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Note 1. Nature of Operations and Liquidity

Overview

Aspen Group, Inc. ("AGI") is an educational technology holding company. AGI hasfive subsidiaries, Aspen University Inc. ("Aspen University" or AUI") organized in 1987, Aspen Nursing of Arizona, Inc. ("ANAI"), Aspen Nursing of Florida, Inc. ("ANFI"), Aspen Nursing of Texas, Inc. ("ANTI"), and United States University Inc. ("United States University" or "USU"). ANAI, ANFI and ANTI are subsidiaries of Aspen University.

All references to the “Company”, “AGI”, “Aspen Group”, “we”, “our” and “us” refer to Aspen Group, Inc., unless the context otherwise indicates.

AGI leverages its education technology infrastructure and expertise to allow its two universities, Aspen University and United States University, to deliver on the vision of making college affordable again. Because we believe higher education should be a catalyst to our students’ long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in higher education. AGI’s primary focus relative to future growth is to target the high growth nursing profession. As of July 31, 2020, 10,422 of 12,128 or 86% of all students across both universities are degree-seeking nursing students.

Since 1993, Aspen University has been nationally accredited by the Distance Education and Accrediting Council (“DEAC”), a national accrediting agency recognized by the United States Department of Education (the “DOE”) and Council for Higher Education Accreditation ("CHEA"). On Febru crediting ab fess . tatio[illegible] ion ("CH[illegible] unit[illegible]

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become RNs, enrolled in the BSN Pre-Licensure program in Phoenix in record numbers, given that many have been furloughed or laid off since the pandemic first started.

COVID-19 has focused a spotlight on the shortage of nurses in the U.S. and, in particular, the need for nurses with four-year and advanced degrees such as USU's MSN-FNP and Aspen University's DNP programs. We believe we will be operating in a tailwind environment for many years relative to the planned expansion of our Pre-Licensure BSN hybrid campus business.

Liquidity

At July 31, 2020, the Company had a cash and cash equivalents balance of $15,899,293 with an additional $3,060,269 in restricted cash.

In March 2019, the Company entered into two loan agreements for a principal amount of $5 million each and received total proceeds of $10 million. In connection with the loan agreements, the Company issued 18 month senior secured promissory term notes, with the Company having the right to extend the term of the loans for an additional 12 months by paying a 1% one-time extension fee. On January 22, 2020, the term notes were exchanged for convertible notes maturing January 22, 2023. (See Note 6)

On January 22, 2020, the Company closed on an underwritten public offering of common stock for net proceeds of approximately $6 million. The public offering was a condition precedent to the closing of the above refinancing. (See Note 6)

On November 5, 2018 the Company entered into a three year, $5,000,000 senior revolving credit facility. There is currently no outstanding balance under that facility. (See Note 6)

During the three months ended July 31, 2020 the Company's net cash increased by $1,052,797, [illegible]

The Company has analyzed its liquidity position and believes its current resources are adequate to meet anticipated liquidity needs for the next 12 months from the issuance date of this report.

Note 2. Significant Accounting Policies

Basis of Presentation and Consolidation

The Company prepares its consolidated financial [illegible]

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Category	Useful Life
Computer equipment and hardware	3 years
Software	5 years
Instructional equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	The lesser of 8 years or lease term

Costs incurred to develop internal-use software during the preliminary project stage are expensed as incurred. Internal-use software development costs are capitalized during the application development stage, which is after: (i) the preliminary project stage is completed; and (ii) management authorizes and commits to funding the project and it is probable the project will be completed and used to perform the function intended. Capitalization ceases at the point the software project is substantially complete and ready for its intended use, and after all substantial testing is completed. Upgrades and enhancements are capitalized if it is probable that those expenditures will result in additional functionality. Amortization is provided for on a straight-line basis over the expected useful life of five years of the internal-use software development costs and related upgrades and enhancements. When existing software is replaced with new software, the unamortized costs of the old software are expensed when the new software is ready for its intended use.

Leasehold improvements are amortized using the straight-line method over the lesser of eight years or lease term.

Upon the retirement or disposition of property and equipment, the related cost and accumulated depreciation or amortization are removed and a gain or loss is recorded in the consolidated statements of operations. Repairs and maintenance costs are expensed in the period incurred.

