For the quarterly period ended
or

For the transition period from ___________ to ___________

Commission file number

*(Exact Name of Registrant as Specified in Its Charter)*

| | |
|---|---|
| *State or Other Jurisdiction of Incorporation or Organization* | *I.R.S. Employer Identification No.* |
| 276 Fifth Avenue Suite 505 New York New York | |
| *Address of Principal Executive Offices* | *Zip Code* |

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934Rthe

| | | | | |
|---|---|---|---|---|
| Revenue | $ 15,574,042 | [illegible] | [illegible] | [illegible] |
| [illegible] | | | | |

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The Company prepares its NI CĎ ež

nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments.

Revenue consists primarily of tuition and course fees derived from courses taught by the Company online and in-person as well as from related educational resources and services that the Company provides to its students. Under ASC 606, tuition and course fee revenue is recognized pro-rata over the applicable period of instruction and are not considered separate performance obligations. Non-tuition related revenue and fees are recognized as services are provided or when the goods are received by the student. Students may receive discounts, scholarships, or refunds, which gives rise to variable consideration. Discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the tuition is reduced directly by these discounts or scholarships from the amount of the standard tuition rate charged.

Deferred revenue, a contract liability, represents the amount of tuition, fees, and other student payments received in excess of the portion recognized as revenue and it is included in current liabilities in the accompanying consolidated balance sheets. Other revenue may be recognized as sales occur or services are performed.

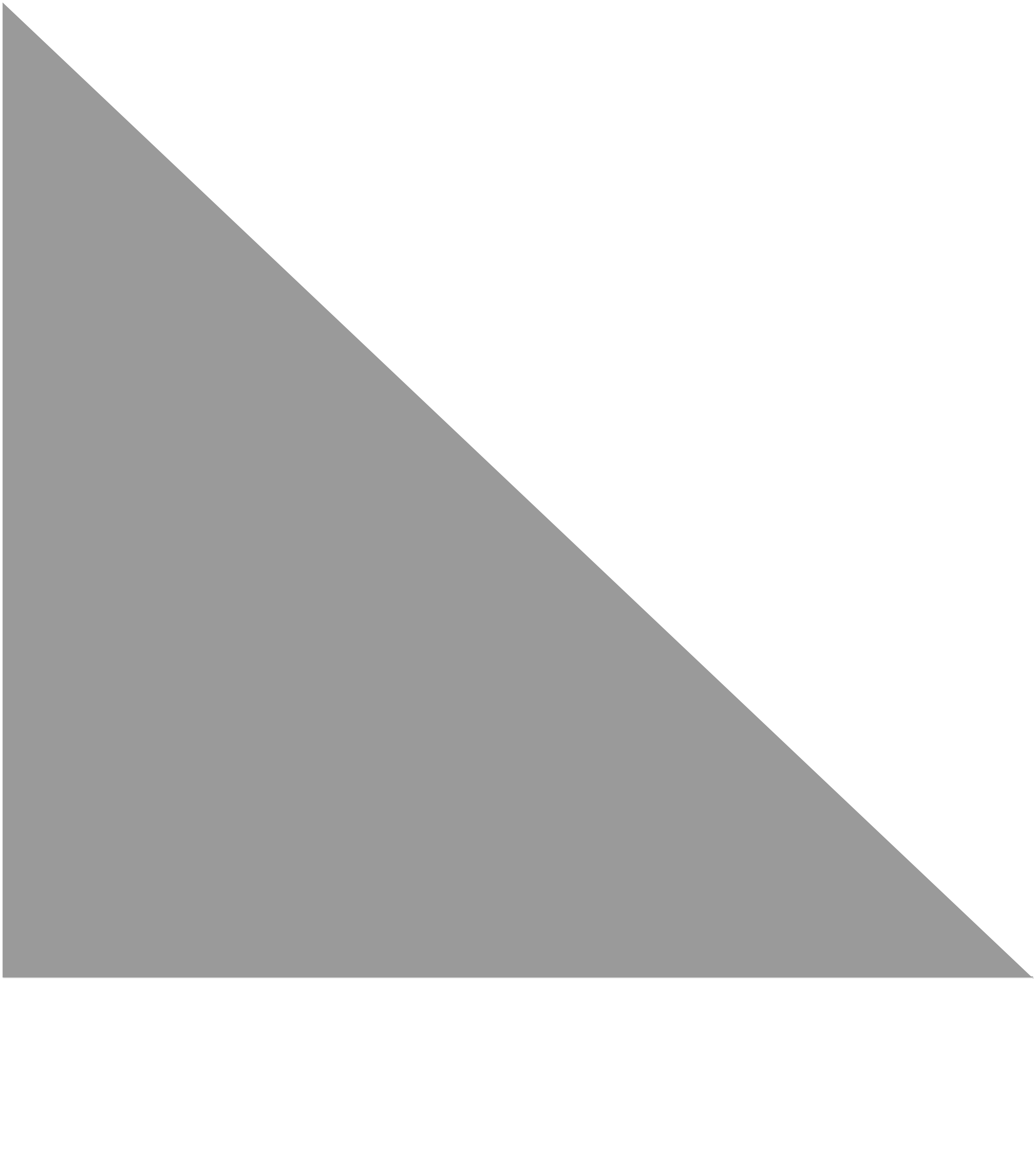
Net loss per share is based on the weighted average number of shares of common stock outstanding during each period.Summarized below are shares not included in the computation of diluted net loss per share because the effects would have been anti-dilutive. The options, warrants, RSUs, unvested restricted stock and convertible notes are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share of common stock when their effect is dilutive. See Note 6. Stockholders' Equity.

