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EVERGLADES COLLEGE, INC.

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2015

Boisseau, Felicione & Associates, Inc.
13590 Jog Road, Suite C6
Delray Beach, FL 33446
Telephone: 561-495-5250
Fax: 561-495-5261

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Everglades College, Inc.
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Everglades College, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everglades College, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards expenditures and findings and questioned costs, as required Title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2016 on our consideration of Everglades College Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Everglades College Inc.'s internal control over financial reporting and compliance.

Keiser, Felicia & Ammirato

Delray Beach, Florida

September 23, 2016

EVERGLADES COLLEGE, INC.
d/b/a KEISER UNIVERSITY & EVERGLADES UNIVERSITY

STATEMENT OF FINANCIAL POSITION
December 31, 2015

	Unrestricted	Temporarily Resticted	Total
ASSETS:			
Cash and cash equivalents	$ 58,500,311	$ -	$ 58,500,311
Restricted cash	28,557,379	187,564	28,744,943
Marketable securities	3,852,392	-	3,852,392
Accounts receivable, net of allowance for doubtful accounts of $21,589,295	18,236,679	-	18,236,679
Grant receivable	105,400	-	105,400
Other receivable	426,627	-	426,627
Due from related party	5,103,695	-	5,103,695
Prepaid expenses	4,842,238	-	4,842,238
Notes receivable, net of allowance for credit losses of $1,229,620	4,956,919	-	4,956,919
Total Current Assets	124,581,640	187,564	124,769,204
Property and equipment, net of accumulated depreciation $22,854,689	42,663,568	-	42,663,568
Long-term portion - notes receivable, net of reserve of $4,318,411	17,709,069	-	17,709,069
Intangible, net of accumulated amortization of $51,540,310	232,469,469	-	232,469,469
Goodwill	24,260,963	-	24,260,963
Other assets	706,137	-	706,137
Total Assets	$ 442,390,846	$ 187,564	$ 442,578,410
LIABILITIES:			
Accounts payable and accrued expenses	22,481,842	-	22,481,842
Credit line	21,657,746	-	21,657,746
Unearned revenue	41,723,854	-	41,723,854
Due to related party	57,627	-	57,627
Note payable - related party (subordinated)	2,778,110	-	2,778,110
Total Current Liabilities	88,699,179	-	88,699,179
Accrued expenses - long-term	7,123,452	-	7,123,452
Note payable - related party (subordinated)	164,336,273	-	164,336,273
Total Liabilites	260,158,904	-	260,158,904
NET ASSETS	182,231,942	187,564	182,419,506
Total Liabilities and Net Assets	$ 442,390,846	$ 187,564	$ 442,578,410

The accompanying notes are an integral part of the financial statements

EVERGLADES COLLEGE, INC.
d/b/a KEISER UNIVERSITY & EVERGLADES UNIVERSITY

STATEMENT OF ACTIVITIES
December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Tuition, net	$ 326,685,463	$ -	$ 326,685,463
Sales and services of educational and auxiliary activities	51,317,512	-	51,317,512
Charitable contribution	10,017,000	187,564	10,204,564
Government grant	-	901,115	901,115
Investment income	2,532,453	-	2,532,453
Other income	10,370	-	10,370
Total current revenue	390,562,798	1,088,679	391,651,477
Expenses and losses:			
Cost of educational and auxuliary services	370,405,187	931,753	371,336,940
Unrealized loss on marketable securities	902,724	-	902,724
Interest Expense	10,653,271		10,653,271
Total expenses	381,961,182	931,753	382,892,935
CHANGE IN NET ASSETS	8,601,616	156,926	8,758,542
NET ASSETS - UNRESTRICTED beginning of year	32,407,313	30,638	32,437,951
INHERENT CONTRIBUTION	141,223,013	-	141,223,013
NET ASSETS - end of year	$ 182,231,942	$ 187,564	$ 182,419,506

