to pay the Company the balance of tuition and fees that has not been received already either in the form of financial aid or payments from the student. However, if a student withdraws from school prior to attending classes for at least 60.0% of a term of instruction, the Company may reduce the amount of a student's obligation for tuition and fees based on a tiered approach under which, in general, the greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the school for the tuition and fees related to that academic term.

Based on the application of its refund policies, the Company may be entitled to incremental revenue on the day the student withdraws from one of its schools. Prior to fiscal 2014, the Company recorded this incremental revenue, related student receivable and an estimate of the amount it did not expect to collect as bad debt expense during the fiscal quarter a student withdrew. Effective in fiscal 2014, the Company reassesses collectability when a student withdraws from the institution (i.e., is no longer enrolled) and records incremental revenue based on cash received. Amounts prior to fiscal year 2014 were not corrected because the effects were not material.

Student Receivables

The Company records student receivables at cost less an estimated allowance for doubtful accounts, which is determined on a quarterly basis based on the likelihood of collection considering students' enrollment status and historical payment experience. Historical collection experience is analyzed by disaggregating the student receivable balances based on predominant risk characteristics, such as whether the student is currently in-school, recently withdrew from school, or has not made a payment for a longer period of time. This level of disaggregation of student receivables results in individual pools of receivables which management believes appropriately differentiates credit risk in the portfolio and provides a reasonable basis to compute the estimate of loss. When certain criteria are met, which is generally when receivables age past the due date by more than four months, and internal collection measures have been taken without success, the accounts of former students are placed with a collection agency. Student accounts that have been placed with a collection agency are almost fully reserved and are written off after collection attempts have been unsuccessful.

Leases

The Company leases certain classroom, dormitory and office space, as well as equipment and automobiles under operating leases. Before entering into a new lease, an analysis is performed to determine whether a lease should be classified as capital or operating.

Certain of the Company’s lease agreements include tenant improvement allowances. Once the lease agreement is signed, these tenant improvement allowances are recorded as other current assets with the offset to deferred rent liabilities on the consolidated balance sheets. Concurrent with the expenditures for lease improvements, the Company records increases to leasehold improvement assets in property and equipment. Other current assets are reduced once the landlord reimburses the Company. The deferred rent liabilities related to tenant improvements are amortized over the term of the lease as a reduction to rent expense upon possession of the lease space.

Many of the Company’s lease agreements contain escalation clauses under which, if fixed and determinable, rent expense is recognized on a straight-line basis over the lives of the leases, which generally range from five to 15 years with one or more renewal options. For leases with renewal options, the Company records rent expense over the original lease term, exclusive of the renewal period. When a renewal occurs, the Company records rent expense over the new lease term.

Property and Equipment and Finite-Lived Intangible Assets

Property and equipment is recorded at its cost less accumulated depreciation. Depreciation policies for such assets are as follows:

- Buildings are depreciated over an estimated useful life of 30 years using the straight-line method;
- Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term, exclusive of any renewal periods, or their estimated useful lives; and
- The remainder of the Company’s property and equipment is depreciated over estimated useful lives ranging from three to 10 years using the straight-line method, depending on the asset.

Finite-lived intangible assets primarily relate to curriculum developed for fully-online courses which are amortized over a two-year useful life.

The Company records impairment losses on property and equipment and finite-lived intangible assets when events and circumstances indicate that the undiscounted cash flows estimated to be generated by those assets or asset groups are less than their carrying amounts. Events and circumstances that could trigger an impairment review include changes in the regulatory environment, deteriorating economic conditions or poor operating performance at individual campus locations. Any resulting impairment loss would be measured as the difference between the fair value of the assets or asset groups and their carrying value with the loss recorded as an operating expense in the consolidated statement of operations in the period incurred. Refer to Note 3, "Property and Equipment," for more information.

Goodwill and Indefinite-Lived Intangible Assets

On June 1, 2006, in connection with the Transaction, property, equipment, intangible assets other than goodwill and other assets and liabilities were recorded at fair value. The excess of the amount paid to acquire the Company at the time of the Transaction over the fair values of these net assets represented the intrinsic value of the Company beyond its tangible and identifiable intangible net assets and was assigned to goodwill.

The Company formally evaluates the carrying amount of goodwill for each of its reporting units on April 1 of each fiscal year. In addition, the Company performs an evaluation on an interim basis if it determines that recent events or prevailing conditions indicate a potential impairment of goodwill. A significant amount of judgment is involved in determining whether an indicator of impairment has occurred between annual impairment tests. These indicators include, but are not limited to, overall financial performance such as adverse changes in recent forecasts of operating results, industry and market considerations, a sustained decrease in the price of a share of EDMC common stock, updated business plans and regulatory and legal developments.

Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value, as determined under a two-step approach. In the first step, the Company determines the fair value of each reporting unit and compares that fair value to each reporting unit's carrying value. The Company estimates the fair value of its reporting units using a combination of the discounted cash flow method (income approach) and the guideline public company method (market approach), which takes into account the invested capital and associated earnings multiples of publicly-traded peer companies. If the results of the first step indicate the carrying amount of a reporting unit is higher than its fair value, a second step must be performed, which requires the Company to determine the implied fair value of goodwill in the same manner as if it had acquired the reporting unit in an arm's length transaction as of the testing date. This second step is performed 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 amount of goodwill exceeds this implied fair value, an impairment charge is recorded for the difference as an operating expense in the period incurred.

Indefinite-lived intangible assets, consisting of the licensing, accreditation and Title IV program participation assets for all reporting units and The Art Institute trade name, are also evaluated annually on April 1 for impairment and on an interim basis if events or changes in circumstances between annual tests indicate that the asset might be impaired. Trade names are valued by the relief from royalty method (income approach), which focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. The Company uses a combination of the cost and income approaches to establish the asset value of licenses, accreditation and Title IV program participation assets. On the impairment testing date, if the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized for an amount equal to the difference. The intangible asset is then carried at its new fair value.

Unearned Tuition

Due to the fact that some of the Company's institutions have academic terms with starting and ending dates that differ throughout the period, there may be tuition from these academic terms for which the associated revenue has not been earned. Such amounts are recorded as unearned tuition as a current liability in the accompanying consolidated balance sheet.

Art Grant Program

The Art Institutes introduced a new grant program in fiscal 2015 which provides a tuition discount for students who successfully complete 12 credits towards an Associate's or Bachelor's degree, enroll in and satisfy a minimum attendance period for the next term. The Company records the discount on tuition for students who receive an Art Grant on a proportional basis starting with the first credit earned, net of estimated breakage. If the student becomes ineligible, the Company recognizes deferred revenue in the period in which ineligibility occurs. As of June 30, 2015, the Company recognized a liability of $32.1 million related to the recognition of deferred discounts, which is presented within unearned tuition. Additionally, during the fiscal year ended June 30, 2015, the Company recorded $52.2 million in scholarships awarded to students participating in the Art Grant program.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities result from (i) temporary differences in the recognition of income and expense for financial and income tax reporting requirements, and (ii) differences between the recorded value of assets acquired in business combinations accounted for as purchases for financial reporting purposes and their corresponding tax bases. Deferred income tax assets are reduced by a valuation allowance if it is more-likely-than-not that some portion of the deferred income tax asset will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The amount of the tax benefit that is recognized is measured as the largest amount of benefit that is more-likely-than-not to be realized upon effective settlement. The Company classifies interest and penalties accrued in connection with unrecognized tax benefits as income tax expense in its consolidated statement of operations.

Refer to Note 10, "Income Taxes," for more information.

Derivative Financial Instruments

Education Management LLC ("EM LLC"), an indirect wholly-owned subsidiary of the Company, utilized interest rate swap agreements, which are contractual agreements to exchange payments based on underlying interest rates, to manage a portion of its floating rate term debt which was cancelled in connection with the Debt Restructuring. The swaps were accounted for as an asset or a liability in the consolidated balance sheets at fair value. The Company used "Level Two" inputs to value its interest rate swaps, which are defined in Note 9, "Fair Value of Financial Instruments." The application of these Level Two inputs were based on LIBOR forward curves and an assessment of non-performance risk based upon published market data. If interest rate swap agreements were deemed highly effective for accounting purposes and designated as cash flow hedges, the changes in their fair values were recorded in other comprehensive income (loss), net of tax. If they were not deemed highly effective, the changes in their fair values were recorded in interest expense in the consolidated statements of operations. The Company does not use derivative financial instruments for trading or speculative purposes. Refer to Note 8, "Derivative Instruments," for more information.

Foreign Currency Translation

The financial position and results of operations of the Company's foreign subsidiary are initially measured at its functional currency, which is the Canadian dollar. Accordingly, the assets and liabilities of the foreign subsidiary are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars using average monthly exchange rates. Translation adjustments resulting from this process are recorded as a separate component of equity designated as accumulated other comprehensive income (loss) in the consolidated balance sheets. Translation losses were $1.8 million and $0.7 million in the fiscal years ended June 30, 2015 and 2014, respectively.

Share-Based Compensation

The Black-Scholes-Merton option pricing model is used to determine the fair value of all of the Company's stock-options at the grant date. The Company recognizes compensation costs on time-based options and restricted stock units on a straight-line basis over the requisite service period, which is generally the vesting term, net of expected forfeitures.

Pursuant to the Debt Restructuring, all outstanding stock-based awards became fully vested during fiscal 2015. See Note 11, "Share-Based Compensation," for more information.

Contingencies

The Company accrues for contingent obligations when it is probable that a liability has been incurred and the amount is reasonably estimable. As facts concerning contingencies evolve and become known, management reassesses the likelihood of probable loss and makes appropriate adjustments to its financial statements.

Costs and Expenses

Educational services expense consists primarily of costs related to the development, delivery and administration of the Company's education programs. Major cost components are faculty compensation, salaries of administrative and student services staff, facility occupancy costs, bad debt expense, costs of educational materials and information systems costs. These costs are expensed as services are provided to the Company or as incurred.

General and administrative expense consists of marketing and student admissions expenses and certain central staff costs such as executive management, finance and accounting, legal and consulting services, corporate development and other departments that do not provide direct services to the Company's students. These costs are expensed as services are provided to the Company or as incurred.

Marketing costs are expensed in the fiscal year incurred and are classified as general and administrative expense in the accompanying consolidated statements of operations. The Company's marketing expense was $251.9 million and $255.9 million during the fiscal years ended June 30, 2015 and 2014 , respectively.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued new guidance simplifying the financial statement presentation of debt issuance costs. The new guidance specifies that debt issuance costs related to a recognized debt liability shall be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this accounting standards update. The new guidance is effective for the Company beginning fiscal year 2017, and interim periods beginning the first quarter of fiscal 2018, with early adoption permitted. The new guidance must be applied on a retrospective basis to all prior periods presented in the financial statements. The implementation of the guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers." The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. This accounting standard, as amended, is effective for the Company beginning in the first quarter of fiscal year 2019. The Company is currently evaluating the impact that the standard will have on its financial condition, results of operations, and disclosures.

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The implementation of the amended guidance is not expected to have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB clarified the presentation of an unrecognized tax benefit when a net operating loss or tax credit carryforward exists. The clarification requires that an unrecognized tax benefit be presented as a reduction of a deferred tax asset for a net operating loss or tax credit carryforward when settlement of the unrecognized tax benefit using those carryforwards is available pursuant to existing tax law. The Company's adoption of the FASB clarification had no impact on its consolidated financial statements.

3. GOVERNMENTAL REGULATIONS

Most of the students at the Company's schools rely, at least in part, on financial assistance to pay for the cost of their education. In the United States, the largest sources of such support are the federal student aid programs under Title IV of the Higher Education Act of 1965, as amended ("HEA"). Additional sources of funds include other federal grant programs, state grant and loan programs, private loan programs and institutional grants and scholarships. To provide students access to financial assistance resources available through Title IV programs, a post-secondary institution must be (i) authorized to offer its programs of instruction by the relevant agency of the states in which it is physically located and comply with applicable state requirements regarding fully-online programs, (ii) institutionally accredited by an agency recognized by the U.S. Department of Education, and (iii) certified as an eligible institution by the U.S. Department of Education. In addition, the post-secondary institution must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students and remain in compliance generally with the Title IV program regulations. Most of the U.S. Department of Education's requirements, such as the financial responsibility standards and the 90/10 Rule, which are described in greater detail below, are applied on an institutional basis, with an institution defined as a main campus and its additional locations, if any. As of April 13, 2015, 18 of the Company's 110 primary locations were recognized by the U.S. Department of Education as main campuses.

Financial Responsibility Standards. Education institutions participating in Title IV programs must satisfy a series of specific standards of financial responsibility. The U.S. Department of Education has adopted standards to determine an institution's financial responsibility to participate in Title IV programs. The regulations establish three ratios: (i) the equity ratio, intended to measure an institution's capital resources, ability to borrow and financial viability; (ii) the primary reserve ratio, intended to measure an institution's ability to support current operations from expendable resources; and (iii) the net income ratio, intended to measure an institution's profitability. Each ratio is calculated separately, based on the figures in the institution's most recent annual audited financial statements, and then weighted and combined to arrive at a single composite score. The composite score must be at least 1.5 in order for the institution to be deemed financially responsible without conditions or additional oversight. If an institution fails to meet any of these requirements, the U.S. Department of Education may set restrictions on the institution's eligibility to participate in Title IV programs. Institutions are evaluated for compliance with these requirements as part of the U.S. Department of Education's renewal of certification process and also annually as each institution submits its audited financial statements to the U.S. Department of Education.

Since June 1, 2006 and through June 30, 2015, the Company has not met the required quantitative measures of financial responsibility on a consolidated basis due to the amount of indebtedness incurred and goodwill it recorded in connection with the Transaction. Accordingly, the Company is required by the U.S. Department of Education to post a letter of credit and is subject to provisional certification and additional financial and cash monitoring of its disbursements of Title IV funds. In May 2015, the U.S. Department of Education decreased the amount of the required letter of credit from $302.2 million to $271.5 million, which equals 15 percent of the total Title IV aid received by students attending EDMC's institutions during the fiscal year ended June 30, 2014.

The "90/10 Rule". Under a provision of the HEA commonly referred to as the "90/10 Rule", an institution will cease to be eligible to participate in Title IV programs if, on a cash accounting basis, more than 90% of its revenues for each of two consecutive fiscal years were derived from Title IV programs as calculated under the applicable regulations. If an institution loses its Title IV eligibility under the 90/10 Rule, it may not reapply for eligibility until the end of two fiscal years. Institutions that fail to satisfy the 90/10 Rule for one fiscal year are placed on provisional certification. All of the Company's institutions satisfied the 90/10 Rule in the fiscal year ended June 30, 2015.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30 (in thousands):

Asset Class	2015	2014
Leasehold improvements	$ 592,594	$ 577,537
Technology	319,002	329,361
Furniture and equipment	157,834	162,872
Software	129,200	120,242
Library books	44,853	44,604
Construction in progress	11,993	16,683
Buildings and improvements	1,902	5,798
Land	665	3,605
Total	1,258,043	1,260,702
Less accumulated depreciation	(1,001,411)	(831,245)
Property and equipment, net	$ 256,632	$ 429,457

Depreciation and amortization expense related to property and equipment was $129.5 million and $146.2 million, respectively, for the fiscal years ended June 30, 2015 and 2014. Included in these amounts is amortization expense on software of $22.2 million and $18.3 million, respectively.

Impairments

During fiscal 2015, the Company recorded charges of $82.8 million in long-lived asset impairments in the consolidated statements of operations related to property and equipment where estimated cash flows are projected to be insufficient to support the carrying value of the related assets. The Company recorded impairment charges of $77.2 million on property and equipment at The Art Institutes, which includes fixed asset charges of $30.7 million related to the teach-out of 15 of its locations and an additional $46.5 million of charges incurred across 17 other Art Institute locations. The Company also recorded impairments charges of $5.5 million at five Brown Mackie Colleges locations and $0.1 million at one Argosy University location. The Company estimated fair value of assets at these locations using either the discounted cash flow method (income approach) and an orderly liquidation value in-use (cost approach) on a non-recurring basis using unobservable Level Three inputs. Impairment losses are allocated to the assets and recorded through accumulated depreciation.

During fiscal 2014, the Company recorded charges of $6.1 million in long-lived asset impairments in the consolidated statements of operations as estimated future cash flows at three Brown Mackie Colleges locations and one Argosy University location, respectively, were insufficient to support the carrying values of their property and equipment, which primarily consisted of leasehold improvement assets. These charges were calculated using an income valuation approach.

Sale-Leaseback Transactions

The Company completed two sale-leaseback transactions with unrelated third parties for net proceeds of $1.2 million and $9.6 million in fiscal 2015 and 2014, respectively, which are classified as an investing activity in the consolidated statement of cash flows. The transactions resulted in net losses of $6.5 million and $3.5 million recorded in educational services expense upon closing the transactions. In connection with sale-leaseback transactions completed in fiscal 2013, gains of $17.8 million were deferred, of which $12.0 million remains at June 30, 2015. The deferred gains are classified within deferred rent on the consolidated balance sheet and are being recognized over the initial terms of the new leases as a reduction to educational services expense. At the time of closing for all transactions, the Company entered into agreements to lease all of these properties back from the purchasers over initial lease terms ranging from one to 15 years. The Company classified these leases as operating and considers them normal leasebacks with no other continuing involvement.

Lease Abandonment and Restructuring

In connection with restructuring plans across the organization intended to improve operational efficiencies and align costs with student enrollment levels as further described in Note 6, "Accrued Liabilities," the Company recorded lease restructuring charges in fiscal 2015 and 2014 of $10.8 million and $5.8 million, respectively, which is primarily comprised of accelerated rent expense and the writeoff of existing leasehold improvement assets (which resulted in a reduction to property and equipment). Additionally, during fiscal 2014 management determined that it would not begin admitting students for one of its start-up Art Institute locations as was previously anticipated. As a result, the Company recorded a $6.3 million lease abandonment charge in educational services expense during the fiscal year ended June 30, 2014 which was comprised of existing construction-in-progress assets (which resulted in a reduction to property and equipment) and accelerated rent expense based on the remaining minimum obligations under the existing lease, net of expected sublease income.

5. GOODWILL AND INTANGIBLE ASSETS

The Company recorded approximately $2.6 billion of goodwill in connection with the Transaction, which was allocated to its four reporting units: The Art Institutes, Argosy University, Brown Mackie Colleges and South University. The goodwill balance attributed to the Brown Mackie Colleges reporting unit was fully written off in connection with an impairment charge incurred during fiscal 2012. A roll forward of the Company's consolidated goodwill balance from June 30, 2013 to June 30, 2015 is as follows (in thousands):

	The Art Institutes	Argosy University	Brown Mackie Colleges	South University	Total
Balance Sheet as of June 30, 2013:					
Gross	$ 1,984,688	$ 219,350	$ 254,561	$ 123,400	$ 2,581,999
Accumulated impairments	(1,333,962)	(139,361)	(254,561)	(76,962)	(1,804,846)
Goodwill	650,726	79,989	—	46,438	777,153
Statement of Operations for the Fiscal Year Ended June 30, 2014:					
Impairment charge	(433,747)	—	—	—	(433,747)
Balance Sheet as of June 30, 2014:					
Gross	1,984,688	219,350	254,561	123,400	2,581,999
Accumulated impairments	(1,767,709)	(139,361)	(254,561)	(76,962)	(2,238,593)
Goodwill	216,979	79,989	—	46,438	343,406
Statement of Operations for the Fiscal Year Ended June 30, 2015:					
Impairment charge	(173,692)	—	—	—	(173,692)
Balance Sheet as of June 30, 2015:					
Gross	1,984,688	219,350	254,561	123,400	2,581,999
Accumulated impairments	(1,941,401)	(139,361)	(254,561)	(76,962)	(2,412,285)
Goodwill	$ 43,287	$ 79,989	$ —	$ 46,438	$ 169,714

Goodwill Impairment Charges

During the quarter ended December 31, 2014, new students decreased approximately 31.5% at The Art Institutes compared to the prior year quarter. Given this decrease and lower than anticipated application production for future periods at The Art Institutes, management no longer believed that it was more-likely-than-not that the fair values of each of its reporting units exceeded their carrying values at December 31, 2014. As a result, management revised its long-term projections and performed a step one interim goodwill impairment test for each of its reporting units.

The results indicated that the Argosy University and South University reporting units each had fair values in excess of their carrying values by more than 100%. However, the test indicated that the fair value of The Art Institutes fell below its carrying value as of December 31, 2014. Therefore, a step two test was required to be performed for The Art Institutes reporting unit, which yielded a goodwill impairment charge of $173.7 million in the quarter ended December 31, 2014. None of this charge was deductible for income tax purposes.

The annual impairment test was performed as of March 31, 2015 using cash flow projections and market data as of that date. The Company does not believe that cash flow projections or the earnings multiples of its publicly-traded peer companies changed materially between March 31, 2015 and the Company's annual assessment date, which is April 1, 2015. The results indicated that The Art Institutes, Argosy University and South University reporting units had fair values in excess of their carrying values by more than 35%. Management believes that there have been no significant events or changes in conditions through June 30, 2015 that would more likely than not reduce the fair values of any of the reporting units below the carrying values and therefore a step one interim goodwill impairment analysis was not required at June 30, 2015 for any of the Company's reporting units

At December 31, 2014 and March 31, 2015, the Company estimated the fair value of its reporting units in step one using a combination of the traditional discounted cash flow method (income approach) and the guideline public company method (market approach), which takes into account the relative price and associated earnings multiples of publicly-traded peer companies. A key assumption in assessing the fair value of the reporting units was the weighting applied to both the income approach and market approach to account for the impact of regulations on future operations. These approaches resulted in goodwill of The Art Institutes, Argosy University and South University reporting units being measured at fair value on a non-recurring basis, which utilized a significant number of unobservable Level Three inputs, such as future cash flow assumptions and discount rate selection.

The valuation of the Company's reporting units under the traditional discounted cash flow method requires the use of internal business plans that are based on judgments and estimates, which account for expected future economic conditions, demand and pricing for the Company's educational services, costs, inflation and discount rates, and other factors. The use of judgments and estimates involves inherent uncertainties. The Company's measurement of the fair values of its reporting units is dependent on the accuracy of the assumptions used and how the Company's estimates compare to future operating performance. The key assumptions include the following:

- Future cash flow assumptions — The Company's projections are based on organic growth and are derived from historical experience and assumptions regarding future growth and profitability trends. These projections also take into account the current economic climate and the extent to which the regulatory environment is expected to impact future growth opportunities. The Company's analysis incorporated an assumed period of cash flows of ten years with a terminal value determined using the Gordon Growth Model.
- Discount rate — The discount rate is based on each reporting unit's estimated weighted average cost of capital ("WACC"). The three components of WACC are the cost of equity, cost of debt and capital structure, each of which requires judgment by management to estimate. The Company develops its cost of equity estimate using the Capital Asset Pricing Model based on perceived risks and predictability of each reporting unit's future cash flows. The cost of debt component represents a market participant's estimated cost of borrowing, which the Company estimates using the average return on corporate bonds as of the valuation date, adjusted for taxes. At December 31, 2014 and March 31, 2015, the WACC used to estimate the fair value of The Art Institutes reporting unit was 15.5%, and the Argosy University and South University reporting units were valued using a WACC of 18.0% and 16.0%, respectively.
- Weighting of the income approach and market approach — At December 31, 2014 and March 31, 2015, management considered weighting applied to the relative price and associated earnings multiples of publicly-traded peer companies approach and discounted cash flow analysis to account for the impact of regulations on future operations of the reporting units. The results of the market approach and income approach did not differ significantly for The Art Institutes reporting unit at December 31, 2014. At March 31, 2015, as a result of negative earnings, management relied mostly on its discounted cash flow analysis when estimating the fair value of The Art Institutes reporting unit. The weighting of the income approach and market approach did not have a material impact on the estimated fair value of Argosy University and South University reporting units at December 31, 2014 and March 31, 2015.

Intangible Assets

Intangible assets other than goodwill consisted of the following amounts (in thousands):

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tradename-Art Institute	$ 11,600	$ —	$ 73,200	$ —
Licensing, accreditation and Title IV program participation	60,885	—	87,862	—
Curriculum and programs	18,147	(13,147)	21,420	(14,379)
Student contracts, applications and relationships	10,525	(10,511)	10,510	(9,492)
Favorable leases and other	5,985	(5,797)	6,057	(5,355)
Total intangible assets	$ 107,142	$ (29,455)	$ 199,049	$ (29,226)

Trade names are often considered to have useful lives similar to that of the overall business, which generally means such assets are assigned an indefinite life for accounting purposes. State licenses and accreditations of the Company's schools as well as their eligibility for Title IV program participation are periodically renewed in cycles ranging from every year to up to every ten years depending upon government and accreditation regulations. Because the Company considers these renewal processes to be a routine aspect of the overall business, these assets are assigned indefinite lives. A roll forward of the Company's consolidated indefinite-lived intangible assets balances from June 30, 2013 to June 30, 2015 is as follows (in thousands):

	Tradename-Art Institute	Licensing, accreditation and Title IV program participation
Balance Sheet at June 30, 2013:		
Gross	330,000	112,179
Accumulated impairments	(140,000)	(16,317)
Net balance	190,000	95,862
Statement of Operations for the Fiscal Year Ended June 30, 2014:		
Impairment charge	(116,800)	(8,000)
Balance Sheet at June 30, 2014:		
Gross	330,000	112,179
Accumulated impairments	(256,800)	(24,317)
Net balance	$ 73,200	$ 87,862
Statement of Operations for the Fiscal Year Ended June 30, 2015:		
Impairment charge	(61,600)	(26,977)
Balance Sheet at June 30, 2015:		
Gross	330,000	112,179
Accumulated impairments	(318,400)	(51,294)
Net balance	11,600	60,885

Intangible Asset Impairments

The Company also performed impairment analyses with respect to indefinite-lived intangible assets as of December 31, 2014 and March 31, 2015 in connection with the goodwill analyses performed as of those dates. The fair value of The Art Institutes trade name was determined under the relief from royalty method (income approach), which is the same method the Company used to value this asset at the Transaction date. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user.

The Company recorded two impairments of The Art Institutes trade name totaling $61.6 million during the fiscal year ended June 30, 2015, utilizing the following key assumptions:

- a 16.5% discount rate and 1.0% royalty rate at December 31, 2014; and
- a 16.5% discount rate and 0.25% royalty rate at March 31, 2015.

The Company used a royalty rate of 0.25% in connection with the fiscal 2015 analysis, which decreased from 1.0% royalty rate used in fiscal 2014 due primarily to reductions in long-term revenue forecasts at The Art Institutes compared to the prior year long range projections.

