<u>Exhibit E</u>

ITEM 15. Management's Discussion and Analysis or Plan of Operation

Key Terms

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:

<u>Operating Metrics</u>

- **Lifetime Value ("LTV")** - 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.
- **Bookings** - defined by multiplying LTV by new student enrollments for each operating unit.
- **Average Revenue per Enrollment ("ARPU")** - defined by dividing total bookings by total enrollments for each operating unit.

<u>Operating costs and expenses</u>

- **Cost of revenue** - consists of instructional costs and services and marketing and promotional costs.
    - **Instructional 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.
    - **Marketing and promotional costs** - 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 are included in cost of revenue.
- **General and administrative expense -** 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 and human resources, recruiting, fees for professional services, financial aid processing costs, non-capitalizable courseware and software costs, corporate taxes and facilities costs.

Non-GAAP financial measures:

- **Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") -** is a non-GAAP financial measure. See "Non-GAAP – Financial Measures" for a reconciliation of net loss to EBITDA for the fiscal years 2023 and 2022.
- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") -** is a non-GAAP financial measure. See "Non-GAAP – Financial Measures" for a reconciliation of net loss to Adjusted EBITDA for the fiscal years 2023 and 2022.

AGI Student Population Overview

AGI's active degree-seeking student body, including AU and USU, declined 30% year-over-year to 9,399 at April 30, 2023 from 13,334 at April 30, 2022. AU's total active student body decreased by 35% year-over-year to 6,670 at April 30, 2023 from 10,225 at April 30, 2022. On a year-over-year basis, USU's total active student body decreased by 12% to 2,729 at April 30, 2023 from 3,109 at April 30, 2022.

Total active student body for the past five quarters is shown below:

	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Aspen University	10,225	9,133	7,973	7,232	6,670
USU	3,109	2,915	2,984	2,724	2,729
Total	13,334	12,048	10,957	9,956	9,399

AGI Nursing Student Population

Students seeking nursing degrees were 7,882, or 84% of total active students at both universities. Of the students seeking nursing degrees, 7,374 are RNs studying to earn an advanced degree, including 4,884 at Aspen University and 2,490 at USU. In contrast, the remaining 508 nursing students are enrolled in Aspen University's BSN Pre-Licensure program in the Phoenix, Austin, Tampa and Nashville metros.

The majority of the year-over-year Aspen University nursing student body decrease is a result of the enrollment stoppage and teach out of the pre-licensure program and the $10.0 million reduction in marketing spend in fiscal 2023 as compared to fiscal 2022 (see Exhibit C for further discussion of the pre-licensure teach out). The teach out of the pre-licensure program will be complete by the end of the third quarter of fiscal 2024. The majority of the year-over-year USU nursing student body decrease is a result of the $10.0 million reduction in marketing spend in fiscal 2023 as compared to fiscal 2022.

Nursing student body for the past five quarters are shown below:

	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Aspen University	8,632	7,686	6,640	5,899	5,392
USU	2,890	2,708	2,752	2,450	2,490
Total	11,522	10,394	9,392	8,349	7,882

AGI New Student Enrollments

On a Company-wide basis, new student enrollments were down 39% year-over-year. New student enrollments at AU decreased 43% year-over-year and at USU by 31% year-over-year. New student enrollments were primarily impacted by the enrollment stoppage at our pre-licensure campuses, and the reduction in marketing spend. We expect the decline in student enrollments to revert to student enrollment increases in the second half of fiscal 2024. The reversal will be the result of the anticipated resumption of marketing spend at a level sufficient to grow the student body and also allow for the generation of positive operating cash flow.

New student enrollments for the past five quarters are shown below:

	Q4'22	Q1'23	Q2'23	Q3'23	Q4'2
Aspen University	1,010	868	784	695	574
USU	525	447	506	374	360
Total	1,535	1,315	1,290	1,069	934

Bookings Analysis and ARPU

On a year-over-year basis, Fiscal 2023 Bookings decreased 50%, to $60.1 million from $120.6 million in the prior year. As previously discussed, the pre-licensure enrollment stoppage and the reduction in marketing spend by $10.0 million caused Bookings to decrease year-over-year.

On a year-over-year basis, Q4 Fiscal 2023 ARPU decreased 14% from the prior year period due primarily to a decrease in Bookings at Aspen University in the pre-licensure program.

	FY '22 Enrollments	FY '22 Revenue Bookings[1]	FY '23 Enrollments	FY '23 Revenue Bookings[1]	% Change Total Bookings & ARPU
Aspen University	5,662	$ 79,418,100	2,921	$ 30,061,350	
USU	2,311	$ 41,182,020	1,687	$ 30,062,340	
Total	7,973	$120,600,120	4,608	$ 60,123,690	(50)%
ARPU[1]		$ 15,126		$ 13,048	(14)%

[1] "Bookings" are defined by multiplying Lifetime Value (LTV) by new student enrollments for each operating unit. "Average Revenue Per Enrollment" (ARPU) is defined by dividing total Bookings by total new student enrollments for each operating unit.

Accounts Receivable - Monthly Payment Plan ("MPP")

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 April 30, 2023, Gross MPP accounts receivable was 95% of total gross accounts receivable. Of the Gross accounts receivable, approximately 43% and 52% relates to AU and USU MPP accounts receivable, respectively.

The Monthly Payment Plan is a private education loan with a 0% fixed rate of interest (0% APR) and no down payment. Each month the student will make one payment of $250, $325, $350 or $375 (depending on the program) until the program tuition is paid in full. The attractive aspect of being able to pay for a degree over a fixed period of time fueled the growth of the MPP plan and as a result our short-term and long-term accounts receivable. The MPP is designed so students can build the cost of their degree into their monthly budget.

In Q4 Fiscal 2023, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the MPP, and all other payment types including financial aid, to reduce their outstanding balance by 25% if the balance is paid in full within 30 days of receiving the offer. The program ended on March 1, 2023. Approximately $3.6 million was collected under the program. Of the total collected, approximately $1.2 million and $2.4 million was collected at AU and USU, respectively. $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2023 Consolidated Statement of Operations.

Long-Term Accounts Receivable

When a student signs up for the monthly payment plan, there is a contractual amount that the Company can expect to earn over the life of the student's program. This full contractual amount cannot be recorded as accounts receivable upon enrollment. As a student takes a class, revenue and the associated accounts receivable is earned over that eight-week class. Some students accelerate their program, taking two classes every eight-week period, and that increases the student's accounts receivable balance. If any portion of the accounts receivable balance will be paid in a period of greater than 12 months, that portion is classified as long-term accounts receivable.

As a result of the growing acceptance of our monthly payment plans, our long-term accounts receivable balance has grown from $11,406,525 at April 30, 2022 to $13,004,428 at April 30, 2023. Generally, students in the USU MSN-FNP program make payments over a 72-month period, and as a result, a portion of USU's 72-month payment plan becomes long-term accounts receivable.

Accounts receivable is considered short-term to the extent the remaining payments are 12 months or less. Payments due in greater than 12 months are considered long-term. Here is a graphic of both short-term and long-term receivables, as well as contractual value:

A	B	C
The portion of remaining payments owed for classes taken under a monthly payment plan due in 12 months or less	The portion of remaining payments owed for classes taken under a monthly payment plan due in greater than 12 months	Expected future classes to be taken over balance of program.
Short-Term Accounts Receivable	Long-term Accounts Receivable	Not recorded in financial statements

The Sum of A, B and C will equal the total cost of the program.

Results of Operations

Set forth below is the discussion of the results of operations of the Company for the three months ended April 30, 2023 ("Q4 Fiscal 2023") compared to the three months ended April 30, 2022 ("Q4 Fiscal 2022"), and for the year ended April 30, 2023 ("Fiscal 2023") compared to the year ended April 30, 2022 ("Fiscal 2022").

Restructuring Plan

In late Q1 Fiscal 2023, we implemented a restructuring plan that resulted in significant cash benefits for the Company starting in Q2 Fiscal 2023 and continuing for the remainder of the fiscal year. The restructuring resulted in the elimination approximately 70 positions mostly within the general and administrative functions at AU and AGI. The resulting on-going quarterly compensation-related savings are approximately $1.0 million. Compensation-related savings in Fiscal 2023 were approximately $2.6 million. Additionally, the Q2 Fiscal 2023 restructuring program temporarily decreased marketing advertising spend across all programs to maintenance levels. Further details are included in the following discussion of operating results. Our restructuring efforts were designed to achieve break-even to positive annual operating cash flows starting in Fiscal 2024, which will permit the resumption of marketing spend at a level that will renew growth in our post-licensure student body.

In late Q4 Fiscal 2023, we implemented a second restructuring plan that will result in additional significant cash benefits for the Company starting in Q1 Fiscal 2024. The restructuring resulted in the elimination approximately 17 positions within AU and Corporate, including our Chief Accounting Officer. The resulting on-going quarterly compensation-related savings will be approximately $0.5 million effective Q1 Fiscal 2024.

Revenue

The following table presents selected consolidated statement of operations as a percentage of revenue (differences due to rounding):

	Three Months Ended April 30,		Years Ended April 30,	
	2023	2022	2023	2022
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)				
Instructional costs and services	33 %	27 %	32 %	25 %
Marketing and promotional costs	2 %	18 %	9 %	21 %
Total cost of revenue (exclusive of depreciation and amortization shown separately below)	35 %	44 %	41 %	46 %
General and administrative	57 %	58 %	59 %	59 %
Bad debt expense	3 %	2 %	3 %	2 %
Depreciation and amortization	6 %	5 %	6 %	4 %
Total operating expenses	101 %	109 %	108 %	112 %
Operating loss	(1)%	(9)%	(8)%	(12)%
Other income (expense):				
Interest expense	(4)%	(2)%	(4)%	(1)%
Other income (expense), net	— %	— %	— %	1 %
Total other (expense) income, net	(4)%	(2)%	(4)%	— %
Loss before income taxes	(5)%	(11)%	(12)%	(12)%
Income tax expense	— %	— %	— %	1 %
Net loss	(5)%	(11)%	(13)%	(12)%

The following table presents our revenue, both per-subsidiary and total:

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Change	2022
AU	$ 8,716,534	$(4,086,979)	(32)%	$ 12,803,513	$40,541,949	$ (11,297,405)	(22)%	$51,839,354
USU	6,065,752	(509,097)	(8)%	6,574,849	$25,782,839	927,827	4%	24,855,012
Revenue	$ 14,782,286	$(4,596,076)	(24)%	$ 19,378,362	$66,324,788	$ (10,369,578)	(14)%	$76,694,366

Q4 Fiscal 2023 compared to Q4 Fiscal 2022

AU and USU combined revenue decreased 24% in Q4 Fiscal 2023 compared to Q4 Fiscal 2022.The AU revenue decline year-over-year reflects lower post-licensure enrollments attributed to lower marketing spend initiated in late Q1 Fiscal 2023 and the stoppage of enrollments at our pre-licensure campuses. The active student body at AU decreased 35% year-over-year to 6,670 at April 30, 2023 from 10,225 at April 30, 2022. The USU revenue decrease reflects lower MSN-FNP program enrollments attributed to lower marketing spend initiated in late Q1 Fiscal 2023. The active student body at USU decreased by 12% to 2,729 at April 30, 2023 from 3,109 at April 30, 2022.

In Q4 Fiscal 2023, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the MPP, and all other payment types including financial aid, to reduce their outstanding balance by 25% if the balance is paid in full within

30 days of receiving the offer. $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2023 Consolidated Statement of Operations.

Fiscal 2023 compared to Fiscal 2022

AU and USU combined revenue decreased (14)% in Fiscal 2023 compared to Fiscal 2022. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses and the effect of decreased marketing spend initiated late in Q1 Fiscal 2023. This AU revenue decrease was offset by the USU revenue increase due primarily to USU's MSN-FNP program, the USU post-licensure degree program with the highest concentration of students and the highest LTV. The trend of decreased revenue at AU is expected to continue in Fiscal Year 2024 given the Company’s recent suspension of new enrollments in its pre-licensure program associated with the related teach-out, which accounted for 19% of consolidated revenue in Fiscal 2023, and the effect of the pause in marketing spend starting in Q2 Fiscal Year 2023. The AU revenue decline is expected to slow in the second half of Fiscal 2024 due to the planned resumption of marketing spend in Q2 Fiscal Year 2024, and AU revenue growth is expected to resume in Fiscal Year 2025 due to end of the pre-licensure teach-out and growth in post-licensure enrollments driven by the resumption of marketing spend. The USU student body was not significantly impacted by the Fiscal Year 2023 pause in marketing spend, therefore we are forecasting little to no decrease in USU revenue in Fiscal Year 2024.

In Q4 Fiscal 2023, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the MPP, and all other payment types including financial aid, to reduce their outstanding balance by 25% if the balance is paid in full within 30 days of receiving the offer. $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2023 Consolidated Statement of Operations.

Cost of Revenue (exclusive of depreciation and amortization shown separately below)

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Chang	2022
Cost of Revenue (exclusive of depreciation and amortization shown separately below)	$ 5,141,115	$(3,459,978)	(40)%	$8,601,093	27,087,829	$(8,171,452)	(23)%	$35,259,281

Q4 Fiscal 2023 compared to Q4 Fiscal 2022

Instructional Costs and Services

Consolidated instructional costs and services for Q4 Fiscal 2023 increased to 33% of revenue from 27% of revenue for Q4 Fiscal 2022, related to the factors described below.