The accompanying notes are an integral part of the financial statements

EVERGLADES COLLEGE, INC.
d/b/a KEISER UNIVERSITY & EVERGLADES UNIVERSITY

STATEMENT OF CASH FLOWS
December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 8,758,542
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation and amortization	14,927,484
Allowance for doubtful accounts - accounts receivable	1,543,628
Allowance for doubtful accounts - notes receivable	6,373,019
Inherent contribution	10,500,760
Unrealized loss from marketable securities	902,724
Gain on sale of assets	(20,847)
Change in assets and liabilities:	
Accounts receivable	2,751,210
Prepaid and other assets	1,213,362
Notes receivable	(16,307,679)
Other receivable	1,059,168
Accounts payable and accrued expenses	(2,716,225)
Unearned revenue	3,530,614
Total Adjustments	23,757,218
NET CASH FLOWS PROVIDED BY OPERATIONS	32,515,760
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(4,118,019)
Purchase of marketable securities	(25,977,737)
Proceeds from marketable securities	30,040,278
Acquistions	(33,121,472)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(33,176,950)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	22,000,000
Repayments of line of credit	(342,255)
Due from related party	(391,316)
Due to related party	39,160
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	21,305,589
NET INCREASE IN CASH AND CASH EQUIVALENTS (including restricted cash)	20,644,399
CASH AND CASH EQUIVALENTS - (including restricted cash) beginning of year	66,600,855
CASH AND CASH EQUIVALENTS - (including restricted cash) end of year	$ 87,245,254
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for:	
Interest	$ -
Taxes	$ -
Supplemental Disclosure of Non Cash Investing and Financing Activitites:	
Write-off of fixed assets fully depreciated	$ 25,443,992
Extinguishment of note payable - related party (subordinate)	$ 130,722,253

The accompanying notes are an integral part of the financial statements

EVERGLADES COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Everglades College, Inc. was incorporated under the laws of the state of Florida in 1990. Everglades College, Inc. (the "University") operates two institutions, Keiser University and Everglades University. Keiser University and Everglades University were formed in 2011 and 2000, respectively.

Keiser University offers post-secondary education from the Associates, Baccalaureate, Masters, and Doctorial levels. Keiser University operates out of sixteen campuses in Florida, located in Fort Lauderdale, Melbourne, Tallahassee, Daytona, Sarasota, Lakeland, Miami, New Port Richey, Orlando, Jacksonville, West Palm Beach, Port St. Lucie, Pembroke Pines, Clearwater, Tampa, and Fort Myers. In addition, Keiser University operates in Shanghai China, and San Marcos, Nicaragua. Since January 1, 2015 ECI has obtained the operations of the New Port Richey and Clearwater campuses which will operate under the University from BAR Education, Inc. an affiliate of through common management. Also, as of July 1, 2015 ECI acquired certain assets and assumed certain liabilities of a campus located in West Palm Beach, FL.

Everglades University offers post-secondary education at the Baccalaureate and Masters level. The University has four campuses: Boca Raton, Sarasota, Maitland and Tampa.

All of the above mentioned locations are accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097, phone number 404-679-4500.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 358-205-05, Financial Statements of Not-for-Profit Organizations. Under ASC 358-205-05, the University reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The University's temporarily restricted activities consist primarily of grant and charitable contributions temporarily restricted as to their use by the grantee or donors and are released from restrictions once such restrictions are satisfied.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Included in these estimates are assumptions about collection of financing receivables and useful life of fixed assets, and recoverability of intangible assets and goodwill. Actual results could differ from those estimates.

Additionally, the assumptions that the University uses to determine whether its intangibles assets and goodwill are impaired may change due to economic and regulatory environment and the effect of changes in such assumptions would materially impact management's estimates.

Cash and Cash Equivalents – The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

A significant portion of revenue is received from students who participate in government financial aid and assistance programs. Certain cash receipts represent amounts received from the federal and state governments under various student aid grant and loan programs and, such funds are held in separate bank accounts. Once the financial aid authorization and disbursement process for the student has been completed, the funds are transferred to unrestricted accounts, and these funds then become available for use in the University's operations. This authorization and disbursement process that precedes the transfer of funds generally occurs within the period of instruction for which such funds were authorized, which is less than a year.

Financing Receivables - Accounts receivable and notes receivable are reported at net realizable value. The University has established an allowance for doubtful accounts based upon factors pertaining to credit risk of specific students, historical trends, and age of the receivable. Delinquent accounts are written off in accordance with the University's established policy on uncollectible accounts. Interest on note receivable is recognized using the effective interest method. The recognition of interest income is discontinued once the loan is deemed non-performing, which is generally after 105 days of nonactivity. Payments on non-accrued receivables are recognized when paid.

Revenue Recognition – Revenue is derived primarily from programs taught at the University. Tuition revenues and other related fees are considered one unit of accounting for revenue recognition purposes and are recognized on a straight-line basis over the length of the applicable period of instruction. Included in net tuition revenue is scholarship expense and the provision for credit losses from notes receivable of $45,778,321 and $9,763,618 at December 31, 2015.

Other revenue such as bookstore sales, are recognized as services are performed or goods are delivered. Unearned revenue represents the portion of payments received but not earned and is reflected as a current liability in the accompanying balance sheet, as such amount represents revenue that the University expects to earn within the next year. Refunds are calculated and paid in accordance with applicable federal, state, and accrediting agency standards and school policy.