The Company also revalued the licensing, accreditation and Title IV program participation assets for all reporting units at December 31, 2014, and March 31, 2015 using the same approaches used to value these assets as of the date of the Transaction, which resulted in impairments of $19.9 million, $1.0 million, and $6.1 million at The Art Institutes, Argosy University, and Brown Mackie Colleges, respectively. These assets were valued by a combination of the cost and income approaches. The cost approach is used for the licensing and accreditation portions of this asset. Numerous factors are considered in order to estimate the Title IV portion of the asset, including the estimated amount of time it would take for an institution to qualify for Title IV funds as a new operation, the number of students currently receiving federal financial aid, the amount schools would have to lend students during the estimated time it would take to qualify for Title IV funds and the present value of projected cash flows.

During the fiscal year ended June 30, 2014, the Company recorded a $3.6 million charge in long-lived asset impairments in the consolidated statement of operations relating to definite-lived curriculum intangible assets at Argosy University as the estimated future cash flows could not support the carrying value of the asset. The charge was calculated using an income valuation approach.

Amortization of Intangible Assets

Amortization of intangible assets was $5.3 million and $6.3 million during the fiscal years ended June 30, 2015 and 2014, respectively. Total estimated amortization of the Company's intangible assets for each of the years ending June 30, 2016 through 2020 was as follows at June 30, 2015 (in thousands):

Fiscal years	Amortization Expense
2016	$ 2,596
2017	2,555
2018	51
2019	—
2020	—

6. STUDENT RECEIVABLES

The Company offers four types of financing arrangements to its students to assist with the obligation associated with tuition and fees: due and payable amounts; a tuition payment plan; lines of credit; and retail installment contracts, which the Company began offering in fiscal 2015, These financing arrangements help students fund the difference between total tuition and fees and the amount covered by various sources of financial aid, including amounts awarded under Title IV programs, private loans and cash payments. Due and payable amounts are short-term extensions of credit for typically small balances which are repayable upon demand by the Company. Tuition payment plans are short-term credit extensions for 12 months or less. Lines of credit and retail installment contracts are extensions of credit which include a monthly minimum payment amount and permit students to repay amounts borrowed over a specified period of time. Lines of credit and retail installment contract accounts incur interest charges that accrue each month on unpaid balances when the accounts reach an out-of-school enrollment status.

Student receivables include $22.6 million (net of $28.4 million allowance) and $29.3 million (net of $32.2 million allowance) recorded in other long-term assets on the accompanying balance sheet related to lines of credit to students for amounts due beyond one year during the fiscal years ended June 30, 2015 and 2014, respectively.

The Company monitors its student receivables based on enrollment status. Receivables from former students who are in collections are almost fully reserved for. Receivables from former students that are out-of-school are reserved for at a higher rate than the receivables from students that are in-school. The gross current and non-current student receivables, which excludes loans awarded under the student lending program further described below, by student status were as follows at June 30 (in thousands):

	2015	2014
In-school	$ 179,420	$ 236,144
Out-of-school [1]	70,275	63,624
Collections	112,018	115,293
Gross student receivables	$ 361,713	$ 415,061

A roll forward of the Company's total allowance for doubtful accounts and loan loss reserves from June 30, 2013 to June 30, 2015 is as follows (in thousands):

Balance June 30, 2013		208,248
Bad debt expense [1]		141,946
Amounts written off		(156,354)
Balance June 30, 2014	$	193,840
Bad debt expense [1]		135,458
Amounts written off		(131,770)
Balance June 30, 2015	$	197,528

(1) Refer to Note 2, "Summary of Significant Accounting Policies," for details with respect to a correction in the Company's policy regarding the recognition of incremental revenue recorded when students withdraw.

The amounts set forth above are recorded within student receivables, net and other long-term assets on the consolidated balance sheets. Recoveries of amounts previously written off were not significant in any period presented.

The Company commenced a new student lending program in fiscal 2013 under which it purchases loans awarded and disbursed to its students from a private lender. The loans purchased under this program are included in other long-term assets, net of an allowance, at an amount of $15.4 million and $8.7 million at June 30, 2015 and 2014, respectively, on the accompanying consolidated balance sheets. During October 2014, the Company decided to no longer accept new applicants into this program.

7. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30 (in thousands):

		2015		2014
Payroll and related taxes	$	48,023	$	35,918
Advertising		27,706		25,597
Benefits		13,422		15,345
Interest		884		7,900
Capital expenditures		3,165		7,387
Legal contingencies		56,146		24,132
Other		39,981		51,003
Total accrued liabilities	$	189,327	$	167,282

Over the past several fiscal years, the Company has completed restructuring plans across the organization intended to improve operational efficiencies and align costs with student enrollment levels. During the fiscal years ended June 30, the Company recorded the following restructuring expenses in educational services expense and general and administrative expense (in thousands):

		2015		2014
Employee severance and other	$	19,308	$	19,951
Leases		10,828		5,811
Consulting fees in connection with the debt restructuring		14,026		1,190
Total restructuring expense	$	44,162	$	26,952

At June 30, 2015, the remaining liability for all restructuring plans was $26.7 million, consisting of employee severance of $10.1 million recorded in accrued liabilities which will be paid through June 30, 2016 and net rent charges of $16.6 million recorded in deferred rent that will be paid through the remaining lease terms through 2022.

As further described in Note 14, "Commitments and Contingencies," the Company is involved in multiple legal matters. The increase in accrued liabilities for legal contingencies from prior years primarily relates to amounts that have been recorded for such matters, the majority of which is offset by receivables from the Company's insurers that have been recorded in other current assets in the accompanying consolidated balance sheet.

8. SHORT-TERM AND LONG-TERM DEBT

U.S. Department of Education Letters of Credit:

The Company had outstanding letters of credit of $275.9 million at June 30, 2015, the largest of which is issued to the U.S. Department of Education, which requires that the Company maintain a letter of credit due to its failure to satisfy certain regulatory financial ratios after giving effect to the Transaction. In May 2015, the U.S. Department of Education decreased the amount of the required letter of credit from $302.2 million to $271.5 million, which equals 15% of the total Title IV aid received by students attending the Company’s institutions during the fiscal year ended June 30, 2014.

During fiscal 2012, the Company entered into two cash secured letter of credit facilities pursuant to which the lenders agreed to issue letters of credit at any time to the U.S. Department of Education in an aggregate face amount of up to $200.0 million. The Company's obligations with respect to such letters of credit are secured by liens in favor of the lenders on certain of the Company's cash deposits, which must total at least 105% of the aggregate face amount of any outstanding letters of credit. The cash secured letter of credit facilities were amended in January 2015 to extend their expiration date from June 1, 2015 to March 31, 2019, or earlier if the existing revolving credit facility is terminated. In May 2015, the Company permanently reduced the $200.0 million cash secured letter of credit facilities by $30.7 million to $169.3 million, resulting in a $32.2 million reduction of restricted cash. Any future reduction in the usage of the cash secured letter of credit facilities will reduce the amount of cash that is classified as restricted cash on the consolidated balance sheets.

As of June 30, 2015, in order to fund its current letter of credit obligation to the U.S. Department of Education, the Company used all $169.3 million of capacity under the cash secured letter of credit facilities, in connection with which the Company classifies $177.8 million as restricted cash to satisfy the 105% collateralization requirement described above and utilized $102.2 million of the $106.4 million letter of credit capacity which is included in the new senior credit facility from the prior senior credit facility. At June 30, 2015, there were $4.4 million of additional letters of credit outstanding, only $0.1 million of which were issued under the new revolving credit facility.

Short-Term Debt:

At June 30, 2015, the Company had $50.0 million of borrowings outstanding under the existing $150.0 million revolving credit facility, which matures March 31, 2019. At June 30, 2014, the Company had $219.9 million of borrowings outstanding under the previous $328.3 million revolving credit facility. Outstanding balances under the revolving credit facility are classified as short-term debt on the consolidated balance sheets. After adjusting for $0.1 million of outstanding letters of credit under the revolving credit facility, which decrease its availability for borrowings, the Company had $99.9 million additional capacity under the revolving credit facility at June 30, 2015 available for borrowings or issuance of letters of credit.

Amounts borrowed under the revolving credit facility at June 30, 2015 had an interest rate of 6.75%, which equaled prime rate, as determined in accordance with the Credit and Guaranty Agreement, plus a margin of 3.50%. Subsequently, this amount was repaid in full on the first business day of the following fiscal year. The interest rate on amounts outstanding at June 30, 2014 under the revolving credit facility was 4.25%, which equaled LIBOR plus a margin of 4.00%. The Company is obligated to pay a per annum commitment fee on undrawn amounts under the revolving credit facility, which is currently 0.375%. The Company must also pay customary letter of credit fees for outstanding letters of credit under the revolving credit facility, which is secured by substantially all of the Company's assets.

Long-Term Debt:

In connection with the Debt Restructuring, on January 5, 2015 the Company exchanged approximately $1.4 billion of outstanding indebtedness for a senior credit facility which consists of two term loans due July 2, 2020 in the aggregate principal amount of $400.0 million, a $150.0 million revolving credit facility which matures March 31, 2019 and $106.4 million of existing letters of credit. The outstanding letters of credit rolled over from the prior senior credit facility terminate upon the earlier to occur of: (i) the Company's reduction of outstanding letters of credit, or (ii) the maturity of the revolving credit facility. Additionally, the Company granted equity interests with an aggregate fair value of $651.9 million in connection with the transaction. As the Company experienced financial difficulties and received financial concessions, the Debt Restructuring was accounted for as a troubled debt restructuring and the Company recognized a gain of $165.2 million, which represents the difference between the carrying value of the old debt ($1.4 billion) and the fair value of equity interests issued to the lenders ($651.9 million), the scheduled principal ($400.0 million) and projected interest payments on the new debt ($177.3 million), net of related fees and expense associated with the termination of the interest rate swaps.

The two term loans included in the senior credit facility (herein referred to as "Term Loan A" and "Term Loan B") have initial principal balances of $150.0 million and $250.0 million, respectively. Term Loan A bears interest at a rate equal to the greater of three-month LIBOR or 1.0%, plus a margin of 4.5%, or 5.5% at June 30, 2015. Term Loan B bears interest at a rate equal to the greater of three-month LIBOR or 1.0%, plus a margin of 7.5%, or 8.5% at June 30, 2015. The Company has elected a payment in kind interest option ("PIK Interest") for the first two years on the Term Loan B at an interest rate of 6.5%. There are no financial covenant requirements with respect to the senior secured credit facility.

The following table summarizes the Company's long-term debt and components before and after the Debt Restructuring (in thousands):

	June 30, 2015	June 30, 2014
Revolving credit facility	$ 50,000	$ 219,890
Senior secured term loan facility, due in July 2020 ("Term Loan A")	150,000	—
Senior secured term loan facility, due in July 2020 ("Term Loan B") (1)	258,007	—
Senior Cash Pay/PIK Notes, net of discount of $0, $22,335 and $23,680, due in July 2018	15,959	215,909
Senior secured term loan facilities ("Tranche C-2 and C-3 Loans")	—	1,067,552
Principal debt	473,966	1,503,351
Term Loan A - future interest (2)	43,794	—
Term Loan B - future interest (2)	122,067	—
Total debt	639,827	1,503,351

(1) The principal balance on Term Loan B reflects approximately $8.0 million of PIK Interest as of June 30, 2015.
(2) Application of accounting guidance established for troubled debt restructurings requires the Company to record the principal and estimated future interest payments as carrying value of the new debt. Subsequently, interest payments made on the new indebtedness will reduce the carrying value of the debt, provided that interest expense will be recognized to the extent that interest rates for Term Loan A and Term Loan B exceed 5.5% and 8.5%, respectively, the interest rates when the loans originated.

Senior Cash Pay/PIK Notes:

Cash interest on the Cash Pay/PIK Notes due 2018 accrues at the rate of 15% per annum and is payable semi-annually on March 30 and September 30 each year. For any interest period after March 30, 2014 up to and including July 1, 2018, PIK Interest in addition to the cash interest payable will be paid by increasing the principal amount of the outstanding Cash Pay/PIK Notes. Additionally, the Cash Pay/PIK Notes are required to be paid at a premium of 13% at their contractual maturity, which is recorded as an original issuance discount. Including cash interest, PIK Interest and the original issuance discount, the annual effective interest rate on the Cash Pay/PIK Notes is 19.8%. Upon maturity in fiscal 2019, a principal payment of $18.1 million becomes due, which includes PIK Interest and the original issuance discount.

9. DERIVATIVE INSTRUMENTS

At June 30, 2014, the Company held two interest rate swap agreements, one of which was entered into with an affiliate of one of the Former Sponsors, for notional amounts of $312.5 million each and which effectively fixed future interest payments at a rate of 6.26% through June 1, 2015. The fair values of the interest rate swap liabilities were $11.2 million at June 30, 2014, and recorded in accrued liabilities. Historically, both interest rate swaps were highly effective for accounting purposes and qualified for cash flow hedge accounting treatment. Accordingly, changes in their fair values were recorded in other comprehensive income or loss.

On September 4, 2014, in connection with the Debt Restructuring described in Note 2, "Summary of Significant Accounting Policies," under "Basis of Presentation," the Company entered into agreements to terminate the interest rate swap agreements at termination values payable to the counter-parties in the form of a combination of term loans and preferred stock. As a result, approximately $6.6 million was reclassified from other comprehensive loss to the statement of operations, net of tax, during the first quarter of fiscal 2015.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions of what market participants would use. The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

Level One - Quoted prices for identical instruments in active markets.

Level Two - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations for which all significant inputs are observable market data.

Level Three - Unobservable inputs significant to the fair value measurement supported by little or no market activity.

In some cases, the inputs used to measure fair value may meet the definition of more than one level of fair value hierarchy. The lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

The following table presents the carrying amounts and fair values of the interest rate swap liabilities, which are measured at fair value on a recurring basis based on the framework described in Note 8, "Derivative Instruments" (in thousands):

	June 30, 2015				June 30, 2014			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Recurring:								
Interest rate swap liability	$ —	$ —	$ —	$ —	$ 11,223	$ —	$ 11,223	$ —

As described in Note 3, "Property and Equipment" and Note 4, "Goodwill and Intangible Assets," the Company recorded asset impairments during fiscal 2015 and fiscal 2014. This resulted in the following assets being measured at fair value on a non-recurring basis using Level Three inputs:

- goodwill at The Art Institutes reporting unit at March 31, 2015, December 31, 2014 and March 31, 2014;
- the trade name for The Art Institutes reporting unit at March 31, 2015, December 31, 2014, June 30, 2014, and March 31, 2014;
- the licensing, accreditation and Title IV program participation assets at The Art Institutes, Argosy University and Brown Mackie Colleges reporting units at March 31, 2015, December 31, 2014 and June 30, 2014;
- certain long-lived assets at The Art Institutes, Argosy University and Brown Mackie Colleges reporting units.

10. INCOME TAXES

The composition of (loss) before taxes from domestic and foreign locations was as follows for the fiscal years ended June 30 (in thousands):

	2015	2014
Domestic	$ (411,139)	$ (619,243)
Foreign	3,857	1,963
Loss before taxes	$ (407,282)	$ (617,280)

The components of income tax (benefit) expense reflected in the accompanying consolidated statements of operations were as follows for the fiscal years ended June 30 (in thousands):

	2015	2014
Current taxes:		
Federal	$ (32,445)	$ 7,472
State and local	1,260	2,891
Total current tax (benefit) expense	(31,185)	10,363
Deferred tax expense	29,238	36,274
Income tax (benefit) expense	$ (1,947)	$ 46,637

Income tax (benefit) expense reflected in the accompanying consolidated statements of operations varies from the amounts that would have been provided by applying the United States federal statutory income tax rate to earnings before income taxes. The difference between the statutory tax rate and the Company's effective tax rate is primarily attributable to goodwill impairment charges (which are not deductible for tax purposes) and the impact of the valuation allowance recorded against its deferred tax assets.

Deferred income taxes are presented in the consolidated balance sheet for all significant differences between tax and financial reporting. At June 30, 2015, the gross current and non-current deferred tax assets primarily relate to timing differences in the deductibility of bad debt, interest, stock compensation, deferred rent and contingency accruals. At June 30, 2014, the gross current and non-current deferred tax assets primarily relate to timing differences in the deductibility of bad debt, deferred rent, stock compensation and state net operating losses. The gross non-current deferred tax liabilities primarily relate to timing differences in the deductibility of depreciation and amortization at June 30, 2015 and 2014. Net deferred income tax assets and liabilities consisted of the following at June 30 (in thousands):

	2015		2014	
Gross current deferred tax assets	$	87,341	$	89,126
Less valuation allowance		(65,618)		(64,624)
Total current deferred tax assets	$	21,723	$	24,502
Gross noncurrent deferred tax assets	$	217,087	$	112,129
Less valuation allowance		(174,418)		(87,639)
Total noncurrent deferred tax assets		42,669		24,490
Noncurrent deferred tax liabilities		133,980		83,067
Total net noncurrent deferred tax liabilities	$	91,311	$	58,577

As discussed in Note 4, "Goodwill and Intangible Assets," the Company incurred long-lived asset impairment charges of $262.3 million, of which $173.7 million related to goodwill that was not deductible, and $568.2 million, of which $433.7 million related to goodwill that was not deductible, in fiscal 2015 and 2014, respectively. These impairment charges were a significant factor contributing to the Company being in a cumulative pre-tax loss position for the past three years. However, if the goodwill impairment charges are excluded, the Company would still be in a cumulative pre-tax loss position for the past three years. Management considered the cumulative loss for book purposes as well as sources of taxable income and concluded that it was not more-likely-than-not that the Company's deferred tax assets would be fully realized. As such, the Company has recorded a valuation allowance against both its federal and state deferred tax assets as of June 30, 2015, which is consistent with the position taken in the prior fiscal year.

At June 30, 2015, the Company had state net operating loss carryforwards of approximately $363.9 million available to offset future taxable income and a related deferred tax asset of $17.2 million. In addition, the Company has state tax credit carryforwards of approximately $2.3 million available to offset future state income taxes and a related deferred tax asset of $2.3 million. The net operating loss and credit carryforwards expire at varying dates beginning in fiscal 2025 through fiscal 2034. The Company has determined that it is currently more-likely-than-not that the deferred tax assets associated with $353.3 million of its state net operating loss carryforwards will not be realized and has established a valuation allowance equal to the gross deferred tax asset balance of $16.8 million related to these net operating loss carryforwards. The Company has also determined that it is more-likely-than-not that the deferred tax asset associated with all of its state tax credit carryforwards will not be realized and has established a valuation allowance equal to the deferred tax asset balance of $2.8 million. In addition, certain of the Company's state net operating losses may be subject to annual limitations due to these states' adoption of the ownership change limitations imposed by Internal Revenue Code Section 382 or similar state provisions, which could result in the expiration of the state net operating loss carryforwards before they can be utilized.

The recognition and measurement of tax benefits associated with uncertain income tax positions requires the use of judgment and estimates by management, which are inherently subjective. Changes in judgment about uncertain tax positions taken in previous periods may result from new information concerning an uncertain tax position, completion of an audit or the expiration of statutes of limitation. These changes may create volatility in the Company's effective tax rate in future periods.

A reconciliation of the beginning and ending balance of unrecognized tax benefits, excluding interest expense and the indirect benefits of state taxes, for the fiscal years ended June 30 is as follows (in thousands):

	2015		2014	
Unrecognized tax benefits, beginning of year	$	1,036	$	3,962
(Decrease) in prior year unrecognized tax benefits		—		—
Increase in current year unrecognized tax benefits		—		—
(Decrease) in unrecognized tax benefits due to the expiration of statutes of limitation		(851)		(2,926)
Unrecognized tax benefits, end of year	$	185	$	1,036

All of the Company's $0.2 million in unrecognized tax benefits, excluding interest expense and the indirect benefit of state taxes, would affect the annual effective tax rate if recognized. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by $0.2 million within the next twelve months due to the expiration of certain statutes of limitation. The resulting benefit, if recognized, would affect the tax rate as a discrete item in the quarter ending March 31,

2016. Interest expense and penalties accrued in connection with unrecognized tax benefits were not significant in fiscal 2015 and 2014.

The statutes of limitation for the Company’s U.S. income tax returns are closed for years through fiscal 2011. The Company's U.S. income tax return for fiscal 2011 was examined by the Internal Revenue Service. The Internal Revenue Service closed the examination without making any adjustments to the return. The statutes of limitation for the Company’s state and local income tax returns for prior periods vary by jurisdiction. However, the statutes of limitation with respect to the major jurisdictions in which the Company files state and local tax returns are generally closed for years through fiscal 2010.

11. SHARE-BASED COMPENSATION

Overview

In connection with the Debt Restructuring, all outstanding time-based stock options, performance-based stock options, restricted stock units, and long term incentive compensation plan options became fully vested as of the opening of business on April 13, 2015, which resulted in $21.1 million of unrecognized compensation expense being immediately recognized at that time. The Company recognized $29.5 million and $16.4 million and of share-based compensation expense related to outstanding time-based stock options, restricted stock and other awards during fiscal 2015 and 2014, respectively. Compensation expense for fiscal 2015 and 2014 includes additional expense recognized upon the termination of former employees who were no longer required to provide services to obtain certain awards in accordance with the terms of their employment agreements.

During the fiscal year ended June 30, 2014, the Company issued 1.7 million shares of Common Stock related to share-based compensation activity that resulted in gross excess tax benefits of $3.4 million and stock-option exercise proceeds of $3.0 million. Gross excess tax benefits and stock-option exercise proceeds, which were not significant in fiscal 2015, are classified as cash inflows from financing activities in the accompanying consolidated statement of cash flows.

In connection with the vesting of restricted stock units that occurred in the fiscal years ended June 30, 2015 and 2014, the Company paid $0.2 million and $3.3 million, respectively, in minimum tax withholdings on behalf of its employees, which is classified as a cash outflow from financing activities. In exchange, the Company retained 0.6 million shares and 0.3 million shares during fiscal 2015 and 2014, respectively, which was equal to the value of the required tax withholding payments on the vesting dates.

Time-based Stock Options

The Company utilizes the Black-Scholes-Merton method to estimate the fair value of time-based options. The expected term of the Company's options is determined using a simplified method based on the average of the weighted vesting terms and the contractual term of the options. Expected volatility is determined using the historical volatility of a six-company peer group, all of which have publicly traded stock. The risk-free interest rate assumption is determined using the yield on a zero-coupon U.S. Treasury strip by extrapolating to a forward-yield curve. The Company has not historically declared dividends and does not intend to do so in the foreseeable future; therefore, a dividend yield of zero is used. Finally, the forfeiture rate at the date of grant (as depicted in the table below) is generally determined using a historical rate based on actual experience; however, management reviews actual forfeitures on a periodic basis and updates actual and estimated future compensation expense accordingly. Below is a summary of the weighted-average assumptions used for time-based options granted during the fiscal year ended June 30, 2014. No time-based options were granted during the fiscal year ended June 30, 2015.

	2014
Weighted average fair value of options	$ 7.66
Expected dividend yield	—%
Expected volatility	64.0%
Risk-free interest rate	1.9%
Expected forfeiture rate at the date of grant	12.9%
Expected term	6.25 years
Vesting periods	4 years

A roll forward of time-based option activity during fiscal 2015 is presented below.

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2014	10,700	$ 4.81	6.9 years	$ —
Forfeited	(450)	$ 8.11		
Expired	(438)	$ 4.09		
Outstanding at June 30, 2015	9,812	$ 4.69	5.8 years	
Exercisable at June 30, 2015	9,812	$ 4.69	5.8 years	$ —

Restricted Stock Units

A roll forward of restricted stock units ("RSU") activity during fiscal 2015 is presented below.

	RSUs (in thousands)	Weighted Average Share Price
Outstanding at June 30, 2014	2,072	$ 6.04
Vested	(1,649)	$ 6.02
Forfeited	(423)	$ 6.14
Outstanding at June 30, 2015	—	$ —

Performance-based Stock Options

Performance-based stock options vest upon the greater of the percentage of the Company's common stock sold by certain investment funds affiliated with Providence Equity Partners and Goldman Sachs Capital Partners (together, the "Principal Stockholders") or on certain return on investment hurdles achieved by the Principal Stockholders. At June 30, 2015, approximately 847,000 performance-based stock options with a weighted average exercise price of $3.59 per share and expiration dates ranging from August 2016 through October 2018 remain outstanding.

Long-Term Incentive Compensation Plan

In fiscal 2007, EDMC adopted the Long-Term Incentive Compensation Plan (the "LTIC Plan"). The LTIC Plan consists of a bonus pool that is valued based on returns to Providence Equity Partners and Goldman Sachs Capital Partners in connection with a change in control of EDMC. Out of a total of 1,000,000 units authorized, approximately 311,000 units remained outstanding under the LTIC Plan at April 13, 2015, which resulted in the recognition of $1.3 million of compensation expense related to the LTIC Plan.

12. EQUITY INSTRUMENTS

In connection with the Debt Restructuring, on January 5, 2015 the Company issued 1,999,909 shares of optionally convertible Series A-1 preferred stock, 7,400,015 shares of mandatorily convertible Series A-2 preferred stock, 336,729,240 Class A Warrants and 181,368,380 Class B Warrants.

Preferred Stock

Each share of preferred stock is convertible into 317.0 shares of EDMC common stock. The Series A-1 preferred stock has a par value $0.01 per share with an initial liquidation preference of $100 per share and cumulative dividends at the rate per annum of 7.5% per share on the initial liquidation preference. On the date of issuance, the fair value of the Series A-1 preferred stock was $203.8 million. Subsequently, the carrying value of the Series A-1 preferred stock was reduced by $6.1 million due to the impact of transaction fees associated with the Debt Restructuring. The shares of Series A-1 preferred stock became convertible into EDMC common stock on April 13, 2015 upon receipt of the final regulatory approval for the Debt Restructuring and are redeemable at the option of EDMC for $100 per share plus any cumulative dividends since the date of issuance, whether or not such dividends have been declared by the EDMC Board of Directors. As of June 30, 2015, the accumulated preferred stock dividends in arrears is approximately $7.2 million.

The mandatorily convertible Series A-2 preferred stock have a par value of $0.01 per share and were converted to shares of EDMC common stock upon receipt of the final regulatory approval for the Debt Restructuring on April 13, 2015. On the date of issuance of January 5, 2015, the fair value of the Series A-2 preferred stock was $411.2 million. Subsequently, the carrying value of the A-2 preferred stock was reduced by $12.3 million due to the impact of transaction fees associated with the Debt Restructuring.

Warrants

Class A Warrants were issued with the option to purchase up to an aggregate of 336.7 million shares of common stock, par value $0.01. Class B Warrants were issued with the option to purchase up to an aggregate of 181.4 million shares of common stock, par value $0.01. With an expiration of seven years from the date of issuance, the option to exercise these warrants are at the option of the holder except to the extent that the exercise would result in the holder owning 25% or more of the outstanding common equity of the Company. On January 5, 2015, the fair value of the Class A and Class B Warrants were $24.6 million and $12.3 million, respectively. Subsequently, the carrying value of the Class A and Class B Warrants were reduced by $0.7 and $0.4 million of transaction fees.