AU instructional costs and services were 33% and 27% of AU revenue for Q4 Fiscal 2023 and Q4 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 32% and 27% of USU revenue for Q4 Fiscal 2023 and Q4 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 higher USU clinical immersion-related instructional costs, and the inflationary impact on faculty compensation.

Marketing and Promotional

Consolidated marketing and promotional costs for Q4 Fiscal 2023 were 2% of revenue compared to 18% of revenue for Q4 Fiscal 2022. The decrease is primarily the result of the $3.3 million quarter-over-quarter reduction in marketing spend

associated with the Fiscal 2023 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 0% and 18% of AU revenue for Q4 Fiscal 2023 and Q4 Fiscal 2022, respectively.

USU marketing and promotional costs represented 0% and 11% of USU revenue for each Q4 Fiscal 2023 and Q4 Fiscal 2022, respectively.

Corporate marketing and promotional costs were $286,472 in Q4 Fiscal 2023 compared to $358,976 in Q4 Fiscal 2022, a decrease of $72,504 or 20%.

Fiscal 2023 compared to Fiscal 2022

Instructional Costs and Services

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

AU instructional costs and services were 34% and 25% of AU revenue for Fiscal 2023 and 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 30% and 26% of USU revenue for Fiscal 2023 and 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.

Marketing and Promotional

Consolidated marketing and promotional costs for Fiscal 2023 were 9% of revenue compared to 21% of revenue for Fiscal 2022. The decrease is primarily the result of the $10.0 million year-over-year reduction in marketing spend associated with the Fiscal 2023 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 8% and 20% of AU revenue for Fiscal 2023 and Fiscal 2022, respectively.

USU marketing and promotional costs represented 5% and 16% of USU revenue for each Fiscal 2023 and Fiscal 2022, respectively.

Corporate marketing and promotional costs were $1,384,760 in Fiscal 2023 compared to $1,353,657 in Fiscal 2022, an increase of $31,103 or 2%.

Costs and Expenses

General and Administrative

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	%	2022	2023	$ Change	% Change	2022
General and administrative	$ 8,361,301	$(2,814,424)	(25)%	$11,175,725	$39,400,967	$(6,134,034)	(13)%	$45,535,001

Q4 Fiscal 2023 compared to Q4 Fiscal 2022

Consolidated general and administrative expense for Q4 Fiscal 2023 was $8,361,301 or 57% of revenue compared to $11,175,725 or 58% of revenue for Q4 Fiscal 2022, a decrease of $2,814,424 or 25%. 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 Q4 Fiscal 2023 as compared to Q4 Fiscal 2022. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased by $852,054 year-over-year and was 43% and 36% of AU revenue for Q4 Fiscal 2023 and Q4 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 $152,490 year-over-year and was 36% and 36% of USU revenue for Q4 Fiscal 2023 and Q4 Fiscal 2022, respectively. The decrease was primarily due to decreased facilities costs related to the move to the new campus at the end of Q2 Fiscal 2023 and lower employee-related compensation due to cost controls implemented by management.

Corporate general and administrative expense was $2.4 million and $4.2 million in Q4 Fiscal 2023 and Q4 Fiscal 2022, respectively. The decrease was primarily due to the impact of the restructuring and planned corporate cost control, and lower professional fees; partially offset by severance expense related to the termination of the Chief Accounting Officer, effective May 4, 2023 as part of the Q4 Fiscal 2023 restructuring plan.

Fiscal 2023 compared to Fiscal 2022

Consolidated general and administrative expense for Fiscal 2023 was $39,400,967 or 59% of revenue compared to $45,535,001 or 59% of revenue for Fiscal 2022, a decrease of $6,134,034 or (13)%. 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, resulting in on-going quarterly compensation-related savings of approximately $1.0 million. Additionally, the Company initiated additional cost controls within the general and administrative functions in Fiscal 2022, which also resulted on Fiscal 2023 savings. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased $2,158,029 year-over-year and was 40% and 36% of AU revenue for Fiscal 2023 and Fiscal 2022, respectively. The decreases in employee-related compensation due to cost controls implemented by management were partially offset by higher professional fees related to regulatory matters, fees for the surety bond required by the Arizona State Board for Private Postsecondary Education, which is being amortized over one year and increases in fixed expenses related to new campus openings in the pre-licensure program.

USU general and administrative expense decreased by $658,060 year-over-year and was 36% and 40% of USU revenue for Fiscal 2023 and Fiscal 2022, respectively. The decrease in 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 was partially offset by increases in fixed expenses related to expansion of the USU MSN-FNP program.

Corporate general and administrative expense was $13.9 million and $17.2 million in Fiscal 2023 and Fiscal 2022, respectively. The decrease was primarily due to planned corporate cost control, a reduction in Delaware Franchise Corporate Tax payments and the reversal of stock-based compensation expense for (i) $0.2 million related to a performance award that the Company assessed its performance condition will not be met and (ii) $0.1 million related to a grant forfeited by the resignation of the Chief Nursing Officer, on July 15, 2022, partially offset by higher professional and consultant fees of $0.3 million and severance expense related to the resignation of the Chief Nursing Officer, effective July 15, 2022, and the termination of the Chief Accounting Officer, effective May 4, 2023.

Bad Debt Expense

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Change	2022
Bad debt expense	$ 450,000	$—	—%	$ 450,000	$ 1,700,000	$200,000	13%	$ 1,500,000

Based on our review of additional student accounts associated with current period revenue and previously existing student accounts receivable and historical write-off trends, the Company evaluated its reserve methodology and adjusted reserves for AU and USU accordingly.

At AU and USU, $0.5 million and $0.1 million, respectively, of student accounts receivable were written off against the accounts receivable allowance during Q4 Fiscal 2023.

At AU and USU, $1.4 million and $0.3 million, respectively, of student accounts receivable were written off against the accounts receivable allowance during Fiscal 2023.

Depreciation and Amortization

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Change	2022
Depreciation and amortization	$ 933,801	$43,573	5%	$ 890,228	$ 3,709,131	$338,724	10%	$ 3,370,407

For both periods, the increase includes depreciation which is primarily due to the Q2 Fiscal 2023 commencement of the lease for the Atlanta campus and move to the new USU campus. Related capital expenditures include leasehold improvements and computer equipment. The increase also includes amortization related to internally developed capitalized software placed into service to support the Company's instructional services and the opening of the new campus locations. These increases are partially offset by a decrease related to fully depreciated assets.

Interest expense

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Change	2022
Interest expense	$ (640,895)	$(275,847)	76%	$	$	$(1,930,619	269%	$ (718,786)

For both periods, interest expense increased due principally to the borrowings under the 2022 Convertible Notes, amortization expense related to the commitment fees paid on the undrawn portion of the 2022 Revolving Credit Facility, which are amortized over the one-year term of the loan, and the drawdown and extension of the maturity of the 2018 Credit Facility on August 31, 2021. The commitment fees relate to a 1% fee of $200,000 on the undrawn portion of the 2022 Revolving Credit Facility paid at closing, or March 14, 2022, and another 1% fee of $200,000, which was paid six months from the closing date, or September 14, 2022. On March 14, 2023, the 2022 Revolving Credit Facility was undrawn and expired.

Other (expense) income, net

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Change	2022
Other (expense) income, net	$ (16,451)	$(30,425)	NM	$ 13,974	$ 11,687	$(519,041)	(98)%	$ 530,728

Other income, net in Fiscal 2022 primarily includes $498,120 related to a litigation settlement on July 21, 2021 offset by the write-off of a related net receivable of $45,329 with the party in this litigation; partially offset by a $36,445 write off of fixed assets.

Income Tax Expense

	Three Months Ended April 30,				Years Ended April 30,			
	2023	$ Change	% Change	2022	2023	$ Change	% Change	2022
Income tax expense	$ 22,677	$(16,203)	(42)%	$ 38,880	$ 136,748	$(290,652)	(68)%	$ 427,400

Income tax expense in Q4 Fiscal 2023 and Fiscal 2023 includes a reserve of approximately $25,000 and $100,000, respectively, for the estimated Fiscal Year 2023 Canada foreign income tax liability which covers the 2023 tax year for which a permanent establishment is in place in Canada. The Company will file an annual Canadian T2 Corporation Income Tax return and related information returns under the Voluntary Disclosure Program with the Canada Revenue Agency ("CRA") to report the ongoing activity of the permanent establishment.

Income tax expense in Q4 Fiscal 2022 and Fiscal 2022 includes a reserve of approximately of approximately $25,000 and $400,000, respectively, related to the foreign income tax liability. These reserves are included in "Accrued expenses" in the consolidated balance sheets. In Fiscal 2022, approximately $300,000 of the reserve relates to the estimate of the Canada foreign income tax liability which covers the 2013 through 2021 tax years during which a permanent establishment was in place in Canada. This amount has not yet been remitted to the CRA.

Non-GAAP – Financial Measures

This discussion and analysis includes both financial measures in accordance with Generally Accepted Accounting Principles, or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to, and should not be considered as alternatives to net income (loss), operating income (loss), and cash flow from operating activities, liquidity or any other financial measures. They may not be indicative of the historical operating results of AGI nor are they intended to be predictive of potential future results. Investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP.

Our management uses and relies on EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Gross Profit, which are non-GAAP financial measures. We believe that management, analysts and shareholders benefit from referring to the following non-GAAP financial measures to evaluate and assess our core operating results from period-to-period after removing the impact of items that affect comparability. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the excluded items described below.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measures calculated in accordance with GAAP. We believe that providing the non-GAAP financial measures, together with the reconciliation to GAAP, helps investors make comparisons between AGI and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measure and the corresponding GAAP measure provided by each company under applicable rules of the Securities and Exchange Commission.

EBITDA and Adjusted EBITDA

AGI defines Adjusted EBITDA as EBITDA excluding: (1) bad debt expense; (2) stock-based compensation; and (3) non-recurring charges or gains. The following table presents a reconciliation of net loss to EBITDA and Adjusted EBITDA and of net loss margin to Adjusted EBITDA Margin.

	Three Months Ended April 30,		For the Years Ended April 30,	
	2023	2022	2023	2022
Net loss	$ (783,954)	$ (2,128,638)	$ (8,347,605)	$ (9,585,781)
Interest expense, net	639,517	364,884	2,643,603	715,722
Taxes	22,677	38,880	136,748	427,400
Depreciation and amortization	933,801	890,228	3,709,131	3,370,407
EBITDA	812,041	(834,646)	(1,858,123)	(5,072,252)
Bad debt expense	450,000	450,000	1,700,000	1,500,000
Stock-based compensation	387,452	569,098	1,286,628	2,534,665
Severance	149,043	—	274,043	19,665
Non-recurring charges (income) - Other	—	339,025	717,299	(6,031)
Adjusted EBITDA	$ 1,798,536	$ 523,477	$ 2,119,847	$ (1,023,953)
Net loss Margin	(5)%	(11)%	(13)%	(12)%
EBITDA Margin	5 %	(4)%	(3)%	(7)%
Adjusted EBITDA Margin	12 %	3 %	3 %	(1)%

In Q4 Fiscal 2023, the increase in Adjusted EBITDA was attributable to the savings from the restructuring plan, which includes reducing marketing spend to maintenance levels and a reduction in general and administrative costs associated with planned cost control and a reduction in headcount, partially offset by lower revenue at AU related to the enrollment stoppage for the pre-licensure program and decreased AU online enrollments related to decreased marketing spend. The severance of $149,043 relates to the termination of the Chief Accounting Officer, effective May 4, 2023.

In Q4 Fiscal 2022, Non-recurring charges - Other of $339,025 includes non-recurring professional fees and consulting costs.

In Fiscal 2023, the increase in Adjusted EBITDA is attributable to a decrease in marketing spend and planned cost controls and headcount reductions, which were part of the restructuring initiative in Q1 Fiscal 2023, partially offset by lower AU revenue.

Severance of $274,043 relates to the termination of the Chief Accounting Officer, effective May 4, 2023 and resignation of the Chief Nursing Officer, effective July 15, 2022. Non-recurring charges - Other of $717,299 includes non-recurring professional fees and consulting costs.

In Fiscal 2022, Non-recurring income - Other of $6,031 includes $498,120 of a litigation settlement amount received on July 21, 2021 offset by the write-off of a related net receivable of $45,329 with the party in this litigation, which is included in "other (expense) income, net," partially offset by non-recurring professional fees and consulting costs.