Estimates of the University's expected refunds are determined at the onset of each period of instruction, based upon actual experience in previous periods, and monitored and adjusted as necessary within the period. If a student leaves school prior to completing a period of instruction, federal and state regulations and accreditation criteria permit the University to retain only a set percentage of the total tuition received from such student, which varies with, but generally equals or exceeds, the percentage of the term completed by such student. Payment amounts received by the University in excess of such set percentages of tuition are refunded to the student or the appropriate funding source. All refunds are charged against revenue during the applicable period of instruction. The allowance for uncollectible accounts is determined by analyzing the current aging of accounts receivable and historical loss rates on collections of accounts receivable. In addition, management considers projections of future receivable levels and collection loss rates. Provisions on accounts receivable and notes receivable required to maintain the allowance at appropriate levels are charged to expense and revenues, respectively in each period as required. Related reserves with respect to uncollectible accounts and refunds amount to $21,589,295 at December 31, 2015.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Property and equipment - Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the useful lives of the various assets, which is generally three to seven years for equipment, and furniture and fixtures. Leasehold improvements are depreciated ratably over the duration of the appropriate lease.

Income taxes – Everglades College, Inc. is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Accordingly, the University is treated as tax exempt for the purposes of these financial statements.

Advertising Costs – The University incurs advertising costs for newspaper, radio and direct mail purchases. Pursuant to ASC 720-35-25 (Reporting for Advertising Costs), direct response advertising costs are deferred and charged to operations as expense when revenues related to the advertisements are recognized. In general, advertising costs are expensed when the advertising is run since the customer response time for specific advertising generally occurs within a short period of time. The University reflects prepaid direct response advertising for payments made for advertising which will be run in a future period. Advertising costs expensed for the year ended December 31, 2015, amounted to $74,025,288, respectively.

Fair Value of Financial Instruments - The University's financial instruments under Accounting Standards Codification 825-10-50. "Disclosures about Fair Value of Financial Instruments," include cash, accounts receivable, due from related party, accounts payable, accrued expenses, and due to related party. The University believes that the carrying amounts of these accounts are at a reasonable estimate of their fair value because of the short term nature of such instruments. The carrying value of the notes receivable approximates its fair value based on their rate of return, as underwritten by the bank originating the loan, adjusted for credit losses at each measurement date.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 3 assets or liabilities as of December 31, 2015.

Cash and Cash Equivalents

Cash equivalents and marketable securities are carried at fair value with changes in fair value recognized in earnings in each respective period. Cash equivalents include money market securities and equity securities that are considered to be highly liquid and easily tradable as of December 31, 2015. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the fair value hierarchy.

Corporate Bonds and debt

Corporate bonds and debt including certificate of deposits consists of debt from certain financial institutions and their fair value is based on unobservable inputs corroborated by market data. The University reviews trading activity and pricing for each of the corporate bond securities in its portfolio as of the measurement date and determines if pricing data of sufficient frequency and volume in an active market exists in order to support Level I classification of these securities. When sufficient quoted pricing for identical securities is not available, the University obtains market pricing and other observable market inputs for similar securities from a number of industry standard data providers. In instances where multiple prices exist for similar securities, these prices are used as inputs into a distribution-curve to determine the fair market value at period end. As a result, the University classifies its corporate bonds as either Level I or Level II of the fair value hierarchy.

Corporate Structured Debt

Corporate structured debt consists of instruments issued by US companies, which rate of return is partly based on interest-bearing coupons, with potential additional gain or losses indexed to the fair value of certain underlying specified assets. The University reviews market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day and then follows a revised accretion schedule to determine the fair market value at period end.

In the absence of any observable market transactions for a particular security, the fair market value at period end is derived by accreting from the last observable market price, adjusted for gain or losses indexed to the fair value of the aforementioned underlying assets. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data accreted mathematically to par, and result in the classification of these securities as Level II of the fair value hierarchy.

The carrying value of cash, accounts receivable, other receivable, due from related party, accounts payable, accrued expenses, and due to related party approximates their fair value due to the short term maturity of these items. The carrying value of the notes receivable approximates its fair value based on their rate of return, as underwritten by the bank originating the loan, adjusted for credit losses. The carrying value of the note payable approximates its fair value based on the University's incremental borrowing rate.

Mortgage-Based Securities and Equities

Mortgage-based securities and equities consists of instruments issued by companies operating in the United States, which rate of return is partly based on interest-bearing coupons, with potential additional gain or losses indexed to the fair value of certain underlying specified assets. The University reviews market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day and then follows a revised accretion schedule to determine the fair market value at period end. In the absence of any observable market transactions for a particular security, the fair market value at period end is derived by accreting from the last observable market price, adjusted for gain or losses indexed to the fair value of the aforementioned underlying assets. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data accreted mathematically to par. The fair value of mortgage-based securities and equities held by the University as of December 31, 2015 was based on observable inactive markets for identical assets, and accordingly are classified as Level 1 in the fair value hierarchy.

The carrying value of cash, accounts receivable, other receivable, accounts payable, accrued expenses, and due to related party approximates their fair value due to the short term maturity of these items. The carrying value of the notes receivable approximates its fair value based on their rate of return, as underwritten by the bank originating the loan.