The Company received the final regulatory approval for the Debt Restructuring on April 13, 2015 and the mandatorily convertible shares of Series A-2 preferred stock were converted into 2,345,804,755 shares of common stock. After conversion of the Series A-2 preferred stock, there were 2,472,963,157 shares of common stock outstanding at June 30, 2015. The shares of Series A-1 preferred stock issued in connection with the initial step of the Debt Restructuring are convertible into 633,971,153 shares of common stock upon election of the holder. After giving effect to the conversion of all of the preferred stock, and subject to further dilution by warrants awarded pursuant to the Debt Restructuring, EDMC's shareholders who owned common stock prior to the Debt Restructuring will now own 4% of the outstanding common stock along with warrants to purchase 5% of EDMC's common stock (subject to dilution by the MIP).

Beneficial conversion feature

The Series A-2 preferred stock issued to creditors on January 5, 2015 was converted to shares of EDMC common stock on April 13, 2015 at a conversion rate that was less than the market price of common stock on the date of issuance. Accordingly, the conversion feature represented a beneficial conversion feature which was recorded as a discount on the Series A-2 preferred stock and as a separate component of additional paid in capital. The discount on the Series A-2 preferred stock was accreted as a reduction to net income available to common stockholders over the period from the date of issuance through the mandatory conversion date.

13. OTHER EMPLOYEE BENEFIT PLANS

At June 30, 2014 and through September 20, 2014, the Company sponsored a 401(k) plan that covered substantially all employees under which the Company matched employee contributions to the retirement plan dollar for dollar up to 6%. All participants in the plan vested in the Company's matching contributions immediately. The Company recorded expense related to the retirement plan of approximately $4.7 million and $26.0 million for the fiscal years ended June 30, 2015 and 2014, respectively. Effective September 20, 2014, the Company suspended its matching program indefinitely.

14. COMMITMENTS AND CONTINGENCIES

Qui Tam Matters

The Company is currently a defendant in the following qui tam lawsuits:

- Washington v. Education Management Corporation. On May 3, 2011, a qui tam action captioned United States of *America, and the States of California, Florida, Illinois, Indiana, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia, each ex rel. Lynntoya Washington and Michael T. Mahoney v. Education Management Corporation, et al.* ("*Washington*") filed under the federal False Claims Act in April 2007 was unsealed due to the U.S. Department of Justice's decision to intervene in the case. Five of the states listed on the case caption joined the case based on qui tam actions filed under their respective False Claims Acts. The Court granted the Company's motion to dismiss the District of Columbia from the case and denied the Commonwealth of Kentucky's motion to intervene in the case under its consumer protection laws.

  The case, which is pending in federal district court in the Western District of Pennsylvania, relates to whether the Company's compensation plans for admission representatives violated the HEA and U.S. Department of Education regulations prohibiting an institution participating in Title IV programs from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments to any person or entity engaged in any student recruitment or admissions activity during the period of July 1, 2003 through June 30, 2011. The complaint was initially filed by a former admissions representative at The Art Institute of Pittsburgh Online Division and a former director of training at EDMC Online Higher Education. On May 11, 2012, the Court ruled on the Company's motion to dismiss the case for failure to state a claim upon which relief can be granted, dismissing the claims that the design of the Company's compensation plan for admissions representatives, which included both quantitative and qualitative factors, violated the incentive compensation rule and allowing common law claims and the allegations that the plan as implemented violated the rule to continue to discovery. On May 8, 2014, the Court denied the Company's motion for summary judgment based on a statistical analysis of the salary adjustments for admissions representatives under the compensation plan. In September 2014, the Court ordered the parties to non-binding mediation and stayed discovery during the pendency of the mediation.

- *Sobek v. Education Management Corporation.* On March 13, 2012, a *qui tam* action captioned *United States of America, ex rel. Jason Sobek v. Education Management Corporation, et al*. ("*Sobek*") filed under the federal False Claims Act on January 28, 2010 was unsealed after the U.S. Department of Justice declined to intervene in the case. The case, which is pending in the federal district court in the Western District of Pennsylvania, alleges that the defendants violated the U.S. Department of Education's regulation prohibiting institutions from making substantial misrepresentations to prospective students, did not adequately track student academic progress and violated the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The complaint was filed by a former project associate director of admissions at EDMC Online Higher Education who worked for South University.

  In August 2013, the parties to the action, along with the U.S. Department of Justice, participated in a private mediation in which the relator and defendants reached an agreement in principle regarding the financial terms of a potential settlement. The agreement between the parties remains subject to approval by the U.S. Department of Justice.

- Laukaitis v. Education Management Corporation. On December 10, 2014, a *qui tam* action captioned *United States of America, ex rel. Michael Laukaitis, et al. v. Education Management Corporation, et al.* ("*Laukaitis*") filed under the federal False Claims Act on May 6, 2011 was unsealed after the U.S. Department of Justice declined to intervene in the case. The case, which is pending in the federal district court in the Western District of Pennsylvania, alleges that the defendants violated the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives, violated the U.S. Department of Education's regulation prohibiting institutions from making substantial misrepresentations to prospective students, instructed prospective students to falsify information included on their Free Application for Federal Student Aid filed with the U.S. Department of Education, made it difficult for students to withdraw from school in order to retain federal funds, violated the Higher Education Act of 1965's rule prohibiting for-profit institutions from receiving more than 90% of their revenue on a cash basis from Title IV programs for two consecutive fiscal years, and violated the U.S. Department of Veterans Affairs prohibition on engaging in erroneous, deceptive or misleading conduct.

- Rainwater v. Education Management Corporation. On April 7, 2015, a *qui tam* action captioned *United States of America, ex rel. Dr. Mara Rainwater v. Education Management Corporation, et al.* filed under the federal False Claims Act on October 2, 2012 was unsealed. The case, which is pending in the federal district court in the Middle District of Tennessee, was automatically stayed because the U.S. Department of Justice has not notified the Court of whether it intends to intervene in the case. The complaint alleges that the defendants improperly recorded student attendance, withheld refunds of Title IV funds due to the U.S. Department of Education upon student withdrawals from school, failed to satisfy the HEA's financial responsibility standards, failed to properly track student academic progress and misled students about the nature of academic programs and financial charges. The complaint was filed in October 2012 by a former full-time faculty member for the Argosy University online programs.

The complaint filed in each of the four qui tam cases asserts that the relators are entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaints do not specify the amount of damages sought but claims that the Company and/or students attending the Company's schools were ineligible to participate in Title IV federal student financial aid programs during the period of alleged wrongdoing. Any award of damages based on Title IV funds received by the Company during a period of wrongdoing would likely exceed the Company's ability to satisfy the judgment. For example, the Company's institutions received over $11 billion in funds from participation in Title IV programs and state financial aid programs during the period of alleged wrongdoing in the *Washington* qui tam case.

The Company believes that each of the qui tam cases are without merit and intends to vigorously defend itself. In connection with the non-binding mediation ordered for *Washington*, the Company has engaged in settlement discussions with respect to all four qui tam cases, including *Sobek*, which was subject to a previous settlement agreement which remains subject to approval by the U.S. Department of Justice. The Company is also seeking to include any restitution which would be sought by the Attorneys General involved in the multistate investigation described below in a prospective settlement. Based on the status of the negotiations, and the inherent risk and cost of proceeding to trial on each matter, the Company believes that it is probable that the cases will not come to trial and has determined that it is probable that it has some liability. The Company's reasonable estimate of this liability based on the current status of negotiations with the U.S. Department of Justice, intervening states and relators in *Washington* is $95.5 million. Accordingly, a reserve of $95.5 million was accrued as of June 30, 2015, with a portion of the reserve offset by anticipated insurance proceeds. The Company's proposed settlement terms provide for payment of the settlement amount over a period of years. There can be no assurance that the settlement conversations will lead to a settlement acceptable to all parties and approved by all parties. There can also be no assurance that any settlement will be within amounts currently accrued or be covered by insurance.

In July 2014, the Company's excess insurer filed a declaratory judgment action in federal district court in the Western District of Pennsylvania seeking a ruling that it has no liability to provide coverage to us in connection with *Washington* and the other qui tam litigation matters. The excess insurer has agreed to dismiss the case with prejudice and will pay a portion of the settlement amount for the qui tam actions in the event that the Company's discussions with the government and relators result in a settlement agreement.

Shareholder Derivative Lawsuits

On May 21, 2012, a shareholder derivative class action captioned *Oklahoma Law Enforcement Retirement System v. Todd S. Nelson, et al. ("OLERS")* was filed against the directors of the Company in state court located in Pittsburgh, PA. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's violation of the U.S. Department of Education's prohibition on paying incentive compensation to admissions representatives, engaging in improper recruiting tactics in violation of Title IV of the HEA and accrediting agency standards, improper classification of job placement data for graduates of its schools and failure to satisfy the U.S. Department of Education's financial responsibility standards. The Company previously received two demand letters from the plaintiff which were investigated by a Special Litigation Committee of the EDMC Board of Directors and found to be without merit.

The Company and the director defendants filed a motion to dismiss the case with prejudice on August 13, 2012. In response, the plaintiffs filed an amended complaint making substantially the same allegations as the initial complaint on September 27, 2012. The Company and the director defendants filed a motion to dismiss the amended complaint on October 17, 2012. On July 16, 2013, the Court dismissed the claims that the Company engaged in improper recruiting tactics and mismanaged the Company's financial well-being with prejudice and found that the Special Litigation Committee could conduct a supplemental investigation of the plaintiff's claims related to incentive compensation paid to admissions representatives and graduate placement statistics. The Special Litigation Committee filed supplemental reports on October 15, 2013, January 9, 2014 and February 28, 2014, finding no support for the incentive compensation and graduate placement statistic claims. The Court held a hearing on the defendants' supplemental motion to dismiss the case on January 29, 2014 and granted the plaintiff's request for limited discovery on June 11, 2014. The plaintiff filed an updated expert report in November 2014 based on the additional discovery documents to which the Special Litigation Committee and the Company responded in December 2014. In August 2015, the Court dismissed the remaining claims related to incentive compensation paid to admissions representatives and graduate placement statistics.

On August 3, 2012, a shareholder derivative class action captioned *Stephen Bushansky v. Todd S. Nelson, et al.* was filed against certain of the directors of the Company in federal district court in the Western District of Pennsylvania. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's use of improper recruiting, enrollment, admission and financial aid practices and violation of the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The Company previously received a demand letter from the plaintiff which was investigated by a Special Litigation Committee of the EDMC Board of Directors and found to be without merit. The Company believes that the claims set forth in the complaint are without merit and intends to vigorously defend itself. The Company and the named director defendants filed a motion to stay the litigation pending the resolution of the *Oklahoma Law Enforcement Retirement System* shareholder derivative case or, alternatively, dismiss the case on October 19, 2012. On August 5, 2013, the Court granted the Company's motion to stay the case in light of the ruling on the defendants' motion to dismiss the *OLERS* case. In September 2015, plaintiff did not oppose the defendants' motion to lift the stay and grant the defendants' motion to dismiss the case with prejudice in light of the ruling in *OLERS.*

Securities Class Action

On September 19, 2014, a securities class action complaint captioned *Robb v. Education Management Corporation, et. al* was filed against the Company and certain of its executive officers. An amended and restated complaint which purported to substitute Maurice Shihadi as the lead plaintiff, was filed on March 3, 2015. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and rule 10b-5 promulgated thereunder due to allegedly materially false and misleading statements made by the Company during the period of August 8, 2012 through September 16, 2014 in connection with the Company's filings with the SEC, press releases and other statements and documents. Specifically, the complaint alleges that the Company provided misleading placement rates to prospective students, enrolled unqualified students, misrepresented the costs of attendance to prospective students and failed to comply with the U.S. Department of Education's

90/10 rule and cohort default rate restrictions. The Company and executive officer defendants filed a motion to dismiss the amended complaint on May 18, 2015. In July 2015, the Company agreed with the lead plaintiff to settle the litigation for $2.5 million, a portion of which will be paid for by insurance proceeds. Accordingly, a reserve of $2.5 million was accrued as of June 20, 2015, with a portion of the reserve offset by anticipated insurance proceeds.

State Attorneys General Investigations

The Company has received inquiries from 17 states and the District of Columbia beginning in January 2014 regarding the Company's business practices. The Attorney General of the Commonwealth of Pennsylvania informed the Company that it will serve as the point of contact for the inquiries related to the Company. The inquiries focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results, and student lending activities, among other matters. Several other companies in the proprietary education industry have disclosed that they received similar inquiries. The Company has cooperated with the states involved and, from time to time, engaged in discussions designed to lead to a settlement of the investigation. Based on the status of these negotiations, the Company has determined that it is probable that it has some liability and recorded a reserve of $2.5 million as of June 30, 2015. There can be no assurance that any settlement with the Attorneys General involved in the multistate investigation will be within the amount accrued at June 30, 2015. Additionally, the Company has sought to include any restitution which would be required to be paid in connection any settlement of the investigation in the settlement of the qui tam cases described above.

In January 2013, The New England Institute of Art received a civil investigative demand from the Commonwealth of Massachusetts Attorney General requesting information for the period from January 1, 2010 to the present pursuant to an investigation of practices by the school in connection with marketing and advertising job placement and student outcomes, the recruitment of students and the financing of education. The Company previously responded to a similar request that The New England Institute of Art received in June 2007 and intends to continue to cooperate with the Attorney General in connection with its investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time nor can it estimate any amount of a reasonably possible loss related to the investigation because of its status.

In August 2011, the Company received a subpoena from the Attorney General of the State of New York requesting documents and detailed information for the time period of January 1, 2000 through the present. The Art Institute of New York City is the Company's only school located in New York though the subpoena also addresses fully-online students who reside in the State. The subpoena is primarily related to the Company's compensation of admissions representatives and recruiting activities. The relators in the Washington qui tam case filed the complaint under the State of New York's False Claims Act though the state has not announced an intention to intervene in the matter. The Company intends to continue to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time nor can it estimate any amount of a reasonably possible loss related to the investigation because of its status.

In December 2010, the Company received a subpoena from the Office of Consumer Protection of the Attorney General of the Commonwealth of Kentucky requesting documents and detailed information for the time period of January 1, 2008 through December 31, 2010. The Company has three Brown Mackie College locations in Kentucky. The Kentucky Attorney General announced an investigation of the business practices of proprietary post-secondary schools and that subpoenas were issued to six proprietary colleges that do business in Kentucky in connection with the investigation. In April 2015, the Company agreed to toll the statute of limitations on any claims related to the investigation through June 30, 2015. The Company intends to continue to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time nor can it estimate any amount of a reasonably possible loss related to the investigation because of its status.

In October 2010, Argosy University received a subpoena from the Florida Attorney General's office seeking a wide range of documents related to the Company's institutions, including the nine institutions located in Florida, from January 2, 2006 to the present. The Florida Attorney General has announced that it is investigating potential misrepresentations in recruitment, financial aid and other areas. The Company is cooperating with the investigation, but has also filed a suit to quash or limit the subpoena and to protect information sought that constitutes proprietary or trade secret information. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time nor can it estimate any amount of a reasonably possible loss related to the investigation because of its status.

Argosy University, Seattle APA Program Accreditation Lawsuits

In August 2013, a petition was filed in the Superior Court of the State of Washington (King County) in the case of *Winters, et al. v. Argosy Education Group, et al.* by 20 former students in the Clinical Psychology program offered by the Seattle campus of Argosy University. In December 2013, a similar petition was filed in the same court in the case of *McMath, et al. v. Argosy Education Group, et al.* by nine former students in the Clinical Psychology program offered by the Seattle campus of Argosy University. Both cases allege negligent misrepresentation due to the failure of the Clinical Psychology program to obtain accreditation from the American Psychology Association ("APA"), breach of contract, violation of the Washington State Consumer Protection Act, negligent infliction of emotional distress, negligence and lack of institutional control, negligent misrepresentation, breach of fiduciary duty, negligent failure to disclose and fraud. The Seattle campus of Argosy University announced that it was teaching-out (i.e., not accepting new students into the program) the Clinical Psychology program in November 2011 due to low enrollment. Twenty of the 29 cases were remanded to binding arbitration, eight cases which were not remanded to binding arbitration were stayed during the pendency of the arbitrations and one case was dismissed with prejudice. The Company received favorable decisions in the three arbitrations tried before an arbitrator and either entered into settlement agreements for an immaterial amount or agreed to dismiss cases with prejudice without the payment by the Company in the other 17 cases remanded to arbitration. In July 2015, the stay was lifted on the eight cases not remanded to binding arbitration. The Company believes the claims in the lawsuits to be without merit and intends to vigorously defend itself. Because of the many questions of fact and law that may arise, the outcome of these legal proceedings is uncertain at this point. Based on the information presently available, the Company cannot reasonably estimate a range of loss for these actions and, accordingly, has not accrued any liability associated with these actions.

Debt Restructuring Litigation

In October 2014, a complaint captioned *Marblegate Asset Management, et al v. Education Management Corporation, et al.* was filed in federal district court in the Southern District of New York seeking, among other things, a preliminary injunction to block the Debt Restructuring. The plaintiffs, holders of Notes, alleged that the Debt Restructuring would force them either to convert their debt to equity or to risk the elimination of their practical ability to recover their principal and remaining interest payments in violation of the Trust Indenture Act of 1939 because substantially all of the Company's assets would be foreclosed and sold in an asset sale to an affiliate and EDMC would release its guaranty of the Cash Pay/PIK Notes. In December 2014, the Court denied the plaintiffs' request for a preliminary injunction enjoining the Debt Restructuring but indicated that the plaintiffs were likely to win on the merits of their claim that the Debt Restructuring as constituted violated the Trust Indenture Act of 1939. The Company and the debt holders who agreed to participate in the Debt Restructuring subsequently amended the restructuring in response to the Court's ruling and the initial step of the transaction, including the foreclosure and asset sale and the exchange of debt for equity, was completed in January 2015. Secured creditors also released EDMC of its guarantee of the secured debt in connection with the transaction but the Company did not take steps required to effectuate the release of EDMC from its guarantee of outstanding Cash Pay/PIK Notes. In addition, the subsidiary to which the Company's assets were transferred issued its own guarantee of the Cash Pay/PIK Notes, which will remain in place so long as EDMC's guarantee of the Cash Pay/PIK Notes is not released. EDMC then brought a counterclaim seeking a declaration that it was permitted to effectuate the release of its guarantee. The Company also reached an agreement with all the plaintiffs in the case other than Marblegate prior to completing the first step of the Debt Restructuring.

In June 2015, the Court ruled that EDMC's release of its guaranty of the Notes would violate the Trust Indenture Act of 1939. The Company has filed an appeal with the Second Circuit Court of Appeals in order to protect the interests of the overwhelming majority of its creditors who participated in the Debt Restructuring. The Cash Pay/PIK Notes held by Marblegate had an outstanding principal balance of $16.0 million at June 30, 2015. The Company will continue making interest payments on the Cash Pay/PIK Notes while the appeal is pending and will be obligated to pay the debt in full in the event that it does prevail on the appeal or successfully appeal an adverse decision to the United States Supreme Court.

U.S. Department of Education Program Review of Argosy University

The Company received an initial program review report from the U.S. Department of Education in September 2014 which addressed the fully online programs offered by Argosy University. The initial report required the Company to perform a file review of a statistical sample of fully online students selected by the review team. The results of the statistical sample would be used by the U.S. Department of Education to project amounts required to be returned to the U.S. Department of Education under Title IV programs due to student withdrawals for the entire population of students attending during fiscal 2011 and 2012. The initial report also cites impaired administrative capabilities concerning attendance policies. The Company filed a response to the initial report in November 2014 which disagreed with the findings that Argosy University did not follow the attendance policies for its fully online programs. Pursuant to a letter dated August 21, 2015, the U.S. Department of Education rejected the Company's objections to the initial report and required Argosy University to complete file reviews and submit a revised response by October 5, 2015. The Company is currently performing the file reviews requested by the U.S. Department of Education. Based on the response from the U.S. Department of Education, the Company has determined that it is probable that it has some liability. There can be no assurance that any liability to the U.S. Department of Education for the program review findings will be within the amount accrued as of June 30, 2015.

Brown Mackie College - Tucson Nursing Program

Brown Mackie College - Tucson agreed to teach-out its Practical Nursing diploma program pursuant to a Consent Agreement with the Arizona State Board of Nursing in May 2015 which found a number of deficiencies in the program. Though it was not required to do so by the Consent Agreement, the school has offered to refund the tuition and fees paid by students enrolled in the program when the Consent Agreement was executed. Accordingly, a reserve of $1.1 million was recorded as of June 30, 2015. There can be no assurance that any liability to students who enrolled in the Practical Nursing diploma program offered by Brown Mackie College - Tucson will be within the amount accrued as of June 30, 2015.

Other Matters

The Company is a defendant in certain other legal proceedings arising out of the conduct of its business. Additionally, the Company is subject to compliance reviews by various state and federal agencies which provide student financial aid programs, of which noncompliance may result in liability for educational benefits paid, as well as fines and other corrective action. In the opinion of management, based upon an investigation of these matters and discussion with legal counsel, the ultimate outcome of such other legal proceedings and compliance reviews, individually and in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

Lease Commitments

The Company leases certain classroom, dormitory and office space as well as equipment and automobiles under operating leases that expire on various future dates. Rent expense under these leases was $206.4 million and $215.9 million for the fiscal years ended June 30, 2015 and 2014, respectively. Rent expense also includes short-term commitments for student housing of $44.1 million and $50.1 million during the fiscal years ended June 30, 2015 and 2014, respectively. Certain of the Company's operating leases contain provisions for escalating payments and options for renewal.

As of June 30, 2015, the annual minimum future commitments under non-cancelable, long-term operating leases were as follows for the fiscal years ending June 30, 2016 to 2020 and thereafter (in thousands):

2016	$	172,726
2017		144,741
2018		134,734
2019		120,996
2020		92,091
Thereafter		253,992

Other Commitments

At June 30, 2015, the Company has provided $20.9 million of surety bonds primarily provided to state regulatory agencies. The Company is required to maintain a deposit in a collateral account for a portion of the bond amount outstanding, which has resulted in $10.3 million being classified as restricted cash at June 30, 2015.

15. RELATED PARTY TRANSACTIONS

The Company does business with two companies affiliated with Leeds Equity Partners, one of the Former Sponsors. The Company licenses student information system software from Campus Management Corp ("CMC"). The Company paid licensing, maintenance and consulting fees to CMC of approximately $2.8 million through the date of the Debt Restructuring in fiscal 2015 and during fiscal 2014. The Company also uses PeopleScout, Inc., d/b/a StudentScout for contact management services when processing some of its inquiries from prospective students. During fiscal 2015 through the date of the Debt Restructuring and in fiscal 2014, the Company paid servicing fees to StudentScout of approximately $0.5 million and $0.9 million, respectively.

The Company also does business with several companies affiliated with Providence Equity Partners, one of the Former Sponsors. The Company purchases software and related supplies from CDW Corporation and its affiliates, the largest of which is CDW Government, Inc. (collectively, "CDW"). In fiscal 2015 through the date of the Debt Restructuring and in fiscal 2014, the Company purchased approximately $1.9 million and $4.4 million, respectively, of equipment from CDW. The Company also uses Assessment Technologies Institute, LLC for computer software that tests the skills of the Company's students in various academic fields. Through the date of the Debt Restructuring and fiscal 2014, the Company paid Assessment Technologies Institute, LLC approximately $0.5 million. The Company has also engaged Kroll Ontrack for litigation management and electronic discovery document retention. Total fees paid to Kroll Ontrack related to such services approximated $3.2 million and $5.2 million in fiscal 2015 through the date of the Debt Restructuring, and in fiscal 2014, respectively.

16. SUBSEQUENT EVENTS

On August 14, 2015, EDMC announced the resignation of Edward H.West, President and Chief Executive Officer. As a result of his departure, Mr. West is entitled to receive payments as set forth in his employment agreement, which has subsequently been paid and will be reflected in EDMC's results of operations for the first fiscal quarter of 2016. Effective

September 28, 2015, the Board of Directors appointed Mark A. McEachen as President and Chief Executive Officer. Mr. McEachen will receive a payment pursuant to the terms of his employment agreement in connection with accepting the position which will be reflected in EDMC's results of operations for the first fiscal quarter of 2016.

In September 2015, EDMC agreed with the U.S. Department of Education to settle the review of the fully online programs offered by Argosy University referenced in Note 14, "Commitments and Contingencies". Pursuant to the agreement, EDMC resolved the findings in the program review for the payment of $1.0 million to the U.S. Department of Education with no admission of wrongdoing. As part of the final program review determination, EDMC is required to complete its current 2014-2015 financial aid audit and satisfy any and all possible liabilities that could be charged to it by the Department as a result of any findings related to the current audit.

EDMC has evaluated subsequent events through September 30, 2015, the date which the financial statements were issued.

Supplemental Information

Education Management Corporation and Subsidiaries
Supplemental Schedule of Related-Party Transactions
June 30, 2015

Education Management Corporation (collectively with its subsidiaries, the "Company") was acquired in 2006 by a consortium of private equity investment funds led by Providence Equity Partners (together with its affiliated investment funds, "Providence"), Goldman Sachs Capital Partners (together with its affiliated investment funds, "Goldman") and Leeds Equity Partners (together with its affiliated investment funds, "Leeds" and, together with Providence and Goldman, the "Former Sponsors"). As of June 30, 2014, and through the date of the Debt Restructuring, Providence, Goldman and Leeds owned approximately 32%, 43% and 8% of the Company's outstanding common stock, respectively. In fiscal 2015 through the date of the Debt Restructuring and in fiscal 2014, the Company engaged in the related-party transactions described below, which involved one or more of the Sponsors or other entities in which the Sponsors have invested.

- The Company licenses student information system software from Campus Management Corp ("CMC"), which since February 2008 has been owned by Leeds. The Company paid licensing, maintenance and consulting fees to CMC of approximately $2.8 million through the date of the Debt Restructuring in fiscal 2015 and during fiscal 2014.
- The Company also uses PeopleScout, Inc., d/b/a StudentScout for contact management services when processing some of its inquiries from prospective students. StudentScout is owned by investment funds associated with Leeds. During fiscal 2015 through the date of the Debt Restructuring and in fiscal 2014, the Company paid servicing fees to StudentScout of approximately $0.5 million and $0.9 million, respectively.
- The Company purchases software and related supplies from CDW Corporation, which is owned by Providence, and its affiliates ("CDW"). In fiscal 2015 through the date of the Debt Restructuring and in fiscal 2014, the Company purchased approximately $1.9 million and $4.4 million, respectively, of equipment from CDW.
- The Company uses Assessment Technologies Institute, LLC, which is affiliated with Providence, for computer software that tests the skills of the Company's students in various academic fields. During fiscal 2015 through the date of the Debt Restructuring and in fiscal 2014, the Company paid Assessment Technologies Institute, LLC approximately $0.5 million.
- The Company has also engaged Kroll Ontrack for litigation management and electronic discovery document retention. Total fees paid to Kroll Ontrack related to such services approximated $3.2 million and $5.2 million in fiscal 2015 through the date of the Debt Restructuring, and in fiscal 2014, respectively. Kroll is affiliated with Providence.