The following tables present a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA and of net loss margin to the Adjusted EBITDA Margin by subsidiary:

	Three Months Ended April 30, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (783,954)	$ (3,401,630)	$ 1,056,961	$ 1,560,715
Interest expense (benefit), net	639,517	640,719	(309)	(893)
Taxes	22,677	7,198	4,078	11,401
Depreciation and amortization	933,801	72,093	745,491	116,217
EBITDA	812,041	(2,681,620)	1,806,221	1,687,440
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	387,452	347,166	31,644	8,642
Severance	149,043	149,043	—	—
Adjusted EBITDA	$ 1,798,536	$ (2,185,411)	$ 2,062,865	$ 1,921,082

Net loss Margin	(5)%	NM	12 %	26 %
EBITDA Margin	5 %	NM	21 %	28 %
Adjusted EBITDA Margin	12 %	NM	24 %	32 %

NM – Not meaningful

	Three Months Ended April 30, 2022			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (2,128,638)	$ (4,991,258)	$ 1,534,709	$ 1,327,911
Interest expense, net	364,884	364,906	—	(22)
Taxes	38,880	20,600	(22,920)	41,200
Depreciation and amortization	890,228	61,115	726,283	102,830
EBITDA	(834,646)	(4,544,637)	2,238,072	1,471,919
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	569,098	500,077	51,207	17,814
Non-recurring charges - Other	339,025	339,025	—	—
Adjusted EBITDA	$ 523,477	$ (3,705,535)	$ 2,514,279	$ 1,714,733
Net loss Margin	(11)%	NM	12 %	20 %
EBITDA Margin	(4)%	NM	17 %	22 %
Adjusted EBITDA Margin	3 %	NM	20 %	26 %

The Adjusted EBITDA Margin improved to 5% in Q4 Fiscal 2023 from 11% in Q4 Fiscal 2022 due primarily to the decrease in marketing spend and planned cost controls and headcount reductions associated with the restructuring initiative in Q1 Fiscal 2023.

	Year Ended April 30, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (8,347,605)	$ (18,287,382)	$ 3,451,873	$ 6,487,904
Interest expense, net	2,643,603	2,649,059	(3,071)	(2,385)
Taxes	136,748	25,206	69,433	42,109
Depreciation and amortization	3,709,131	275,269	2,987,568	446,294
EBITDA	(1,858,123)	(15,337,848)	6,505,803	6,973,922
Bad debt expense	1,700,000	—	900,000	800,000
Stock-based compensation	1,286,628	1,078,434	153,295	54,899
Severance	274,043	274,043	—	—
Non-recurring charges - Other	717,299	717,299	—	—
Adjusted EBITDA	$ 2,119,847	$ (13,268,072)	$ 7,559,098	$ 7,828,821
Net loss Margin	(13)%	NM	9 %	25 %
EBITDA Margin	(3)%	NM	16 %	27 %
Adjusted EBITDA Margin	3 %	NM	19 %	30 %

	Year Ended April 30, 2022			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (9,585,781)	$ (19,529,107)	$ 6,140,416	$ 3,802,910
Interest expense, net	715,722	718,099	(1,739)	(638)
Taxes	427,400	23,963	360,947	42,490
Depreciation and amortization	3,370,407	177,835	2,809,255	383,317
EBITDA	(5,072,252)	(18,609,210)	9,308,879	4,228,079
Bad debt expense	1,500,000	—	950,000	550,000
Stock-based compensation	2,534,665	2,232,489	200,980	101,196
Severance	19,665	—	—	19,665
Non-recurring (income) charges - Other	(6,031)	446,660	(452,691)	—
Adjusted EBITDA	$ (1,023,953)	$ (15,930,061)	$ 10,007,168	$ 4,898,940
Net loss Margin	(12)%	NM	12 %	15 %
EBITDA Margin	(7)%	NM	18 %	17 %
Adjusted EBITDA Margin	(1)%	NM	19 %	20 %

Adjusted Gross Profit

GAAP Gross Profit is revenue less cost of revenue less amortization expense. The Company defines Adjusted Gross Profit as GAAP Gross Profit adjusted to exclude amortization expense. The following table presents a reconciliation of GAAP Gross Profit to Adjusted Gross Profit:

	Three months ended April 30,		For the Years Ended April 30,	
	2023	2022	2023	2022
Revenue	$ 14,782,286	$ 19,378,362	$ 66,324,788	$ 76,694,366
Cost of Revenue	5,141,115	8,601,093	27,087,829	35,259,281
Adjusted Gross Profit	9,641,171	10,777,269	$ 39,236,959	$ 41,435,085
Less amortization expense included in cost of revenue:				
Intangible asset amortization	24,107	20,148	92,129	80,310
Call center software/website amortization	471,679	458,579	1,887,127	1,713,748
Total amortization expense included in cost of revenue	495,786	478,727	1,979,256	1,794,058
GAAP Gross Profit	$ 9,145,385	$ 10,298,542	$ 37,257,703	$ 39,641,027
GAAP Gross Profit as a percentage of revenue	62 %	53 %	56 %	52 %
Adjusted Gross Profit as a percentage of revenue	65 %	56 %	59 %	54 %

For both periods, GAAP Gross profit and gross margin increased due primarily to lower cost of revenue associated with the decrease in marketing spend and planned cost controls, which was part of the restructuring initiative in Q1 Fiscal 2023.

Liquidity and Capital Resources

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

	Years Ended April 30,	
	2023	2022
Net cash (used in) provided by		
Operating activities	$ (4,339,437)	$
Investing activities	(2,600,945)	(4,327,379)
Financing activities	(251,298)	14,855,672
Net decrease in cash	$ (7,191,680)	$ (749,932)

Net Cash Used in Operating Activities

Net cash used in operating activities decreased from $11,278,225 in Fiscal 2022 to $4,339,437 in Fiscal 2023. Our net loss for Fiscal 2023 adjusted for non-cash activities was a use of cash of $485,253. Approximately $3,854,184 of cash used in operations is attributed to decreased working capital which is attributed to decreases in short-term and long-term monthly payment plan accounts receivable and deferred revenue and due to students. In addition, there was an increase in financial aid related reimbursements in other current assets. Further discussion follows.

The decrease in cash from changes in working capital primarily consists of decreases in deferred revenue and due to students, prepaid expenses, accounts receivable and prepaid expenses, partially offset by an increase in other current assets. Deferred revenue increased primarily due to timing of billings for class starts, specifically class starts close to quarter end. Due to students decreased due to the timing of billings for class starts and refunds to students for class drops and other adjustments, which were made close to quarter end. The decrease in accounts receivable is primarily attributed to the decline in the student body associated with the pause in marketing spend and the teach-out of the pre-licensure program as well as the timing of billings for class starts and the timing of cash receipts. The decrease in prepaid expenses is due primarily the amortization of prepaid student educational software licenses and employee used software licenses, and a fee for the surety bond required by the Arizona State Board for Private Postsecondary Education, which is being amortized over one year. The increase in other current assets is primarily due to the placement of AU on the Heightened Cash Management 2 ("HCM2") method of financial aid reimbursement by the Department of Education ("DOE") under Title IV Programs. This reimbursement method results in a delay in receiving funds until after a Reimbursement Payment Request is submitted to the DOE, resulting is a receivable from the DOE. This is the primary reason for the increase in other current assets. Additionally, a $0.6 million reserve required by our former MPP credit card processor, a portion of which was returned subsequent to year end and the remainder is expected to be returned to the universities before the end of Calendar Year 2023.

The decrease in non-cash adjustments primarily consists of lower stock-based compensation expense related to (i) the reversal of $242,708 of amortization expense related to the Chief Executive Officer's performance-based RSU grant that the Company assessed will not be met as of July 31, 2022; and (ii) the reversal of $139,431 of amortization expense related to the resignation of the Chief Nursing Officer on July 15, 2022. Offsetting these decreases is an increase in amortization of deferred financing costs related to the 2022 Revolving Credit Facility, which expired on March 14, 2023 and was not renewed, and higher depreciation and amortization expense associated with the opening of new campus locations and the implementation of internal use software.

The Company expects working capital and long-term student accounts receivable to trend lower during Fiscal 2024 as fewer students enroll in the monthly payment plan due to decreased marketing spend. Additionally, there may be working capital volatility from quarter to quarter, regarding the timing of financial aid payments relating to HCM2 (effective February 7, 2023) and the timing and size of student course starts that impact deferred revenue and accounts receivable balances.

Net Cash Used in Investing Activities

Net cash used in investing activities in Fiscal 2023 decreased from Fiscal 2022 primarily due to lower capital expenditures associated with the opening of pre-licensure locations including tenant improvements and a decrease in courseware updates.

Net Cash (Used in) Provided By Financing Activities

Net cash used in financing activities in Fiscal 2023 related to the payment of a 1% commitment fee of $200,000 on the 2022 Revolving Credit Facility, which was due six months from the closing date of March 14, 2022, or September 14, 2022, since the revolving credit facility has not been replaced; and $60,833 of deferred financing costs related to the Lender's legal fees incurred during August 2022 for the 2022 Convertible Note. On March 14, 2023, the 2022 Revolving Credit Facility expired. This was partially offset by 11,840 shares the Company sold under the Equity Distribution Agreement with Northland Securities, Inc. for net proceeds of $9,535. The Equity Distribution Agreement was canceled on October 11, 2022.

Liquidity and Capital Resources

Our cash balances are kept liquid to support our growing infrastructure needs. The majority of our cash is concentrated in large financial institutions.

Financing Arrangements

15% Senior Secured Debentures

On May 12, 2023, Aspen Group, Inc. completed a private offering of $12.4 million aggregate principal amount of 15% Senior Secured Debentures ("Debentures") due 2026 of which $11.0 million was funded. A portion of the proceeds from these Debentures was used to repay the outstanding borrowings under the $5 million Credit Facility and to pay expenses associated with this offering; the remaining proceeds will be used for working capital needs other than $2.0 million required to be kept as restricted cash. The Company also reimbursed the investors for expenses incurred in relation to any legal expenses, due diligence and investment documentation of $90,000. The Debentures mature on May 12, 2026 unless earlier redeemed. After the discount, fees, expenses and the repayment of the 2018 Revolving Credit Facility, $3.4 million was made available to the Company as unrestricted cash, and $2.0 million was deposited into a restricted cash account.

The investors also received warrants to purchase 2.2 million shares of common stock, representing 8% of the outstanding common stock at closing, at an exercise price of $0.01 per share. These warrants have a three-year term and contain anti-dilution protection.

The Company may prepay the Debentures any time after May 12, 2024 at 105%. The Debentures accrue interest at a rate of 15% per annum, payable monthly, subject to increase to 20% upon the occurrence of an event of default. The Debentures contain covenants, including covenants that require (1) the Company to keep $2 million of restricted cash; (2) the Company to have at least $20 million of student accounts receivable at all times; and (3) the Company to meet enumerated quarterly revenue and quarterly Adjusted EBITDA amounts.

Convertible Notes

On March 14, 2022, the Company closed an offering of a $10 million convertible notes. Subsequent to the closing of the $10 million convertible notes, $5 million was restricted as collateral for a surety bond, which was required by the Arizona State Board for Private Postsecondary Education. The remaining $5 million was used for general corporate purposes, including funding the Company's then expansion of its BSN Pre-Licensure nursing degree program.

Credit Facility

On March 14, 2022, the Company extended its $5 million Credit Facility by one additional year to November 4, 2023, at an increased interest rate of 14% per annum. The Company used these funds for general business purposes.

At both April 30, 2023 and 2022, there were $5 million of borrowings outstanding under the Credit Facility.

This facility was repaid with proceeds from the Debentures.

Sufficiency of Working Capital

As of August 11, 2023, the Company had $2.2 million of unrestricted cash on hand. Reductions associated with the restructuring plans and other corporate cost reductions were implemented to ensure we will have sufficient cash to meet our working capital needs for the next 12 months.

Capital and other expenditures

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

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our continuing focus on the nursing profession, our future operations with respect to our Arizona locations, resolution of the Consent Agreement with the Arizona Board of Nursing, future NCLEX and pass rates in Arizona and at our other campus locations, expected growth in demand for nurses and nursing degrees, the expected changes in our expenditures in fiscal year 2023, including the length of our current reduction in marketing expenses, completion of any financing, the anticipated changes in enrollments and bookings, our beliefs with respect to our student acquisition costs and faculty cost model, the future job opportunities for licensed practical nurses and registered nurses, future competitive trends in our industry, including increased competition as the result of the COVID-19 pandemic and other factors, our future ability to provide lower costs per enrollment, our estimates concerning LTV and ARPU, our expectations regarding future trends in the six-year MPP accounts receivable and collections, the future impact of our enhanced recovery and collections process, the expected continued revenue growth in the BSN Pre-Licensure and USU businesses and spending focus on our highest LTV degree programs to achieve our long-term growth plans, allowance for doubtful accounts and cash flow from operations, the impact of bookings, future expansion of our operating margins, the expected revenue trends and sources of future revenue growth, our anticipated working capital trends, and our future liquidity. All statements other than statements of historical facts contained in this report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are discussed in the Risk Factors section of this Report and include, without limitation, our ability to successfully implement the fiscal year 2023 business plan and the accuracy of the assumptions used in estimating the results of such implementation, continued high demand for nurses for our new programs and in general, student attrition, national and local economic factors including the labor market shortages, future NCLEX scores of our students in Arizona and in other locations will not be sufficient to meet regulatory requirements, the failure to obtain approval from the National Council for State Authorization Reciprocity Agreements, competition from nursing schools in local markets, the competitive impact from the trend of major non-profit universities using online education and consolidation among our competitors, the continued effectiveness of our marketing and cost reduction efforts, the effectiveness of our collection efforts and process improvements, our ability to obtain and maintain the necessary regulatory approvals to operate our existing campuses , national and local economic factors including the substantial impact of the COVID-19 pandemic, the war in Ukraine and inflation and Federal Reserve interest rate increases in response on the economy, unfavorable regulatory changes, and our failure to continue obtaining enrollments at low acquisition costs and keeping teaching and administrative costs down. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the Risk Factors and our other filings with the SEC.