Business Combination – The University accounts for its business combination under the provisions of Accounting Standards Codification ("ASC") Topic 958-805, Not-for-profit entities - Business Combinations ("ASC 958-805"), which requires that the purchase method of accounting be used for acquisitions by not-for profit entities. Assets acquired and liabilities assumed are recorded at the date of acquisition at their respective fair values. ASC 958-805 also specifies criteria that intangible assets acquired must meet to be recognized and reported apart from goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. Acquisition-related expenses are recognized separately from the business combinations and are capitalized as incurred.

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities and goodwill, was determined using Level 3 inputs in the fair value hierarchy. The estimated fair value of the net assets acquired was determined using the market approach for valuations based on the sales of comparable assets and, in certain circumstances, the cost approach.

The sales comparison approach valuation method used to value the programs requires the use of assumptions, the most significant of which include the disposition price of comparable assets.

The cost approach method used to value the equipment requires the use of assumptions, the most significant of which include the costs the University would have to incur to acquire its equipment: the current replacement costs adjusted for the age and quality of the equipment.

The most significant assumptions under the relief of royalty method used to value tradenames include: estimated remaining useful life, expected revenue, royalty rate, tax rate, discount rate and tax amortization benefit. The discounted cash flow method used to value non-compete agreements includes assumptions such as: expected revenue, term of the non-compete agreements, probability and ability to compete, operating margin, tax rate and discount rate. Management, with the assistance of a third-party valuation specialist, has developed these assumptions on the basis of historical knowledge of the business and projected financial information of the University. These assumptions may vary based on future events, perceptions of different market participants and other factors outside the control of management, and such variations may be significant to estimated values.

Goodwill and Indefinite Lived Intangible Assets - Goodwill was primarily generated through the acquisition made by the University during 2011. As the total consideration paid exceeded the value of the net assets acquired, the University recorded goodwill for the completed acquisition. At the date of acquisition, the University performed a valuation to determine the value of the intangible assets, along with the allocation of assets and liabilities acquired. The goodwill is primarily attributable to the workforce in place.

The University performs its annual impairment test at the reporting unit level. The University performs the impairment testing at least annually (at December 31) or at other times if it believes that it is more likely than not that there may be an impairment to the carrying value of its goodwill. If it is more likely than not that goodwill impairment exists, the second step of the goodwill impairment test should be performed to measure the amount of impairment loss, if any.

The University determined that based on its forecast of operating cash flows for the foreseeable future, it will generate enough cash from operations to recover the carrying amount of its intangible and goodwill at December 31, 2015.

While the University used available information to prepare estimates and to perform impairment evaluations, actual results could differ significantly from these estimates or related projections, resulting in impairment related to recorded goodwill balances. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of the University's reporting units. The University can provide no assurances that, if such conditions occur, they will not trigger impairments of goodwill and other intangible assets in future periods.

Events that could cause the risk for impairment to increase are the loss of a major customer or group of customers, the loss of key personnel and changes to current legislation that may impact the University's industry or its customers' industries. With regard to other long-lived assets and intangible assets with indefinite-lives, the University follows a similar impairment assessment. The University will assess the quantitative factors to determine if an impairment test of the indefinite-lived intangible asset is necessary. If the quantitative assessment reveals that it is more likely than not that the asset is impaired, a calculation of the asset's fair value is made. Fair value is calculated using many factors, which include the future discounted cash flows as well as the estimated fair value of the asset in an arm's-length transaction.

Based on this review, the University determined that there was no impairment of the carrying value of the intangible assets and goodwill as of December 31, 2015.

Long-lived Assets, Including Definite-Live Intangible Assets - Long-lived assets, other than goodwill and other indefinite-lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets.

Definite-lived intangible assets primarily consist of non-compete agreements and customer relationships. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. The University measures the impairment loss based on the difference between the carrying amount and the estimated fair value. When impairment exists, the related assets are written down to fair value.

Leases - The University recognizes its operating leases on a straight-line basis, as provided under ASC 840-Leases, which begins when the University takes control of the space leased. Certain lease agreements provide for rent holidays and scheduled rent increases which were not dependent on future events, given each space leased. The differences between periodic payment rent expense and periodic cash rental payments, caused primarily by the recognition of rent expense on a straight-line basis are recorded as deferred rent obligations on the University's balance sheet.