Finally, the Company is party to employment agreements with certain of its executive officers and senior managers. The agreements, which were designed to retain executives and provide continuity of management in the event of an actual or threatened changes in control, address a number of compensation issues, including salary, bonus potential, benefit eligibility, and severance and other payments to which the executive may be entitled in the event of his or her separation from the Company, and generally include non-competition, non-solicitation and confidentiality provisions that are customary to agreements of this type.

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	The Art Institute of Pittsburgh **(a)** OPEID# 007470	The Art Institute of Philadelphia **(a)** OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City	The Art Institute of Indianapolis	The Art Institute of Tucson TDC	The Art Institute of St. Louis	The Art Institute of Vancouver
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 8,010	$ 5,350	$ 5,736	$ 1,070	$ 2,755	$ 5,449	$ 1,126	$ 3,403	$ 535	$ 1,962	$ 2,336	$ 3,379
Restricted cash (a)	5,870	870	2,612	38	37	22	19	21	101	811	1,711	-
Total cash, cash equivalents and restricted cash	13,880	6,220	8,348	1,108	2,792	5,471	1,145	3,424	636	2,773	4,047	3,379
Receivables:												
Trade	29,879	7,495	2,530	3,951	1,203	1,536	4,154	964	2,916	1,072	1,289	815
Allowance for doubtful accounts	(11,300)	(4,124)	(1,765)	(3,062)	(676)	(758)	(2,394)	(781)	(1,315)	(526)	(746)	(429)
Notes, advances, and other receivables	10,779	(22)	121	1,970	11	(21)	2	3	12	7	(3)	67
Deferred income taxes	1,613	990	504	501	59	101	376	44	71	83	237	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	648	84	76	89	2	16	91	19	132	40	68	127
Total current assets	45,499	10,643	9,814	4,557	3,391	6,345	3,374	3,673	2,452	3,449	4,892	3,959
Property and equipment, net	9,016	2,758	11,932	1,705	3	56	2,255	2	935	874	354	5,494
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	244	3,852	20	-	-	-	-	-	-	-	-	1,577
Other long-term assets	756	541	760	555	58	196	321	45	518	107	186	30
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	1,473	-	-	-	-	-	15	-	-	57	-	160
Goodwill	-	-	-	-	-	-	2,006	-	-	1,798	-	13,624
Total assets	$ 56,988	$ 17,794	$ 22,526	$ 6,817	$ 3,452	$ 6,597	$ 7,971	$ 3,720	$ 3,905	$ 6,285	$ 5,432	$ 24,844
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	2,322	150	140	129	12	28	98	12	96	24	20	127
Accrued liabilities	13,750	773	498	247	59	132	221	102	218	177	126	142
Advance payments	2,276	655	943	397	147	126	273	290	276	108	142	2,799
Unearned tuition	15,506	1,093	689	581	101	123	804	39	194	188	474	-
Total current liabilities	33,854	2,671	2,270	1,354	319	409	1,396	443	784	497	762	3,068
Long-term debt, less current portion	9,565	-	14,095	-	-	-	-	-	-	-	-	-
Deferred income taxes	481	-	885	922	992	1,213	608	617	268	1,156	1,232	-
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	77	893	430	578	419	1,832	515	831	335	882	2,068	2,452
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	273,973	113,354	102,562	43,161	(6,427)	(8,871)	24,400	(3,321)	15,826	(3,644)	(8,113)	2,207
Net investment of EDMC (b)	(260,962)	(99,189)	(97,716)	(39,198)	8,149	12,014	(18,948)	5,150	(13,308)	7,394	9,483	17,117
Accumulated other comprehensive (loss) income	-	65	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	13,011	14,230	4,846	3,963	1,722	3,143	5,452	1,829	2,518	3,750	1,370	19,324
Total liabilities and shareholders' equity	$ 56,988	$ 17,794	$ 22,526	$ 6,817	$ 3,452	$ 6,597	$ 7,971	$ 3,720	$ 3,905	$ 6,285	$ 5,432	$ 24,844

(a) Restricted cash includes endowments of $0.5 million required by Pennsylvania state law at each of the Company's Art Institute of Pittsburgh, Art Institute of Philadelphia and Art Institute of York Institutions.

(b) EDMC's schools participate in a cash management program operated by EDMC that allows EDMC to consolidate most cash from its locations in order to maximize investment income. In addition, EDMC funds checks written on its schools' disbursement bank accounts as they clear the disbursing banks. The difference between the cash provided to EDMC by its schools and the day-to-day funding provided by EDMC to its schools has been classified in equity as part of the net investment of EDMC as there is no formal repayment schedule related to this amount. The net investment of EDMC balance also includes contributed capital from EDMC to its schools.

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	Brown Mackie College - Dallas/Ft Worth	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 554	$ 504	$ 1,677	$ 1,818	$ 1,937	$ 1,651	$ 1,185	$ 2,461	$ 1,018	$ 5	$ 1,114	$ 1,179
Restricted cash (a)	2,000	792	1,000	18	2,155	346	300	-	439	3,466	1,214	300
Total cash, cash equivalents and restricted cash	2,554	1,296	2,677	1,836	4,092	1,997	1,485	2,461	1,457	3,471	2,328	1,479
Receivables:												
Trade	785	1,524	894	434	1,790	905	503	127	902	2,121	1,807	261
Allowance for doubtful accounts	(244)	(808)	(495)	(269)	(851)	(361)	(292)	(54)	(458)	(1,140)	(893)	(155)
Notes, advances, and other receivables	6	5	8	1	13	-	(6)	7	1	18	(4)	5
Deferred income taxes	19	76	36	20	67	25	(53)	4	37	(227)	109	16
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	17	19	17	3	9	14	7	1	12	18	52	3
Total current assets	3,137	2,112	3,137	2,025	5,120	2,580	1,644	2,546	1,951	4,261	3,399	1,609
Property and equipment, net	2,175	1,107	206	647	3,675	266	1,531	352	1,351	3,491	2,684	668
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	3,677	128	-	-	1,713	-	-	1,057	-	72	-
Other long-term assets	9	108	16	13	101	12	10	16	36	38	47	1
Investment in affiliate	-	4,328	-	-	-	-	-	-	2,164	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 5,321	$ 11,332	$ 3,487	$ 2,685	$ 8,896	$ 4,571	$ 3,185	$ 2,914	$ 6,559	$ 7,790	$ 6,202	$ 2,278
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	9	39	25	20	49	14	16	6	18	62	34	13
Accrued liabilities	117	258	237	85	185	93	69	19	151	203	213	54
Advance payments	36	47	71	8	91	31	23	4	7	37	118	4
Unearned tuition	489	678	492	165	743	594	322	69	529	936	1,013	173
Total current liabilities	651	1,022	825	278	1,068	732	430	98	705	1,238	1,378	244
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	183	-	-	2	3,091	-	2,439	343	-	560	-	2,511
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,175	1,325	344	84	1,505	192	181	1,256	24	2,196	1,251	271
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(6,086)	5,141	15,709	8,420	1,498	(979)	(1,504)	2,415	11,736	8,150	21,322	(119)
Net investment of EDMC (b)	9,398	3,844	(13,391)	(6,099)	1,734	4,626	1,639	(1,198)	(5,906)	(4,354)	(17,749)	(629)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	3,312	8,985	2,318	2,321	3,232	3,647	135	1,217	5,830	3,796	3,573	(748)
Total liabilities and shareholders' equity	$ 5,321	$ 11,332	$ 3,487	$ 2,685	$ 8,896	$ 4,571	$ 3,185	$ 2,914	$ 6,559	$ 7,790	$ 6,202	$ 2,278

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 1,416	$ 1,964	$ 1,049	$ 1,427	$ 1,106	$ 1,019	$ 1,259	$ 1,058	$ 1,182	$ 1,154	$ 1,627	$ 561
Restricted cash (a)	315	600	1,700	700	1,200	345	1,600	2,026	1,200	2,700	1,198	2,000
Total cash, cash equivalents and restricted cash	1,731	2,564	2,749	2,127	2,306	1,364	2,859	3,084	2,382	3,854	2,825	2,561
Receivables:												
Trade	601	610	686	841	1,224	1,245	1,005	935	1,424	741	1,678	1,184
Allowance for doubtful accounts	(276)	(322)	(266)	(339)	(621)	(490)	(467)	(391)	(492)	(335)	(946)	(468)
Notes, advances, and other receivables	-	27	8	8	28	7	11	5	10	6	18	7
Deferred income taxes	22	25	(19)	(67)	41	38	(17)	29	19	(38)	60	37
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	(1)	17	7	16	10	7	14	10	25	7	25	17
Total current assets	2,077	2,921	3,165	2,586	2,988	2,171	3,405	3,672	3,368	4,235	3,660	3,338
Property and equipment, net	333	801	274	2,059	2,062	81	1,687	395	2,330	484	2,038	2,249
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	1,582	754	-	-	-	-	-	-	-	-	-	-
Other long-term assets	12	3	7	3	16	29	4	20	35	-	12	15
Investment in affiliate	2,164	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 6,168	$ 4,479	$ 3,446	$ 4,648	$ 5,066	$ 2,281	$ 5,096	$ 4,087	$ 5,733	$ 4,719	$ 5,710	$ 5,602
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	18	62	31	25	23	33	36	32	21	29	44	47
Accrued liabilities	130	200	61	128	113	139	105	148	136	110	248	193
Advance payments	52	45	20	59	24	23	62	38	19	85	74	82
Unearned tuition	393	464	425	604	778	612	668	518	749	445	930	801
Total current liabilities	593	771	537	816	938	807	871	736	925	669	1,296	1,123
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	346	767	247	251	473	506	665	906	483	27
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,122	35	729	372	1,039	47	1,182	1,157	1,298	1,139	1,325	1,540
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(131)	30,940	(1,277)	(2,154)	(304)	(4,463)	(3,151)	19,468	1,076	(4,379)	4,559	298
Net investment of EDMC (b)	4,584	(27,267)	3,111	4,847	3,146	5,639	5,721	(17,780)	1,769	6,384	(1,953)	2,614
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,453	3,673	1,834	2,693	2,842	1,176	2,570	1,688	2,845	2,005	2,606	2,912
Total liabilities and shareholders' equity	$ 6,168	$ 4,479	$ 3,446	$ 4,648	$ 5,066	$ 2,281	$ 5,096	$ 4,087	$ 5,733	$ 4,719	$ 5,710	$ 5,602

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	Reclassifications	The Art Institute of Phoenix Combined OPEID# 040513	The Art Institute of York - Pennsylvania **(a)** OPEID# 025578	The Art Institute of Ft Lauderdale OPEID# 010195	The Art Institute of Houston	The Art Institute of Austin	The Art Institute of Houston North	The Art Institute of San Antonio	Reclassifications	The Art Institute of Houston Combined OPEID# 021171	The Art Institutes International Minnesota OPEID# 010248	The New England Institute of Art OPEID# 007486
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ -	$ 51,940	$ 76	$ 3,761	$ 1,114	$ 333	$ 1,368	$ 44	$ -	$ 2,859	$ 2,832	$ 33
Restricted cash (a)	-	30,374	817	51	61	50	13	1,906	-	2,030	28	117
Total cash, cash equivalents and restricted cash	-	82,314	893	3,812	1,175	383	1,381	1,950	-	4,889	2,860	150
Receivables:												
Trade	-	42,127	1,240	2,680	6,902	2,144	2,124	2,674	-	13,844	3,330	2,347
Allowance for doubtful accounts	-	(22,120)	(402)	(1,742)	(2,842)	(700)	(1,074)	(1,204)	-	(5,820)	(1,832)	(1,047)
Notes, advances, and other receivables	-	2,237	(64)	105	167	10	23	(1)	-	199	260	62
Deferred income taxes	-	1,731	252	535	541	368	154	343	-	1,406	321	274
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	910	65	190	141	136	2	64	-	343	61	186
Total current assets	-	107,199	1,984	5,580	6,084	2,341	2,610	3,826	-	14,861	5,000	1,972
Property and equipment, net	-	44,624	2	6,301	8,599	5,015	28	5,243	-	18,885	953	14
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	(1,140)	9,420	1,054	345	-	-	38	-	(38)	-	-	1,058
Other long-term assets	-	2,579	248	764	1,446	317	330	287	-	2,380	490	128
Investment in affiliate	(8,659)	(3)	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	232	-	-	-	-	-	-	-	-	-	-
Goodwill	-	17,428	-	-	-	-	-	-	-	-	424	-
Total assets	$ (9,799)	$ 181,479	$ 3,288	$ 12,990	$ 16,129	$ 7,673	$ 3,006	$ 9,356	$ (38)	$ 36,126	$ 6,867	$ 3,172
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	1,252	38	162	144	123	24	131	-	422	99	95
Accrued liabilities	-	4,819	247	476	492	294	62	243	-	1,091	254	650
Advance payments	-	5,618	162	889	406	496	73	308	-	1,283	385	257
Unearned tuition	-	16,094	516	1,044	762	799	195	639	-	2,395	527	519
Total current liabilities	-	27,783	963	2,571	1,804	1,712	354	1,321	-	5,191	1,265	1,521
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	(1,140)	19,668	285	701	1,738	1,458	-	383	(38)	3,541	688	(556)
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	30,701	242	585	5,322	1,833	367	1,535	-	9,057	936	10,310
Shareholders' equity:		-										
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(8,659)	152,744	817	120,161	78,014	30,207	(100)	11,533		119,654	48,560	986
Net investment of EDMC (b)	-	(49,417)	981	(111,028)	(70,749)	(27,537)	2,385	(5,416)	-	(101,317)	(44,582)	(9,089)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	(8,659)	103,327	1,798	9,133	7,265	2,670	2,285	6,117	-	18,337	3,978	(8,103)
Total liabilities and shareholders' equity	$ (9,799)	$ 181,479	$ 3,288	$ 12,990	$ 16,129	$ 7,673	$ 3,006	$ 9,356	$ (38)	$ 36,126	$ 6,867	$ 3,172

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville	Reclassifications	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ -	$ 6,058	$ 11,021	$ 8,920	$ 524	$ 3,072	$ -	$ 12,516	$ 1,446	$ 1,355	$ 798	$ 4,359
Restricted cash (a)	80	429	9,417	6,169	137	1,204	-	7,510	450	91	674	1,140
Total cash, cash equivalents and restricted cash	80	6,487	20,438	15,089	661	4,276	-	20,026	1,896	1,446	1,472	5,499
Receivables:												
Trade	3,305	2,331	2,769	3,809	2,370	826	-	7,005	11,623	4,198	2,211	5,114
Allowance for doubtful accounts	(1,283)	(864)	(1,406)	(1,567)	(1,141)	(546)	-	(3,254)	(8,945)	(2,499)	(1,233)	(2,587)
Notes, advances, and other receivables	(66)	20	51	122	(7)	1	-	116	155	4	16	(8)
Deferred income taxes	352	403	406	678	254	129	-	1,061	1,207	587	327	573
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	179	65	152	115	83	7	-	205	233	98	96	494
Total current assets	2,567	8,442	22,410	18,246	2,220	4,693	-	25,159	6,169	3,834	2,889	9,085
Property and equipment, net	107	581	9,496	4,387	877	7	-	5,271	4,385	2,046	1,609	1,092
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	397	-	(496)	-	-	-	-	-	163	-	-	-
Other long-term assets	165	158	963	185	207	47	-	439	785	353	216	698
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	212	-	-	-	212	-	-	-	-
Goodwill	-	1,519	-	21,748	-	-	-	21,748	-	-	-	-
Total assets	$ 3,236	$ 10,700	$ 32,373	$ 44,778	$ 3,304	$ 4,747	$ -	$ 52,829	$ 11,502	$ 6,233	$ 4,714	$ 10,875
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	86	58	103	85	56	27	-	168	292	77	60	90
Accrued liabilities	450	300	428	478	168	85	-	731	644	187	148	300
Advance payments	462	712	1,233	1,431	205	195	-	1,831	658	442	257	197
Unearned tuition	483	978	922	1,631	493	330	-	2,454	1,403	726	524	852
Total current liabilities	1,481	2,048	2,686	3,625	922	637	-	5,184	2,997	1,432	989	1,439
Long-term debt, less current portion	-	-	15,880	-	-	-	-	-	-	-	-	-
Deferred income taxes	1,096	1,014	1,111	9,058	235	970	-	10,263	-	661	553	104
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	383	1,684	374	440	373	918	-	1,731	1,529	592	373	2,856
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(21,527)	39,344	92,731	82,995	11,552	(9,170)	-	85,377	120,225	6,497	2,297	21,700
Net investment of EDMC (b)	21,803	(33,390)	(80,409)	(51,340)	(9,778)	11,392	-	(49,726)	(113,249)	(2,949)	502	(15,224)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	276	5,954	12,322	31,655	1,774	2,222	-	35,651	6,976	3,548	2,799	6,476
Total liabilities and shareholders' equity	$ 3,236	$ 10,700	$ 32,373	$ 44,778	$ 3,304	$ 4,747	$ -	$ 52,829	$ 11,502	$ 6,233	$ 4,714	$ 10,875

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	Reclassifications	The Art Institute of Atlanta Combined OPEID# 009270	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	Reclassifications
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 3,334	$ 2,185	$ 1,940	$ -	$ 15,417	$ 6,628	$ 1,105	$ 1,822	$ 3,633	$ 1,748	$ 2,173	$ -
Restricted cash (a)	213	808	108	-	3,484	365	118	2,315	41	1,112	811	-
Total cash, cash equivalents and restricted cash	3,547	2,993	2,048	-	18,901	6,993	1,223	4,137	3,674	2,860	2,984	-
Receivables:												
Trade	1,879	604	556	-	26,185	5,944	2,638	2,348	3,722	696	842	-
Allowance for doubtful accounts	(1,315)	(118)	(224)	-	(16,921)	(2,516)	(866)	(1,500)	(2,536)	(409)	(366)	-
Notes, advances, and other receivables	12	(10)	5	-	174	(261)	48	30	42	(14)	16	-
Deferred income taxes	242	90	222	-	3,248	435	279	(28)	277	56	76	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	14	-	61	-	996	538	509	68	42	15	-	-
Total current assets	4,379	3,559	2,668	-	32,583	11,133	3,831	5,055	5,221	3,204	3,552	-
Property and equipment, net	2	2	2,383	-	11,519	2,350	1,750	554	4	2	6	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	118	(281)	-	-	-	-	-	-	-	(75)
Other long-term assets	29	123	40	-	2,244	504	177	50	404	42	36	-
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	456	395	-	-	-	-	-
Total assets	$ 4,410	$ 3,684	$ 5,209	$ (281)	$ 46,346	$ 14,443	$ 6,153	$ 5,659	$ 5,629	$ 3,248	$ 3,594	$ (75)
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	9	1	46	-	575	164	44	86	47	9	5	-
Accrued liabilities	114	35	152	-	1,580	337	199	197	177	41	106	-
Advance payments	221	70	189	-	2,034	572	115	274	157	91	80	-
Unearned tuition	374	189	452	-	4,520	682	589	126	418	73	135	-
Total current liabilities	718	295	839	-	8,709	1,755	947	683	799	214	326	-
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	400	243	-	(281)	1,680	1,789	262	1,295	984	304	329	(75)
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	640	904	1,051	-	7,945	5,047	1,785	1,562	1,100	696	919	-
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(172)	(6,557)	3,397	-	147,387	56,447	43,507	(11,571)	(2,755)	(4,890)	(3,543)	-
Net investment of EDMC (b)	2,824	8,799	(78)	-	(119,375)	(50,595)	(40,348)	13,690	5,501	6,924	5,563	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	2,652	2,242	3,319	-	28,012	5,852	3,159	2,119	2,746	2,034	2,020	-
Total liabilities and shareholders' equity	$ 4,410	$ 3,684	$ 5,209	$ (281)	$ 46,346	$ 14,443	$ 6,153	$ 5,659	$ 5,629	$ 3,248	$ 3,594	$ (75)

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	Argosy University	Western State University - College of Law	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley	Reclassifications
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 17,109	$ 14,941	$ 26,556	$ 754	$ 11,946	$ 3,558	$ 1,009	$ 527	$ 72	$ 9,363	$ 3,170	$ -
Restricted cash (a)	4,762	52,133	1,000	10,475	3,649	59	21	2,639	83	1,120	25	-
Total cash, cash equivalents and restricted cash	21,871	67,074	27,556	11,229	15,595	3,617	1,030	3,166	155	10,483	3,195	-
Receivables:												
Trade	16,190	32,568	212	3,816	5,701	4,242	4,963	3,404	10,845	9,433	1,118	-
Allowance for doubtful accounts	(8,193)	(13,014)	88	(2,190)	(3,325)	(2,118)	(2,313)	(1,502)	(5,178)	(4,493)	(498)	-
Notes, advances, and other receivables	(139)	4,790	813	20	513	72	22	38	6	14	(16)	-
Deferred income taxes	1,095	1,642	(556)	473	500	561	431	590	1,001	743	180	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	1,172	778	2,175	118	170	299	66	103	168	219	22	-
Total current assets	31,996	93,838	30,288	13,466	19,154	6,673	4,199	5,799	6,997	16,399	4,001	-
Property and equipment, net	4,666	27,226	7,602	1,217	1,439	2,139	2,866	5,320	3,435	4,497	6	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	(75)	694	-	-	56	-	-	-	-	-	-	(748)
Other long-term assets	1,213	398	216	279	599	255	253	196	1,987	1,029	90	-
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	2,400	-	-	-	-	-	-	-	1	-	-
Goodwill	851	66,075	-	-	-	-	-	9,211	-	2,585	-	-
Total assets	$ 38,651	$ 190,631	$ 38,106	$ 14,962	$ 21,248	$ 9,067	$ 7,318	$ 20,526	$ 12,419	$ 24,511	$ 4,097	$ (748)
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	355	1,850	67	454	293	98	81	115	235	71	24	-
Accrued liabilities	1,057	17,143	758	504	540	521	444	537	627	473	148	-
Advance payments	1,289	18,403	138	778	670	780	238	977	318	480	324	-
Unearned tuition	2,023	26,696	152	3,039	1,321	1,205	841	1,296	1,935	1,502	433	-
Total current liabilities	4,724	64,092	1,115	4,775	2,824	2,604	1,604	2,925	3,115	2,526	929	-
Long-term debt, less current portion	-	16,175	18,250	-	-	-	-	-	-	-	-	-
Deferred income taxes	4,888	3,411	1,176	1,488	-	1,097	1,006	1,208	908	2,506	1,249	(748)
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	11,109	14,731	-	4,036	8,477	2,291	1,141	2,076	2,279	4,373	235	-
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	77,195	124,308	(10,451)	4,113	38,083	53,918	7,752	110,259	34,270	9,732	(4,240)	-
Net investment of EDMC (b)	(59,265)	(32,086)	28,016	550	(28,136)	(50,843)	(4,185)	(95,942)	(28,153)	5,374	5,924	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	17,930	92,222	17,565	4,663	9,947	3,075	3,567	14,317	6,117	15,106	1,684	-
Total liabilities and shareholders' equity	$ 38,651	$ 190,631	$ 38,106	$ 14,962	$ 21,248	$ 9,067	$ 7,318	$ 20,526	$ 12,419	$ 24,511	$ 4,097	$ (748)

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	Argosy University Combined OPEID #021799	Argosy Professional Services Not Title IV Eligible	Argosy Eliminations	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach	South University - Novi
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 71,896	$ 82	$ -	$ 71,978	$ 7,525	$ 2,940	$ 3,045	$ 3,320	$ 2,752	$ 3,757	$ 3,611	$ 3,015
Restricted cash (a)	71,204	-	-	71,204	33,481	-	4,296	155	200	46	-	1,400
Total cash, cash equivalents and restricted cash	143,100	82	-	143,182	41,006	2,940	7,341	3,475	2,952	3,803	3,611	4,415
Receivables:												
Trade	76,302	204	-	76,506	25,321	4,150	2,640	2,917	4,377	6,399	2,803	2,951
Allowance for doubtful accounts	(34,543)	-	-	(34,543)	(9,423)	(1,018)	(356)	(1,100)	(1,341)	(1,520)	(966)	(679)
Notes, advances, and other receivables	6,272	-	-	6,272	3,896	8	-	20	24	25	42	-
Deferred income taxes	5,565	86	-	5,651	861	105	9	87	113	188	112	66
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	4,118	293	-	4,411	142	1,454	85	86	59	195	223	71
Total current assets	200,814	665	-	201,479	61,803	7,639	9,719	5,485	6,184	9,090	5,825	6,824
Property and equipment, net	55,747	231	-	55,978	1,763	1,895	4,809	1,537	3,432	4,755	2,283	2,799
Investment in subsidiaries	-	-	-	-	58,128	-	-	-	-	-	-	-
Deferred income taxes	2	-	-	2	-	355	-	-	-	-	-	-
Other long-term assets	5,302	-	-	5,302	813	404	44	522	963	1,371	372	488
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	2,401	12	-	2,413	2,171	-	89	59	-	36	-	-
Goodwill	77,871	-	-	77,871	44,295	-	-	-	-	-	-	-
Total assets	$ 342,137	$ 908	$ -	$ 343,045	$ 168,973	$ 10,293	$ 14,661	$ 7,603	$ 10,579	$ 15,252	$ 8,480	$ 10,111
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	3,288	154	-	3,442	2,184	224	126	93	101	287	74	117
Accrued liabilities	21,695	1,256	-	22,951	3,758	237	227	175	215	437	580	189
Advance payments	23,106	480	-	23,586	20,112	637	633	191	118	467	474	223
Unearned tuition	38,420	-	-	38,420	18,541	4,038	4,221	2,035	3,069	6,444	2,698	2,857
Total current liabilities	86,509	1,890	-	88,399	44,595	5,136	5,207	2,494	3,503	7,635	3,826	3,386
Long-term debt, less current portion	34,425	-	-	34,425	-	-	-	-	-	-	-	-
Deferred income taxes	13,301	98	-	13,399	13,042	-	1,154	40	908	769	77	189
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	39,639	35	-	39,674	1,200	1,139	4,203	1,714	2,190	2,512	1,099	2,040
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	367,744	7,965	-	375,709	69,751	8,777	25,480	11,453	(1,381)	44,436	498	(6,532)
Net investment of EDMC (b)	(199,481)	(9,080)	-	(208,561)	40,385	(4,759)	(21,383)	(8,098)	5,359	(40,100)	2,980	11,028
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	168,263	(1,115)	-	167,148	110,136	4,018	4,097	3,355	3,978	4,336	3,478	4,496
Total liabilities and shareholders' equity	$ 342,137	$ 908	$ -	$ 343,045	$ 168,973	$ 10,293	$ 14,661	$ 7,603	$ 10,579	$ 15,252	$ 8,480	$ 10,111