Items 12. Financial information for the issuer's most recent fiscal period and Item 13. Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

Aspen Group, Inc. and Subsidiaries
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ITEM 12 Financial information for the issuer's most recent fiscal period

ITEM 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	April 30,	
	2023	2022
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 1,353,635	$ 6,482,750
Restricted cash	4,370,832	6,433,397
Accounts receivable, net of allowance of $3,506,895 and $3,460,288, respectively	19,228,904	24,359,241
Prepaid expenses	609,900	1,358,635
Other current assets	3,068,918	748,568
Total current assets	28,632,189	39,382,591
Property and equipment:		
Computer equipment and hardware	1,655,130	1,516,475
Furniture and fixtures	2,169,090	2,193,261
Leasehold improvements	8,055,363	7,179,896
Instructional equipment	756,568	715,652
Software	11,648,505	10,285,096
Construction in progress	—	2,100
	24,284,656	21,892,480
Accumulated depreciation and amortization	(11,922,435)	(8,395,001)
Property and equipment, net	12,362,221	13,497,479
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,900,000
Courseware, net	291,438	274,047
Long-term contractual accounts receivable	13,004,428	11,406,525
Deferred financing costs	23,897	369,902
Operating lease right-of-use assets, net	13,431,074	12,645,950
Deposits and other assets	210,536	578,125
Total assets	$ 80,867,215	$ 91,066,051

(Continued)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	April 30,	
	2023	**2022**
Liabilities and Stockholders' Equity	(Unaudited)	
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,250,902	$ 1,893,287
Accrued expenses	2,355,370	2,821,432
Deferred revenue	2,975,680	5,889,911
Due to students	2,624,831	4,063,811
Operating lease obligations, current portion	2,502,810	2,036,570
Debt, current portion	5,000,000	—
Other current liabilities	109,328	130,262
Total current liabilities	17,818,921	16,835,273
Long-term debt, net	9,950,000	14,875,735
Operating lease obligations, less current portion	17,551,512	16,809,319
Total liabilities	45,320,433	48,520,327
Commitments and contingencies - See Note 9		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized,		
0 issued and 0 outstanding at April 30, 2023 and April 30, 2022	—	—
Common stock, $0.001 par value; 60,000,000 shares authorized,		
25,592,802 issued and 25,437,316 outstanding at April 30, 2023		
25,357,764 issued and 25,202,278 outstanding at April 30, 2022	25,593	25,358
Additional paid-in capital	113,429,992	112,081,564
Treasury stock (155,486 at both April 30, 2023 and April 30, 2022)	(1,817,414)	(1,817,414)
Accumulated deficit	(76,091,389)	(67,743,784)
Total stockholders' equity	35,546,782	42,545,724
Total liabilities and stockholders' equity	$ 80,867,215	$ 91,066,051

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended April 30,	
	2023	2022
	(Unaudited)	
Revenue	$ 66,324,788	$ 76,694,366
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization shown separately below)	27,087,829	35,259,281
General and administrative	39,400,967	45,535,001
Bad debt expense	1,700,000	1,500,000
Depreciation and amortization	3,709,131	3,370,407
Total operating expenses	71,897,927	85,664,689
Operating loss	(5,573,139)	(8,970,323)
Other income (expense):		
Interest expense	(2,649,405)	(718,786)
Other income, net	11,687	530,728
Total other expense, net	(2,637,718)	(188,058)
Loss before income taxes	(8,210,857)	(9,158,381)
Income tax expense	136,748	427,400
Net loss	$ (8,347,605)	$ (9,585,781)
Net loss per share - basic and diluted	$ (0.33)	$ (0.38)
Weighted average number of common shares outstanding - basic and diluted	25,325,022	25,016,437

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED APRIL 30, 2023 (Unaudited) AND 2022

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of April 30, 2021	**25,066,297**	**$ 25,067**	**$ 109,040,824**	**$ (1,817,414)**	**$(58,158,003)**	**$ 49,090,474**
Stock-based compensation	—	—	2,534,665	—	—	2,534,665
Common stock issued for stock options exercised for cash	58,419	58	190,976	—	—	191,034
Common stock issued for cashless exercise of stock options	30,156	30	(30)	—	—	—
Common stock issued for vested restricted stock units	85,576	86	(86)	—	—	—
Common stock issued for services	117,316	117	(117)	—	—	—
Warrants issued as a fee for line of credit agreement	—	—	255,500	—	—	255,500
Amortization of warrant-based cost issued for services	—	—	59,832	—	—	59,832
Net loss	—	—	—	—	(9,585,781)	(9,585,781)
Balance as of April 30, 2022	**25,357,764**	**$ 25,358**	**$ 112,081,564**	**$ (1,817,414)**	**$(67,743,784)**	**$ 42,545,724**
Stock-based compensation	—	—	1,286,628	—	—	1,286,628
Common stock issued for vested restricted stock units	198,198	198	(198)	—	—	—
Common stock issued for services	25,000	25	24,475	—	—	24,500
Common stock issued for equity raise, net of underwriter costs	11,840	12	9,523	—	—	9,535
Amortization of warrant-based cost issued for services	—	—	28,000	—	—	28,000
Net loss	—	—	—	—	(8,347,605)	(8,347,605)
Balance as of April 30, 2023	**25,592,802**	**$25,593**	**$113,429,992**	**$**	**$**	**$35,546,782**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended April 30,	
	2023	2022
Cash flows from operating activities:	(Unaudited)	
Net loss	$ (8,347,605)	$ (9,585,781)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	1,700,000	1,500,000
Depreciation and amortization	3,709,131	3,370,407
Stock-based compensation	1,286,628	2,534,665
Amortization of warrant-based cost	28,000	59,832
Amortization of deferred financing costs	541,767	103,454
Amortization of debt discounts	118,000	11,297
Common stock issued for services	24,500	—
Loss on asset disposition	9,681	36,443
Non-cash lease benefit	(395,355)	(230,416)
Tenant improvement allowances received from landlords	840,000	816,591
Changes in operating assets and liabilities:		
Accounts receivable	1,832,434	(9,203,042)
Prepaid expenses	748,735	(280,804)
Other current assets	(2,320,350)	(680,039)
Accounts receivable, secured	—	45,329
Deposits and other assets	367,589	(98,913)
Accounts payable	357,615	426,799
Accrued expenses	(466,062)	780,536
Due to students	(1,438,980)	858,010
Deferred revenue	(2,914,231)	(1,564,934)
Other current liabilities	(20,934)	(177,659)
Net cash used in operating activities	(4,339,437)	(11,278,225)
Cash flows from investing activities:		
Purchases of courseware and accreditation	(109,520)	(167,061)
Disbursements for reimbursable leasehold improvements	(840,000)	(816,591)
Purchases of property and equipment	(1,651,425)	(3,343,727)
Net cash used in investing activities	(2,600,945)	(4,327,379)
Cash flows from financing activities:		
Payment of commitment fee for 2022 Credit Facility	(200,000)	—
Proceeds from sale of common stock, net of underwriter costs	9,535	—
Proceeds from drawdown on Credit Facility	—	5,000,000
Proceeds from 2022 Convertible Notes	—	10,000,000
Payments of deferred financing costs	(60,833)	(335,362)
Proceeds from stock options exercised	—	191,034
Net cash (used in) provided by financing activities	(251,298)	14,855,672
Net decrease in cash and cash equivalents	(7,191,680)	(749,932)
Cash, cash equivalents and restricted cash at beginning of year	12,916,147	13,666,079
Cash, cash equivalents and restricted cash at end of year	$ 5,724,467	$ 12,916,147

(Continued)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended April 30,	
	2023	2022
	(Unaudited)	
Supplemental disclosure cash flow information:		
Cash paid for interest	$ 1,912,877	$ 470,895
Cash paid for income taxes	$ 49,465	$ 27,400
Supplemental disclosure of non-cash investing and financing activities:		
Warrants issued as part of the 2018 Credit facility amendment	$ —	$ 137,500
Warrants issued for Intercreditor Agreement Amendment	$ —	$ 118,000

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the unaudited consolidated balance sheet that sum to the same such amounts shown in the consolidated statement of cash flows:

	April 30,	
	2023	2022
	(Unaudited)	
Cash and cash equivalents	$ 1,353,635	$ 6,482,750
Restricted cash	4,370,832	6,433,397
Total cash and cash equivalents and restricted cash	$ 5,724,467	$ 12,916,147

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Note 1. Nature of Operations

Overview

Aspen Group, Inc. ("AGI") is an education technology holding company. AGI has two subsidiaries, Aspen University Inc. ("Aspen University" or "AU") organized in 1987, 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 nursing profession.

Since 1993, Aspen University has been institutionally accredited by the Distance Education Accrediting Council (“DEAC”), an accrediting agency recognized by the United States Department of Education (the “DOE”), through January 2024.

Since 2009, USU has been institutionally accredited by WASC Senior College and University Commission (“WSCUC”), an accrediting agency recognized by the DOE, through 2030.

Both universities are qualified to participate under the Higher Education Act of 1965, as amended ("HEA") and the Federal student financial assistance programs (Title IV, HEA programs). USU had provisional certification resulting from the ownership change of control in connection with the acquisition by AGI on December 1, 2017. The provisional certification expired on December 31, 2020. The institution submitted its recertification application timely in October 2020, and received full certification on May 6, 2022, and a new Program Participation Agreement ("PPA") was issued with an effective period until December 31, 2025. On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the HEA and the Federal student financial assistance programs (Title IV, HEA programs) and set a subsequent program participation agreement reapplication date of March 31, 2021. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023.

Note 2. Significant Accounting Policies

Basis of Presentation and Consolidation

The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP").

The consolidated financial statements include the accounts of AGI and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Accounting Estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its consolidated financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported

amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant estimates in the accompanying consolidated financial statements include the allowance for doubtful accounts, the valuation of lease liabilities and the carrying value of the related right-of-use assets ("ROU assets"), depreciable lives of property and equipment, amortization periods and valuation of courseware, intangibles and software development costs, valuation of goodwill, valuation of loss contingencies, valuation of stock-based compensation and the valuation allowance on deferred tax assets.

Cash, Cash Equivalents, and Restricted Cash

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

	April 30,	
	2023	2022
	(Unaudited)	
Cash and cash equivalents	$ 1,353,635	$ 6,482,750
Restricted cash:		
Letter of credit for level of Title IV funding at USU	—	9,872
Collateral for corporate credit card at AGI	100,000	250,000
Letters of credit for operating leases at AU and USU	770,832	1,173,525
Collateral for surety bond at AU	3,500,000	5,000,000
Total restricted cash	4,370,832	6,433,397
Total cash and cash equivalents and restricted cash as shown on the statement of cash flows	$ 5,724,467	$ 12,916,147

Concentration of Credit Risk

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits of $250,000 per financial institution. The Company has not experienced any losses in such accounts from inception through April 30, 2023. At April 30, 2023 and 2022, the Company maintained deposits exceeding federally insured limits by $1,322,659 and $7,749,715, respectively, held in two separate institutions.

Goodwill and Intangibles

The Company assesses goodwill on its one reporting unit and indefinite-lived intangible assets for impairment annually as of April 30, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or the fair value of an indefinite-lived intangible asset below its carrying value.

Goodwill currently represents the excess of purchase price over the fair market value of assets acquired and liabilities assumed from the 2017 acquisition of USU. Goodwill has an indefinite life and is not amortized.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles - Goodwill and Other (Topic 350)*, to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This guidance is effective for interim and annual

reporting periods beginning after December 15, 2019. The Company early adopted this standard effective April 30, 2018. The Company selected an April 30 annual goodwill impairment test date.

When evaluating the potential impairment of goodwill, management first assess a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and the overall financial performance for each of the Company's reporting units. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then proceed to the quantitative impairment testing.

The Company compares the carrying value of the reporting unit, including goodwill, with its fair value, as determined. If the carrying value of a reporting unit exceeds its fair value, then the amount of impairment to be recognized is the amount by which the carrying amount exceeds the fair value.

When required, the Company arrives at estimates of fair value using a discounted cash flow methodology which includes estimates of future cash flows to be generated by a component where the goodwill is recorded, as well as determining a discount rate to measure the present value of those anticipated cash flows. Estimating future cash flows requires significant judgment and includes making assumptions about projected growth rates, industry-specific factors, working capital requirements, weighted average cost of capital, and current and anticipated operating conditions. The use of different assumptions or estimates for future cash flows could produce different results.

Intangible assets represent both indefinite-lived and definite-lived assets. Acquired accreditation and regulatory approvals, and trade name and trademarks are deemed to have indefinite useful lives and accordingly are not amortized but are tested annually for impairment. Student relationships and curriculums are deemed to have definite lives and are amortized accordingly.