3. MARKETABLE SECURITIES

The following table summarizes the marketable securities and the fair value measurement:

	Cost	Cumulative gross unrealized gains	Cumulative gross unrealized losses	Fair value
Corporate bonds and debt	$2,372,773	$ -	$ (333,558)	$ 2,039,215
Corporate structured debt	807,500		(237,005)	570,495
Certificate of deposits	200,000	5,390	-	205,390
Mortgage- backed securities	250,178	-	(931)	249,247
Equities	848,915	9,120	(69,990)	788,045
Total	$4,479,366	$ 14,510	$ (641,484)	$ 3,852,392

	Level 1	Level 2	Level 3	Total
Corporate bonds and debt	$1,312,380	$ 726,835	$ -	$ 2,039,215
Corporate structured debt		570,495		570,495
Certificate of deposits		205,390		205,390
Mortgage - Backed Securities	249,247			249,247
Equities	788,045	-	-	788,045
Total	$2,349,672	$ 1,502,720	$ -	$ 3,852,392

4. NOTES RECEIVABLE

The University purchases private loans as an investment from third party financial institutions. These loans are originated by state chartered banks. The University then purchases all such loans as an investment from each bank on a monthly basis and assume all of the related credit risk. The loans bear interest at market rates. Monthly principal and interest payments are required over the related term of the loan with the option to make interest or minimum monthly payments while in school. At December 31, 2015, notes receivable amounted to $28,214,019. A surety company guarantees a portion of the loans, which amounts to$829,715 at December 31, 2015. To offset any potential future losses from investment portfolio, a reserve of $5,548,031 is established at December 31, 2015. The reserve is calculated based on the loan aging report. Any note that is not active over 105 days is written-off. In general, the University's estimates are based on historical collection experience and write-offs, the aging of receivables, and current trends.

The following tables detail the credit risk profiles of the notes receivables based on payment activity and provide an aging analysis of past due notes receivable as of December 31, 2015. Loans are considered nonperforming if they are more than 105 days past due.

	As of December 31, 2015
Notes Receivable:	
Performing	$ 28,214,019
Nonperforming	-
Total Notes Receivable	$ 28,214,019

	31-60 Days Past Due	61-90 Days Past Due	91-105 Days Past Due	Total Past Due	Current	Total Notes Receivable
Notes Receivable December 31, 2015	$ 3,475,930	$ 1,990,550	$ 1,629,354	$ 7,095,834	$ 21,118,185	$ 28,214,019

The following table details the notes receivable along with the related allowances for credit losses as of December 31, 2015:

	As of December 31, 2015
Gross Notes Receivable	$ 28,214,019
Allowance for Credit Losses:	
Balance at Beginning of Year	12,499,229
Write-off	(11,584,679)
Additional Provision	4,633,481
Balance at End of Year	5,548,031
Net Notes Receivable	$ 22,665,988

5. PROPERTY AND EQUIPMENT

Property and equipment expenditures are capitalized based upon their acquisition cost. Capitalization will only be considered if the acquisition cost meets or exceeds the capitalization threshold; which is $500 for equipment, furniture and fixtures and $5,000 for leasehold improvements inclusive of material, labor and equipment. Capitalized expenditures also must maintain an estimated useful life of greater than one year or appreciably extend the useful life of an existing asset.

Property and equipment consist of the following at December 31, 2015:

	Estimate Lives	2015
Land	Indefinite	$ 12,307,576
Buildings and improvements	39 Years	12,927,607
Equipment, furniture and fixtures	3 to 7 years	23,490,504
Leasehold improvements	Lease term	15,951,352
Construction in progress		841,218
		65,518,257
Less: accumulated depreciation		(22,854,689)
		$ 42,663,568

Depreciation expense amounted to $4,617,023 during 2015.

6. INTANGIBLE ASSETS AND GOODWILL

Substantially all of the University's intangible assets and goodwill were initially recognized pursuant to the acquisition of Keiser University in 2011 and as adjusted for impairment during 2013.

Intangible assets and goodwill consist of the following at December 31, 2015:

	Life Range	Amounts	Accumulated Depreciation	Net Book Value
Title IV accreditation	Indefinite	$ 125,191,574	$ -	$ 125,191,574
Regional accreditation	Indefinite	39,534,181	-	39,534,181
Program accreditation	Indefinite	6,397,590	-	6,397,590
Customer relationships	1-7 Years	71,813,235	(51,352,310)	20,460,925
Tradenames/marks	Indefinite	19,333,631	-	19,333,631
URLs/domain names	Indefinite	21,551,568	-	21,551,568
Goodwill	Indefinite	24,260,963	-	24,260,963
Total intangible assets and goodwill		$ 308,082,742	$ (51,352,310)	$ 256,730,432

Amortization of intangibles expense amounted to $ 10,310,462, during 2015. The amortization schedule for the remaining useful lives as of December 31, 2015 is as follows:

	Amounts
Year 2016	$ 10,230,463
Year 2017	10,230,462
Total	$ 20,460,925

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The University's accounts payable and accrued expenses consist of the following at December 31, 2015.