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	South University - Austin	South University - Cleveland	South University - Highpoint	South University - Orlando	The Art Institute of Dallas	The Art Institute of Fort Worth	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham	South University Reclass and Elims	South University Consolidated OPEID# 013039	Brown Mackie College - Salina	Brown Mackie College-Birmingham
Assets												
Current assets:												
Cash:												
Cash and cash equivalents	$ 4,135	$ 2,614	$ 2,471	$ 1,296	$ 611	$ 2,314	$ 55	$ 4,530	$ -	$ 47,991	$ 1,209	$ 2,288
Restricted cash (a)	1,100	2,505	2,500	-	3,449	3	76	21	-	49,232	229	1,400
Total cash, cash equivalents and restricted cash	5,235	5,119	4,971	1,296	4,060	2,317	131	4,551	-	97,223	1,438	3,688
Receivables:												
Trade	1,504	1,963	2,415	25	4,067	983	8,404	3,731	-	74,650	444	1,712
Allowance for doubtful accounts	(412)	(633)	(585)	(2)	(2,490)	(399)	(5,167)	(2,688)	-	(28,779)	(250)	(854)
Notes, advances, and other receivables	-	-	-	-	(13)	5	44	42	-	4,093	84	29
Deferred income taxes	38	56	15	-	362	24	496	363	-	2,895	34	(69)
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	84	152	119	-	99	38	109	81	-	2,997	235	23
Total current assets	6,449	6,657	6,935	1,319	6,085	2,968	4,017	6,080	-	153,079	1,985	4,529
Property and equipment, net	4,253	3,293	3,718	859	983	22	1,701	496	-	38,598	1,225	2,806
Investment in subsidiaries	-	-	-	-	-	-	-	-	(58,128)	-	-	-
Deferred income taxes	-	-	-	5	-	-	417	-	(777)	-	219	-
Other long-term assets	55	352	161	-	213	73	1,180	537	-	7,548	53	26
Investment in affiliate	-	-	-	-	-	-	-	-	-	0	2,164	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	2,355	-	-
Goodwill	-	-	-	-	-	-	-	-	-	44,295	-	-
Total assets	$ 10,757	$ 10,302	$ 10,814	$ 2,183	$ 7,281	$ 3,063	$ 7,315	$ 7,113	$ (58,905)	$ 245,875	$ 5,646	$ 7,361
Liabilities and shareholders' equity												
Current liabilities:												
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	266	147	138	9	67	30	157	54	-	4,074	34	35
Accrued liabilities	242	166	239	7	276	85	320	317	-	7,470	236	150
Advance payments	66	128	67	-	431	101	133	126	-	23,907	50	32
Unearned tuition	1,161	1,730	1,782	19	439	159	270	331	-	49,794	386	720
Total current liabilities	1,735	2,171	2,226	35	1,213	375	880	828	-	85,245	706	937
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	713	1	990	-	686	577	-	1,057	(777)	19,426	-	908
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,784	2,346	2,437	220	3,620	563	793	2,212	-	31,072	432	1,694
Shareholders' equity:												
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(13,173)	(8,768)	(6,311)	(265)	39,937	(2,122)	13,462	(5,115)	(54,470)	115,657	3,099	(1,429)
Net investment of EDMC (b)	18,698	14,552	11,472	2,193	(38,175)	3,670	(7,820)	8,131	(3,658)	(5,525)	1,409	5,251
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	5,525	5,784	5,161	1,928	1,762	1,548	5,642	3,016	(58,128)	110,132	4,508	3,822
Total liabilities and shareholders' equity	$ 10,757	$ 10,302	$ 10,814	$ 2,183	$ 7,281	$ 3,063	$ 7,315	$ 7,113	$ (58,905)	$ 245,875	$ 5,646	$ 7,361

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2015
(in thousands)

	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Reclassifications	Brown Mackie Education Corporation OPEID# 006755	Corporate and Eliminations	EDMC
Assets						
Current assets:						
Cash:						
Cash and cash equivalents	$ 1,204	$ 1,362	$ -	$ 6,063	$ 8,281	$ 277,031
Restricted cash (a)	1,900	1,200	-	4,729	46,081	239,697
Total cash, cash equivalents and restricted cash	3,104	2,562	-	10,792	54,362	516,728
Receivables:						
Trade	532	593	-	3,281	(6,991)	310,703
Allowance for doubtful accounts	(241)	(294)	-	(1,639)	6,866	(140,168)
Notes, advances, and other receivables	3	2	-	118	36,853	61,169
Deferred income taxes	16	22	-	3	(1,017)	21,723
Prepaid income taxes	-	-	-	-	21,075	21,075
Other current assets	36	23	-	317	17,962	31,019
Total current assets	3,450	2,908	-	12,872	129,110	822,249
Property and equipment, net	492	2,393	-	6,916	29,015	256,632
Investment in subsidiaries	-	-	-	-	-	-
Deferred income taxes	-	165	(117)	267	(16,088)	-
Other long-term assets	2	-	-	81	24,003	50,762
Investment in affiliate	-	-	-	2,164	(2,161)	-
Intangible assets, net of amortization	-	-	-	-	71,002	77,687
Goodwill	-	-	-	-	5,578	169,714
Total assets	$ 3,944	$ 5,466	$ (117)	$ 22,300	$ 240,459	$ 1,377,044
Liabilities and shareholders' equity						
Current liabilities:						
Revolving credit facility	$ -	$ -	$ -	$ -	$ 50,000	$ 50,000
Current portion of long-term debt	-	-	-	-	-	-
Accounts payable	33	30	-	132	26,068	39,741
Accrued liabilities	75	146	-	607	131,195	189,327
Advance payments	22	39	-	143	51	67,716
Unearned tuition	221	429	-	1,756	(1)	139,732
Total current liabilities	351	644	-	2,638	207,313	486,516
Long-term debt, less current portion	-	-	-	-	515,862	589,827
Deferred income taxes	572	-	(117)	1,363	11,378	91,311
Payable to affiliate	-	-	-	-	-	-
Other long-term liabilities	811	71	-	3,008	84,588	234,799
Shareholders' equity:						-
Preferred A-1 stock, $0.01 par value, 1,999,909 shares authorized, issued and outstanding, 7.5% Series A Cumulative Preferred Stock, with a total liquidation preference of $199,991 ($100.00 per share)	-	-	-	-	20	20
Warrants, $0.01 par value, 518,097,620 shares authorized, issued and outstanding	-	-	-	-	5,181	5,181
Common stock, at par	-	-	-	-	24,927	24,927
Additional paid-in capital	-	-	-	-	2,460,674	2,460,674
Treasury stock, at cost	-	-	-	-	(332,102)	(332,102)
(Accumulated deficit) Retained earnings	(5,583)	2,126	-	(1,787)	(4,023,607)	(2,180,710)
Net investment of EDMC (b)	7,793	2,625	-	17,078	1,289,689	-
Accumulated other comprehensive (loss) income	-	-	-	-	(3,464)	(3,399)
Total shareholders' equity	2,210	4,751	-	15,291	(578,682)	(25,409)
Total liabilities and shareholders' equity	$ 3,944	$ 5,466	$ (117)	$ 22,300	$ 240,459	$ 1,377,044

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	The Art Institute of Pittsburgh **(a)** OPEID# 007470	The Art Institute of Philadelphia **(a)** OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City	The Art Institute of Indianapolis	The Art Institute of Tucson TDC
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 201	$ 111	$ 1,471	$ 66	$ 1,863	$ 560	$ 366	$ 2,055	$ 85	$ 3,217
Restricted cash (a)	12,055	925	817	73	543	4,026	53	538	662	270
Total cash, cash equivalents and restricted cash	12,256	1,036	2,288	139	2,406	4,586	419	2,593	747	3,487
Receivables:										
Trade	24,350	8,960	3,169	4,692	1,445	1,647	3,732	1,594	2,886	949
Allowance for doubtful accounts	(7,247)	(4,221)	(1,820)	(2,446)	(847)	(728)	(1,910)	(937)	(1,151)	(385)
Notes, advances, and other receivables	18,392	140	284	1,595	5	(17)	6	3	(8)	2
Deferred income taxes	1,785	701	471	370	129	89	223	124	140	53
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-
Other current assets	877	430	93	83	23	70	(64)	20	111	39
Total current assets	50,413	7,046	4,485	4,433	3,161	5,647	2,406	3,397	2,725	4,145
Property and equipment, net	11,690	5,365	13,240	2,126	3,127	5,992	3,357	1,935	1,930	2,795
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	1,432	291	266	16	-	283	145	190	-
Other long-term assets	916	803	885	797	266	211	837	177	547	173
Investment in affiliate	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	1,568	-	-	-	-	-	35	-	-	57
Goodwill	-	-	-	-	-	-	2,006	-	-	1,798
Total assets	$ 64,587	$ 14,646	$ 18,901	$ 7,622	$ 6,570	$ 11,850	$ 8,924	$ 5,654	$ 5,392	$ 8,968
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	286	131	87	113	17	103	93	42	46	31
Accrued liabilities	17,172	704	576	197	129	139	291	107	186	121
Advance payments	2,555	1,248	1,326	378	282	138	352	218	322	178
Unearned tuition	14,368	-	-	-	-	-	-	-	-	-
Total current liabilities	34,381	2,083	1,989	688	428	380	736	367	554	330
Long-term debt, less current portion	9,565	-	14,095	-	-	-	-	-	-	-
Deferred income taxes	596	-	-	-	-	244	-	-	-	304
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	674	275	723	556	2,120	518	1,037	744	1,115
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	264,978	113,718	103,469	43,443	(2,298)	(2,545)	25,232	(598)	15,923	(1,477)
Net investment of EDMC (b)	(244,933)	(101,829)	(100,927)	(37,232)	7,884	11,651	(17,562)	4,848	(11,829)	8,696
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	20,045	11,889	2,542	6,211	5,586	9,106	7,670	4,250	4,094	7,219
Total liabilities and shareholders' equity	$ 64,587	$ 14,646	$ 18,901	$ 7,622	$ 6,570	$ 11,850	$ 8,924	$ 5,654	$ 5,392	$ 8,968

(a) Restricted cash includes endowments of $0.5 million required by Pennsylvania state law at each of the Company's Art Institute of Pittsburgh, Art Institute of Philadelphia and Art Institute of York Institutions.

(b) EDMC's schools participate in a cash management program operated by EDMC that allows EDMC to consolidate most cash from its locations in order to maximize investment income. In addition, EDMC funds checks written on its schools' disbursement bank accounts as they clear the disbursing banks. The difference between the cash provided to EDMC by its schools and the day-to-day funding provided by EDMC to its schools has been classified in equity as part of the net investment of EDMC as there is no formal repayment schedule related to this amount. The net investment of EDMC balance also includes contributed capital from EDMC to its schools.

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	The Art Institute of St. Louis	The Art Institute of Vancouver	Brown Mackie College - Dallas/Ft Worth	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities
Assets									
Current assets:									
Cash:									
Cash and cash equivalents	$ 3,946	$ 9,073	$ 3,786	$ 10	$ 2,198	$ 1,704	$ 2,482	$ 14	$ 1,442
Restricted cash (a)	33	-	-	12,240	500	759	2,069	6,153	1,200
Total cash, cash equivalents and restricted cash	3,979	9,073	3,786	12,250	2,698	2,463	4,551	6,167	2,642
Receivables:									
Trade	1,019	366	459	1,422	1,262	596	2,249	810	547
Allowance for doubtful accounts	(542)	26	(140)	(799)	(664)	(333)	(856)	(341)	(267)
Notes, advances, and other receivables	(2)	18	14	5	11	1	14	19	(9)
Deferred income taxes	90	-	21	144	93	52	111	46	34
Prepaid income taxes	-	-	-	-	-	-	-	-	-
Other current assets	45	193	20	28	26	23	16	25	12
Total current assets	4,589	9,676	4,160	13,050	3,426	2,802	6,085	6,726	2,959
Property and equipment, net	4,557	8,066	2,472	1,758	1,259	1,223	4,506	372	1,959
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Deferred income taxes	360	2,440	-	4,523	49	19	81	2,134	-
Other long-term assets	206	50	1	101	29	19	127	16	7
Investment in affiliate	-	-	-	5,056	-	-	-	-	-
Intangible assets, net of amortization	-	187	-	-	-	-	-	-	-
Goodwill	-	24,406	-	-	-	-	-	-	-
Total assets	$ 9,712	$ 44,825	$ 6,633	$ 24,488	$ 4,763	$ 4,063	$ 10,799	$ 9,248	$ 4,925
Liabilities and shareholders' equity									
Current liabilities:									
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	19	52	6	51	8	26	51	9	5
Accrued liabilities	205	296	122	297	229	179	193	134	94
Advance payments	151	3,519	39	90	52	59	165	46	40
Unearned tuition	-	-	433	1,013	755	417	1,294	597	429
Total current liabilities	375	3,867	600	1,451	1,044	681	1,703	786	568
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	62	-	-	-	-	-	263
Payable to affiliate	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,255	3,249	1,117	1,557	571	102	1,645	252	185
Shareholders' equity:									
Common stock, at par	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(2,880)	6,705	(5,790)	6,174	16,248	8,725	4,695	(1,899)	478
Net investment of EDMC (b)	9,962	31,004	10,644	15,306	(13,100)	(5,445)	2,756	10,109	3,431
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-
Total shareholders' equity	7,082	37,709	4,854	21,480	3,148	3,280	7,451	8,210	3,909
Total liabilities and shareholders' equity	$ 9,712	$ 44,825	$ 6,633	$ 24,488	$ 4,763	$ 4,063	$ 10,799	$ 9,248	$ 4,925

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 5,081	$ 986	$ 5,159	$ 3,452	$ 1,968	$ 2	$ 2,295	$ 884	$ 1,114	$ 7
Restricted cash (a)	300	581	639	167	100	10,279	400	2,250	1,500	4,000
Total cash, cash equivalents and restricted cash	5,381	1,567	5,798	3,619	2,068	10,281	2,695	3,134	2,614	4,007
Receivables:										
Trade	286	870	2,206	2,115	421	560	612	569	853	1,185
Allowance for doubtful accounts	(170)	(523)	(1,262)	(1,130)	(215)	(333)	(332)	(211)	(339)	(479)
Notes, advances, and other receivables	9	7	(1)	(3)	6	-	108	11	7	15
Deferred income taxes	25	70	153	204	40	42	49	31	63	57
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-
Other current assets	(8)	9	21	30	7	14	21	8	21	16
Total current assets	5,523	2,000	6,915	4,835	2,327	10,564	3,153	3,542	3,219	4,801
Property and equipment, net	556	1,782	4,203	3,568	839	570	1,488	574	2,813	2,606
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	211	1,064	-	126	-	2,376	179	60	61	-
Other long-term assets	18	18	15	44	-	3	1	2	4	14
Investment in affiliate	-	2,528	-	-	-	2,528	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	1	-
Goodwill	-	-	-	-	-	-	-	-	-	-
Total assets	$ 6,308	$ 7,392	$ 11,133	$ 8,573	$ 3,166	$ 16,041	$ 4,821	$ 4,178	$ 6,098	$ 7,421
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	5	10	26	38	7	25	18	34	42	10
Accrued liabilities	61	162	184	245	83	129	179	123	189	105
Advance payments	60	63	101	163	17	159	83	24	138	86
Unearned tuition	222	448	990	1,281	307	301	602	381	643	913
Total current liabilities	348	683	1,301	1,727	414	614	882	562	1,012	1,114
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	62	-	57	-	-	-	-	96
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,445	20	2,528	1,467	307	1,383	88	949	469	1,178
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	3,238	11,848	8,479	20,785	2,189	708	31,064	(814)	(1,211)	(1,424)
Net investment of EDMC (b)	1,277	(5,159)	(1,237)	(15,406)	199	13,336	(27,213)	3,481	5,828	6,457
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,515	6,689	7,242	5,379	2,388	14,044	3,851	2,667	4,617	5,033
Total liabilities and shareholders' equity	$ 6,308	$ 7,392	$ 11,133	$ 8,573	$ 3,166	$ 16,041	$ 4,821	$ 4,178	$ 6,098	$ 7,421

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	Brown Mackie College - Birmingham	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque	Reclassifications
Assets									
Current assets:									
Cash:									
Cash and cash equivalents	$ 203	$ 29	$ 1,201	$ 1,322	$ 1,201	$ 948	$ 925	$ 720	$ -
Restricted cash (a)	3,000	4,396	2,200	2,273	2,000	3,000	1,132	3,000	-
Total cash, cash equivalents and restricted cash	3,203	4,425	3,401	3,595	3,201	3,948	2,057	3,720	-
Receivables:									
Trade	1,859	1,142	967	864	1,210	830	2,347	1,223	-
Allowance for doubtful accounts	(1,025)	(521)	(375)	(459)	(507)	(406)	(1,121)	(405)	-
Notes, advances, and other receivables	36	10	21	9	11	22	26	37	-
Deferred income taxes	172	70	53	60	88	72	145	54	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-
Other current assets	59	34	26	23	36	20	33	21	-
Total current assets	4,304	5,160	4,093	4,092	4,039	4,486	3,487	4,650	-
Property and equipment, net	3,507	915	2,196	1,903	3,035	2,549	2,636	2,892	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Deferred income taxes	209	1,369	77	212	-	73	78	-	(1,140)
Other long-term assets	20	36	3	9	12	1	16	9	-
Investment in affiliate	-	-	-	-	-	-	-	-	(10,112)
Intangible assets, net of amortization	-	122	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-
Total assets	$ 8,040	$ 7,602	$ 6,369	$ 6,216	$ 7,086	$ 7,109	$ 6,217	$ 7,551	$ (11,252)
Liabilities and shareholders' equity									
Current liabilities:									
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	32	40	14	20	42	23	51	23	-
Accrued liabilities	162	153	165	129	158	133	199	192	-
Advance payments	37	68	63	62	68	130	99	157	-
Unearned tuition	981	664	798	544	906	603	1,244	914	-
Total current liabilities	1,212	925	1,040	755	1,174	889	1,593	1,286	-
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	14	-	-	38	(1,140)
Payable to affiliate	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,911	91	1,389	1,540	1,508	1,374	1,452	1,801	-
Shareholders' equity:									
Common stock, at par	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(1,243)	(3,338)	(2,718)	20,054	1,556	(2,901)	3,981	(498)	(10,112)
Net investment of EDMC (b)	6,160	9,924	6,658	(16,133)	2,834	7,747	(809)	4,924	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,917	6,586	3,940	3,921	4,390	4,846	3,172	4,426	(10,112)
Total liabilities and shareholders' equity	$ 8,040	$ 7,602	$ 6,369	$ 6,216	$ 7,086	$ 7,109	$ 6,217	$ 7,551	$ (11,252)

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	The Art Institute of Phoenix Combined OPEID# 040513	The Art Institute of York - Pennsylvania **(a)** OPEID# 025578	The Art Institute of Ft Lauderdale OPEID# 010195	The Art Institute of Houston	The Art Institute of Austin	The Art Institute of Houston North	The Art Institute of San Antonio	Reclassifications	The Art Institute of Houston Combined OPEID# 021171
Assets									
Current assets:									
Cash:									
Cash and cash equivalents	$ 60,364	$ 2,920	$ 1,513	$ (149)	$ 488	$ 3	$ 21	$ -	$ 363
Restricted cash (a)	70,336	2,633	759	748	827	30	1,084	-	2,689
Total cash, cash equivalents and restricted cash	130,700	5,553	2,272	599	1,315	33	1,105	-	3,052
Receivables:									
Trade	45,794	1,246	2,924	7,375	2,486	2,294	2,133	-	14,288
Allowance for doubtful accounts	(22,133)	(489)	(1,361)	(3,570)	(1,098)	(1,096)	(983)	-	(6,747)
Notes, advances, and other receivables	1,988	176	300	121	427	135	(2)	-	681
Deferred income taxes	3,167	76	244	636	228	152	194	-	1,210
Prepaid income taxes	-	-	-	-	-	-	-	-	-
Other current assets	1,061	83	282	190	119	14	37	-	360
Total current assets	160,577	6,645	4,661	5,351	3,477	1,532	2,484	-	12,844
Property and equipment, net	86,066	831	5,644	9,720	6,422	1,272	6,308	-	23,722
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Deferred income taxes	15,461	1,054	1,018	-	-	72	-	(72)	-
Other long-term assets	3,789	247	899	1,195	166	282	306	-	1,949
Investment in affiliate	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	402	-	-	-	-	-	-	-	-
Goodwill	28,210	-	-	-	-	-	-	-	-
Total assets	$ 294,505	$ 8,777	$ 12,222	$ 16,266	$ 10,065	$ 3,158	$ 9,098	$ (72)	$ 38,515
Liabilities and shareholders' equity									
Current liabilities:									
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	1,132	37	330	139	56	62	130	-	387
Accrued liabilities	5,670	209	621	398	205	55	207	-	865
Advance payments	7,607	250	1,155	651	953	122	378	-	2,104
Unearned tuition	17,680	-	-	-	-	-	-	-	-
Total current liabilities	32,089	496	2,106	1,188	1,214	239	715	-	3,356
Long-term debt, less current portion	-	-	-	-	-	-	-		-
Deferred income taxes	-	-	-	245	33	-	35	(72)	241
Payable to affiliate	-	-	-	-	-	-	-	-	-
Other long-term liabilities	38,646	70	292	5,510	1,949	447	1,769	-	9,675
Shareholders' equity:	-								
Common stock, at par	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	189,779	2,173	121,721	78,406	30,015	988	9,283		118,692
Net investment of EDMC (b)	33,991	6,038	(111,897)	(69,083)	(23,146)	1,484	(2,704)	-	(93,449)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-		-
Total shareholders' equity	223,770	8,211	9,824	9,323	6,869	2,472	6,579	-	25,243
Total liabilities and shareholders' equity	$ 294,505	$ 8,777	$ 12,222	$ 16,266	$ 10,065	$ 3,158	$ 9,098	$ (72)	$ 38,515

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	The Art Institutes International Minnesota OPEID# 010248	The New England Institute of Art OPEID# 007486	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville	Reclassifications
Assets									
Current assets:									
Cash:									
Cash and cash equivalents	$ 1,539	$ 14,063	$ 3,611	$ 1,413	$ 7,394	$ 13,876	$ 1,583	$ 1,540	$ -
Restricted cash (a)	122	8,112	710	2,068	1,234	465	93	2,420	-
Total cash, cash equivalents and restricted cash	1,661	22,175	4,321	3,481	8,628	14,341	1,676	3,960	-
Receivables:									
Trade	4,149	2,426	3,450	2,300	2,859	3,280	1,327	820	-
Allowance for doubtful accounts	(2,169)	(396)	(1,332)	(894)	(1,189)	(1,236)	(669)	(379)	-
Notes, advances, and other receivables	659	88	40	88	122	150	2	4	-
Deferred income taxes	251	113	284	154	188	205	101	56	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-
Other current assets	64	211	100	168	543	93	62	52	-
Total current assets	4,615	24,617	6,863	5,297	11,151	16,833	2,499	4,513	-
Property and equipment, net	2,962	4,405	2,111	3,893	10,308	6,160	1,883	3,509	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Deferred income taxes	137	1,058	397	-	1,072	-	505	4	(509)
Other long-term assets	466	249	448	340	805	243	412	98	-
Investment in affiliate	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	270	-	-	-
Goodwill	424	-	-	1,519	-	21,748	-	-	-
Total assets	$ 8,604	$ 30,329	$ 9,819	$ 11,049	$ 23,336	$ 45,254	$ 5,299	$ 8,124	$ (509)
Liabilities and shareholders' equity									
Current liabilities:									
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	38	165	64	36	97	85	45	72	-
Accrued liabilities	314	327	939	291	779	431	907	108	-
Advance payments	624	343	594	712	1,728	1,315	87	276	-
Unearned tuition	-	-	-	-	-	-	-	-	-
Total current liabilities	976	835	1,597	1,039	2,604	1,831	1,039	456	-
Long-term debt, less current portion	-	-	-	-	15,880	-	-	-	-
Deferred income taxes	-	-	-	329	-	5,941	-	-	(509)
Payable to affiliate	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,230	4,864	330	2,057	297	983	228	1,074	-
Shareholders' equity:									
Common stock, at par	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	51,126	14,492	(18,972)	41,373	96,476	81,754	12,035	(5,304)	-
Net investment of EDMC (b)	(44,728)	10,138	26,864	(33,749)	(91,921)	(45,255)	(8,003)	11,898	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-
Total shareholders' equity	6,398	24,630	7,892	7,624	4,555	36,499	4,032	6,594	-
Total liabilities and shareholders' equity	$ 8,604	$ 30,329	$ 9,819	$ 11,049	$ 23,336	$ 45,254	$ 5,299	$ 8,124	$ (509)

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	Reclassifications	The Art Institute of Atlanta Combined OPEID# 009270
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 16,999	$ 91	$ 3	$ 2,601	$ 3,294	$ 984	$ 19	$ 716	$ -	$ 7,708
Restricted cash (a)	2,978	301	30	36	100	1,034	3,516	1,064	-	6,081
Total cash, cash equivalents and restricted cash	19,977	392	33	2,637	3,394	2,018	3,535	1,780	-	13,789
Receivables:										
Trade	5,427	13,059	4,233	2,164	6,147	1,767	712	307	-	28,389
Allowance for doubtful accounts	(2,284)	(8,187)	(2,180)	(1,308)	(3,192)	(1,209)	(189)	(67)	-	(16,332)
Notes, advances, and other receivables	156	2	215	30	(4)	485	10	16	-	754
Deferred income taxes	362	1,027	477	268	575	152	41	58	-	2,598
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-
Other current assets	207	226	50	134	1,026	51	7	94	-	1,588
Total current assets	23,845	6,519	2,828	3,925	7,946	3,264	4,116	2,188	-	30,786
Property and equipment, net	11,552	5,091	3,234	2,892	3,760	1,893	1,943	3,043	-	21,856
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	137	182	142	824	-	6	32	(96)	1,227
Other long-term assets	753	1,481	670	396	573	138	124	39	-	3,421
Investment in affiliate	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	270	-	-	-	-	-	-	-	-	-
Goodwill	21,748	-	-	-	-	-	-	-	-	-
Total assets	$ 58,168	$ 13,228	$ 6,914	$ 7,355	$ 13,103	$ 5,295	$ 6,189	$ 5,302	$ (96)	$ 57,290
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	202	82	37	12	78	21	6	148	-	384
Accrued liabilities	1,446	439	263	229	1,014	124	37	97	-	2,203
Advance payments	1,678	568	460	297	426	287	90	225	-	2,353
Unearned tuition	-	-	-	-	-	-	-	-	-	-
Total current liabilities	3,326	1,089	760	538	1,518	432	133	470	-	4,940
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	5,432	-	-	-	-	96	-	-	(96)	-
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,285	1,742	759	517	2,905	761	1,057	1,222	-	8,963
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	88,485	118,625	7,237	3,142	24,878	1,117	(4,234)	2,235	-	153,000
Net investment of EDMC (b)	(41,360)	(108,228)	(1,842)	3,158	(16,198)	2,889	9,233	1,375	-	(109,613)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	47,125	10,397	5,395	6,300	8,680	4,006	4,999	3,610	-	43,387
Total liabilities and shareholders' equity	$ 58,168	$ 13,228	$ 6,914	$ 7,355	$ 13,103	$ 5,295	$ 6,189	$ 5,302	$ (96)	$ 57,290

