

Dear Members of the Midtown International School Community:

Shortly after announcing the closing of MIS, the Board stated that it would report to community members after making progress on the wind-down of MIS' affairs, targeting late May or early June 2026. This email constitutes that report.

Background

Throughout its existence, MIS relied upon community support to sustain itself financially. It had no endowment and, like any school, undertook substantial fixed obligations to educate students, including campus costs and obligations to teachers and administrators.

For years prior to its closure, as enrollment declined, MIS managed to survive even though its revenues were less than its expenses and its liabilities substantially exceeded its assets. As MIS reported publicly in its Form 990 filings with the IRS,¹ between 2020 (the first COVID-related reporting year) and the time of its closing, MIS' revenues exceeded its expenses in only one year (2021). From 2020 to 2024, MIS saw revenues deteriorate by approximately 15% (from \$4.3 million to \$3.6 million). Attempting to address this shortfall, the Board reduced expenses by nearly 40% (from \$6.1 million in 2020 to \$3.8 million in 2024). Even so, during this period, the School had a \$2.2 million aggregate operating deficit, and its liabilities exceeded its assets.

While the School was able to maintain operations, its weak financial performance left it exposed to unexpected, negative changes in paid enrollment (by far its largest revenue source), like those it experienced during the spring 2026 enrollment period. For this period, the School extended reenrollment offers to 91 students. Of these offers, only 60 reenrollment contracts were returned (with 23 from full tuition-paying students). The School sent a further 22 new enrollment contract offers to families. Only 11 of these contracts were accepted (with 5 from full tuition-paying students). The immediate decrease in cash receipts caused by these low acceptance rates, particularly when coupled with the School's significant long-term financial challenges, resulted in inadequate liquidity for the school to maintain its operations.

Financial Picture at the Time of Closure

Under normal operations, the School's expenses were approximately \$300,000 per month. At the time of the School's closure, it had approximately \$18,000 in cash on hand. With such limited cash available, and without direct access to any additional funds, the Board's first priority was the immediate elimination of all ongoing operating expenses. The Board then assessed its obligations to creditors, which included: (i) the

¹ <https://apps.irs.gov/app/eos/>

SBA for approximately \$500,000 (this obligation is senior to all other School obligations because the SBA's lien and security interest in all School assets is in first position); (ii) various merchant cash advance ("MCA") lenders for approximately \$900,000 (these obligations are also secured by liens in certain School assets, junior to the SBA but senior to all other creditors); (iii) its landlord for approximately \$4.25 million under a ten-year lease (unsecured); and (iv) parents for deposits and tuition payments of approximately \$370,000 (also unsecured).

Matters Related to the Sale of the School Building in December 2025

MIS closed on a sale of the building at 1575 Sheridan to an entity that is managed by a Board member. The sale was necessary to avoid foreclosure, as the School was in default on its then-existing mortgage and was operating under limited forbearance terms.

Since the School closed, the Board, independent of that Board member, has sought further legal advice concerning the transaction. Counsel reviewed the transaction and determined that the sale was fair, reasonable, and in the School's best interests. The price of the offer the School accepted was among the highest the School received for the building and provided the School with additional working capital of approximately \$315,000. The offer was also the only one that allowed the School to remain at the 1575 Sheridan location for an extended period on terms the School believed it could afford. This was a necessary and practical condition of the sale that had to be acceptable to any buyer before the building could be sold.

Progress of the Wind-down of the School

The Board has overseen the wind-down of the School in consultation with *pro bono* counsel.² As of the date of this report, the Board has completed the following material steps:

- *Securing Student Records.* MIS has entered into a long-term student record retention agreement with Paideia. A separate communication will follow with instructions on how to obtain student records.
- *Terminating the Building Lease.* MIS entered into a consensual lease termination agreement with its landlord that has allowed it to retain possession of the building at 1575 Sheridan for an orderly wind-down. We anticipate exiting the building by

² The Board has been advised principally by insolvency counsel who has acted for the Board *pro bono*. The Board has also consulted with counsel appointed by the School's insurer for certain limited matters.

late June or early July. The landlord has allowed us to retain possession without additional rent or a termination fee.

- *Returning Leased Equipment.* The School leased computers and certain office equipment and has worked with the owners/lessors to return that equipment without incurring additional charges.
- *Sale of School-Owned Equipment.* The School is finalizing a transaction to sell its furniture, fixtures, and equipment to another school in the Atlanta area. The sale is occurring with the consent of the lenders that hold liens that entitle them to all the proceeds from the sale. The amount these lenders are expected to recover from those proceeds is less than 10% of the total amount they are owed.
- *Preparing Final Tax Filings.* The School is working with its accountants to prepare final Form 990 filings, which we anticipate completing in the coming months.

Next Steps and Financial Outcomes

After the School has accomplished each of the objectives described above, it will take steps to formally dissolve. Based on the cooperation received from the SBA and MCA lenders, the Board does not anticipate filing a bankruptcy petition to complete the wind-down, as had earlier been reported as a possibility.

We set forth below the sources and uses of funds since the commencement of the School's wind-down. Given the limited funds available and the legal priority that SBA and MCA lenders have over unsecured creditors (including parents with claims for unpaid refunds), no funds will be available for repayment to parents or other unsecured creditors.

Sources:

Cash on Hand at Closure	18000
Sale of School Bus	6500
Sale of FF&E	50000
<u>Anticipated Recovery of Deposits</u>	<u>1500</u>
Total Sources	76,000

Uses:

Payments to SBA	50000
Payments to MCA lenders	10000
Payments to Utilities	7500

Retainer of Insurance Appointed	
Counsel	5000
<u>Accounting Fees</u>	<u>3500</u>
Total Uses	76,000

Conclusions

This report constitutes the final report from the Board to the community. All Board members have concurred with its contents.

The Board is mindful of the disruption and anger that the School's sudden closure caused members of the MIS community. As set forth above, given the School's financial circumstances, it could no longer sustain itself with the low reenrollment rates experienced in March 2026. We are grateful for the opportunity to have served this community and have tried to conclude the School's wind-down efficiently and with the greatest possible respect for our families and students, while also respecting the legal rights of the School's other creditors.

We wish all members of our community success in their future endeavors and hope that you will be able to reflect upon your time in the MIS community with satisfaction and pride, even given the School's abrupt and unfortunate closure.

Sincerely,

Board of Trustees of the Midtown International School, Inc.