Courseware and Accreditation

The Company records the costs of courseware and accreditation in accordance with Financ

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definition, as well as private companies and not-for-profit entities. The Company is currently evaluating the ss

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Note 4. USU Goodwill and Intangibles

In connection with the acquisition of the USU business on December 1, 2017, the amount paid over the estimated fair values of the identifiable net assets was $5,011,432, which has been reflected in the consolidated balance sheet as goodwill.

The goodwill resulting from the acquisition may become deductible for tax purposes in the future. The goodwill resulting from the acquisition is principally attributable to the future earnings potential associated with enrollment growth and other intangibles that do not qualify for separate recognition such as the assembled workforce.

We assigned an indefinite useful life to the accreditation and regulatory approvals and the trade name and trademarks as we believe they have the ability to generate cash flows indefinitely. In addition, there are no legal, regulatory, contractual, economic or other factors to limit the intangibles' useful life and the Company intends to renew the intangibles, as applicable, and renewal can be accomplished at little cost. We determined all other acquired intangibles are finite-lived and we are amortizing them on either a straight-line basis or using an accelerated method to reflect the pattern in which the economic benefits of the assets are expected to be consumed. The finite-lived assets became fully amortized during fiscal 2020. Amortization expense for the three months ended July 31, 2020 and 2019 were $0 and $275,000, respectively.

Intangible assets consisted of the following at July 31, 2020 and April 30, 2020:

	July 31, 2020	April 30, 2020
Intangible assets	$ 10,100,000	$ 10,100,000
Accumulated amortization	(2,200,000)	(2,200,000)
Net intangible assets	$ 7,900,000	$ 7,900,000

Note 5. Courseware and Accreditation

For the three months ended July 31, 2020, additional courseware and accreditation costs capitalized were $3,050. As courseware and accreditation reach the end of their useful life, they are written off against the accumulated amortization. There is no expense impact for such write-offs.

Courseware and accreditation consisted of the following:

	July 31, 2020	April 30, 2020
Courseware	$ 290,863	$ 287,813
Accreditation	5	

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The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term and expected dividend yield rate over the expected option term. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award. The following table summarizes the assumptions the Company utilized to record compensation expense for stock options granted to employees during the three months ended April 30, 2020. There were no options granted to employees during the three months ended July 31, 2020.

	July 31, 2020	April 30, 2020
Expected life (years)	n/a	3.5
Expected volatility	n/a	57.0 %
Risk-free interest rate	n/a	0.24 %
Dividend yield	n/a	0.00 %
Expected forfeiture rate	n/a	n/a

The Company utilized the simplified method to estimate the expected life for stock options granted to employees. The simplified method was used as the Company does not have sufficient historical data regarding stock option exercises. The expected volatility is based on historical volatility. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected life of the related option at the time of the grant. Dividend yield is based on historical trends. While the Company believes these estimates are reasonable, the compensation expense recorded would increase if the expected life was increased, a higher expected volatility was used, or if the expected dividend yield increased.

A summary of the Company's stock option activity for employees and directors during the three months ended July 31, 2020, is presented below:

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OUTSTANDING OPTIONS			EXERCISABLE OPTIONS		
Exercise Price	Weighted Average Exercise Price	Outstanding No. of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable No. of Options
$1.57 to $2.10	$ 2.02	306,166	$ 2.02	0.56	261,771
$2.28 to $2.76	$ 2.30	307,779	$ 2.30	0.27	307,779
$3.24 to $4.38	$ 3.90	318,174	$ 3.87	1.32	262,507
$4.50 to $5.20	$ 4.93	665,195	$ 4.91	1.98	536,597
$5.95 to $6.28	$ 6.08	75,751	$ 6.11	1.96	61,195
$7.17 to $7.55	$ 7.44	481,639	$ 7.41	3.16	342,056
$8.57 to $9.07	$ 8.98	159,332	$ 8.98	2.44	112,888
Options only		2,314,036			1,884,793

For the three months ended July 31, 2020, the Company recorded compensation expense of $168,734, $307,852 and $10,524, respectively, in connection with stock option, restricted stock units and restricted stock grants.

As of July 31, 2020, there was approximately $550,000 of unrecognized compensation costs related to non-vested share-based option arrangements. That cost is expected to be recognized over a weighted-average period of approximately 2.0 years.