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	Reclassifications	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	Argosy University	Western State University - College of Law
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 36	$ 27	$ 1,454	$ 24	$ 654	$ 16	$ -	$ 2,211	$ 61,183	$ 3,790
Restricted cash (a)	2,029	2,042	2,054	238	2,016	3,011	-	11,390	48,056	1,000
Total cash, cash equivalents and restricted cash	2,065	2,069	3,508	262	2,670	3,027	-	13,601	109,239	4,790
Receivables:										
Trade	6,101	1,640	2,872	5,002	604	941	-	17,160	35,938	(198)
Allowance for doubtful accounts	(3,584)	(731)	(1,474)	(3,037)	(283)	(490)	-	(9,599)	(11,585)	328
Notes, advances, and other receivables	132	423	(47)	13	6	113	-	640	19,013	511
Deferred income taxes	437	104	179	383	36	59	-	1,198	2,104	63
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-
Other current assets	45	997	109	194	10	12	-	1,367	1,319	142
Total current assets	5,196	4,502	5,147	2,817	3,043	3,662	-	24,367	156,028	5,636
Property and equipment, net	3,705	3,044	4,822	3,364	1,614	1,664	-	18,213	37,364	8,113
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	929	175	32	136	-	-	(75)	1,197	456	83
Other long-term assets	376	60	224	791	61	15	-	1,527	417	309
Investment in affiliate	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	3,899	104
Goodwill	456	395	-	-	-	-	-	851	66,075	-
Total assets	$ 10,662	$ 8,176	$ 10,225	$ 7,108	$ 4,718	$ 5,341	$ (75)	$ 46,155	$ 264,239	$ 14,245
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	77	153	87	68	27	19	-	431	3,583	42
Accrued liabilities	952	395	163	216	102	186	-	2,014	11,337	481
Advance payments	1,562	647	284	248	76	130	-	2,947	20,420	132
Unearned tuition	-	-	-	-	-	-	-	-	33,793	263
Total current liabilities	2,591	1,195	534	532	205	335	-	5,392	69,133	918
Long-term debt, less current portion	-	-	-	-	-	-	-	-	14,940	18,250
Deferred income taxes	-	-	-	-	45	30	(75)	-	-	-
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,732	2,058	1,775	1,161	748	1,056	-	8,530	17,647	-
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	65,463	45,949	(4,571)	1,655	(3,340)	(1,984)	-	103,172	126,733	(6,430)
Net investment of EDMC (b)	(59,124)	(41,026)	12,487	3,760	7,060	5,904	-	(70,939)	35,786	1,507
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	6,339	4,923	7,916	5,415	3,720	3,920	-	32,233	162,519	(4,923)
Total liabilities and shareholders' equity	$ 10,662	$ 8,176	$ 10,225	$ 7,108	$ 4,718	$ 5,341	$ (75)	$ 46,155	$ 264,239	$ 14,245

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley	Reclassifications	Argosy University Combined OPEID #021799
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 10,227	$ 786	$ 583	$ 408	$ 524	$ 453	$ 7,570	$ 1,799	$ -	$ 87,323
Restricted cash (a)	1,673	2,129	649	73	4,491	112	1,259	562	-	60,004
Total cash, cash equivalents and restricted cash	11,900	2,915	1,232	481	5,015	565	8,829	2,361	-	147,327
Receivables:										
Trade	4,181	6,372	4,769	4,375	2,891	12,006	9,976	1,639	-	81,949
Allowance for doubtful accounts	(2,053)	(3,148)	(2,185)	(1,717)	(1,169)	(5,070)	(4,680)	(704)	-	(31,983)
Notes, advances, and other receivables	245	838	649	252	101	39	170	21	-	21,839
Deferred income taxes	757	404	272	218	168	608	565	95	-	5,254
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-
Other current assets	110	289	438	92	97	123	395	41	-	3,046
Total current assets	15,140	7,670	5,175	3,701	7,103	8,271	15,255	3,453	-	227,432
Property and equipment, net	7,845	5,181	4,901	4,653	6,403	7,344	10,802	3,418	-	96,024
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	1,304	578	398	23	369	-	103	(3,314)	-
Other long-term assets	446	945	433	420	185	2,783	1,465	180	-	7,583
Investment in affiliate	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	1	-	-	4,004
Goodwill	666	-	-	-	9,211	-	14,128	-	-	90,080
Total assets	$ 24,097	$ 15,100	$ 11,087	$ 9,172	$ 22,925	$ 18,767	$ 41,651	$ 7,154	$ (3,314)	$ 425,123
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	138	108	84	29	81	121	233	40	-	4,459
Accrued liabilities	5,061	597	640	378	555	834	621	195	-	20,699
Advance payments	1,379	946	1,217	290	1,288	673	784	386	-	27,515
Unearned tuition	-	-	-	-	-	-	-	-	-	34,056
Total current liabilities	6,578	1,651	1,941	697	1,924	1,628	1,638	621	-	86,729
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	33,190
Deferred income taxes	1	-	-	-	-	-	3,736	-	(3,314)	423
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	3,505	8,633	2,466	1,526	2,256	2,588	5,052	270	-	43,943
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	13,573	44,510	55,941	9,363	106,890	35,222	23,903	502	-	410,207
Net investment of EDMC (b)	440	(39,694)	(49,261)	(2,414)	(88,145)	(20,671)	7,322	5,761	-	(149,369)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	14,013	4,816	6,680	6,949	18,745	14,551	31,225	6,263	-	260,838
Total liabilities and shareholders' equity	$ 24,097	$ 15,100	$ 11,087	$ 9,172	$ 22,925	$ 18,767	$ 41,651	$ 7,154	$ (3,314)	$ 425,123

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	Argosy Professional Services Not Title IV Eligible	Argosy Eliminations	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 87	$ -	$ 87,410	$ 1,750	$ 113	$ 1,127	$ 1,549	$ 33	$ 166	$ 1,732
Restricted cash (a)	-	-	60,004	26,863	-	4,092	3	400	3,534	1,000
Total cash, cash equivalents and restricted cash	87	-	147,414	28,613	113	5,219	1,552	433	3,700	2,732
Receivables:										
Trade	144	-	82,093	30,246	7,086	5,811	5,354	6,685	10,173	6,124
Allowance for doubtful accounts	-	-	(31,983)	(10,894)	(884)	(230)	(1,367)	(1,368)	(1,567)	(851)
Notes, advances, and other receivables	-	-	21,839	10,822	269	9	3	3	64	7
Deferred income taxes	21	-	5,275	1,680	164	100	277	233	389	154
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-
Other current assets	401	-	3,447	244	135	155	103	113	773	233
Total current assets	653	-	228,085	60,711	6,883	11,064	5,922	6,099	13,532	8,399
Property and equipment, net	395	-	96,419	2,207	1,012	5,864	1,963	4,312	3,103	2,250
Investment in subsidiaries	-	-	-	77,555	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	110	233	265	222	338	30
Other long-term assets	-	-	7,583	919	303	15	721	1,006	1,285	448
Investment in affiliate	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	19	-	4,023	3,144	-	111	74	-	45	-
Goodwill	-	-	90,080	44,295	-	-	-	-	-	-
Total assets	$ 1,067	$ -	$ 426,190	$ 188,831	$ 8,308	$ 17,287	$ 8,945	$ 11,639	$ 18,303	$ 11,127
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	124	-	4,583	2,125	184	123	86	117	220	216
Accrued liabilities	483	-	21,182	9,975	218	218	194	197	175	89
Advance payments	617	-	28,132	23,476	171	565	44	51	202	389
Unearned tuition	-	-	34,056	13,169	4,726	4,963	2,593	3,373	7,276	3,827
Total current liabilities	1,224	-	87,953	48,745	5,299	5,869	2,917	3,738	7,873	4,521
Long-term debt, less current portion	-	-	33,190	-	-	-	-	-	-	-
Deferred income taxes	15	-	438	12,897	-	-	-	-	-	-
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	30	-	43,973	1,173	67	4,563	1,873	2,574	1,967	1,278
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	8,233	-	418,440	73,618	6,480	24,566	11,529	(466)	41,703	(577)
Net investment of EDMC (b)	(8,435)	-	(157,804)	52,398	(3,538)	(17,711)	(7,374)	5,793	(33,240)	5,905
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	(202)	-	260,636	126,016	2,942	6,855	4,155	5,327	8,463	5,328
Total liabilities and shareholders' equity	$ 1,067	$ -	$ 426,190	$ 188,831	$ 8,308	$ 17,287	$ 8,945	$ 11,639	$ 18,303	$ 11,127

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	South University - Novi	South University - Austin	South University - Cleveland	South University - Highpoint	The Art Institute of Dallas	The Art Institute of Fort Worth	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham	South University Reclass and Elims	South University Consolidated OPEID# 013039
Assets										
Current assets:										
Cash:										
Cash and cash equivalents	$ 9	$ 2,379	$ 4,398	$ 3,727	$ 1,054	$ 1,341	$ 72	$ 521	$ -	$ 19,971
Restricted cash (a)	4,000	-	-	-	116	32	105	50	-	40,195
Total cash, cash equivalents and restricted cash	4,009	2,379	4,398	3,727	1,170	1,373	177	571	-	60,166
Receivables:										
Trade	4,844	1,537	2,455	2,183	4,250	944	9,304	4,303	-	101,299
Allowance for doubtful accounts	(624)	(252)	(505)	(340)	(2,427)	(471)	(5,846)	(2,489)	-	(30,115)
Notes, advances, and other receivables	3	-	40	4	1	44	22	11	-	11,302
Deferred income taxes	107	43	78	78	373	80	747	445	-	4,948
Prepaid income taxes	-	-	-	-	-	-	-	-	-	0
Other current assets	165	29	123	100	132	32	50	58	-	2,445
Total current assets	8,504	3,736	6,589	5,752	3,499	2,002	4,454	2,899	-	150,045
Property and equipment, net	3,219	1,167	3,807	3,524	6,130	1,171	2,000	5,378	-	47,107
Investment in subsidiaries	-	-	-	-	-	-	-	-	(77,555)	-
Deferred income taxes	23	-	6	340	483	159	184	102	(2,495)	-
Other long-term assets	436	66	164	98	426	90	1,433	866	-	8,276
Investment in affiliate	-	-	-	-	-	-	-	-	-	0
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	3,374
Goodwill	-	-	-	-	-	-	607	-	-	44,902
Total assets	$ 12,182	$ 4,969	$ 10,566	$ 9,714	$ 10,538	$ 3,422	$ 8,678	$ 9,245	$ (80,050)	$ 253,704
Liabilities and shareholders' equity										
Current liabilities:										
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Accounts payable	197	30	120	119	26	19	172	38	-	3,792
Accrued liabilities	196	200	155	233	368	113	344	225	-	12,900
Advance payments	67	21	44	14	539	215	242	293	-	26,333
Unearned tuition	2,663	947	1,360	1,394	-	-	-	-	-	46,291
Total current liabilities	3,123	1,198	1,679	1,760	933	347	758	556	-	89,316
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	30	-	-	-	-	-	-	(2,495)	10,432
Payable to affiliate	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,238	23	2,519	2,217	3,687	641	820	2,300	-	27,940
Shareholders' equity:										
Common stock, at par	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) Retained earnings	(6,342)	(9,657)	(7,035)	(4,060)	44,703	(472)	13,718	1,428	(69,612)	119,524
Net investment of EDMC (b)	13,163	13,375	13,403	9,797	(38,785)	2,906	(6,618)	4,961	(7,943)	6,492
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	6,821	3,718	6,368	5,737	5,918	2,434	7,100	6,389	(77,555)	126,016
Total liabilities and shareholders' equity	$ 12,182	$ 4,969	$ 10,566	$ 9,714	$ 10,538	$ 3,422	$ 8,678	$ 9,245	$ (80,050)	$ 253,704

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2014
(in thousands)

	Brown Mackie College - Salina	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Reclassifications	Brown Mackie Education Corporation OPEID# 006755	Corporate and Eliminations	EDMC
Assets							
Current assets:							
Cash:							
Cash and cash equivalents	$ 921	$ 854	$ 2,181	$ -	$ 3,956	$ 37,349	$ 270,567
Restricted cash (a)	485	2,500	750	-	3,735	44,838	271,681
Total cash, cash equivalents and restricted cash	1,406	3,354	2,931	-	7,691	82,187	542,248
Receivables:							
Trade	566	573	675	-	1,814	1,420	353,517
Allowance for doubtful accounts	(318)	(305)	(329)	-	(952)	(2,072)	(143,335)
Notes, advances, and other receivables	415	5	3	-	423	(164)	57,908
Deferred income taxes	62	39	44	-	145	1,332	24,502
Prepaid income taxes	-	-	-	-	-	5,283	5,283
Other current assets	17	25	26	-	68	22,449	35,843
Total current assets	2,148	3,691	3,350	-	9,189	110,435	875,966
Property and equipment, net	1,191	2,391	3,582	-	7,164	56,909	429,457
Investment in subsidiaries	-	-	-	-	-	-	-
Deferred income taxes	176	-	11	(117)	70	(24,414)	-
Other long-term assets	51	2	2	-	55	24,973	58,384
Investment in affiliate	2,528	-	-	-	2,528	(2,528)	-
Intangible assets, net of amortization	-	-	-	-	-	160,186	169,823
Goodwill	-	-	-	-	-	155,672	343,406
Total assets	$ 6,094	$ 6,084	$ 6,945	$ (117)	$ 19,006	$ 481,233	$ 1,877,036
Liabilities and shareholders' equity							
Current liabilities:							
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ 219,890	$ 219,890
Current portion of long-term debt	-	-	-	-	-	11,875	11,875
Accounts payable	43	24	23	-	90	26,281	38,553
Accrued liabilities	145	97	275	-	517	98,553	167,282
Advance payments	91	14	61	-	166	1	81,856
Unearned tuition	378	392	504	-	1,274	2,200	115,869
Total current liabilities	657	527	863	-	2,047	358,800	635,325
Long-term debt, less current portion	-	-	-	-	-	1,198,856	1,271,586
Deferred income taxes	-	117	-	(117)	-	41,109	58,577
Payable to affiliate	-	-	-	-	-	-	-
Other long-term liabilities	310	906	194	-	1,410	44,910	196,421
Shareholders' equity:							-
Common stock, at par	-	-	-	-	-	1,452	1,452
Additional paid-in capital	-	-	-	-	-	1,815,860	1,815,860
Treasury stock, at cost	-	-	-	-	-	(331,877)	(331,877)
(Accumulated deficit) Retained earnings	3,392	(4,804)	2,287	-	875	(3,744,617)	(1,762,096)
Net investment of EDMC (b)	1,735	9,338	3,601	-	14,674	1,104,952	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	(8,212)	(8,212)
Total shareholders' equity	5,127	4,534	5,888	-	15,549	(1,162,442)	(284,873)
Total liabilities and shareholders' equity	$ 6,094	$ 6,084	$ 6,945	$ (117)	$ 19,006	$ 481,233	$ 1,877,036

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	The Art Institute of Pittsburgh OPEID# 007470	The Art Institute of Philadelphia OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City
Net revenues	$ 159,980	$ 36,315	$ 28,250	$ 22,473	$ 7,245	$ 8,581	$ 17,809	$ 6,547
Costs and expenses:								
Educational services	71,334	27,422	15,300	14,170	4,895	5,421	11,632	4,887
General and administrative	64,105	9,700	9,216	5,269	2,608	2,461	4,391	1,874
Long-lived asset impairments	1,181	1,855	–	–	2,546	5,144	–	1,596
Depreciation and amortization	3,981	1,358	1,558	710	738	844	1,270	509
Total costs and expenses	140,601	40,335	26,074	20,149	10,787	13,870	17,293	8,866
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	19,379	(4,020)	2,176	2,324	(3,542)	(5,289)	516	(2,319)
Interest expense, net	2,141	5	1,185	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	17,238	(4,025)	991	2,324	(3,542)	(5,289)	516	(2,319)
Income tax (benefit) expense	8,243	(3,661)	1,898	2,606	587	1,037	1,348	404
Net loss (income) from continuing operations	8,995	(364)	(907)	(282)	(4,129)	(6,326)	(832)	(2,723)
Beneficial conversion feature	–	–	–	–	–	–	–	–
Net (loss) income	$ 8,995	$ (364)	$ (907)	$ (282)	$ (4,129)	$ (6,326)	$ (832)	$ (2,723)
Composite Score	1.9	1.8	2.0	2.8	1.8	1.7	2.2	1.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	The Art Institute of Indianapolis	The Art Institute of Tucson TDC	The Art Institute of St. Louis	The Art Institute of Vancouver	Brown Mackie College - Dallas/ Ft Worth	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami
Net revenues	$ 15,191	$ 7,801	$ 8,257	$ 21,466	$ 6,521	$ 11,976	$ 7,540	$ 3,901	$ 14,278
Costs and expenses:									
Educational services	8,601	4,977	5,199	11,653	3,524	8,553	5,163	3,284	10,993
General and administrative	4,341	1,953	2,236	4,869	2,469	3,229	1,927	730	2,997
Long-lived asset impairments	–	1,228	3,398	7,225	–	–	434	–	–
Depreciation and amortization	1,204	836	888	1,745	505	693	652	263	890
Total costs and expenses	14,146	8,994	11,721	25,492	6,498	12,475	8,176	4,277	14,880
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	(728)	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,045	(1,193)	(3,464)	(4,026)	23	(1,227)	(636)	(376)	(602)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,045	(1,193)	(3,464)	(4,026)	23	(1,227)	(636)	(376)	(602)
Income tax (benefit) expense	1,142	974	1,769	472	319	(194)	(97)	(71)	2,595
Net loss (income) from continuing operations	(97)	(2,167)	(5,233)	(4,498)	(296)	(1,033)	(539)	(305)	(3,197)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (97)	$ (2,167)	$ (5,233)	$ (4,498)	$ (296)	$ (1,033)	$ (539)	$ (305)	$ (3,197)
Composite Score	2.8	1.4	0.8	0.9	2.4	1.8	1.8	1.8	0.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne
Net revenues	$ 7,422	$ 4,918	$ 1,378	$ 6,210	$ 15,004	$ 14,691	$ 2,995	$ 5,116	$ 7,191
Costs and expenses:									
Educational services	4,010	2,690	1,612	4,399	9,286	9,135	1,803	3,959	5,421
General and administrative	1,970	1,139	58	1,163	3,995	3,635	748	1,353	1,547
Long-lived asset impairments	–	–	–	(1)	–	–	–	–	–
Depreciation and amortization	143	454	220	476	843	906	186	268	961
Total costs and expenses	6,123	4,283	1,890	6,037	14,124	13,676	2,737	5,580	7,929
Earnings (loss) in investment in subsidiaries	–	–	–	(363)	–	–	–	(364)	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,299	635	(512)	(190)	880	1,015	258	(828)	(738)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,299	635	(512)	(190)	880	1,015	258	(828)	(738)
Income tax (benefit) expense	379	2,617	311	(78)	1,209	478	2,566	11	(614)
Net loss (income) from continuing operations	920	(1,982)	(823)	(112)	(329)	537	(2,308)	(839)	(124)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ 920	$ (1,982)	$ (823)	$ (112)	$ (329)	$ 537	$ (2,308)	$ (839)	$ (124)
Composite Score	3.0	0.7	1.6	2.1	2.2	2.5	0.2	1.8	1.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis	Brown Mackie College - Atlanta
Net revenues	$ 5,281	$ 8,514	$ 11,712	$ 9,469	$ 9,507	$ 6,647	$ 10,261	$ 6,841	$ 13,620
Costs and expenses:									
Educational services	3,854	5,197	5,970	5,637	5,761	4,946	6,931	4,676	6,682
General and administrative	1,214	2,414	2,959	2,178	2,891	1,250	2,090	2,440	4,440
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	328	749	573	872	537	430	746	405	624
Total costs and expenses	5,396	8,360	9,502	8,687	9,189	6,626	9,767	7,521	11,746
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(115)	154	2,210	782	318	21	494	(680)	1,874
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(115)	154	2,210	782	318	21	494	(680)	1,874
Income tax (benefit) expense	348	1,097	1,090	1,907	751	607	974	798	1,296
Net loss (income) from continuing operations	(463)	(943)	1,120	(1,125)	(433)	(586)	(480)	(1,478)	578
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (463)	$ (943)	$ 1,120	$ (1,125)	$ (433)	$ (586)	$ (480)	$ (1,478)	$ 578
Composite Score	2.2	2.1	2.6	2.9	2.4	2.2	2.2	1.6	2.3

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	Brown Mackie College - Albuquerque	Eliminations	The Art Institute of Phoenix Combined OPEID# 040513	The Art Institute of York - Pennsylvania OPEID# 025578	The Art Institute of Ft Lauderdale OPEID# 010195	The Art Institute of Houston	The Art Institute of Austin	The Art Institute of Houston North	The Art Institute of San Antonio
Net revenues	$ 11,734	$ –	$ 318,097	$ 8,487	$ 28,415	$ 33,508	$ 25,062	$ 6,928	$ 22,272
Costs and expenses:									
Educational services	6,928	–	201,849	7,717	18,497	18,957	12,960	4,218	10,099
General and administrative	2,795	–	81,633	1,546	8,881	10,677	7,266	2,314	6,129
Long-lived asset impairments	–	–	21,570	622	–	–	–	1,031	–
Depreciation and amortization	672	–	22,140	281	678	1,570	1,716	285	1,408
Total costs and expenses	10,395	–	327,192	10,166	28,056	31,204	21,942	7,848	17,636
Earnings (loss) in investment in subsidiaries	–	1,453	(2)	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,339	1,453	(9,097)	(1,679)	359	2,304	3,120	(920)	4,636
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,339	1,453	(9,097)	(1,679)	359	2,304	3,120	(920)	4,636
Income tax (benefit) expense	543	–	29,181	(323)	1,919	2,696	2,928	168	2,386
Net loss (income) from continuing operations	796	1,453	(38,278)	(1,356)	(1,560)	(392)	192	(1,088)	2,250
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ 796	$ 1,453	$ (38,278)	$ (1,356)	$ (1,560)	$ (392)	$ 192	$ (1,088)	$ 2,250
					–				
Composite Score	2.5		2.0	1.8	2.2	1.7	1.4	1.8	2.4

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	The Art Institute of Houston Combined OPEID# 021171	The Art Institutes International Minnesota OPEID# 010248	The New England Institute of Art OPEID# 007486	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville
Net revenues	$ 87,770	$ 17,719	$ 12,822	$ 21,530	$ 19,142	$ 26,484	$ 37,260	$ 13,879	$ 9,592
Costs and expenses:									
Educational services	46,234	13,906	23,435	17,672	13,285	16,754	19,241	7,388	6,611
General and administrative	26,386	3,547	3,027	4,804	3,613	7,878	9,414	5,115	2,038
Long-lived asset impairments	1,031	1,117	2,704	1,726	1,794	–	–	–	2,881
Depreciation and amortization	4,979	1,120	556	489	1,843	1,391	2,174	789	726
Total costs and expenses	78,630	19,690	29,722	24,691	20,535	26,023	30,829	13,292	12,256
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	9,140	(1,971)	(16,900)	(3,161)	(1,393)	461	6,431	587	(2,664)
Interest expense, net	–	–	–	–	–	1,307	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	9,140	(1,971)	(16,900)	(3,161)	(1,393)	(846)	6,431	587	(2,664)
Income tax (benefit) expense	8,178	595	(3,394)	(606)	636	2,899	5,190	1,070	1,202
Net loss (income) from continuing operations	962	(2,566)	(13,506)	(2,555)	(2,029)	(3,745)	1,241	(483)	(3,866)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ 962	$ (2,566)	$ (13,506)	$ (2,555)	$ (2,029)	$ (3,745)	$ 1,241	$ (483)	$ (3,866)
Composite Score	2.0	1.7	(1.0)	(0.1)	1.8	1.8	2.8	2.3	1.7

Education Management Corporation and Subsidiaries
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For the Fiscal Year Ended June 30, 2015
(in thousands)

	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	The Art Institute of Atlanta Combined OPEID# 009270
Net revenues	$ 60,731	$ 44,635	$ 17,929	$ 13,286	$ 23,760	$ 9,427	$ 3,484	$ 14,359	$ 126,880
Costs and expenses:									
Educational services	33,240	27,706	11,173	8,404	18,104	5,507	2,596	6,855	80,345
General and administrative	16,567	12,270	4,771	3,110	5,496	2,588	1,204	4,782	34,221
Long-lived asset impairments	2,881	–	–	–	1,464	1,515	1,620	–	4,599
Depreciation and amortization	3,689	1,362	1,397	1,407	1,204	431	381	768	6,950
Total costs and expenses	56,377	41,338	17,341	12,921	26,268	10,041	5,801	12,405	126,115
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	4,354	3,297	588	365	(2,508)	(614)	(2,317)	1,954	765
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	4,354	3,297	588	365	(2,508)	(614)	(2,317)	1,954	765
Income tax (benefit) expense	7,462	1,697	1,328	1,210	670	675	6	792	6,378
Net loss (income) from continuing operations	(3,108)	1,600	(740)	(845)	(3,178)	(1,289)	(2,323)	1,162	(5,613)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (3,108)	$ 1,600	$ (740)	$ (845)	$ (3,178)	$ (1,289)	$ (2,323)	$ 1,162	$ (5,613)
Composite Score	2.8	2.5	2.3	2.3	1.8	1.8	1.8	2.6	2.3

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	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	Argosy University	Western State University - College of Law
Net revenues	$ 29,696	$ 16,947	$ 11,845	$ 13,767	$ 5,029	$ 4,788	$ 82,072	$ 286,058	$ 7,841
Costs and expenses:									
Educational services	22,050	10,048	9,749	10,367	2,509	2,724	57,447	156,648	7,361
General and administrative	6,643	3,402	4,213	3,216	1,823	1,519	20,816	106,819	1,030
Long-lived asset impairments	5,613	3,169	3,169	2,896	1,479	1,425	17,751	3,119	311
Depreciation and amortization	2,075	1,268	1,233	667	282	265	5,790	11,676	616
Total costs and expenses	36,381	17,887	18,364	17,146	6,093	5,933	101,804	278,262	9,318
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(6,685)	(940)	(6,519)	(3,379)	(1,064)	(1,145)	(19,732)	7,796	(1,477)
Interest expense, net	–	–	–	–	–	–	–	1,600	1,491
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(6,685)	(940)	(6,519)	(3,379)	(1,064)	(1,145)	(19,732)	6,196	(2,968)
Income tax (benefit) expense	2,331	1,502	481	1,031	486	414	6,245	8,621	1,053
Net loss (income) from continuing operations	(9,016)	(2,442)	(7,000)	(4,410)	(1,550)	(1,559)	(25,977)	(2,425)	(4,021)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (9,016)	$ (2,442)	$ (7,000)	$ (4,410)	$ (1,550)	$ (1,559)	$ (25,977)	$ (2,425)	$ (4,021)
Composite Score	1.1	1.2	1.1	1.8	1.8	1.8	1.5	1.2	1.7