Fair Value Measurements and Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
Level 2—Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

The Company’s non-financial assets, such as goodwill, intangible assets, ROU assets, and property and equipment, are adjusted to fair value only when an impairment is recognized. Such fair value measurements are based predominantly on Level 3 inputs**.**

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 AGI for tuition, fees and other expenses. The monthly payment plan represents the majority of the payments that are made by AGI's total active students, making it the most common payment type. In instances where a student selects financial aid as the primary payment option, the student often selects personal cash as the secondary option. If a student who has selected financial aid as the student's primary payment option withdraws prior to the end of a course but after the date that AGI’s institutional refund period has expired, the student will have incurred the obligation to pay the full cost of the course. If the withdrawal occurs before the date at which the student has earned 100% of the student's financial aid, AGI may have to return all or a portion of the Title IV funds to the DOE and the student will owe AGI all amounts incurred that are in excess of the amount of financial aid that the student earned, and that AGI is entitled to retain. In this case, AGI must collect the receivable using the student’s second payment option.

For accounts receivable from students and payors other than students, AGI records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students or other payors 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 estimates the amounts to adjust the allowance based upon the risk presented by the age of the receivables, student status, payment type, program and earned revenue. 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.

When a student signs up for the monthly payment plan, there is a contractual amount that the Company can expect to earn over the life of the student’s program. This contractual amount cannot be recorded as an accounts receivable until revenue is earned because the student does have the option to stop attending. As a student takes a class, revenue is earned over the class term. Some students accelerate their program, taking two or more classes every eight-week period, which increases the student’s accounts receivable balance. If any portion of that balance will be paid in a period greater than 12 months, that portion is reflected as long-term contractual accounts receivable in the accompanying balance sheets. The Company has determined that the long-term contractual accounts receivable do not constitute a significant financing component as the list price, cash selling price and promised consideration are equal. Further, the interest free financing portion of the monthly payment plans are not considered significant to the contract.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Repairs and maintenance costs are expensed in the period incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, or, in the case of leasehold improvements, the lease term, if shorter.

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.

The Company has construction in progress which includes property and equipment amounts for new campuses. These assets are not depreciated until they are completed and reclassified to the appropriate category within property and equipment.

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 FASB Accounting Standards Codification ("ASC") Topic 350 "Intangibles - Goodwill and Other".

Generally, costs of courseware creation and enhancement are capitalized. Accreditation renewal or extension costs related to intangible assets are capitalized as incurred. Courseware is stated at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the expected useful life of five years.

Long-Lived Assets

Long-lived assets, which consist of ROU assets, property and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is deemed not to be recoverable, an impairment loss is recorded equal to the amount by which the carrying value of the long-lived asset exceeds its fair value. Amortization of definite-lived intangible assets is computed either on a straight-line basis or based on the pattern in which the economic benefits of the asset will be realized.

Due to Students

The Company receives Title IV funds from the Department of Education to cover tuition and living expenses. After deducting tuition and fees, the Company sends payment for the remaining balances to the students.

Leases

The Company accounts for leases in accordance with FASB issued ASU No. 2016-2, *Leases (Topic 842).* The Company enters into various lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or financing lease. Leases may contain initial periods of free rent and/or periodic escalations. When such items are included in a lease agreement, the Company records rent expense on a straight-line basis over the initial term of a lease. The difference between the rent payment and the straight-line rent expense is recorded to the balance sheet as operating lease right-of use assets/liabilities. The Company expenses any additional payments under its operating leases for taxes, insurance or other operating expenses as incurred.

Lease incentives received are deducted from the ROU assets and classified as leasehold improvements. The asset reduction due to incentives is classified within cash flows from operations. The corresponding leasehold improvement is amortized over the life of the lease term and classified within cash flows from investing activities.

Disclosures related to the amount, timing, and uncertainty of cash flows arising from leases are included in Note 11. Leases.

Treasury Stock

Purchases and sales of treasury stock are accounted for using the cost method. Under this method, shares acquired are recorded at the acquisition price directly to the treasury stock account. Upon sale, the treasury stock account is reduced by the original acquisition price of the shares and any difference is recorded in equity. This method does not allow the company to recognize a gain or loss to income from the purchase and sale of treasury stock.

Revenue Recognition and Deferred Revenue

The Company follows Accounting Standards Codification 606 (ASC 606). ASC 606 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASC also requires additional disclosure about the 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.

Cost of Revenue

Cost of revenue consists of two categories of cost, instructional costs and services, and marketing and promotional costs.

Instructional Costs and Services

Instructional costs and services 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 and in-person 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. Total instructional costs and services were $21,323,666 and $19,463,085 for the years ended April 30, 2023 and 2022, respectively, and are included in cost of revenue.

Marketing and Promotional Costs

Marketing and promotional costs include costs associated with producing marketing materials and advertising. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing and recruiting efforts, and expenditures on advertising initiatives for new and existing academic programs. The Company's marketing generally consists of

non-direct response advertising activities and are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. Total marketing and promotional costs were $5,764,163 and $15,796,196 for the years ended April 30, 2023 and 2022, respectively, and are included in cost of revenue.

General and Administrative

General and administrative expenses include compensation of employees engaged in corporate management, finance, human resources, information technology, academic operations, compliance and other corporate functions. General and administrative expenses also include professional services fees, financial aid processing costs, non-capitalizable courseware and software costs, travel and entertainment expenses and facility costs.

Legal Expenses

All legal costs for litigation are charged to expense as incurred.

Income Taxes

The Company uses the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial statement amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that, more likely than not, will be realized. The Company has deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are subject to periodic recoverability assessments. Realization of the deferred tax assets, net of deferred tax liabilities, is principally dependent upon achievement of projected future taxable income.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company accounts for uncertainty in income taxes using a two-step approach for evaluating tax positions. Step one, recognition, occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Step two, measurement, is only addressed if the position is more likely than not to be sustained. Under step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Stock-Based Compensation

Stock-based compensation expense is measured at the grant date fair value of the award and is expensed over the requisite service period, which is included in general and administrative expense in the consolidated statement of operations. For employee stock option based awards, the Company calculates the fair value of the award on the date of grant using the Black-Scholes option pricing model. Determining the fair value of stock option based awards at the grant date under this model requires judgment, including estimating volatility, employee stock option exercise behaviors and forfeiture rates. The assumptions used in calculating the fair value of stock option based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. Stock option based awards are expensed as stock-based compensation over the vesting term, which is included in general and administrative expense in the consolidated statement of operations.

For non-employee stock option based awards, the Company follows ASU 2018-7, which substantially aligns share based compensation for employees and non-employees.

Restricted stock units ("RSUs") are awards in the form of shares denominated in the equivalent number of shares of AGI common stock. RSU awards may be subject to service-based vesting, where a specific period of continued employment must

pass before an award vests and/or other vesting restrictions based on the nature and recipient of the award. For RSU awards, the fair value is typically measured on the grant date as market value of AGI common stock and expensed as stock-based compensation over the vesting term, which is included in general and administrative expense in the consolidated statements of operations.

Net Loss Per Share

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 10. Stockholders' Equity.

	April 30,	
	2023	**2022**
	(Unaudited)	
Options to purchase common shares	565,210	860,182
Restricted stock units	513,254	—
Warrants to purchase common shares	425,000	649,174
Unvested restricted stock	513,254	929,928
Convertible Notes	10,000,000	10,000,000

Segment Information

The Company operates in one reportable segment as a single educational delivery operation using a core infrastructure that serves the curriculum and educational delivery needs of its online and campus students regardless of geography. The Company's chief operating decision makers, its Chief Executive Officer, Chief Financial Officer and Chief Academic Officer, manage the Company's operations as a whole.

Recent Accounting Pronouncements

ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which significantly changes how entities will measure credit losses for most financial assets, including accounts receivable. ASU No. 2016-13 will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. On November 15, 2019, the FASB delayed the effective date of Topic 326 for certain small public companies and other private companies until fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. On May 1, 2023, the Company adopted ASU No. 2016-13 using the modified retrospective approach and there was no cumulative effect arising from the adoption. The adoption of ASU No. 2016-13 did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The guidance was issued as improvements to ASU No. 2016-13 described above. The vintage disclosure changes require an entity to disclose current-period gross write-offs by year of origination for financing receivables. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The amendments should be applied prospectively. On May 1, 2023, in connection with the adoption of ASU No. 2016-13 above, the Company adopted ASU No. 2022-02 using the modified retrospective approach

and there was no cumulative effect arising from the adoption. The adoption of ASU No. 2022-02 did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

The Company has concluded that based on industry practices, the preferred presentation for disbursements for reimbursable leasehold improvements received from the landlords should be reclassified from "purchases of property and equipment" to separately disclose the "disbursements for reimbursable leasehold improvements." The purchases of property and equipment balance of $816,591 for the tenant improvement allowance received from the landlord at April 30, 2022, which was previously included in "purchases of property and equipment" in the accompanying statements of cash flows was reclassified to "Disbursements for reimbursable leasehold improvements" to align with the current year presentation. There is no impact to net cash provided by investing activities included in the accompanying consolidated statement of cash flows for the year ended April 30, 2022.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at April 30, 2023 and 2022:

	April 30,	
	2023	2022
	(Unaudited)	
Total accounts receivable, gross	$ 35,740,227	$ 39,226,054
Long-term contractual accounts receivable	(13,004,428)	(11,406,525)
Accounts receivable, gross	22,735,799	27,819,529
Less: allowance for doubtful accounts	(3,506,895)	(3,460,288)
Accounts receivable, net	$ 19,228,904	$ 24,359,241

In Q4 Fiscal 2023, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the MPP, and all other payment types including financial aid, to reduce their outstanding balance by 25% if the balance is paid in full within 30 days of receiving the offer. The program ended on March 1, 2023. Approximately $3.6 million was collected under the program. Of the total collected, approximately $1.2 million and $2.4 million was collected at AU and USU, respectively. $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2023 Consolidated Statement of Operations.

Bad debt expense for the years ended April 30, 2023 and 2022, was $1,700,000 and $1,500,000, respectively.

Note 4. Property and Equipment

As property and equipment reach the end of their useful lives, the fully expired assets are written off against the associated accumulated depreciation and amortization.

When assets are disposed of before reaching the end of their useful lives both the recorded cost of the fixed asset and the corresponding amount of accumulated depreciation is reversed. Any remaining difference between the two, net of proceeds, is recognized as either other income or expense. There was no expense impact for such write-offs for the years ended April 30, 2023 and 2022.

Property and equipment consisted of the following:

	April 30,	
	2023	2022
	(Unaudited)	
Computer equipment and hardware	$ 1,655,130	$ 1,516,475
Furniture and fixtures	2,169,090	2,193,261
Leasehold improvements	8,055,363	7,179,896
Instructional equipment	756,568	715,652
Software	11,648,505	10,285,096
Construction in progress	—	2,100
	24,284,656	21,892,480
Accumulated depreciation and amortization	(11,922,435)	(8,395,001)
Property and equipment, net	$ 12,362,221	$ 13,497,479

Software consisted of the following:

	April 30,	
	2023	2022
	(Unaudited)	
Software	$ 11,648,505	$ 10,285,096
Accumulated amortization	(7,071,616)	(5,170,943)
Software, net	$ 4,576,889	$ 5,114,153

Depreciation and amortization expense for property and equipment and software is summarized below:

	Years Ended April 30,	
	2023	2022
Depreciation and amortization expense:	(Unaudited)	
Property and equipment, excluding software	$ 1,716,329	$ 1,555,119
Software amortization expense	$ 1,900,673	$ 1,726,618

The following is a schedule of estimated future amortization expense of software at April 30, 2023 (by fiscal year):

	Future Expense
	(Unaudited)
2024	$ 1,733,710
2025	1,328,885
2026	878,650
2027	466,658
2028	168,986
Total	$ 4,576,889

Note 5. Goodwill and Intangible Assets

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 is shown as "Goodwill" in the consolidated balance sheet.

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 acquired accreditation and regulatory approvals and the trade name and trademarks, of $7.9 million, 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 of $2.2 million were finite-lived, and they became fully amortized during fiscal 2020. There was no acquisition-related amortization expense for the years ended April 30, 2023 and 2022.

Note 6. Courseware and Accreditation

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 for the years ended April 30, 2023 and 2022.

Courseware and accreditation consisted of the following:

	April 30,	
	2023	2022
	(Unaudited)	
Courseware	$ 684,803	$ 575,283
Accreditation	59,350	59,350
	744,153	634,633
Accumulated amortization	(452,715)	(360,586)
Courseware and accreditation, net	$ 291,438	$ 274,047

Amortization expense of courseware and accreditation is as follows:

	Years Ended April 30,	
	2023	2022
	(Unaudited)	
Courseware and accreditation amortization expense	$ 92,129	$ 80,310

Amortization expense is included in "Depreciation and amortization" in the accompanying consolidated statements of operations.