As of July 31, 2020, there was approximately $4.4 million of unrecognized compensation costs related to non-vested RSU grants. That cost is expected to be recognized over a weighted-average period of approximately 4.0 years.

As of July 31, 2020, there was approximately $60,000 of unrecognized compensation costs related to non-vested share-based common and restricted stock arrangements. That cost is expected to be recognized over a weighted-average period of approximately 1.5 years.

Note 8. Revenues

Revenues consist primarily of tuition and fees derived from courses taught by the Company online as well as from related educational resources that the Company provides to its students, such as access to our online materials and learning management system. The Company's educational programs have starting and ending dates that differ from its fiscal quarters. Therefore, at the end of each fiscal quarter, a portion of revenue from these programs is not yet earned and is therefore deferred. The Company also charges students fees for library and technology costs, which are recognized over the related service period and are not considered separate performance obligations. Other services, books, and exam fees are recognized as services are provided or when goods are received by the student. The Company's contract liabilities are reported as deferred revenue and due to students. Deferred revenue represents the amount of tuition, fees, and other student invoices in excess of the portion recognized as revenue and it is included in current liabilities in the accompanying unaudited consolidated balance sheets.

The following table represents our revenues disaggregated by the nature and timing of services:

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	Three Months Ended July 31,	
	2020	**2019**
Tuition - *recognized over period of instruction*	$ 13,367,308	$ 9,290,952
Course fees - *recognized over period of instruction*	1,599,693	925,954
Book fees - *recognized at a point in time*	39,138	20,785
Exam fees - *recognized at a point in time*	70,655	60,100
Service fees - *recognized at a point in time*	88,768	60,191
	$ 15,165,562	$ 10,357,982

Contract Balances and Performance Obligations

The Company recognizes deferred revenue as a student participates in a course which continues past the consolidated balance sheet date. Deferred revenue at July 31, 2020 was $4,766,853 which is future revenue that has not yet been earned for courses in progress. The Company has $1,891,502 of funds due to students, which mainly represents Title IV funds due to students after deducting their tuition payments.

Of the total revenue earned during the three months ended July 31, 2020, approximately $3.7 million came from revenues which were deferred at April 30, 2020.

When the Company begins providing the performance obligation by beginning instruction in a course, a contract receivable is created, resulting in accounts receivable. The Company accounts for receivables in accordance with ASC 310, Receivables. The Company uses the portfolio approach, as discussed below.

AGI records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student's cost of tuition and related fees. AGI determines the adequacy of its allowance for doubtful accounts using an allowance method based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. AGI applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables and student status. AGI writes off accounts receivable balances at the time the balances are deemed uncollectible. AGI continues to reflect accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection.

Cash Receipts

Our students finance costs through a variety of funding sources, including, among others, monthly payment plans, installment plans, federal loan and grant programs (Title IV), employer reimbursement, and various veterans and military funding and grants, and cash payments. Most students elect to use our monthly payment plan. This plan allows them to make continuous monthly payments during the length of their program and through the length of their payment plan. Title IV and military funding typically arrives during the period of instruction. Students who receive reimbursement from employers typically do so after completion of a course. Students who choose to pay cash for a class typically do so before beginning the class.

Significant Judgments

We analyze revenue recognition on a portfolio approach under ASC 606-10-10-4. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. We have determined that all of our students can be grouped into one portfolio. Students behave similarly, regardless of their payment method. Enrollment agreements and refund policies are similar for all of our students. We do not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if we were to assess each student contract separately.

The Company maintains institutional tuition refund policies, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund

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On October 15, 2015, HEMG filed bankruptcy pursuant to Chapter 7. As a result, the remaining claims and Aspen's counterclaims in the New York lawsuit are currently stayed. The bankrupt estate's sole asset consisted of 208,000 shares of AGI common stock, plus a claim filed by the bankruptcy trustee against Spada's brother and a third party to recover approximately 167,000 shares. On February 8, 2019, the bankruptcy court issued an order reducing AGI's claim to $388,638 which consisted of the judgment and a $

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Aspen University is a Delaware corporation and is approved to operate in the State of Delaware. Aspen University is authorized by the Colorado Commission on Education in the State of Colorado and the Arizona State Board for Private Post-Secondary Education in the State of Arizona to operate as a degree granting institution for all degrees. Aspen University is authorized to operate as a degree granting institution for bachelor degrees only by the Texas Higher Education Coordinating Board in the State of Texas.