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
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(in thousands)

	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley	Argosy University Combined OPEID# 021799-37
Net revenues	$ 21,949	$ 29,668	$ 26,094	$ 18,339	$ 37,619	$ 37,556	$ 32,374	$ 8,686	$ 506,184
Costs and expenses:									
Educational services	18,692	24,954	16,640	11,555	19,343	23,033	22,799	6,865	307,890
General and administrative	5,066	6,294	6,211	4,521	9,355	8,284	6,130	2,043	155,753
Long-lived asset impairments	6,078	2,506	1,493	284	–	–	15,405	2,636	31,832
Depreciation and amortization	1,601	1,509	1,200	1,622	1,370	4,140	2,558	875	27,167
Total costs and expenses	31,437	35,263	25,544	17,982	30,068	35,457	46,892	12,419	522,642
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(9,488)	(5,595)	550	357	7,551	2,099	(14,518)	(3,733)	(16,458)
Interest expense, net	–	–	–	–	–	–	–	–	3,091
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(9,488)	(5,595)	550	357	7,551	2,099	(14,518)	(3,733)	(19,549)
Income tax (benefit) expense	(28)	832	2,573	1,968	4,182	3,051	(347)	1,009	22,914
Net loss (income) from continuing operations	(9,460)	(6,427)	(2,023)	(1,611)	3,369	(952)	(14,171)	(4,742)	(42,463)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (9,460)	$ (6,427)	$ (2,023)	$ (1,611)	$ 3,369	$ (952)	$ (14,171)	$ (4,742)	$ (42,463)
Composite Score	1.1	1.7	1.5	1.9	1.9	2.5	1.8	1.5	1.5

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
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	Argosy Professional Services Not Title IV Eligible	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach
Net revenues	$ 7,483	$ 513,667	$ 161,383	$ 20,469	$ 22,186	$ 11,503	$ 14,741	$ 31,776	$ 16,265
Costs and expenses:									
Educational services	5,386	313,276	67,229	10,448	11,188	6,874	9,035	16,113	8,649
General and administrative	1,884	157,637	72,525	6,308	5,989	3,657	4,119	7,546	5,070
Long-lived asset impairments	-	31,832	–	–	–	–	–	–	–
Depreciation and amortization	189	27,356	4,238	508	1,152	495	958	1,521	594
Total costs and expenses	7,459	530,101	143,992	17,264	18,329	11,026	14,112	25,180	14,313
Earnings (loss) in investment in subsidiaries	–	–	(15,142)	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	24	(16,434)	2,249	3,205	3,857	477	629	6,596	1,952
Interest expense, net	–	3,091	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	24	(19,525)	2,249	3,205	3,857	477	629	6,596	1,952
Income tax (benefit) expense	292	23,206	6,116	908	2,943	553	1,544	3,863	877
Net loss (income) from continuing operations	(268)	(42,731)	(3,867)	2,297	914	(76)	(915)	2,733	1,075
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (268)	$ (42,731)	$ (3,867)	$ 2,297	$ 914	$ (76)	$ (915)	$ 2,733	$ 1,075
Composite Score		1.4	2.5	2.5	1.3	2.7	1.8	1.4	2.3

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2015
(in thousands)

	South University - Novi	South University - Austin	South University - Cleveland	South University - Highpoint	South University - Orlando	The Art Institute of Dallas	The Art Institute of Fort Worth	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham
Net revenues	$ 12,381	$ 5,223	$ 7,450	$ 7,328	$ 29	$ 23,721	$ 6,462	$ 23,669	$ 13,552
Costs and expenses:									
Educational services	7,334	5,640	5,844	5,390	183	15,153	3,648	18,308	10,721
General and administrative	4,226	3,021	3,333	2,723	182	6,293	2,289	4,789	3,363
Long-lived asset impairments	–	–	–	–	–	4,266	997	607	4,237
Depreciation and amortization	631	417	598	541	54	1,140	281	570	964
Total costs and expenses	12,191	9,078	9,775	8,654	419	26,852	7,215	24,274	19,285
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	190	(3,855)	(2,325)	(1,326)	(390)	(3,131)	(753)	(605)	(5,733)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	190	(3,855)	(2,325)	(1,326)	(390)	(3,131)	(753)	(605)	(5,733)
Income tax (benefit) expense	380	(339)	(592)	925	(125)	1,635	897	(349)	810
Net loss (income) from continuing operations	(190)	(3,516)	(1,733)	(2,251)	(265)	(4,766)	(1,650)	(256)	(6,543)
Beneficial conversion feature	–	–	–	–	–	–	–	–	–
Net (loss) income	$ (190)	$ (3,516)	$ (1,733)	$ (2,251)	$ (265)	$ (4,766)	$ (1,650)	$ (256)	$ (6,543)
Composite Score	2.3	1.7	1.8	1.7	1.8	0.4	1.8	2.1	1.5

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	South University Reclass and Elims	South University Consolidated OPEID# 013039	Brown Mackie College - Salina	Brown Mackie College - Birmingham	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Brown Mackie Education Corporation OPEID# 006755	Corporate & Eliminations	EDMC
Net revenues	$ –	$ 378,138	$ 6,218	$ 12,132	$ 4,337	$ 6,699	$ 29,386	$ (19,387)	$ 1,936,498
Costs and expenses:									
Educational services	–	201,757	4,876	6,700	2,789	4,262	18,627	84,851	1,262,948
General and administrative	–	135,433	1,006	2,983	1,759	2,167	7,915	89,073	685,998
Long-lived asset impairments	–	10,107	–	–	–	–	–	244,305	345,075
Depreciation and amortization	–	14,662	356	728	364	628	2,076	33,958	134,855
Total costs and expenses	–	361,959	6,238	10,411	4,912	7,057	28,618	452,187	2,428,876
Earnings (loss) in investment in subsidiaries	15,142	–	(364)	–	–	–	(364)	366	–
(Loss) Income before interest, loss on debt refinancing and income taxes	15,142	16,179	(384)	1,721	(575)	(358)	404	(471,208)	(492,378)
Interest expense, net	–	–	–	–	–	–	–	72,324	80,053
Loss on debt refinancing	–	–	–	–	–	–		(165,149)	(165,149)
(Loss) Income before income taxes	15,142	16,179	(384)	1,721	(575)	(358)	404	(378,383)	(407,282)
Income tax (benefit) expense	–	20,046	(91)	1,907	204	(197)	1,823	(112,672)	(1,947)
Net loss (income) from continuing operations	15,142	(3,867)	(293)	(186)	(779)	(161)	(1,419)	(265,711)	(405,335)
Beneficial conversion feature	–	–	–	–	–	–	–	13,279	13,279
Net (loss) income	$ 15,142	$ (3,867)	$ (293)	$ (186)	$ (779)	$ (161)	$ (1,419)	$ (278,990)	$ (418,614)
Composite Score		1.9	1.8	1.8	1.8	1.9	2.5		(1.0)

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	The Art Institute of Pittsburgh OPEID# 007470	The Art Institute of Philadelphia OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City
Net revenues	$ 177,568	$ 50,004	$ 37,790	$ 24,343	$ 9,880	$ 9,606	$ 21,922	$ 8,647
Costs and expenses:								
Educational services	75,884	31,477	18,327	14,524	5,849	5,858	12,494	6,176
General and administrative	72,263	14,161	10,373	6,993	3,396	2,873	6,278	2,417
Long-lived asset impairments	4,970	–	–	–	–	–	–	–
Depreciation and amortization	4,699	3,251	1,639	665	993	1,128	1,282	783
Total costs and expenses	157,816	48,889	30,339	22,182	10,238	9,859	20,054	9,376
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	19,752	1,115	7,451	2,161	(358)	(253)	1,868	(729)
Interest expense, net	533	–	1,179	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	19,219	1,115	6,272	2,161	(358)	(253)	1,868	(729)
Income tax (benefit) expense	10,808	5,205	4,310	2,440	297	(210)	1,697	370
Net (loss) income	$ 8,411	$ (4,090)	$ 1,962	$ (279)	$ (655)	$ (43)	$ 171	$ (1,099)
Composite Score	2.2	2.5	1.7	3.0	2.0	2.1	2.8	1.8

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	The Art Institute of Indianapolis	The Art Institute of Tucson TDC	The Art Institute of St. Louis	The Art Institute of Vancouver	Brown Mackie College - Dallas/ Ft Worth	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami
Net revenues	$ 17,292	$ 8,844	$ 8,308	$ 22,889	$ 4,778	$ 14,631	$ 10,249	$ 6,094	$ 17,685
Costs and expenses:									
Educational services	9,280	4,956	4,952	13,752	3,225	9,542	6,503	4,567	12,183
General and administrative	5,471	2,648	2,480	6,305	3,127	4,871	2,742	1,517	4,203
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,284	902	865	1,966	486	918	802	412	1,583
Total costs and expenses	16,035	8,506	8,297	22,023	6,838	15,331	10,047	6,496	17,969
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	(204)	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,257	338	11	866	(2,060)	(904)	202	(402)	(284)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,257	338	11	866	(2,060)	(904)	202	(402)	(284)
Income tax (benefit) expense	1,083	287	616	271	(773)	466	310	(65)	437
Net (loss) income	$ 174	$ 51	$ (605)	$ 595	$ (1,287)	$ (1,370)	$ (108)	$ (337)	$ (721)
Composite Score	2.9	2.8	2.4	2.8	1.8	1.8	2.6	1.8	2.5

Education Management Corporation and Subsidiaries
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	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne
Net revenues	$ 8,625	$ 5,718	$ 3,724	$ 7,053	$ 14,307	$ 19,207	$ 3,965	$ 5,698	$ 9,550
Costs and expenses:									
Educational services	4,678	2,950	2,759	4,778	10,194	11,338	2,049	5,279	6,415
General and administrative	2,916	1,913	840	1,587	3,791	5,796	1,390	1,629	1,976
Long-lived asset impairments	–	–	2,226	(1)	–	–	–	–	–
Depreciation and amortization	477	465	540	515	966	1,003	215	537	1,080
Total costs and expenses	8,071	5,328	6,365	6,879	14,951	18,137	3,654	7,445	9,471
Earnings (loss) in investment in subsidiaries	–	–	–	(101)	–	–	–	(102)	–
(Loss) Income before interest, loss on debt refinancing and income taxes	554	390	(2,641)	73	(644)	1,070	311	(1,849)	79
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	554	390	(2,641)	73	(644)	1,070	311	(1,849)	79
Income tax (benefit) expense	413	(168)	(530)	381	34	570	70	(464)	420
Net (loss) income	$ 141	$ 558	$ (2,111)	$ (308)	$ (678)	$ 500	$ 241	$ (1,385)	$ (341)
Composite Score	3.0	3.0	1.8	2.5	2.0	2.6	3.0	1.8	2.5

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(in thousands)

	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio	Brown Mackie College - Birmingham	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis
Net revenues	$ 5,493	$ 9,682	$ 11,701	$ 13,186	$ 10,719	$ 9,744	$ 7,779	$ 12,198	$ 8,539
Costs and expenses:									
Educational services	4,810	5,446	5,853	7,769	6,630	6,143	5,805	7,315	5,042
General and administrative	1,583	3,105	4,475	4,097	2,833	2,968	1,592	3,420	3,188
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	634	707	543	755	911	603	759	807	611
Total costs and expenses	7,027	9,258	10,871	12,621	10,374	9,714	8,156	11,542	8,841
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(1,534)	424	830	565	345	30	(377)	656	(302)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(1,534)	424	830	565	345	30	(377)	656	(302)
Income tax (benefit) expense	(322)	271	281	787	527	361	215	373	95
Net (loss) income	$ (1,212)	$ 153	$ 549	$ (222)	$ (182)	$ (331)	$ (592)	$ 283	$ (397)
Composite Score	1.8	2.8	3.0	2.6	2.7	2.4	1.9	2.7	2.0

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque	Eliminations	The Art Institute of Phoenix Combined OPEID# 040513	The Art Institute of York - Pennsylvania OPEID# 025578	The Art Institute of Ft Lauderdale OPEID# 010195	The Art Institute of Houston	The Art Institute of Austin	The Art Institute of Houston North
Net revenues	$ 16,570	$ 12,125	$ –	$ 380,751	$ 11,577	$ 37,415	$ 40,909	$ 30,594	$ 9,045
Costs and expenses:									
Educational services	7,577	6,803	–	233,494	8,656	21,889	19,844	13,606	4,421
General and administrative	6,302	3,924	–	114,646	2,384	9,859	11,040	7,791	2,952
Long-lived asset impairments	–	–	–	2,225	8,240	–	–	–	–
Depreciation and amortization	740	718	–	27,655	469	1,963	1,634	1,913	409
Total costs and expenses	14,619	11,445	–	378,020	19,749	33,711	32,518	23,310	7,782
Earnings (loss) in investment in subsidiaries	–	–	407	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,951	680	407	2,731	(8,172)	3,704	8,391	7,284	1,263
Interest expense, net	–	–	–	–	–	403	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,951	680	407	2,731	(8,172)	3,301	8,391	7,284	1,263
Income tax (benefit) expense	988	387	–	11,915	(3,108)	3,518	3,942	3,242	964
Net (loss) income	$ 963	$ 293	$ 407	$ (9,184)	$ (5,064)	$ (217)	$ 4,449	$ 4,042	$ 299
						–			
Composite Score	2.3	2.8		2.5	1.8	2.8	2.0	2.2	3.0

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	The Art Institute of San Antonio	The Art Institute of Houston Combined OPEID# 021171	The Art Institutes International Minnesota OPEID# 010248	The New England Institute of Art OPEID# 007486	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa
Net revenues	$ 24,141	$ 104,689	$ 23,263	$ 19,821	$ 27,919	$ 25,005	$ 31,866	$ 44,247	$ 16,943
Costs and expenses:									
Educational services	9,692	47,563	15,964	18,657	22,043	15,332	19,228	20,789	8,945
General and administrative	5,883	27,666	5,861	4,148	7,045	6,424	9,217	9,307	5,558
Long-lived asset impairments	–	–	–	–	375	–	–	–	–
Depreciation and amortization	1,168	5,124	1,284	976	983	1,508	1,667	2,260	1,257
Total costs and expenses	16,743	80,353	23,109	23,781	30,446	23,264	30,112	32,356	15,760
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	7,398	24,336	154	(3,960)	(2,527)	1,741	1,754	11,891	1,183
Interest expense, net	–	–	–	–	–	–	1,289	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	7,398	24,336	154	(3,960)	(2,527)	1,741	465	11,891	1,183
Income tax (benefit) expense	3,100	11,248	1,574	437	968	1,797	3,494	5,979	1,764
Net (loss) income	$ 4,298	$ 13,088	$ (1,420)	$ (4,397)	$ (3,495)	$ (56)	$ (3,029)	$ 5,912	$ (581)
Composite Score	2.2	2.2	2.3	1.8	1.8	2.7	1.8	3.0	2.9

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	The Art Institute of Jacksonville	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach
Net revenues	$ 11,819	$ 73,009	$ 56,958	$ 23,878	$ 15,917	$ 30,401	$ 11,237	$ 4,543	$ 15,062
Costs and expenses:									
Educational services	7,140	36,874	32,730	12,755	9,727	21,310	6,235	2,971	6,358
General and administrative	3,556	18,421	14,640	7,102	4,289	7,282	4,281	1,525	4,726
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,079	4,596	1,519	1,586	1,791	1,780	604	529	797
Total costs and expenses	11,775	59,891	48,889	21,443	15,807	30,372	11,120	5,025	11,881
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	44	13,118	8,069	2,435	110	29	117	(482)	3,181
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	44	13,118	8,069	2,435	110	29	117	(482)	3,181
Income tax (benefit) expense	356	8,099	5,242	1,924	904	2,133	249	(86)	1,123
Net (loss) income	$ (312)	$ 5,019	$ 2,827	$ 511	$ (794)	$ (2,104)	$ (132)	$ (396)	$ 2,058
Composite Score	2.4	3.0	2.7	2.7	2.5	2.4	2.5	1.8	2.4

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	The Art Institute of Atlanta Combined OPEID# 009270	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	Argosy University
Net revenues	$ 157,996	$ 42,224	$ 21,516	$ 15,383	$ 19,293	$ 4,610	$ 6,034	$ 109,060	$ 314,789
Costs and expenses:									
Educational services	92,086	25,185	10,351	10,304	12,529	2,453	3,084	63,906	177,807
General and administrative	43,845	11,931	5,465	4,355	5,614	1,922	2,388	31,675	119,259
Long-lived asset impairments	–	–	–	–	–	–	–	–	3,595
Depreciation and amortization	8,606	3,325	1,297	1,376	924	396	420	7,738	13,886
Total costs and expenses	144,537	40,441	17,113	16,035	19,067	4,771	5,892	103,319	314,547
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	13,459	1,783	4,403	(652)	226	(161)	142	5,741	242
Interest expense, net	–	–	–	–	–	–	–	–	1,415
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	13,459	1,783	4,403	(652)	226	(161)	142	5,741	(1,173)
Income tax (benefit) expense	11,489	4,131	2,729	428	1,229	(10)	221	8,728	11,260
Net (loss) income	$ 1,970	$ (2,348)	$ 1,674	$ (1,080)	$ (1,003)	$ (151)	$ (79)	$ (2,987)	$ (12,433)
Composite Score	3.0	2.2	2.6	2.0	2.3	2.0	2.6	2.8	2.3

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Western State University - College of Law	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley
Net revenues	$ 10,042	$ 30,080	$ 43,819	$ 35,068	$ 23,388	$ 45,136	$ 50,785	$ 45,547	$ 13,105
Costs and expenses:									
Educational services	8,009	21,017	26,674	19,339	12,060	20,180	25,944	26,309	8,339
General and administrative	1,430	10,154	10,856	9,702	6,496	9,838	10,752	10,887	3,322
Long-lived asset impairments	–	–	-	-	–	–	–	–	–
Depreciation and amortization	693	1,704	1,523	1,295	1,717	1,383	4,211	2,416	1,216
Total costs and expenses	10,132	32,875	39,053	30,336	20,273	31,401	40,907	39,612	12,877
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(90)	(2,795)	4,766	4,732	3,115	13,735	9,878	5,935	228
Interest expense, net	1,450	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(1,540)	(2,795)	4,766	4,732	3,115	13,735	9,878	5,935	228
Income tax (benefit) expense	552	2,132	5,856	3,987	2,792	5,993	6,688	5,808	778
Net (loss) income	$ (2,092)	$ (4,927)	$ (1,090)	$ 745	$ 323	$ 7,742	$ 3,190	$ 127	$ (550)
Composite Score	(1.0)	1.8	1.6	2.4	2.8	2.7	3.0	3.0	2.6

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Argosy University Combined OPEID# 021799-37	Argosy Professional Services Not Title IV Eligible	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia
Net revenues	$ 611,759	$ 7,139	$ 618,898	$ 157,505	$ 20,928	$ 22,843	$ 12,504	$ 13,673	$ 34,467
Costs and expenses:									
Educational services	345,678	5,588	351,266	74,456	10,765	11,370	8,009	9,246	15,967
General and administrative	192,696	1,307	194,003	64,174	5,785	5,485	3,670	3,313	6,953
Long-lived asset impairments	3,595	-	3,595	–	–	–	–	–	–
Depreciation and amortization	30,044	210	30,254	4,868	774	1,217	533	998	1,488
Total costs and expenses	572,013	7,105	579,118	143,498	17,324	18,072	12,212	13,557	24,408
Earnings (loss) in investment in subsidiaries	–	–	–	(1,540)	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	39,746	34	39,780	12,467	3,604	4,771	292	116	10,059
Interest expense, net	2,865	–	2,865	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	36,881	34	36,915	12,467	3,604	4,771	292	116	10,059
Income tax (benefit) expense	45,846	33	45,879	9,457	2,010	2,174	881	760	4,959
Net (loss) income	$ (8,965)	$ 1	$ (8,964)	$ 3,010	$ 1,594	$ 2,597	$ (589)	$ (644)	$ 5,100
Composite Score	3.0		3.0	3.0	2.4	2.1	2.5	1.9	2.9

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	South University - Virginia Beach	South University - Novi	South University - Austin	South University - Cleveland	South University - Highpoint	The Art Institute of Dallas	The Art Institute of Fort Worth	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham
Net revenues	$ 15,495	$ 10,250	$ 3,299	$ 5,397	$ 4,786	$ 30,246	$ 7,632	$ 31,688	$ 18,326
Costs and expenses:									
Educational services	8,452	6,222	4,181	5,005	4,514	17,321	4,046	20,162	12,956
General and administrative	4,712	3,541	2,780	3,176	2,265	10,132	2,828	8,555	4,209
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	581	533	630	574	455	1,068	381	772	905
Total costs and expenses	13,745	10,296	7,591	8,755	7,234	28,521	7,255	29,489	18,070
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,750	(46)	(4,292)	(3,358)	(2,448)	1,725	377	2,199	256
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,750	(46)	(4,292)	(3,358)	(2,448)	1,725	377	2,199	256
Income tax (benefit) expense	974	332	(1,453)	(988)	(489)	2,440	712	3,213	1,020
Net (loss) income	$ 776	$ (378)	$ (2,839)	$ (2,370)	$ (1,959)	$ (715)	$ (335)	$ (1,014)	$ (764)
Composite Score	2.9	2.3	1.8	1.8	1.8	2.0	2.9	3.0	2.0

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2014
(in thousands)

	South University Reclass and Elims	South University Consolidated OPEID# 013039	Brown Mackie College - Salina	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Brown Mackie Education Corporation OPEID# 006755	Corporate & Eliminations	EDMC
Net revenues	$ –	$ 389,039	$ 7,344	$ 4,806	$ 7,711	$ 19,861	$ (22,795)	$ 2,272,736
Costs and expenses:								
Educational services	–	212,672	5,369	3,188	4,913	13,470	74,911	1,373,699
General and administrative	–	131,578	1,402	2,097	2,230	5,729	(41,731)	667,567
Long-lived asset impairments	–	–	–	–	–	–	548,811	568,216
Depreciation and amortization	–	15,777	376	471	735	1,582	32,730	152,501
Total costs and expenses	–	360,027	7,147	5,756	7,878	20,781	614,721	2,761,983
Earnings (loss) in investment in subsidiaries	1,540	–	(102)	–	–	(102)	102	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,540	29,012	95	(950)	(167)	(1,022)	(637,414)	(489,247)
Interest expense, net	–	–	–	–	–	–	121,764	128,033
Loss on debt refinancing	–	–	–	–	–		–	–
(Loss) Income before income taxes	1,540	29,012	95	(950)	(167)	(1,022)	(759,178)	(617,280)
Income tax (benefit) expense	–	26,002	269	(357)	135	47	(105,773)	46,637
Net (loss) income	$ 1,540	$ 3,010	$ (174)	$ (593)	$ (302)	$ (1,069)	$ (653,405)	$ (663,917)
Composite Score		2.3	2.5	1.8	2.2	1.9		(1.0)

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2015

	EDMC Total		Ai Atlanta 009270-00		Ai Colorado 020789-00		Ai Fort Lauderdale 010195-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 352,417,044	$ 352,417,044	$ 21,653,698	$ 21,653,698	$ 4,603,088	$ 4,603,088	$ 5,056,189	$ 5,056,189
Unsubsidized Stafford	$ 732,075,528	$ 732,075,528	$ 27,708,269	$ 27,708,269	$ 5,790,231	$ 5,790,231	$ 6,509,361	$ 6,509,361
Federal Pell Grant	$ 338,925,394	$ 338,925,394	$ 20,045,722	$ 20,045,722	$ 3,529,811	$ 3,529,811	$ 4,545,322	$ 4,545,322
FSEOG	$ 12,942,370	$ 12,942,370	$ 944,768	$ 944,768	$ 215,142	$ 215,142	$ 243,152	$ 243,152
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 106,993,968	$ 106,993,968	$ 15,190,978	$ 15,190,978	$ 2,621,552	$ 2,621,552	$ 2,181,655	$ 2,181,655
Grad PLUS Loan	$ 51,480,005	$ 51,480,005	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ 3,795,209	$ 3,795,209	$ 360,689	$ 360,689	$ 328,658	$ 328,658	$ 124,512	$ 124,512
Student Title IV Revenue		**$ 1,598,629,518**		**$ 85,904,124**		**$ 17,088,482**		**$ 18,660,191**
Revenue Adjustment		$ (169,343,194)		$ (1,842,277)		$ (542,662)		$ (309,650)
Adjusted Student Title IV Revenue		**$ 1,429,286,324**		**$ 84,061,847**		**$ 16,545,820**		**$ 18,350,541**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 27,673,383		$ 3,141,500		$ 409,531		$ 868,668	
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	$ 3,045,721		$ 1,782		$ -		$ -	
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	$ 1,908,010		$ 76,489		$ 6,589		$ 286,079	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 420,157,066		$ 33,140,849		$ 10,562,719		$ 7,635,909	
Tuition assistance funds for employees of related institutions	$ 7,782,803		$ 80,899		$ 58,954		$ 22,255	
Student Non-Title IV Revenue	**$ 460,566,983**		**$ 36,441,519**		**$ 11,037,793**		**$ 8,812,911**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	EDMC Total	Ai Atlanta 009270-00	Ai Colorado 020789-00	Ai Fort Lauderdale 010195-00
Numerator	$ 1,429,286,324	$ 84,061,847	$ 16,545,820	$ 18,350,541
Denominator	$ 1,889,853,307	$ 120,503,366	$ 27,583,613	$ 27,163,452
Rate	75.6%	69.8%	60.0%	67.6%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2015