Trade payables	$ 16,094,291
Accrued compensation	5,225,297
Deferred rent	7,449,962
Other obligations	835,744
	$ 29,605,294

8 LINE OF CREDIT

During 2015, the University generates proceeds of approximately $22 million from a line of credit. The line of credit bears interest LIBOR plus 1.75% and is secured by the value of securities pledged as collateral in cash and marketable securities of $20,257,045 and $570,495 and is due on demand. The proceeds from the line of credit were used to partially pay for the University's acquisition of its West Palm Beach Residential Campus.

9 NOTE PAYABLE

A promissory note bearing interest at 3.48% per annum was issued on January 10, 2011 to Keiser School, Inc. (KSI), a related party by means of common management and partly owned by Keiser University's Chancellor, Dr. Arthur Keiser in the amount of $300,000,000. Interest only payments were made quarterly for the first year commencing on April 1, 2011. Beginning April 1, 2012 interest shall be paid in cash and the outstanding principal amount shall be paid in forty (40) equal quarterly payments ending on April 1, 2022, except that the amount of payments of interest and principal for any year shall not exceed forty percent (40%) of the net surplus of ECI for the previous year. Any unpaid interest payments are added to the principal balance. As of December 31, 2015 the note payable amounted to $297,836,636. The lender forfeits its rights to collect any of the University's obligations which would still be outstanding in January 2041. The note is subordinate to all of the University's obligations. Assumed interest of $10,500,760 accrued during 2015 and was forgiven by the note holder, KSI.

The University and KSI have been in discussions over the last two years to renegotiate the terms of the promissory note. The parties are negotiating to reduce the principal amount in consideration for more flexible payment terms. In September 2016, the parties agreed to reduce the principal amount of the note by $50,000,000 retroactively to December 31, 2015. ASC 470-50 Modifications and Extinguishments provides that if the present value of the cash flows under the terms of the agreement are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument, and that, in such cases, the new debt instrument shall be initially recorded at fair value, and that amount shall be used to determine the debt extinguishment gain or loss to be recognized at the effective rate of the instrument."

The revised terms of the note satisfy this criteria and is accounted as new debt, and accordingly, the University adjusted the carrying value of the note to its fair value at December 31, 2015. Management determined that the fair value of the note amounted to $167,144,384 at December 31, 2015. Management estimated the fair value of the payment it estimates it will pay to KSI through its maturity discounted using its stated rate. The difference between its carrying value and the new debt amounted to $130,722,253, which, together with the aforementioned waived 2015 interest was recognized as inherent contribution in the accompanying financial statements.

10. CONCENTRATION OF CREDIT RISK

Cash and cash equivalents (including restricted cash)

The University maintains its cash balances at quality financial institutions. These balances always exceed federally insured limits. At December 31, 2015, the University's cash balances exceeded the insured limits by $85,092,226. Management periodically evaluates the creditworthiness of the financial institutions with which it maintains deposit accounts. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash on deposit.

Accounts and notes receivable

The University extends unsecured credit for tuition to a significant portion of the students who are in attendance at its schools, either directly as accounts receivable or, indirectly, as notes receivable. The University does not require collateral from its students. The accounts receivable and notes receivable are due from the University's existing or former students, who generally reside in the United States. The University maintains reserves for potential credit losses and such losses have been within management's expectations.

A substantial portion of credit extended to students is repaid through the students' participation in various federally funded financial aid programs under Title IV of the Higher Education Act (the "Title IV Programs"). None of the University's former or existing students exceeds more than 10% of the University's accounts receivable or notes receivable.

Contributions

The University received a charitable contribution of $10 million from its Vice-President, Dr. Keiser.

Source of funds

The University extends credit for tuition to a majority of its students. A substantial portion is repaid through the student's participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to the University are made in accordance with the U.S. Department of Education requirements. The financial aid and assistance programs are subject to political and budgetary considerations. There is no assurance that such funding will be maintained at current levels. Extensive and complex regulations govern the financial assistance programs in which the University's students participate. The University's administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potential adverse actions including a suspension, limitation, placement on reimbursement status, or termination proceeding which could have a material adverse effect on the University.

If any of the Company's institutions were to lose its eligibility to participate in federal student financial aid programs, the students at that institution would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Students obtain access to federal student financial aid through a U.S. Department of Education prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs to pay their tuition and fees. The transfer of funds is from the financial aid program to the student, who then uses those funds to pay for a portion of the cost of their education. The receipt of financial aid funds reduces the student's amounts due to the University and has no impact on revenue recognition, as the transfer relates to the source of funding for the costs of education which may occur either through Title IV or other funds and resources available to the student.

A summary of the Universities revenues derived from students by primary funding source during 2015 is as follows:

	2015
Title IV programs	72%
VA education benefits	14%
Cash and other sources	14%

Service and geographic concentration

The University generates its revenues primarily from tuition and related educational services provided to individuals who generally reside in the State of Florida.

