



May 4, 2016

ID Code 00015443(C)

VIA EMAIL AND UPS DELIVERY

mmceachen@edmc.edu

Mr. Mark McEachen
CEO
Education Management Corporation
210 Sixth Avenue
33rd Floor
Pittsburgh, PA 15222

Subject: Financial Show-Cause Directive

THE ART INSTITUTE OF YORK-PENNSYLVANIA, YORK, PA	ID CODE 00032159(MC)
ART INSTITUTE OF FORT LAUDERDATE, FORT LAUDERDALE, FL	ID CODE 00016231(MC)
THE ART INSTITUTES INTERNATIONAL MISSESOTA, MINNEAPOLIS, MN	ID CODE 00010751(MC)
ART INSTITUTE OF PHOENIX, PHOENIX, AZ	ID CODE 00016228(MC)
ART INSTITUTE OF NEW YORK CITY, NEW YORK, NY	ID CODE 00016235(MC)

Dear Mr. McEachen:

The Council has reviewed the financial materials recently submitted by The Art Institute of York-Pennsylvania regarding the institutions' actual and projected revenue, primarily those derived from the enrollment of students; the costs of on-going operations; and the widening gap between the two sets of numbers.

Based on the Council's published standards, an institution must be able to demonstrate financial sustainability in order to remain in good standing with ACICS accreditation:

3-1-203 – Financial Stability. The financial well-being of an institution requires constant oversight by competent managers. The institution shall have adequate revenues and assets to meet its responsibilities, to ensure continuity of service, and to accomplish its mission. Budgetary practices should reflect a balanced application of resources to operations; the amount of expenses and debt must not burden the educational objectives of the institution; the proportion of the budget allocated to instructional programs must be adequate; and the financial profile of the institution must support the intent of its objectives.

In view of these expectations and pursuant to Section 2-1-808 of the *Accreditation Criteria*, the Council acted to direct the institutions, defined as the main campuses and their respective branches, to show cause at the **August 2016** meeting of the Council why its current grants of accreditation should not be withdrawn by suspension or otherwise conditioned.

In response to this action, your organization must submit the following information no later than **Thursday, June 30, 2016:**

1. A Financial Improvement Plan (FIP) worksheet completed on Council forms for the **cumulative nine months ended March 31, 2016 including cumulative, year-to-date quarterly projections for Education Management Corporation for the remainder of the 2016 fiscal year.** This should include a detailed narrative analysis of the results in comparison to the plan's projected figures and enrollment numbers.
2. A FIP worksheet completed on Council forms reporting **cumulative, year-to-date quarterly projections for Education Management Corporation for the entire 2017 fiscal year.**
3. A FIP worksheet completed on Council forms reporting the **cumulative nine months ended March 31, 2016 including cumulative, year-to-date quarterly projections for each ACICS accredited institution for the remainder of the 2016 fiscal year.** These reports must be consolidated to include the main campus and its respective branches and include a detailed narrative analysis of the results in comparison to the plans' projected figures and enrollment numbers.
4. A FIP worksheet completed on Council forms reporting **cumulative, year-to-date quarterly projections for each ACICS accredited institution for the entire 2017 fiscal year.** These reports must be consolidated to include the main campus and its respective branches.
5. A Quarterly Financial Report (QFR) completed on Council forms for the **cumulative nine months ended March 31, 2016** for 1) each ACICS accredited institution, consolidated to include each main campus and its respective branch campuses, and 2) Education Management Corporation.
6. A complete explanation of any large or unusual accounts listed on the balance sheets referred to above (e.g. non-liquid assets, notes or loans payable, trade accounts payable, tuition refunds payable, payroll taxes payable).
7. A report outlining each ACICS accredited institution's status regarding participation in Title IV funding programs which includes any actual or potential limitations, suspensions, or terminations from any Title IV funding source for whatever reason, and