On October 31, 2022, Aspen University and the Arizona State Board for Private Postsecondary Education entered into a revised stipulated agreement

On August 16, 2021, the Compensation Committee approved a 125,000 RSU grant to the Company's newly hired Chief Financial Officer as part of his employment agreement. The grant has a grant date fair value of $725,000 based on a closing stock price of $5.80 per share. On August 12, 2021, the Compensation Committee approved individual grants of 80,000 RSUs to the Company's Chief Operating Officer and Chief Academic Officer. The grants have a total grant date fair value of $1.0 million based on a closing stock price of $6.48 per share.

The three executive grants discussed above are under the Company's 2018 Plan and are set to vest annually over a period of three years and are subject to continued employment as an officer of the Company on each applicable vesting date. The amortization expense related to these grants for the three and nine months ended January 31, 2023 was [illegible]

A summary of the Company’s warrant activity during the nine months ended January 31, 2023 is presented below:



As of January 31, 2023, our longer-term operating leases are located in Tampa, Phoenix, Austin, Nashville and Georgia and are set to expire in six to eight years. These leases make up approximately 95% of the total future minimum lease payments.

Operating lease ROU assets, of a m

remediation period is up to two years or 150% of the length of the Institution’s longest program. DEAC expects to schedule its review of Aspen University's response to the show cause directive and the associated record within the next six to nine months. During the show cause remediation period, Aspen University remains fully accredited. DEAC has provided Aspen with a due date for submission of its response to the Show Cause Directive, May 19, 2023, and scheduled a site visit for June 13, 2023.

On February 8, 2023, Aspen University received notification from the DOE that effective February 7, 2023 the DOE had placed Aspen University on Heightened Cash Management 2 (“HCM2”). Under the HCM2 method of payment, Aspen University may continue to obligate funds under the federal student financial assistance programs authorized by Title IV of HEA.

HCM2 is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. Subsequent to the receipt of the first financial aid payment under HCM2, Aspen University will be able to submit for financial aid reimbursement once every 30 days. Reimbursement payments could be delayed if the DOE has findings upon review of each of our reimbursement files.

The letter from the DOE stated that the DOE acted in response to the Show Cause Directive from DEAC.

On February 20, 2023, Aspen University entered into a 3rd revised Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which requested transcripts from 1985-2019 and an institutional teach-out plan as well as increased monthly financial reporting requirements. Other requirements from the October 2022 Stipulated Agreement were carried forward to this revised agreement. The revised agreement was in response to the Show Cause Directive from DEAC.

On March 27, 2023, United States University received a request for information from its institutional accreditor, WSCUC, regarding information on the current financial and operational status of the university in light of both AGI’s delisting from The Nasdaq Global Market and Aspen University’s Show Cause Directive from DEAC. USU provided the required information timely on April 4, 2023.