The following is a schedule of estimated future amortization expense of courseware and accreditation at April 30, 2023 (by fiscal year):

	Future Expense
	(Unaudited)
2024	$ 90,966
2025	78,670
2026	71,695
2027	40,898
2028	9,209
Total	$ 291,438

Note 7. Accrued Expenses

ASPEN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2023 and 2022

	April 30,	
	2023	2022
	(Unaudited)	
Accrued compensation	$ 877,810	$ 1,353,757
Accrued foreign taxes	500,000	400,000
Accrued marketing	—	387,588
Accrued professional fees	289,705	371,703
Accrued interest	156,164	49,315
Other accrued expenses	531,691	259,069
Accrued expenses	$ 2,355,370	$ 2,821,432

Note 8. Debt

	April 30,	
	2023	2022
	(Unaudited)	
Credit Facility due March 14, 2023 (the "2022 Revolving Credit Facility")	$ —	$ —
Credit Facility due November 4, 2023 (the "2018 Credit Facility"); interest payable monthly in arrears	5,000,000	5,000,000
12% Convertible Notes due March 14, 2027 (the "2022 Convertible Notes"); interest payable monthly in arrears	10,000,000	10,000,000
Total long-term debt	15,000,000	15,000,000
Less: Current portion of long-term debt	(5,000,000)	—
Less: Unamortized deferred financing costs	—	(124,265)
Total long-term debt, net	$ 10,000,000	$ 14,875,735

2022 Convertible Notes

On March 14, 2022, the Company issued $10 million in principal convertible notes (the "2022 Convertible Notes") to two unaffiliated lenders (individually a "Lender" and collectively, the "Lenders") in exchange for $5 million notes to each of the two unaffiliated Lenders. The proceeds are used for general corporate purposes, including funding the Company's previous expansion of its BSN Pre-Licensure nursing degree program. The key terms of the Convertible Notes are as follows:

- At any time after issuance date, the Lenders had the right to convert the principal into shares of the Company's common stock at a conversion price of $1.00 per share;
- The Convertible Notes automatically convert at $1.00 per share into shares of the Company's common stock if the average closing price of our common stock is at least $2.00 over a 30 consecutive trading day period. This mandatory conversion is subject to each Lender's 9.9% beneficial ownership limitation;
- The Convertible Notes are due March 14, 2027 or approximately five years from the closing;
- The interest rate of the Convertible Notes was 12% per annum (payable monthly in arrears), which increased to 14% per annum on May 12, 2023. See Note 15. Subsequent Events; and
- The Convertible Notes are secured by a first priority lien (which was subsequently subordinated, as disclosed in Note 15. Subsequent Events) in all current and future accounts receivable of the Company's subsidiaries, certain of the deposit accounts of the Company and its subsidiaries and a pledge of the common stock of the Company held by its Chief Executive Officer (the "2022 Collateral").

At closing of the 2022 Convertible Notes, the Company agreed to pay each Lender's legal fees arising from this transaction of $135,562 and another $60,833 incurred during August 2022, which was recorded as a deferred financing cost debt discount and was being amortized over a one-year period in "interest expense" in the accompanying consolidated financial statements.

2022 Revolving Credit Facility

On March 14, 2022, the Company entered into Revolving Promissory Note and Security Agreements (the "2022 Revolver Agreements") with the same two unaffiliated Lenders of the 2022 Convertible Notes for a one-year, $20 million secured revolving line of credit that requires monthly interest payments on sums borrowed at the rate of 12% per annum (the "2022 Revolving Credit Facility"). At April 30, 2022, there were no outstanding borrowings under the 2022 Revolving Credit Facility. The Company paid a 1% commitment fee of $200,000 at closing, which was recorded as a deferred financing cost, non-current asset, and was amortized over the term of the loan of one-year, and another 1% commitment fee of $200,000 six months from the closing date, or September 14, 2022, since the revolving credit facility had not been replaced. On March 14, 2023, the 2022 Revolving Credit Facility expired.

Pursuant to the 2022 Convertible Notes (the "Notes"), all future indebtedness incurred by the Company, other than indebtedness expressly permitted by such Notes, will be subordinated to the Notes and the Prior Credit Facility, as defined below, with an exception for acquisitions of software and equipment under purchase money agreements and capital leases.

On March 14, 2022, in connection with the issuance of the Notes, the Company also entered into an intercreditor agreement (the “Intercreditor Agreement”) among the Company, the Lenders and the lender under a prior credit facility dated November 5, 2018 (as amended, the “2018 Credit Facility”). The Intercreditor Agreement provides among other things that the Company's obligations under, and the security interests in the Collateral granted pursuant to the Notes and the 2018 Credit Facility shall rank pari passu to one another.

In connection with the issuance of the Notes, the Company also entered into an Investors/Registration Rights Agreement with the Lenders (the “Registration Rights Agreement”) whereby, upon request of either Lender on or after August 15, 2022 the Company must file and obtain and maintain the effectiveness of a registration statement registering the shares of common stock issued or issuable upon conversion of the Convertible Notes. No lender requests have been made as of the date of this filing.

On March 14, 2022, the Company entered into an amendment with the lender pursuant to the 2018 Credit Facility to extend the maturity date of the 2018 Credit Facility by one year to November 4, 2023. See the "2018 Credit Facility" discussion below.

On March 14, 2022, the Company entered into a letter agreement with the Lenders (the “Letter Agreement”). Pursuant to the Letter Agreement, the Company and its subsidiaries made certain representations and warranties to the Lenders. The Letter Agreement also contained certain conditions precedent to the closing of the transactions.

On April 22, 2022, the Company entered into an agreement with an insurance company (the "Insurance Company") which issued an approximately $18.3 million surety bond which was required by the Arizona State Board for Private Postsecondary Education. In order to cause the Insurance Company to deliver the surety bond, the Company entered into a First Amendment to the Intercreditor Agreement with the two Lenders of the March 14, 2022, financing arrangements to amend the Intercreditor Agreement entered into by the same parties on March 14, 2022 (the “Amendment”). The Amendment provided that the Company and each of the Lenders, at all times prior to the delivery of the Termination Certificate (as defined below), excluding funding as directed by the surety bond as described more fully below, (i) the Company shall not be permitted to make any draw request or borrow any funds under the 2022 Revolver Agreements and (ii) the Lenders shall not be required to fund any loan or advance any funds under the 2022 Revolver Agreements. Upon that certain surety bond ceasing to be outstanding, the Company shall deliver to the lenders a certificate (such certificate, the “Termination Certificate”), certifying that the surety bond is no longer outstanding and that there are no further obligations in respect of the surety bond owing by the Company to the Insurance Company. Prior to issuance of the Termination Certificate and during the time the surety bond is in effect, the Insurance Company may cause the Company to draw on funds for the express purposes of resolving claims filed under the

surety bond. In addition to the draw restriction on the 2022 Revolver Agreements, the Insurance Company required the Company to restrict $5 million of cash. As consideration for the Lenders agreeing to enter into the Amendment, the Company agreed to issue each Lender 100,000 five-year warrants exercisable at $1.00 per share. The fair value of the warrants was $118,000 and was amortized over one-year. The fair value of the warrants were treated as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets at April 30, 2023. Total amortized costs at April 30, 2023 were $118,000, which is included in "interest expense" in the accompanying consolidated statement of operations. See Note 10. Stockholders' Equity for additional information related to these warrants.

On October 31, 2022, Aspen University and the Arizona State Board for Private Postsecondary Education entered into a revised stipulated agreement that reduced AU's surety bond requirement from $18.3 million to $5.5 million and required Aspen University to pay a civil penalty of $12,000.

In December 2022, as a result of the revised stipulated agreement with the Arizona State Board for Private Postsecondary Education on October 31, 2022, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

On January 12, 2023, the Company entered into an agreement with an Insurance Company described above, the effect of which was to remove the Company's prohibition from borrowing under the 2022 Revolving Credit Facility. As a result, the Company and certain lenders entered into a Second Amendment to the Intercreditor Agreement, which removed a provision which was added by the First Amendment restricting the Company's ability to draw down from the 2022 Revolving Credit Facility while the Insurance Company's surety bond remained outstanding. The 2022 Revolving Credit Facility subsequently expired.

2018 Credit Facility

On November 5, 2018, the Company entered into the 2018 Credit Facility Agreement with the Leon and Toby Cooperman Family Foundation (the "Foundation"). The Credit Facility Agreement provides for a $5,000,000 revolving credit facility (the "2018 Credit Facility") evidenced by a revolving promissory note (the "Revolving Note"). Borrowings under the 2018 Credit Facility Agreement bear interest at 12% per annum. Interest payments are due monthly through the term of the 2018 Credit Facility. The Revolving Note was paid on May 12, 2023, with the proceeds from the 15% Senior Secured Debentures. See Note 15. Subsequent Events.

On August 31, 2021, the Company extended the 2018 Credit Facility Agreement with the Foundation by one year from November 4, 2021, to November 4, 2022 (see below, which were extended by one year). In conjunction with the extension of the 2018 Credit Facility on August 31, 2021, the Company drew down funds of $5,000,000. At each April 30, 2023 and 2022, there were $5,000,000 outstanding borrowings under the 2018 Credit Facility.

Additionally, on August 31, 2021, the Company issued to the Foundation warrants, as an extension fee, to purchase 50,000 shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of $5.85 per share. The fair value of the warrants is $137,500 and is being amortized to interest expense through the maturity date of November 4, 2023, as extended on March 14, 2022. On March 14, 2022, the Company extended its existing $5 million Credit Facility by one year to November 4, 2023, at an increased interest rate from 12% to 14% per annum. The fair value of the warrants were recorded as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets at April 30, 2023 and 2022, to be amortized over the term of the 2018 Credit Facility. Total unamortized costs at April 30, 2023 and 2022 were $23,897 and $44,672, respectively. Subsequent to April 30, 2023, in connection with repayment of the 2018 Credit Facility on May 12, 2023, the remaining fair value of these warrants was accelerated and fully expensed. See Note 10. Stockholders' Equity for additional information related to these warrants.

Note 9. Commitments and Contingencies

Operating Leases

The Company leases space for its campus and corporate operations. (See Note 11. Leases)

Employment Agreements

From time to time, the Company enters into employment agreements with certain of its employees. These agreements typically include bonuses, some of which may or may not be performance-based in nature.

Legal Matters

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this Report, except as discussed below, we are not aware of any other pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations, and there are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

On April 6, 2022, Aspen University was served with a class action claim in Arizona Superior Court, alleging violations of the Arizona Consumer Fraud Act and Unjust Enrichment, based on the class representative's claims that Aspen University misstated the quality of its pre-licensure nursing program. This complaint was likely in response to the Arizona State Board of Nursing actions against Aspen University relating to the program, as outlined below. The plaintiff's attorneys requested arbitration (Rule 408 settlement meeting), which occurred on June 29, 2023. A Stipulation of Settlement agreement was reached whereby the Company agreed to pay $550,000 in exchange for release of all claims of the Settlement Class inclusive of attorneys' fees and costs. Aspen University has E&O insurance with Lloyd's London that provides for a $500,000 limit of liability (each claim). The Settlement Class includes 53 students who were precluded from entering the BSN Pre-licensure Core Program and first year students who completed more than 15 credit hours toward their pre-requisites. Following a mediation session in June 2023, the parties signed a term sheet settlement in which Aspen agreed to pay $550,000 in exchange for release of all claims of the settlement class, inclusive of attorneys' fees and costs. The settlement agreement must be approved by the Arizona superior court judge before it can take effect.

On February 11, 2013, HEMG, and its Chairman, Mr. Patrick Spada, sued the Company, certain senior management members and our directors in state court in New York seeking damages arising principally from (i) allegedly false and misleading statements in the filings with the SEC and the DOE where the Company disclosed that HEMG and Mr. Spada borrowed $2.2 million without board authority, (ii) the alleged breach of an April 2012 agreement whereby the Company had agreed, subject to numerous conditions and time limitations, to purchase certain shares of the Company from HEMG, and (iii) alleged diminution to the value of HEMG's shares of the Company due to Mr. Spada's disagreement with certain business transactions the Company engaged in, all with Board approval.

On December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in the same state court of New York. By order dated August 4, 2014, the New York court denied HEMG and Spada's motion to dismiss the fraud counterclaim the Company asserted against them.

In November 2014, the Company and Aspen University sued HEMG seeking to recover sums due under two 2008 Agreements where Aspen University sold course materials to HEMG in exchange for long-term future payments. On September 29, 2015, the Company and Aspen University obtained a default judgment in the amount of $772,793. This default judgment precipitated the bankruptcy petition discussed in the next paragraph.

On July 21, 2021, the bankruptcy trustee paid the Company $498,120 based on assets available in the trust, which is included in "other income (expense), net" in the accompanying consolidated statements of operations. As a result, the Company wrote off the net receivable of $45,329 against the payment received as settlement in the first quarter of fiscal year 2022 and recognized a gain. No further assets are available for distribution.

On September 13, 2022, Spada, the remaining plaintiff, and AGI entered into a Stipulation Discontinuing Action under which the complaint and counterclaims were dismissed with prejudice.

Regulatory Matters

The Company's subsidiaries, Aspen University and United States University, are subject to extensive regulation by Federal and State governmental agencies and accrediting bodies. In particular, the HEA and the regulations promulgated thereunder by the DOE subject the subsidiaries to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy to participate in the various types of federal student financial assistance programs authorized under Title IV of the HEA.

Aspen University Regulatory Matters

On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the HEA and the Federal student financial assistance programs (Title IV, HEA programs) and set a subsequent program participation agreement reapplication date of March 31, 2021. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023.