- the institution's plans for dealing with any potential or actual interruption of Title IV revenues.
8. An update with regard to the following discussed in the notes to the Audited Financial Statements for the fiscal years ended June 30, 2015 and 2014:
 - a. Uncertainty as to the Company's ability to continue as a going concern discussed in Note 2 – Summary of Significant Accounting Policies.
 - b. State Attorneys General investigations discussed in note 14 – Commitments and Contingencies.
 9. A full description of the depth and breadth of the organization's efforts to mitigate incurred losses and facilitate a positive net income including, but not limited to campus closures, discontinuing programs, and operational changes.
 10. A plan for the continued operations of its campuses that includes:
 - a. A listing, by campus, of students with the student name; program of study; and expected graduation date.
 - b. An aggregate total, by campus, of the status of unearned tuition, status of refunds due, and current student account balances.
 - c. A listing, by campus including all online activity, of comparable programs offered at other institutions in case teach-out agreements or transfer arrangements are needed for students to complete their programs elsewhere.
 - d. A custodian for all permanent academic records in case of closure that includes contact information for this individual or entity and the process by which students can obtain their records.
 - e. A description of the financial resources available to ensure that students can complete their programs or receive refunds in the event that the institution does suspend or cease operations.

Also in response to this action, the following information is due no later than **Wednesday, July 20, 2016**:

A QFR completed on Council forms for the **cumulative twelve months ending June 30, 2016** for 1) each ACICS accredited institution, consolidated to include each main campus and its branch campuses, and 2) Education Management Corporation.

You must notify the Council office in writing within ten days of receipt of this notice whether you desire a personal appearance before the Council at its next meeting scheduled for **August 2016**, or whether you will show cause in writing. There is a \$5,000 fee for personal appearances before the Council and a \$2,000 fee to show cause in writing. The appropriate fee is due within ten days of

receipt of this notice. Please submit one copy of your response via email to frc@acics.org and ten copies via hard copy binder by the date indicated above.

Council forms can be found by selecting "Annual Financial Report" under the Accreditation tab on the ACICS website. Failure to provide all the requested information within the established deadline will result in a \$500 late fee.

If you have any questions regarding this action, please contact Ms. Katy Fisher at (202) 336-6842 or kfisher@acics.org.

Sincerely,



Anthony S. Bieda
Executive in Charge

- c: The Art Institute of York – Pennsylvania (main campus): aibaaccreditation@aii.edu
Art Institute of Fort Lauderdale (main campus): aiflaccrreditation@aii.edu
The Art Institutes International Minnesota (main campus): aimaccreditation@aii.edu
The Art Institute of New York City (main campus): ainyaccreditation@aii.edu
Art Institute of Phoenix (main campus): aipxaccreditation@aii.edu
U.S. Department of Education: aslrecordsmanager@ed.gov
Arizona State Board For Private Postsecondary Education: teri.stanfill@azppse.gov
Commission on Postsecondary Education (Nevada): kdwest@cpe.state.nv.us
Florida Department of Education: Susan.Hood@fldoe.org
Georgia Nonpublic Postsecondary Education Commission: billc@npec.state.ga.us
Idaho State Board of Education: valerie.fenske@osbe.idaho.gov
Indiana Commission On Proprietary Education: rmiller@che.in.gov
Iowa College Student Aid Commission: Carolyn.small@iowa.gov
Kansas Board of Regents: jnickoley@ksbor.org
Kentucky Council On Postsecondary Education: aaron.thompson@ky.gov
Minnesota Office of Higher Education: betsy.talbot@state.mn.us
Missouri Department of Higher Education: leroy.wade@dhe.mo.gov
New Mexico Higher Education Department: Diane.Vigil@state.nm.us
New York State Education Department: carole.yates@nysed.gov
Ohio State Board of Career Colleges and Schools: john.ware@scr.state.oh.us
Oklahoma Board of Private Vocational Schools: nhouse@obpvs.ok.gov
Oklahoma Career and Technology Education Board of Education:
Robert.Sommers@okcareertech.org
Pennsylvania Division of Private Licensed Schools: plandis@pa.gov
South Carolina Commission On Higher Education: lgoodwin@che.sc.gov
Texas Higher Education Coordinating Board: cathie.maeyaert@thechb.state.tx.us

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Texas Workforce Commission: michael.delong@twc.state.tx.us
Utah Dept. of Commerce: mwinegar@utah.gov
Wisconsin Educational Approval Board: Linda.Heidtman@eab.wisconsin.gov
Jeffrey S. Olszewski, Vice President of Finance: jolszewski@acics.org