You should read the following discussion in conjunction with our unaudited consolidated financial statements, which are included elsewhere in this Form 10-Q. This Quarterly Report on Form 10-Q contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See "Cautionary Note Regarding Forward Looking Statements" for more information.

In connection with the management of our businesses, we identify, measure and assess a variety of operating metrics. The principal metrics we use in managing our businesses are set forth below:

- is the weighted average total amount of tuition and fees paid by every new student that enrolls in the Company’s universities, after giving effect to attrition.

- - defined by multiplying LTV by new student enrollments for each operating unit.
- - defined by dividing total bookings by total enrollments for each operating unit.

- consists of instructional costs and services and marketing and promotional costs.

  - - consist primarily of costs related to the administration and delivery of the Company's educational programs. This expense category includes compensation costs associated with online faculty, technology license costs and costs associated with other support groups that provide services directly to the students and are included in cost of revenue.
  - - include costs associated with producing marketing materials and advertising, and outside sales costs. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing efforts, and expenditures on advertising initiatives for new and existing academic programs. We engage non-direct response advertising activities, which are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. These costs are included in cost of revenue.

consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs for personnel engaged in executive and academic management and operations, finance, legal, tax, information technology, human resources, recruiting, fees for professional services, financial aid processing costs, non-capitalizable courseware and software costs, corporate taxes and facilities costs.

is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of net loss to EBITDA for the three and nine months ended January 31, 2023 and 2022.

is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of net loss to Adjusted EBITDA for the three and nine months ended January 31, 2023 and 2022.

Aspen Group, Inc. is an education technology holding company. It operates two universities, Aspen University Inc. ("Aspen University" or "AU") and United States University Inc. ("United States University" or "USU").

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 nur

To date, Aspen University has provided multiple regulatory bodies with requested records and data and Aspen University will willingly comply with the DEAC’s continued oversightb s كب

The Company offers several payment options to its students including a monthly payment plan (MPP), installment plans and financial aid. The growth in accounts receivable over the last several years has predominantly been a result of students taking advantage of our groundbreaking monthly payment plan, which we introduced in 2014 at Aspen University and subsequently in Fiscal Year 2018 at USU. At January 31, 2023, Gross MPP accounts receivable was 86% of total gross accounts receivable. Of the Gross [illegible]

MSN-FNP program. The trend of decreased revenue is expected to continue for the remainder of Fiscal Year 2023 given the Company’s recent suspension of new enrollment in its pre-licensure program, which accounted for 22% of its consolidated revenue in 9M Fiscal 2023, and the effect of the decrease in marketing spend.

Consolidated instructional costs and services for 9M Fiscal 2023 increased to 32% of revenue from 25% of revenue for 9M Fiscal 2022, related to the factors described below.

AU instructional costs and services were 34% and 25% of AU revenue for 9M Fiscal 2023 and 9M Fiscal 2022, respectively. As a percentage of revenue, instructional costs and services increased due primarily to the inflationary impact on faculty compensation and the need for more instructors in the BSN Pre-Licensure program, which is the result of more students entering the core curriculum. The core curriculum requires an increase in the ratio of instructors to students, especially as students enter the clinical portion of the program.

USU instructional costs and services were 29% and 25% of USU revenue for 9M Fiscal 2023 and 9M Fiscal 2022, respectively. As a percentage of revenue, instructional costs and services increased due primarily to the growth in the USU MSN-FNP program, which resulted in increased immersions at additional campuses, and the inflationary impact on faculty compensation.

Consolidated marketing and promotional costs for 9M Fiscal 2023 were 11% of revenue compared to 22% of revenue for 9M Fiscal 2022. This follows the $1 million reduction in marketing spend in Q1 Fiscal 2022 to ensure sufficient collateral for a surety bond required by the Arizona State Board for Private Postsecondary Education and the $1.1 million quarterly year-over-year reduction in marketing spend in Q3 Fiscal 2023 as part of the restructuring plan. The restructuring program decreased marketing advertising spend across all programs to maintenance levels. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 10% and 21% of AU revenue for 9M Fiscal 2023 and 9M Fiscal 2022, respectively.