The HEA requires accrediting agencies to review many aspects of an institution's operations in order to ensure that the education offered is of sufficiently high quality to achieve satisfactory outcomes and that the institution is complying with accrediting standards. Failure to demonstrate compliance with accrediting standards may result in the imposition of probation, the requirements to provide periodic reports, the loss of accreditation or other penalties if deficiencies are not remediated.

Because our subsidiaries operate in a highly regulated industry, each may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions or common law causes of action.

The Company is also subject to regulation by self-regulatory bodies such as accreditors and by state regulators in certain states including states where the Company has a physical presence. Aspen University's first-time pass rates for our BSN pre-licensure students taking the NCLEX-RN test in Arizona fell from 80% in 2020 to 58% in 2021, which is below the minimum 80% standard set by the Arizona State Board of Nursing ("AZ BON"). As a result of the decline in NCLEX pass rates and other issues, and in alignment with a recommendation from the Arizona State Board of Nursing, the university voluntarily suspended BSN pre-licensure enrollments and the formation of new cohorts at its two Phoenix pre-licensure locations, effective February 2022. In March 2022, Aspen University entered into a Consent Agreement for Probation and a Civil Penalty (the "Consent Agreement") with the Arizona State Board of Nursing in which Aspen University's Provisional Approval was revoked, with the revocation stayed pending Aspen University's compliance with the terms and conditions of the Consent Agreement. The probationary period is 36 months from the date of the Consent Agreement. In June 2022, the AZ BON granted approval of Aspen University's request for provisional approval as long as the program is in compliance with the consent agreement through March 31, 2025. The stay was broken into two phases, the first lasting through the end of Calendar Year 2022. During Phase I, Aspen University was not permitted to enroll any new students into the core component of its pre-licensure nursing program in Arizona and must achieve the AZ BON-required 80% NCLEX pass rate for the Calendar Year 2022 annual reporting cycle. If this benchmark was not achieved, the AZ BON could lift the stay and initiate the revocation. If Phase I was completed successfully, Phase II will commence with Aspen University on Probation (regular or "stayed revocation" probation, depending on the outcome of Phase I). Aspen University was permitted to begin enrollments into the core component of its pre-licensure nursing program in Arizona once four consecutive quarters of 80% NCLEX first-time pass rates occur. However, once achieved, if the NCLEX pass rate fell below 80% for any quarter, the AZ BON could limit enrollments, and repeated failures may result in a required cessation of enrollments and teach-out of the program. The terms of the Consent Agreement also include requirements that the Company provide the AZ BON with monthly reports, provide that our faculty and administrators undergo additional training, retain an approved consultant to prepare and submit evaluations to the AZ BON, and hire a minimum of 35% full-time qualified faculty by September 30, 2022.

On September 20, 2022, Aspen University and the Arizona State Board of Nursing entered into a revised Consent Agreement under which Aspen agreed to voluntarily surrender its program approval for its pre-licensure nursing program in Phoenix, Arizona. Aspen sought the agreement after concluding that it was unable to meet the minimum 80% NCLEX first-time pass rates for calendar year 2022, which was a requirement of an earlier consent agreement that Aspen and the Board signed in March 2022. Aspen did so to minimize uncertainty for its students. Aspen had suspended admissions to its Arizona program in January 2022. For the calendar quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, Aspen University's NCLEX-RN test pass rates were 73.33%, 69.64%, 59.15% and 56.53%, respectively. For the calendar quarters ended March 31, 2023 and June 30, 2023, Aspen University's NCLEX-RN test pass rates were 50.52% and 78.05%, respectively.

Under the terms of the revised Consent Agreement, many of the previous requirements were eliminated; for example, Aspen no longer has a requirement to use a consultant nor the requirement for a certain percentage of full-time faculty. However, Aspen will continue its current Arizona Core nursing program for all current students and provide regular reports to the Board of Nursing about the program. It remains accountable to the Board to ensure that its current students receive expected instruction and learning opportunities. Once all currently enrolled students in the program have either completed the program or ceased enrollment, or within two years, whichever is sooner, Aspen's program approval will be automatically voluntarily surrendered for a minimum period of two years. As expected, although the rate improved from the 2021 rate of 58%, Aspen's 2022 annual NCLEX-RN first-time pass rate did not meet the Arizona State Board of Nursing's required pass rate in 2022 at 63.7%.

Having entered into the revised Consent Agreement with the Arizona State Board of Nursing, Aspen suspended new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas and will complete instruction for currently enrolled Core nursing students in those states. The state authorizing units and state boards of nursing were noticed to this effect on September 20, 2022.

On February 23, 2023, the Arizona State Board of Nursing informed Aspen of its intent to lift the stay of voluntary surrender at its scheduled March 2023 meeting. Board members expressed concerns regarding public safety and student safeness to practice on exit from the program, including concerns that the program was failing to provide minimum instruction as students were continuing to struggle with passing their NCLEX-RN exam the first time, failing to meet basic standards of educational practice by inadequately ensuring the integrity and proctoring of exams, and improperly using students' work hours to count as clinical hours and counting clinical hours when the students were not in the facilities. Aspen disputed all of these concerns except the one related to the NCLEX-RN first-time pass rate.

It was Aspen's position that a decision by the Board to conduct such a vote to lift the stay at its scheduled March 2023 meeting would be a breach of the September 2022 Consent Agreement, a breach of the covenant of good faith and fair dealing, and cause Aspen irreparable harm. The lifting of the stay would have closed the program immediately and affected almost 400 students across four states. On March 23, 2023, Aspen University and the Arizona State Board of Nursing signed an Amendment to the September 2022 Consent Agreement that permits the teach-out of the program to continue with heightened oversight and reporting. The University will hire a Consultant and additionally an Ombudsperson to oversee critical aspects of the program in Arizona including testing and clinical practices. The signed Amendment means that the Arizona-based students are permitted to be taught out through January 2024, Nashville-based students through May 2024, and Texas- and Florida-based students through September 2024.

On March 8, 2022, Aspen University has also entered into a Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which required the University to post a surety bond for $18.3 million in the fourth quarter of fiscal year 2022. The Stipulated Agreement required the cessation of enrollment in both the pre-professional nursing and core components of the program in Arizona, the submission of student records monthly, the removal of Arizona start date information from websites and catalogs, and monthly reporting to the Board staff. The collateral for this surety bond of $5 million was included in "Restricted cash" in the consolidated balance sheet at April 30, 2022. On October 31, 2022, Aspen and the Arizona State Board for Private Postsecondary Education entered into a revised 2nd Stipulated Agreement that reduces

AU's surety bond requirement from $18.3 million to $5.5 million, requires a civil penalty of $12,000 and enrollment stoppage and teach out of the pre-licensure program. Other requirements from the April 2022 Stipulated Agreement were carried forward to this revised agreement. In December 2022, as a result of the revised stipulated agreement with the Arizona State Board for Private Postsecondary Education, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

Aspen University's State Authorization Reciprocity Agreement ("SARA") annual approval through the Colorado SARA State Portal Entity, which is overseen by a National Council ("NC-SARA"), has to be renewed by January 30 each year. Aspen University applied on January 18, 2022, and received its 2022 approval effective February 8, 2022. On February 23, 2022, Aspen University received a Notification of Provisional SARA Status from the Colorado SARA State Portal Entity. On March 4, 2022, the DOE provided the final approval for Aspen University's move from Colorado to Arizona. On March 29, 2022, Aspen University received a Notification of Loss of Eligibility for SARA through Colorado which permitted continued SARA coverage for students enrolled for courses between February 1, 2022 and August 2, 2022. On April 10, 2022, Aspen University submitted an official appeal of the eligibility loss to the Colorado SARA State Portal Entity. Aspen University sought a return to the prior provisional status while the appeal was pending or until the completion of the existing SARA term to February 2023 or until there was approval by the Arizona SARA Council. On April 12, 2022, Aspen University was restored to Provisional Status by the Colorado SARA State Portal Entity according to the terms of the February 23, 2022 letter. On May 17, 2022, Aspen University was informed that its appeal was denied and on June 10, 2022, Aspen University received a letter from the Colorado SARA State Portal Entry indicating that students currently enrolled in academic terms in progress as of May 17, 2022, were covered under SARA for 16 weeks, until September 6, 2022.

In the meantime, Aspen University submitted an application to the Arizona State SARA Portal Entry. This application to obtain approval to become an institutional participant again in NC-SARA from its new primary location in Arizona was deferred at the September 8, 2022 and January 19, 2023 meetings, and will again be considered at the September 2023 meeting. Since February 2022, the start of the regulatory concerns over SARA approval, Aspen University has been seeking individual state authorizations for its students. Aspen University has succeeded in securing full approval, exemption, or has determined approval is not required, in 43 states, while 5 additional states allow our currently enrolled students to continue while applications are under review or in process. Students in these states represent over 99% of the current student body.

Aspen believes it has options for the few students in Rhode Island and the District of Columbia but has determined that it will not be able to secure authorization in Maryland. Articulation agreements for students in these two states and the District of Columbia are available for the students who choose not to wait for Aspen University to obtain NC-SARA approval through Arizona.

DOE Program Review

On January 6, 2023, Aspen University received notice from the Department of Education, Office of the Multi-Regional and Foreign Schools Participation Division, that an off-site Program Review would begin on February 13, 2023. The review is designed to assess the University's administration of the Title IV, HEA programs in which it participates, covering the 2021-2022 and 2022-2023 award years. The University is cooperating fully in the review. Required university administrators from the offices of the president, provost, financial aid, finance, enrollment, registrar, institutional research, and student accounts have participated in requested meetings. They have provided requested documentation in a timely manner in a variety of areas, especially related to the Bachelor of Science in Nursing (Pre-Licensure) degree program. The review is ongoing.

Show Cause Directive by DEAC

On February 1, 2023, AGI received notification that Aspen University had been issued a Show Cause Directive by DEAC requiring Aspen University to prove why its current accreditation should not be withdrawn and to require Aspen University to undergo a special visit by a team of DEAC evaluators. Show Cause is an enforcement action focused on specific areas of

perceived non-compliance to which Aspen must respond through narrative, documentation, and other evidence within the specific remediation timeframe.

DEAC informed Aspen University that certain areas of concern raise serious questions as to Aspen University's ongoing compliance with DEAC Accreditation Standards III.D., V.A., X.B., XI.E., and DEAC Procedures under Part Two, Section XVII.E, including curricula and instructional materials; student achievement; reputation; operations; and notifications. These call into question Aspen University's organizational integrity, administrative capacity, and ability to serve students in a manner that complies with DEAC standards. The letter also required the University to submit certain information to DEAC prior to February 16, 2023, and to constituents within seven business days, and permits continuance of DEAC's monitoring of monthly financial reports. Aspen has complied with the request for monthly reporting timely each month.

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 oversight through the show cause period. The maximum length of the show cause 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 expected Aspen to submit its response to the Show Cause Directive, May 19, 2023, which it submitted timely, and conducted a site visit on June 13, 2023. DEAC expects to schedule its review of Aspen University's response to the show cause directive and the associated record from the site visit within the next six to nine months.

Heightened Cash Management 2 ("HCM2")

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 its receipt of the first financial aid payment under HCM2, Aspen University will now 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. Aspen University received its first and second financial aid payments under HCM2 on June 15, 2023 and August 10, 2023, respectively.

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.

United States University Regulatory Matter

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.

Title IV Funding

Aspen University and United States University derive a portion of their revenue from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the DOE. When students seek funding from the federal government, they receive loans and grants to fund their education under the following Title IV Programs: (1) the Federal Direct Loan program, or Direct Loan; (2) the Federal Pell Grant program, or Pell; (3) Federal Work Study and (4) Federal Supplemental Opportunity Grants. For the fiscal years ended April 30, 2022, 36.37% of Aspen University's and 28.06% for United States University's cash-basis revenue for eligible tuition and fees was derived from Title IV Programs.

Return of Title IV Funds

An institution participating in Title IV Programs must correctly calculate the amount of unearned Title IV Program funds that have been disbursed to students who withdraw from their educational programs before completion and must return those unearned funds in a timely manner, no later than 45 days of the date the school determines that the student has withdrawn. Under the DOE regulations, failure to make timely returns of Title IV Program funds for 5% or more of students sampled on the institution's annual compliance audit in either of its two most recently completed fiscal years can result in the institution having to post a letter of credit in an amount equal to 25% of its required Title IV returns during its most recently completed fiscal year. If unearned funds are not properly calculated and returned in a timely manner, an institution is also subject to monetary liabilities or an action to impose a fine or to limit, suspend or terminate its participation in Title IV Programs.

Approval to Confer Degrees

Aspen University is a Delaware corporation and is authorized by the Arizona State Board for Private Postsecondary 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 by the Texas Higher Education Coordinating Board in the State of Texas. Aspen University has been granted Optional Expedited Authorization as a postsecondary educational institution in Tennessee for its Bachelor of Science in Nursing (Pre-Licensure) degree program. Aspen University has received a Provisional License for its Bachelor of Science in Nursing (Pre-Licensure) degree program to operate in the state of Florida by the Commission for Independent Education of the Florida Department of Education. United States University is a Delaware corporation and is authorized by the California Bureau for Private Postsecondary Education to operate as a degree-granting institution for all degrees.