11 LETTERS OF CREDIT

The Department of Education requires the University to post letters of credit aggregating $27,615,232 at December 31, 2015 and be provisionally certified for a period of up to three complete award years. This amount represents 10% of the title IV, HEA program funds received by the Universities during their most recently completed fiscal year. These letters of credit are secured by restricted cash amounting to $28,557,379.

12. RETIREMENT PLAN

The University has established a 401(k) retirement plan (the "Plan") for the benefit of its employees. Eligible employees are allowed to contribute, through payroll deductions, up to 15% of pre-tax annual compensation, as defined in the plan. Employer contributions are made at the discretion of the University. The University made contributions to the plan in the amount of $2,363,045 during December 31, 2015.

13. RELATED PARTY TRANSACTIONS

The following table summarizes the related party transactions during 2015:

Name of related Party	Affiliation	Purposes	Amount during 2015	Financial Statement Classification	Carrying value of receivable (payable) at December 31, 2015	
Dr. Keiser	Vice-President of University	Charitable contribution	$ 10,000,000	Contribution	$ -	
Keiser School, Inc.	Owned by Vice-President of University, Dr. Keiser and immediate family members	Interest forgiveness	10,500,760	Inherent contribution	(167,114,383)	(3)
		Interest of a loan		Interest expense	-	
BAR Education, Inc.	Owned by Vice-President of University, Dr. Keiser and immediate family member	interest charged for loan receivable	337,311	Interest income	5,085,830	(4)
		Leasehold improvements acquired in Tampa campus	193,763	Fixed assets		
		allocation of expenses	867,425	Cost of educational services	(57,227)	(4)
		Net expenses paid on behalf of school	823,228	due from affiliate		
		Bookstore inventory purchased on behalf of BAR	59,615	Inventory		
		Acquisition of programs	1,916,500	Intangible		
(1) see entities below	owned and partly owned by Vice President of University, Dr. Keiser and immediate family members	Campus leases (7 of which were no longer related parties subsequent to July 2015)	18,135,101	Cost of educational services	210,000	(2)
Capital Holdings 129, LLC Hermes Aircraft, LLC Everglades Management Inc. Holiday Inn Express FLL	Owned by Vice-President of University, Dr. Keiser and immediate family members	Use of aircraft and lodging for University employees	1,939,960	Cost of educational services	17,865	(2)
Cutting Edge Recruiting Solutions/ARA dba Paperless Staffing	Owned by immediate family member related to Trustee of University	Temporary staffing services	19,831	Cost of educational services	-	
Best Roofing	Owned by Trustee of University, Greg Wallick	Repair services to campus	4,545	Cost of educational services	-	
Foster Learning Corporation	Owned by Trustee of University, Thomas Foster	Honorarium for Executive Team Meeting	3,252	Cost of educational services	-	
GFA International, Inc.	Owned by Trustee of University, Frank Frione	Environmental services for campus	6,000	Cost of educational services	-	
Horner Xpress South Florida	Owned by Trustee of University, William Kent	Royalty from Aquatic Engineering Program	30,409	Cost of educational services	-	
Keiser Computers Inc.	Owned by immediate family member of Vice-President of University, Dr. Keiser	Computer Services	73,427	Cost of educational services	400	

(1) - 16120, LTD., Athena Vista, LTD., Daytona Education Associates, LTD., Delphi Fort Myers, LTD., Demeter Pembroke Pines, LTD, Hercules Properties, LTD., LTD., Keiser Commons Associates, LWR Commons, LTD., Nineteen Hundred Bldg. Associates, LTD., Olympus Lakeland, LTD., (Metropolitan 8, LLC), Parkland Education Associates, LTD., Rudnick Development, Spectrum 1500 Bldg. Associates, LTD., University Commons Office Center, LTD., Venus Investment Properties, LTD.

(2) - The $17,865 due from EMI is non-interest bearing and requires no collateral and is payable on demand

(3) - See footnote 9

(4) - The amount receivable from BAR Education bears interest at 3.25% per annum, is not collateralized and is payable on demand

14. ACQUISITION

The University advanced $2,374,460 to BAR in anticipation of such sale and pending the final determination of the acquisition price. On April 1, 2015 the University completed the acquisition of the New Port Richie and Clearwater campuses to expand on program offerings.

The final purchase price was allocated to the assets acquired based on their estimated fair values as follows:

Fixed assets	457,960
Programs	1,916,500
Total purchase consideration	2,374,460

On July 1, 2015 the University completed an acquisition of a campus in West Palm Beach, Florida. The University acquired the West Palm Beach campus to provide to its student base a campus with residential facilities and amenities conducive to traditional education programs.

The final purchase price was allocated to the assets acquired based on their estimated fair values as follows:

Fixed assets	$30,747,012
Total purchase consideration	$30,747,012

The purchase price was allocated to land, property and equipment based on their estimated fair values.