USU is also a Delaware corporation and received initial approval from the Delaware DOE to confer degrees through June 2023.

Note 11. Subsequent Events

On September 14, 2020, after the closing price of our common stock was at least $10.725 over a 20 consecutive trading day period the Convertible Notes automatically converted into 1,398,602 shares of the Company’s common stock at a conversion price of $7.15 per share. The Company expects the accelerated amortization charge related to this transaction in the second quarter of fiscal year 2021 will be approximately $1.4 million, which will be included in interest expense in the consolidated statement of operations.

On August 31, 2020, the closing price of the Company’s common stock was at least $9 for 20 consecutive trading days, resulting in, 10% or 37,500 of the February 4, 2020 RSU grants to executives vesting immediately. Additionally, on September 2, 2020, the Company’s common stock was at least $10 for 20 consecutive trading days and 25% or 93,750 of the RSUs granted vested immediately. On the grant date, the closing price of the Company's common stock on The Nasdaq Global Market was $9.49 per share. See "Stockholders' Equity" Note for additional information on the vesting terms for these RSUs. The accelerated amortization expense related to this transaction in the second quarter of fiscal year 2021 will be approximately $1.6 million for the vesting of these 131,250 RSUs, which will be included in General and Administrative expense in the consolidated statement of operations.

On August 31, 2020, the Company entered into an Equity Distribution Agreement (the “Agreement”) with Canaccord Genuity LLC (“Canaccord”), pursuant to which the Company may issue and sell from time to time, through Canaccord, up to $12,309,750 of shares of the Company’s common stock (the “Shares”).

Sales of the Shares, if any, may be made by any method permitted by law deemed to be an “at-the-market” offering as defined in Rule 415 of the Securities Act of 1933, including without limitation sales. j anyj anyj o $.ud 020,7$1

The Cost per Enrollment measures the advertising investment spent in a given three month period, divided by the num t

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2019
Earnings (loss) per share	$ (0.04)	$ (0.11)
Weighted average number of common stock outstanding*	22,094,409	18,733,317
Net loss	$ (943,196)	$ (2,075,282)
Add back:		
Non-recurring charges	543,384	132,949
Stock-based compensation	487,110	498,417
Adjusted Net Income (Loss)	$ 87,298	$ (1,443,916)
Adjusted Earnings (Loss) per Share	$ 0.00	$ (0.08)

*Same share count used for GAAP and non-GAAP financial measures.

AGI defines Adjusted EBITDA as earnings (or loss) from operations before the items in the table below. Incl

	Three Months Ended July 31,	
	2020	2019
GAAP Gross Profit	$ 8,990,985	$ 5,765,329
Add back amortization expense included in cost of revenue:		
Intangible Asset Amortization	11,947	19,142
Call Center Software/Website	315,107	220,453
Total amortization included in cost of revenue	327,054	239,595
Gross Profit, exclusive of amortization	$ 9,318,039	$ 6,004,924
Revenue	$ 15,165,562	$ 10,357,982
Cost of Revenue	5,847,523	4,353,058
Gross Profit, exclusive of amortization	$ 9,318,039	$ 6,004,924
GAAP Gross Profit as a % of revenue	59 %	56 %
Gross Profit, exclusive of amortization expense as a % of revenue	61 %	58 %

Gross profit rose to 59% of revenues or $8,990,985 for Q1 Fiscal 2021 from $5,765,329 or 56% of revenues for Q1 Fiscal 2020, an increase of 56% year-over-year.

Aspen University gross profit represented 59% of Aspen University revenues for Q1 Fiscal 2021, while USU gross profit equaled 64% of USU revenues during Q1 Fiscal 2021.

Liquidity and Capital Resources 6%DIK3

Accounts Receivable and Allowance for Doubtful Accounts Receivable

All students are required to select both a primary and secondary payment option with respect to amounts due to Aspen for tuition, fees and other expenses. The most common payment option for Aspen's ĐƿŵĐ } concerning Lifetime Value, our expected ability to cost-effectively drive

PART II. OTHER INFORMATION

ITEM 1. (ORMA

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the regi ie ttsuh ti f 1th to gtPursu 93

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Michael Mathews, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrFmresults dslla ve reviewssama views sent

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Aspen Group, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2020