USU marketing and promotional costs represented 6% and 17% of USU revenue for each 9M Fiscal 2023 and 9M Fiscal 2022, respectively.

Corporate marketing and promotional costs were $1,098,288 in 9M Fiscal 2023 compared to $994,681 in 9M Fiscal 2022, an increase of $103,607 or 10%.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| General and administrative | $ 9,624,528 | $ (2,146,959) | (18)% | $ 11,771,487 | $ 31,039,666 | $ (3,319,610) | (10)% | $ 34,359,276 |

*Q3 Fiscal 2023 compared to Q3 Fiscal 2022*

Consolidated general and administrative expense for Q3 Fiscal 2023 was $9,624,528 or 62% of revenue compared to $11,771,487 or 62% of revenue for Q3 Fiscal 2022, a decrease of $2,146,959 or 18%. As part of the Company's recent restructuring plan, which was initiated late Q1 Fiscal 2023, the company eliminated approximately 70 positions within AU and Corporate in Q2 Fiscal 2023, resulting in compensation-related savings of approximately $1.0 million in Q3 Fiscal 2023 as compared to Q3 Fiscal 2022. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased by $1,086,811 year-over-year and was 38% and 36% of AU revenue for Q3 Fiscal 2023 and Q3 Fiscal 2022, respectively. The decrease in employee-related compensation due to the restructuring program and other cost controls implemented by management, were partially offset by a fee for the surety bond required by the Arizona State Board for Private Postsecondary Education, which is being amortized over one year.

USU general and administrative expense decreased by $320,630 year-over-year and was 37% and 43% of USU revenue for Q3 Fiscal 2023 and Q3 Fiscal 2022, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management and decreased facilities costs related to the move to the new campus at the end of Q2 Fiscal 2023.

Corporate general and administrative expense was $3.7 million and $4.5 million in Q3 Fiscal 2023 and Q3 Fiscal 2022, respectively. The decrease was primarily due to the impact of the restructuring and planned corporate cost control.

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A summary of the Company's cash flows is as follows:

| | | |
|---|---|---|
| Net cash (used in) provided by | | |
| Operating activities | $ (4)[illegible] þ | Ñ |
| | | |
| | | |
| | | |

The Company anticipates that it will need to make capital and other expenditures in connection with on-going operations.

| | | | | | |
|---|---|---|---|---|---|
| 3.1 | Certificate of Incorporation, as amended | 10-K | 7/9/2019 | 3.1 | |
| 3.1(a) | Certificate of Amendment to Articles of Incorporation - authorized shares | 8-K | 7/12/2022 | 3.1 | |
| 3.2 | Bylaws, as amended | 10-Q | 3/15/2018 | 3.2 | |
| 31.1 | Certification of Principal Executive Officer (302) | | | | Filed |
| 31.2 | Certification of Principal Financial Officer (302) | | | | Filed |
| 32.1 | Certification of Principal Executive and Principal Financial Officer (906) | | | | Furnished** |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | | Filed |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | Filed |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | Filed |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | Filed |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | Filed |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | | | |

* Management contract or compensatory plan or arrangement.
** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.
\+ Certain schedules and other attachments have been omitted. The Company undertakes to furnish the omitted schedules and attachments to the SEC upon request.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to Aspen Group, Inc., at the address on the cover page of this report, Attention: Corporate Secretary.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | | |
|---|---|---|
| May 16, 2023 | By: | /s/ Michael Mathews<br>Michael Mathews<br>Chief Executive Officer<br>(Principal Executive Officer) |
| May 16, 2023 | By: | /s/ Matthew LaVay<br>Matthew LaVay<br>Chief Financial Officer<br>(Principal Financial 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 ateria ڪ ک

I, Matthew LaVay, 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 registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the

In connection with the quarterly report of Aspen Group, Inc. (the "Company") on Form 10-Q for the quarter ended January 31, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Michael Mathews, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Mathews

Michael Mathews
Chief Executive Officer
(Principal Executive Officer)

Dated: May 16, 2023

In connection with the quarterly report of Aspen Group, Inc. (the "Company") on Form 10-Q for the quarter ended January 31, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Matthew LaVay, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew LaVay

Matthew LaVay
Chief Financial Officer
(Principal Financial Officer)

Dated: May 16, 2023