15. COMMITMENTS AND CONTIGENCIES

The University's leases provide for monthly payments ranging between $1,797 and $178,310 and with terms expiring between September 2016 and September 2033.

The facility leases also require the payment of normal maintenance, utilities, and insurance. Total Rent expense (including common area maintenance) amounted to $33,515,932, during 2015.

The minimum rental commitments for the next 5 years as of December 31, 2015 for all non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

Year 2016	$	22,789,224
Year 2017		21,711,258
Year 2018		20,457,722
Year 2019		19,432,879
Year 2020		18,840,426
Thereafter		89,277,013
Total	$	192,508,522

16. REGULATORY

All U.S. federal financial aid programs are established by Title IV of the Higher Education Act and regulations promulgated thereunder. The U.S. Congress must periodically reauthorize the Higher Education Act and annually determine the funding level for each Title IV program. Congress has begun Higher Education Act reauthorization hearings and there is currently an automatic one year extension that continues the current authorization through September 30, 2014. The Consolidated and Further Continuing Appropriations Act, 2015 extended funding for Title IV through September 30, 2016. Changes to the Higher Education Act, including changes in eligibility and funding for Title IV programs, are likely to occur in connection with the next reauthorization, but we cannot predict the scope or substance of any such changes.

These standards employ a ratio methodology under which an institution need only satisfy a single standard - the composite score standard. The ratio methodology takes into account an institution's total financial resources and provides a combined score of the measures of those resources along a common scale (from negative 1.0 to positive 3.0). It allows a relative strength in one measure to mitigate a relative weakness in another measure.

If an institution achieves a composite score of at least 1.5, it is financially responsible without further oversight. If an institution achieves a composite score from 1.0 to 1.4, it is in the "zone", is subject to additional monitoring, and may continue to participate as a financially responsible institution for up to three years. Additional monitoring may require the University to (1) notify the Department of Education, within 10 days of certain changes, such as an adverse accrediting action; (2) file its financial statements earlier than the nine-month requirement following the close of the fiscal year and (3) subject the University to a cash monitoring payment method.

If an institution achieves a composite score below 1.0, it fails to meet the financial responsibility standards unless it qualifies under the provisions of an alternative standard (i.e., letter of credit equal to 50% of the Title IV program funds expended from the prior fiscal year or equal to at least 10% of the Title IV program funds expended from the prior fiscal year and provisional certification status). The institution may also be placed on the cash monitoring payment method or the reimbursement payment method.

The University applied these regulations to its audited financial statements as of December 31, 2015 has determined that it has not satisfied the new standards as of that date based upon a composite score of -0.40 with an equity ratio of -0.40, a primary reserve ratio of -0.40 and a net income ratio of 0.40 for the year ending 2015. Pursuant to Volume 4 section 4-4 of the Blue Book, approximately $10.4 million of amortization of the intangible assets were not included in the calculation.

In order to operate and award degrees, diplomas and certificates and to participate in the Title IV Programs, a school must be licensed or authorized to offer its programs of instruction by the relevant agency of the state in which such school is located. The University is licensed or authorized by the relevant agency of the state in which it is located. In addition, in order to participate in the Title IV Programs, an institution must be accredited by an agency recognized by the Department of Education. The University is accredited by Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Commission on Colleges.

The Department of Education has required Everglades College, Inc. to post a letter of credit in the amount of $27,615,232 and be provisionally certified for a period of up to three complete award years. This amount represents 10% of the title IV, HEA program funds received by Everglades University and Keiser University during their most recently completed fiscal year. Keiser University and Everglades University's portion of this letter of credit is secured by restricted cash amounting to$25,534,756 and $3,128,609.

17. CONTINGENT LIABILITIES

The University is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Universities defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its financial position, results of operations, or cash flows.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2016, which is the date the financial statements were available to be issued, and has concluded that the following transactions require disclosure:

During June 2016, the University received $5,085,830 from BAR Education, Inc. to satisfy its obligation at December 31, 2015. Also in June, the Everglades College, Inc. Board of Trustees agreed to pay up to $10 million of principal towards the KSI note payable. Since January 1, 2016 the principal repayments aggregated $6.8 million.

The University and KSI have been in discussions over the last two years to renegotiate the terms of the promissory note. The parties are negotiating to reduce the principal amount in consideration for more flexible payment terms. In September 2016, the parties agreed to reduce the principal amount of the note by $50,000,000 retroactively to December 31, 2015

Boisseau, Felicione & Associates, Inc.
13590 Jog Road, Suite C6
Delray Beach, FL 33446
Telephone: 561-495-5250
Fax: 561-495-5261

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

Board of Trustees
Everglades College, Inc.
Fort Lauderdale, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Everglades College, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Everglades College, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of trustees, management, accrediting agencies, and the United States Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Delray Beach, Florida

September 23, 2016