	Ai Houston 021171-00 Amount Disbursed	Ai Houston 021171-00 Adjusted Amount	Ai Minnesota 010248-00 Amount Disbursed	Ai Minnesota 010248-00 Adjusted Amount	Ai Miami 008878-00 Amount Disbursed	Ai Miami 008878-00 Adjusted Amount	Ai New England 007486-00 Amount Disbursed	Ai New England 007486-00 Adjusted Amount
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 14,450,461	$ 14,450,461	$ 3,289,771	$ 3,289,771	$ 8,567,580	$ 8,567,580	$ 2,087,784	$ 2,087,784
Unsubsidized Stafford	$ 19,192,292	$ 19,192,292	$ 4,041,128	$ 4,041,128	$ 10,995,630	$ 10,995,630	$ 2,261,529	$ 2,261,529
Federal Pell Grant	$ 12,257,537	$ 12,257,537	$ 2,410,386	$ 2,410,386	$ 7,288,052	$ 7,288,052	$ 1,525,577	$ 1,525,577
FSEOG	$ 297,196	$ 297,196	$ 105,678	$ 105,678	$ 329,730	$ 329,730	$ 116,641	$ 116,641
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 7,144,562	$ 7,144,562	$ 1,422,679	$ 1,422,679	$ 6,693,033	$ 6,693,033	$ 3,021,437	$ 3,021,437
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ 48,044	$ 48,044	$ -	$ -
Perkins Loan	$ 742,018	$ 742,018	$ -	$ -	$ -	$ -	$ -	$ -
Student Title IV Revenue		**$ 54,084,066**		**$ 11,269,642**		**$ 33,922,069**		**$ 9,012,968**
Revenue Adjustment		$ (834,736)		$ (437,767)		$ (1,325,378)		$ (255,858)
Adjusted Student Title IV Revenue		**$ 53,249,330**		**$ 10,831,875**		**$ 32,596,691**		**$ 8,757,110**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 398,957		$ 1,435,393		$ 1,540,568		$ 69,333	
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	$ 2,546		$ 7,650		$ -		$ -	
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	$ 75,266		$ 3,428		$ 387,443		$ 45,699	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 27,151,189		$ 4,891,804		$ 24,381,270		$ 4,153,471	
Tuition assistance funds for employees of related institutions	$ 2,928		$ 11,544		$ 170,864		$ 24,771	
Student Non-Title IV Revenue	**$ 27,630,886**		**$ 6,349,819**		**$ 26,480,145**		**$ 4,293,274**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai Houston 021171-00	Ai Minnesota 010248-00	Ai Miami 008878-00	Ai New England 007486-00
Numerator	$ 53,249,330	$ 10,831,875	$ 32,596,691	$ 8,757,110
Denominator	$ 80,880,216	$ 17,181,694	$ 59,076,836	$ 13,050,384
Rate	65.8%	63.0%	55.2%	67.1%

Education Management Corporation and Subsidiaries
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	Ai New York 025256-00		Ai Pittsburgh 007470-00		Ai Portland 007819-00		Ai Philadelphia 008350-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 3,396,224	$ 3,396,224	$ 35,278,022	$ 35,278,022	$ 3,766,186	$ 3,766,186	$ 7,008,540	$ 7,008,540
Unsubsidized Stafford	$ 3,790,790	$ 3,790,790	$ 51,341,617	$ 51,341,617	$ 4,771,961	$ 4,771,961	$ 8,672,693	$ 8,672,693
Federal Pell Grant	$ 3,385,688	$ 3,385,688	$ 30,727,761	$ 30,727,761	$ 3,120,792	$ 3,120,792	$ 5,833,237	$ 5,833,237
FSEOG	$ 195,103	$ 195,103	$ 1,282,852	$ 1,282,852	$ 120,697	$ 120,697	$ 296,490	$ 296,490
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 3,033,439	$ 3,033,439	$ 5,504,313	$ 5,504,313	$ 1,913,879	$ 1,913,879	$ 4,368,434	$ 4,368,434
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ -	$ -	$ 531,205	$ 531,205	$ -	$ -	$ 181,194	$ 181,194
Student Title IV Revenue		**$ 13,801,244**		**$ 124,665,770**		**$ 13,693,515**		**$ 26,360,588**
Revenue Adjustment		$ (233,627)		$ (4,775,939)		$ (337,759)		$ (943,215)
Adjusted Student Title IV Revenue		**$ 13,567,617**		**$ 119,889,831**		**$ 13,355,756**		**$ 25,417,373**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 914,925		$ 1,766,445		$ -		$ 1,149,135	
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	$ -		$ 96,376		$ 35,172		$ -	
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	$ -		$ 105,219		$ 52,770		$ 27,150	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 3,500,393		$ 25,167,873		$ 6,013,142		$ 8,614,092	
Tuition assistance funds for employees of related institutions	$ 27,145		$ 411,294		$ 21,595		$ -	
Student Non-Title IV Revenue	**$ 4,442,463**		**$ 27,547,207**		**$ 6,122,679**		**$ 9,790,377**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai New York 025256-00	Ai Pittsburgh 007470-00	Ai Portland 007819-00	Ai Philadelphia 008350-00
Numerator	$ 13,567,617	$ 119,889,831	$ 13,355,756	$ 25,417,373
Denominator	$ 18,010,080	$ 147,437,038	$ 19,478,435	$ 35,207,750
Rate	75.3%	81.3%	68.6%	72.2%

Education Management Corporation and Subsidiaries
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	Ai Seattle 022913-00		Ai York 025578-00		Ai Chicago 012584-00		Ai Phoenix 040513-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 3,628,683	$ 3,628,683	$ 1,498,808	$ 1,498,808	$ 16,250,100	$ 16,250,100	$ 71,067,833	$ 71,067,833
Unsubsidized Stafford	$ 4,705,893	$ 4,705,893	$ 1,543,373	$ 1,543,373	$ 20,035,844	$ 20,035,844	$ 92,286,231	$ 92,286,231
Federal Pell Grant	$ 2,780,965	$ 2,780,965	$ 971,022	$ 971,022	$ 12,980,825	$ 12,980,825	$ 76,485,625	$ 76,485,625
FSEOG	$ 116,326	$ 116,326	$ 56,200	$ 56,200	$ 580,878	$ 580,878	$ 2,468,384	$ 2,468,384
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 2,216,235	$ 2,216,235	$ 1,895,322	$ 1,895,322	$ 10,098,510	$ 10,098,510	$ 8,876,710	$ 8,876,710
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ 455,461	$ 455,461	$ -	$ -	$ -	$ -	$ 312,619	$ 312,619
Student Title IV Revenue		**$ 13,903,563**		**$ 5,964,725**		**$ 59,946,157**		**$ 251,497,402**
Revenue Adjustment		$ (487,200)		$ (82,364)		$ (1,509,265)		$ (16,217,777)
Adjusted Student Title IV Revenue		**$ 13,416,363**		**$ 5,882,361**		**$ 58,436,892**		**$ 235,279,625**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 636,749		$ 749,965		$ 2,962,561		$ 4,252,158	
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	$ 23,240		$ -		$ -		$ 2,266,844	
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	$ 22,895		$ 32,248		$ 150,668		$ 130,999	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 11,633,971		$ 1,815,863		$ 15,538,836		$ 64,140,025	
Tuition assistance funds for employees of related institutions	$ 21,670		$ -		$ 68,104		$ 305,996	
Student Non-Title IV Revenue	**$ 12,338,525**		**$ 2,598,076**		**$ 18,720,169**		**$ 71,096,022**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai Seattle 022913-00	Ai York 025578-00	Ai Chicago 012584-00	Ai Phoenix 040513-00
Numerator	$ 13,416,363	$ 5,882,361	$ 58,436,892	$ 235,279,625
Denominator	$ 25,754,888	$ 8,480,437	$ 77,157,061	$ 306,375,647
Rate	52.1%	69.4%	75.7%	76.8%

Education Management Corporation and Subsidiaries
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	BMC Salina 006755-00		South 013039-00		Argosy 021799-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue						
Subsidized Stafford	$ 7,476,112	$ 7,476,112	$ 61,335,354	$ 61,335,354	$ 82,002,611	$ 82,002,611
Unsubsidized Stafford	$ 9,431,659	$ 9,431,659	$ 197,981,852	$ 197,981,852	$ 261,015,175	$ 261,015,175
Federal Pell Grant	$ 8,425,731	$ 8,425,731	$ 58,382,457	$ 58,382,457	$ 84,228,884	$ 84,228,884
FSEOG	$ 245,998	$ 245,998	$ 2,326,711	$ 2,326,711	$ 3,000,424	$ 3,000,424
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 448,119	$ 448,119	$ 8,776,733	$ 8,776,733	$ 21,586,378	$ 21,586,378
Grad PLUS Loan	$ -	$ -	$ 15,932,137	$ 15,932,137	$ 35,499,824	$ 35,499,824
Perkins Loan	$ -	$ -	$ 91,032	$ 91,032	$ 667,821	$ 667,821
Student Title IV Revenue		**$ 26,027,619**		**$ 344,826,276**		**$ 488,001,117**
Revenue Adjustment		$ (1,842,105)		$ (40,958,025)		$ (96,407,590)
Adjusted Student Title IV Revenue		**$ 24,185,514**		**$ 303,868,251**		**$ 391,593,527**
Student Non-Title IV Revenue						
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 240,573		$ 3,224,644		$ 3,912,278	
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	$ 66,259		$ 129,007		$ 416,845	
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	$ 36,192		$ 395,821		$ 73,055	
Institutional scholarships disbursed to the student	$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -	
Student Payments	$ 3,454,230		$ 70,602,097		$ 97,759,333	
Tuition assistance funds for employees of related institutions	$ -		$ 2,382,842		$ 4,171,942	
Student Non-Title IV Revenue	**$ 3,797,254**		**$ 76,734,411**		**$ 106,333,453**	
Revenue From Other Sources (Totals for the Fiscal Year)						
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	$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**	

	BMC Salina 006755-00	South 013039-00	Argosy 021799-00
Numerator	$ 24,185,514	$ 303,868,251	$ 391,593,527
Denominator	$ 27,982,768	$ 380,602,662	$ 497,926,980
Rate	86.4%	79.8%	78.6%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2014

	EDMC Total		Ai Atlanta 009270-00		Ai Colorado 020789-00		Ai Fort Lauderdale 010195-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 410,828,626	$ 409,655,107	$ 25,124,442	$ 25,124,442	$ 5,829,748	$ 5,829,748	$ 6,721,397	$ 6,721,397
Unsubsidized Stafford	$ 799,715,504	$ 784,215,370	$ 33,461,467	$ 33,461,467	$ 7,801,135	$ 7,801,135	$ 9,016,538	$ 9,016,538
Federal Pell Grant	$ 384,694,504	$ 383,808,635	$ 23,249,267	$ 23,249,267	$ 4,349,825	$ 4,349,825	$ 5,722,277	$ 5,722,277
FSEOG	$ 13,577,018	$ 13,555,836	$ 947,495	$ 947,495	$ 252,129	$ 252,129	$ 273,922	$ 273,922
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 145,655,224	$ 145,645,749	$ 17,710,037	$ 17,710,037	$ 3,040,263	$ 3,040,263	$ 3,030,989	$ 3,030,989
Grad PLUS Loan	$ 52,495,092	$ 49,433,991	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ 6,815,239	$ 6,815,239	$ 820,490	$ 820,490	$ 1,421,782	$ 1,421,782	$ 774,694	$ 774,694
Student Title IV Revenue		**$ 1,793,129,927**		**$ 101,313,198**		**$ 22,694,882**		**$ 25,539,817**
Revenue Adjustment		$ (171,758,960)		$ (3,006,310)		$ (817,776)		$ (637,025)
Adjusted Student Title IV Revenue		**$ 1,621,370,967**		**$ 98,306,888**		**$ 21,877,106**		**$ 24,902,793**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 47,773,228		$ 3,613,880		$ 453,824		$ 915,045	
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	$ 2,745,644		$ 11,675		$ 2,975		$ -	
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	$ 1,841,191		$ 176,806		$ -		$ 232,101	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 450,520,390		$ 36,341,278		$ 12,499,965		$ 8,612,841	
Tuition assistance funds for employees of related institutions	$ 8,810,479		$ 124,639		$ 57,915		$ 81,726	
Student Non-Title IV Revenue	**$ 511,690,932**		**$ 40,268,277**		**$ 13,014,678**		**$ 9,841,713**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	EDMC Total	Ai Atlanta 009270-00	Ai Colorado 020789-00	Ai Fort Lauderdale 010195-00
Numerator	$ 1,621,370,967	$ 98,306,888	$ 21,877,106	$ 24,902,793
Denominator	$ 2,133,061,899	$ 138,575,165	$ 34,891,784	$ 34,744,505
Rate	76%	71%	63%	72%

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	Ai Houston 021171-00		Ai Minnesota 010248-00		Ai Miami 008878-00		Ai New England 007486-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 17,124,998	$ 17,124,998	$ 4,217,745	$ 4,217,745	$ 10,290,424	$ 10,290,424	$ 2,889,206	$ 2,889,206
Unsubsidized Stafford	$ 22,907,563	$ 22,907,563	$ 5,304,777	$ 5,304,777	$ 13,446,294	$ 13,446,294	$ 3,118,564	$ 3,118,564
Federal Pell Grant	$ 13,860,321	$ 13,860,321	$ 2,903,864	$ 2,903,864	$ 8,461,345	$ 8,461,345	$ 1,912,015	$ 1,912,015
FSEOG	$ 466,745	$ 466,745	$ 103,730	$ 103,730	$ 384,438	$ 384,438	$ 103,691	$ 103,691
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 9,466,170	$ 9,466,170	$ 1,746,307	$ 1,746,307	$ 9,507,537	$ 9,507,537	$ 5,157,504	$ 5,157,504
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ 55,195	$ 55,195	$ -	$ -
Perkins Loan	$ 1,258,033	$ 1,258,033	$ -	$ -	$ -	$ -	$ -	$ -
Student Title IV Revenue		**$ 65,083,830**		**$ 14,276,423**		**$ 42,145,231**		**$ 13,180,980**
Revenue Adjustment		$ (1,587,866)		$ (570,589)		$ (2,417,411)		$ (533,371)
Adjusted Student Title IV Revenue		**$ 63,495,964**		**$ 13,705,834**		**$ 39,727,820**		**$ 12,647,609**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 410,301		$ 1,668,865		$ 1,541,845		$ 3,700	
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	$ -		$ 44,461		$ -		$ -	
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	$ 77,765		$ 4,921		$ 441,419		$ -	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 28,863,563		$ 5,178,692		$ 26,280,222		$ 5,792,658	
Tuition assistance funds for employees of related institutions	$ 14,884		$ -		$ 228,292		$ 16,480	
Student Non-Title IV Revenue	**$ 29,366,512**		**$ 6,896,939**		**$ 28,491,779**		**$ 5,812,838**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

Numerator	$ 63,495,964	$ 13,705,834	$ 39,727,820	$ 12,647,609
Denominator	$ 92,862,477	$ 20,602,773	$ 68,219,599	$ 18,460,447
Rate	68%	67%	58%	69%

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	Ai New York 025256-00 Amount Disbursed	Ai New York 025256-00 Adjusted Amount	Ai Pittsburgh 007470-00 Amount Disbursed	Ai Pittsburgh 007470-00 Adjusted Amount	Ai Portland 007819-00 Amount Disbursed	Ai Portland 007819-00 Adjusted Amount	Ai Philadelphia 008350-00 Amount Disbursed	Ai Philadelphia 008350-00 Adjusted Amount
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 4,587,251	$ 4,587,251	$ 43,622,466	$ 43,622,466	$ 4,633,816	$ 4,633,816	$ 9,302,003	$ 9,302,003
Unsubsidized Stafford	$ 5,276,410	$ 5,276,410	$ 59,529,137	$ 59,529,137	$ 6,092,149	$ 6,092,149	$ 11,747,416	$ 11,747,416
Federal Pell Grant	$ 4,358,878	$ 4,358,878	$ 31,882,406	$ 31,882,406	$ 3,672,595	$ 3,672,595	$ 7,124,147	$ 7,124,147
FSEOG	$ 221,389	$ 221,389	$ 1,475,667	$ 1,475,667	$ 140,420	$ 140,420	$ 317,549	$ 317,549
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 4,658,405	$ 4,658,405	$ 7,131,578	$ 7,131,578	$ 3,099,131	$ 3,099,131	$ 5,745,008	$ 5,745,008
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ -	$ -	$ 581,429	$ 581,429	$ -	$ -	$ 357,316	$ 357,316
Student Title IV Revenue		**$ 19,102,333**		**$ 144,222,683**		**$ 17,638,111**		**$ 34,593,438**
Revenue Adjustment		$ (636,304)		$ (7,510,292)		$ (838,711)		$ (1,553,172)
Adjusted Student Title IV Revenue		**$ 18,466,029**		**$ 136,712,390**		**$ 16,799,400**		**$ 33,040,266**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 1,850,075		$ 1,996,170		$ 11,217		$ 1,554,522	
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	$ -		$ 61,188		$ 17,921		$ 10,081	
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	$ -		$ 97,246		$ 41,960		$ -	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 4,718,039		$ 29,297,024		$ 7,138,293		$ 10,064,447	
Tuition assistance funds for employees of related institutions	$ 66,252		$ 557,984		$ 50,455		$ -	
Student Non-Title IV Revenue	**$ 6,634,366**		**$ 32,009,612**		**$ 7,259,845**		**$ 11,629,050**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai New York 025256-00	Ai Pittsburgh 007470-00	Ai Portland 007819-00	Ai Philadelphia 008350-00
Numerator	$ 18,466,029	$ 136,712,390	$ 16,799,400	$ 33,040,266
Denominator	$ 25,100,395	$ 168,722,003	$ 24,059,245	$ 44,669,316
Rate	74%	81%	70%	74%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2014

	Ai Seattle 022913-00		Ai York 025578-00		Ai Chicago 012584-00		Ai Phoenix 040513-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 4,492,296	$ 4,492,296	$ 2,041,327	$ 2,041,327	$ 20,286,152	$ 20,286,152	$ 86,293,581	$ 86,293,581
Unsubsidized Stafford	$ 5,869,441	$ 5,869,441	$ 2,037,846	$ 2,037,846	$ 25,646,582	$ 25,646,582	$ 114,218,640	$ 114,218,640
Federal Pell Grant	$ 3,076,610	$ 3,076,610	$ 1,153,338	$ 1,153,338	$ 15,255,448	$ 15,255,448	$ 94,902,651	$ 94,902,651
FSEOG	$ 176,789	$ 176,789	$ 64,544	$ 64,544	$ 704,810	$ 704,810	$ 2,765,221	$ 2,765,221
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 3,491,007	$ 3,491,007	$ 2,843,517	$ 2,843,517	$ 15,466,120	$ 15,466,120	$ 12,506,776	$ 12,506,776
Grad PLUS Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Perkins Loan	$ 254,862	$ 254,862	$ -	$ -	$ -	$ -	$ 658,243	$ 658,243
Student Title IV Revenue		**$ 17,361,004**		**$ 8,140,571**		**$ 77,359,113**		**$ 311,345,111**
Revenue Adjustment		$ (1,155,403)		$ (253,897)		$ (3,439,383)		$ (21,723,882)
Adjusted Student Title IV Revenue		**$ 16,205,601**		**$ 7,886,674**		**$ 73,919,729**		**$ 289,621,230**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 630,589		$ 879,026		$ 5,097,036		$ 4,945,754	
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	$ 12,317		$ -		$ -		$ 1,965,528	
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	$ 26,819		$ 50,989		$ 210,509		$ 103,280	
Institutional scholarships disbursed to the student	$ -		$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -		$ -	
Student Payments	$ 12,474,538		$ 2,144,091		$ 18,083,704		$ 66,280,068	
Tuition assistance funds for employees of related institutions	$ 7,275				$ 84,268		$ 350,567	
Student Non-Title IV Revenue	**$ 13,151,539**		**$ 3,074,105**		**$ 23,475,518**		**$ 73,645,197**	
Revenue From Other Sources (Totals for the Fiscal Year)								
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	$ -		$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**		**$ -**	

	Ai Seattle 022913-00	Ai York 025578-00	Ai Chicago 012584-00	Ai Phoenix 040513-00
Numerator	$ 16,205,601	$ 7,886,674	$ 73,919,729	$ 289,621,230
Denominator	$ 29,357,140	$ 10,960,779	$ 97,395,247	$ 363,266,427
Rate	55%	72%	76%	80%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2014

	BMC Salina 006755-00		South 013039-00		Argosy 021799-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue						
Subsidized Stafford	$ 4,880,998	$ 4,880,998	$ 62,437,974	$ 62,437,974	$ 96,052,803	$ 94,879,284
Unsubsidized Stafford	$ 6,201,042	$ 6,201,042	$ 167,993,374	$ 167,993,374	$ 300,047,131	$ 284,546,997
Federal Pell Grant	$ 5,380,491	$ 5,380,491	$ 61,982,969	$ 61,982,969	$ 95,446,057	$ 94,560,188
FSEOG	$ 154,869	$ 154,869	$ 2,318,499	$ 2,318,499	$ 2,705,112	$ 2,683,930
Federal Work Study Applied to Tution and Fees	$ -	$ -	$ -	$ -	$ -	$ -
Federal ACG Grant	$ -	$ -	$ -	$ -	$ -	$ -
Federal SMART Grant	$ -	$ -	$ -	$ -	$ -	$ -
PLUS Loan	$ 359,517	$ 359,517	$ 10,716,483	$ 10,716,483	$ 29,978,875	$ 29,969,400
Grad PLUS Loan	$ -	$ -	$ 13,956,934	$ 13,956,934	$ 38,482,963	$ 35,421,862
Perkins Loan	$ -	$ -	$ -	$ -	$ 688,390	$ 688,390
Student Title IV Revenue		**$ 16,976,918**		**$ 319,406,232**		**$ 542,750,051**
Revenue Adjustment		$ (1,006,277)		$ (36,742,827)		$ (87,328,464)
Adjusted Student Title IV Revenue		**$ 15,970,642**		**$ 282,663,405**		**$ 455,421,587**
Student Non-Title IV Revenue						
Grant funds for the student from non-federal public agencies or private sources independent of the insitution	$ 340,293		$ 3,143,031		$ 18,718,056	
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	$ 130,263		$ 188,393		$ 300,842	
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	$ -		$ 331,757		$ 45,618	
Institutional scholarships disbursed to the student	$ -		$ -		$ -	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	$ -		$ -		$ -	
Student Payments	$ 3,305,546		$ 63,595,781		$ 109,849,642	
Tuition assistance funds for employees of related institutions	$ -		$ 2,597,159		$ 4,572,582	
Student Non-Title IV Revenue	**$ 3,776,103**		**$ 69,856,120**		**$ 133,486,741**	
Revenue From Other Sources (Totals for the Fiscal Year)						
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	$ -		$ -		$ -	
The Net Present Value (NPV) of institutional loans disbursed to students	$ -		$ -		$ -	
Revenue from Other Sources	**$ -**		**$ -**		**$ -**	

	BMC Salina 006755-00	South 013039-00	Argosy 021799-00
Numerator	$ 15,970,642	$ 282,663,405	$ 455,421,587
Denominator	$ 19,746,744	$ 352,519,524	$ 588,908,328
Rate	81%	80%	77%

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

The Shareholders and Board of Directors
Education Management Corporation and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States 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 Education Management Corporation and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, cash flows and shareholders' equity for the years then ended, and the related notes to the consolidated financial statements. We have issued our report thereon dated September 30, 2015 and expressed an unqualified opinion thereon.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Education Management Corporation and Subsidiaries' 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 Education Management Corporation and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Education Management Corporation and Subsidiaries' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness.

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 to those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Education Management Corporation and Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Education Management Corporation and Subsidiaries' Response to Findings

Education Management Corporation and Subsidiaries' response to the findings identified in our audits are described in the accompanying Schedule of Findings and Responses. Education Management Corporation and Subsidiaries' response was not subjected to the auditing procedures applied in the audits of the financial statements or internal control over financial reporting 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 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.

Ernst + Young LLP

September 30, 2015

Education Management Corporation and Subsidiaries

Schedule of Findings and Responses

Year Ended June 30, 2015

Criteria:	Education Management Corporation and Subsidiaries' (the "Company") financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP").
Condition:	The Company has not maintained effective controls to ensure the proper selection of its revenue recognition policy. Specifically, the process for analyzing the collectibility criterion for revenue recognition was not designed to assess collectibility, on a student-by-student basis, prior to enrollment in the Company's schools. This condition also existed at June 30, 2014, as previously reported.
Cause:	The Company's lack of adequate internal controls over the selection of the revenue recognition policy did not appropriately address the assertion of collectability being reasonably assured on a student-by-student basis prior to enrollment.
Effect:	The lack of adequately designed controls over the proper selection of its revenue recognition policy could result in errors within the Company's financial statements that could be material.
Recommendation:	We recommend that the Company implement controls over the selection of the revenue recognition policy to appropriately assess collectibility, on a student-by-student basis, prior to enrollment in the Company's schools.
Views of responsible officials planned corrective actions:	The Company has developed a suite of controls that will operate together to mitigate the collectability risk associated with day one revenue recognition. While the controls are not fully operational at June 30, 2015, the process has been re-designed and the controls have been implemented. Therefore, while a material weakness still exists at June 30, 2015, it relates to the operation of the newly designed and implemented controls rather than the lack of properly designed controls (i.e. there was not a sufficient period of time for the aforementioned controls to function in order to appropriately remediate the material weakness). The Company expects to have fully remediated the material weakness in fiscal year 2016.

Education Management Corporation and Subsidiaries

Schedule of Findings and Responses

Year Ended June 30, 2014

Criteria:	Education Management Corporation and Subsidiaries' (the "Company") financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP").
Condition:	The Company did not maintain effective controls to ensure the proper selection of its revenue recognition policy. Personnel with the appropriate level of accounting knowledge, experience and training commensurate with the financial reporting requirements did not analyze certain accounting issues at the level of detail required to ensure proper application of GAAP in certain circumstances. Specifically, the process for analyzing the collectibility criterion for revenue recognition was not designed to assess collectibility, on a student-by-student basis, throughout the period revenue was recognized by the Company. The deficiency related to analyzing the collectability criterion for recognizing revenue upon a student's drop from Company was effectively remediated by June 30, 2015.
Cause:	The Company's lack of adequate internal controls over the selection of the revenue recognition policy did not appropriately reflect revenue recorded upon a student's withdrawal from school during a term of instruction.
Effect:	The lack of adequately designed controls over the proper selection of its revenue recognition policy could result in errors within the Company's financial statements that could be material.
Recommendation:	We recommend that the Company implement controls over the selection of the revenue recognition policy to appropriately assess collectibility, on a student-by-student basis, throughout the period revenue was recognized by the Company.
Views of responsible officials planned corrective actions:	Management is committed to remediating the control deficiency that constitutes the material weakness by implementing changes to its internal control over financial reporting. Management is responsible for implementing changes and improvements in the internal control over financial reporting and for remediating the control deficiency that gave rise to the material weakness.
	Management plans to achieve this primarily through instituting additional controls within the revenue recognition process. Management also plans to undertake additional review processes to ensure the related significant accounting policies are implemented and applied properly on a consistent basis throughout the Company. Management believes these measures will remediate the control deficiency. The deficiency related to analyzing the collectability criterion for recognizing revenue upon a student's drop from Company was effectively remediated by June 30, 2015.