Note 10. Stockholders' Equity

AGI maintains two stock-based incentive plans: the 2012 Equity Incentive Plan (the "2012 Plan") and the 2018 Equity Incentive Plan (the "2018 Plan") that provide for the grant of shares in the form of incentive stock options, non-qualified stock options, restricted shares, stock appreciation rights and RSUs to employees, consultants, officers and directors. The 2012 Plan expired on March 15, 2022, and remains in effect for outstanding grants only, and is no longer available for new grants. On March 8, 2022, AGI transferred the 129,009 unused shares under the 2012 Plan to the 2018 Plan.

As of April 30, 2023 and 2022, there were 1,263,882 and 812,763 shares, respectively, remaining available for future issuance under the 2018 Plan.

On July 6, 2022, the Company amended its Certificate of Incorporation, as amended, to increase the number of authorized shares of common stock the Company is authorized to issue from 40,000,000 to 60,000,000 authorized shares, which was approved at a special meeting of the Company's stockholders held on July 6, 2022. This increase has been retrospectively adjusted to all periods in the accompanying consolidated financial statements.

On December 22, 2021, the Company held its Annual Meeting of Shareholders at which the shareholders voted to amend the 2018 Plan to increase the number of shares of common stock available for issuance under the 2018 Plan from 1,600,000 to 2,350,000 shares.

Voluntarily delist common stock from The Nasdaq Global Market

On March 13, 2023, Aspen Group, Inc. notified Nasdaq of the Company's decision to voluntarily delist its common stock from The Nasdaq Global Market. On March 23, 2023, the Company filed a Form 25 with the SEC, thereby terminating trading of its common stock on The Nasdaq Global Market. On July 6, 2023, the Company filed a Form 15 with the SEC to suspend the Company's reporting obligations under Sections 12(g) and 15(d) of the Securities Exchange Act of 1934. The reasons for this decision consist of the anticipated financial savings and lower operating costs, reduced management time commitment for compliance and reporting activities, and a simplified corporate governance structure.

As a result of the foregoing developments, the Company's common stock is now quoted on the OTC Pink Market ("OTC Pink") operated by OTC Markets Group Inc. (the "OTC"), and the Company no longer files reports with the SEC. The Company intends to apply to have its common stock quoted in the OTCQB as an alternative reporting company. The Company intends to continue to provide information to its stockholders and to take such actions within its control to enable its common stock to be quoted in the OTCQB or the OTC Pink so that a trading market may continue to exist for its common stock. There is no assurance, however, that a dealer will continue to make a market in the common stock and that trading of the common stock will continue on any market operated by OTC markets.

Preferred Stock

The Company is authorized to issue 1,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. As of April 30, 2023 and 2022, we had no shares of preferred stock issued and outstanding.

Common Stock

At both April 30, 2023 and 2022, the Company was authorized to issue 60,000,000 shares of common stock.

On January 3, 2022, the Compensation Committee approved grants of a total of 117,316 shares of common stock to the members of the Board of Directors for services in the 2021 calendar year. The grants had a total grant date fair value of $279,212 based on a closing stock price of $2.38 per share. The grants were made under the Company's 2018 Plan and were fully vested and amortized as of January 31, 2022. These shares were issued in the fourth quarter of fiscal year 2022. The amortization expense is included within stock-based compensation in "general and administrative expense" in the accompanying consolidated statements of operations. No shares were granted to the members of the Board of Directors for services in the 2022 calendar year.

On August 18, 2022, AGI entered into an Equity Distribution Agreement (the "Agreement") with Northland Securities, Inc. ("Northland"), pursuant to which the Company could issue and sell from time to time, through Northland, shares of the Company's common stock, with offering proceeds of up to $3,000,000.

On October 11, 2022, the Company canceled the Agreement. The Company sold 11,840 shares under the Agreement and received net proceeds of $9,535.

On August 4, 2022, the Compensation Committee approved a 25,000 common stock grant to Lampert Capital Advisors for financial advisory services to assist with locating and securing an accounts receivable financing facility to position the Company for future growth among its online post-licensure nursing degree programs. The grant had a grant date fair value of

$24,500 based on a closing stock price of $0.98 per share, and it was fully vested on the grant date. The expense related to this grant of $24,500 was incurred in the second quarter of fiscal 2023. The expense is included in "General and administrative" expense in the consolidated statements of operations. See Note 15. Subsequent Events for additional fees and expenses paid in connection with the 15% Senior Secured Debentures on May 12, 2023.

During the years ended April 30, 2023 and 2022, the Company issued 0 and 58,419 shares of common stock upon the exercise of stock options for cash and received proceeds of $0 and $191,034, respectively.

During the years ended April 30, 2023 and 2022, the Company issued 198,198 and 85,576 shares of common stock upon the vesting of RSUs, respectively.

During the years ended April 30, 2023 and 2022, the Company issued 0 and 30,156 shares of common stock upon the cashless exercise of 0 and 200,000 stock options, respectively.

During both the years ended April 30, 2023 and 2022, there were no warrants exercised and, therefore, the Company did not issue any related shares of common stock.

Restricted Stock

As of both April 30, 2023 and 2022, there were no unvested shares of restricted common stock outstanding. There is no unrecognized compensation expense related to restricted stock as of April 30, 2023.

Restricted Stock Units

A summary of the Company's RSU activity which were granted under the 2012 and 2018 Equity Incentive Plans during the year ended April 30, 2023 is presented below (unaudited):

Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance outstanding, April 30, 2022	929,928	$ 6.12
Granted	15,000	0.35
Forfeits	(233,476)	7.60
Vested	(198,198)	0.69
Expired	—	—
Unvested balance outstanding, April 30, 2023	513,254	$ 7.98

Fiscal 2023 activity

On December 1, 2022, the Compensation Committee approved a grant of 15,000 RSUs to the Company's Chief Accounting Officer as part of his employment agreement. The grant had a grant date fair value of $5,250 based on a closing stock price of $0.35 per share. Subsequent to April 30, 2023, these 15,000 RSUs and an additional 21,667 RSUs vested as a result of the Chief Accounting Officer's termination without cause. The accelerated amortization expense was $80,133, which will be included in "general and administrative expense" in the accompanying consolidated statements of operations.

Fiscal 2022 activity

On August 16 2021, the Compensation Committee approved a grant of 125,000 RSUs 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 scheduled 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. As of December 22, 2022, the underlying shares of common stock for 41,667 vested RSUs had not been not delivered to Mr. LaVay and were instead cancelled. The amortization expense related to these grants for years ended April 30, 2023 and 2022 was $587,267 and $440,450, respectively, which is included in "general and administrative expense" in the accompanying consolidated statements of operations.

On July 21, 2021, as part of a new employment agreement, the Compensation Committee approved a grant of 125,000 RSUs to the Company's Chief Executive Officer under the Company's 2018 Plan. The grant had a grant date fair value of $873,750 based on a closing stock price of $6.99 per share. As stipulated in the grant, vesting is subject to continued employment with the Company and will occur in full on the date the Company files with the SEC a quarterly or annual report on Forms 10-Q or 10-K, as applicable, which reflects the Company's reported net income on a GAAP basis. The Company was amortizing the expense over three years through July 2024 (the anticipated filing date of the Form 10-K for Fiscal Year 2024). At July 31, 2022, the Company assessed that the performance condition will not be met. Therefore, the cumulative amortization expense related to this grant of $242,708 was reversed during the year ended April 30, 2023, which is included in "general and administrative" expense in the consolidated statements of operations.

Of the 513,254 unvested RSUs outstanding at April 30, 2023, 62,500 remain from the February 4, 2020 executive grant. These RSUs vest February 4, 2024 (four years from the grant date), in each case if the applicable executive is still employed by the Company on the vesting date and subject to accelerated vesting for all RSUs if the closing price of the Company's common stock is at least $12 for 20 consecutive trading days. On the grant date, the closing price of the Company's common stock on The Nasdaq Global Market was $9.49 per share. The amortization expense related to this grant for the year ended April 30, 2023, was $240,442, which includes an expense reversal of $139,431 due to the resignation of the Chief Nursing Officer on July 15, 2022. The amortization expense related to this grant for the year ended April 30, 2022, was approximately $0.4 million. The amortization expense is included in "general and administrative expense" in the consolidated statements of operations. The remaining unvested RSUs during the year ended April 30, 2023 were granted to employees.

At April 30, 2023, total unrecognized compensation expense related to unvested RSUs is $1,307,949 and is expected to be recognized over a weighted-average period of approximately 1 year.

Warrants

The Company estimates the fair value of warrants utilizing the Black-Scholes pricing model, which is dependent upon several variables such as the expected term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected term and expected dividend yield rate over the expected term. The Company believes this valuation methodology is appropriate for estimating the fair value of warrants issued 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 expense on a straight-line basis over the vesting period of each warrant issued.

A summary of the Company's warrant activity during the year ended April 30, 2023 (unaudited) is presented below:

Warrants	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Balance Outstanding, April 30, 2022	649,174	$	4.70	1.96		0.00
Granted	—		—	0		—
Exercised	—		—	—		—
Surrendered	—		—	—		—
Expired	(224,174)		7	—		—
Balance Outstanding, April 30, 2023	425,000	$	3.56	2.77	$	—
Exercisable, April 30, 2023	408,333	$	3.42	2.75	$	—

OUTSTANDING WARRANTS				EXERCISABLE WARRANTS		
Exercise Price		Weighted Average Exercise Price	Outstanding Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
$1.00	$	1.00	200,000	$1.00	4.99	200,000
$4.89	$	4.89	50,000	$4.89	1.95	50,000
$5.85	$	5.85	50,000	$5.85	4.34	50,000
$6.00	$	6.00	100,000	$6.00	1.85	100,000
$6.87	$	6.87	224,174	$6.87	0.24	224,174
$6.99	$	6.99	25,000	$0.00	—	—
			649,174			624,174

On April 22, 2022, as consideration for amending the Intercreditor Agreement, the Company issued warrants to the each of the same two unaffiliated lenders of the 2022 Convertible Notes, to each purchase 100,000 shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of $1.00 per share. See Note 8. Debt. The fair value of the warrants was $118,000 and was being amortized over the 12-month term. The fair value of the warrants were treated as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets at April 30, 2023. Total amortized costs at April 30, 2023 were $118,000, which is included in "interest expense" in the accompanying consolidated statement of operations.

On August 31, 2021, the Compensation Committee approved the issuance of warrants to the Leon and Toby Cooperman Family Foundation as an extension fee in connection with the extension of the 2018 Credit Facility Agreement. The warrants allow for the purchase of 50,000 shares of the Company's common stock and have an exercise price of $5.85. The warrants have an exercise period of five years from the August 31, 2021 issuance date and will terminate automatically and immediately upon the expiration of the exercise period. The fair value of the warrants is $137,500 and is being amortized over the 14-month line of credit period. The Company recognized $44,672 and $68,932 of amortization expense in connection with the fair value of the warrants for years ended April 30, 2023 and 2022, respectively, which is included in "interest expense" in the accompanying consolidated statement of operations. Subsequent to April 30, 2023, in connection with repayment of the 2018 Credit Facility on May 12, 2023, the remaining fair value of these warrants was accelerated and fully expensed.

On July 21, 2021, the Executive Committee approved the issuance of warrants to a former member of the Board of Directors for the purchase of 25,000 shares of the Company's common stock with an exercise price of $6.99 per share. The warrants have an exercise period of five years from the July 21, 2021 issuance date and vest annually over a three year period subject to

continued service on the Company's Advisory Board on each applicable vesting date. The warrants will terminate automatically and immediately upon the expiration of the exercise period. The fair value of the warrants is $84,000 and is being amortized over the three year vesting period. The Company recognized $28,000 and $21,000, of amortization expense in connection with the fair value of the warrants for the years ended April 30, 2023 and 2022, respectively, which is included in "general and administrative" expense in the accompanying consolidated statement of operations.

Stock Option Grants to Employees and Directors

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 Company utilizes 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.

There were no options granted to employees during the years ended April 30, 2023 and 2022.

A summary of the Company's stock option activity for employees and directors during the year ended April 30, 2023 (unaudited), is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2022	860,182	$ 7.03	1.25	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(36,634)	8.89	—	—
Expired	(258,338)	6.01	—	—
Balance Outstanding, April 30, 2023	565,210	$ 6.75	0.53	$ —
Exercisable, April 30, 2023	565,210	$ 6.75	0.78	$ —

OUTSTANDING OPTIONS			EXERCISABLE OPTIONS		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
$3.24 to $4.38	$3.99	30,000	$3.99	1.25	30,000
$4.50 to $5.20	$4.97	119,210	$4.98	1.74	119,210
$7.17 to $7.55	$7.47	416,000	$7.47	0.65	416,000
		565,210			565,210

As of April 30, 2023, there was no unrecognized compensation costs related to unvested stock options.

Stock-based compensation related stock options, RSUs and restricted stock

A summary of the Company's stock-based compensation expense, which is included in "general and administrative" expense in the consolidated statement of operations is presented below:

	Years Ended April 30,	
	2023	2022
	(Unaudited)	
RSUs	$ 1,281,221	$ 2,095,533
Restricted Stock	—	307,283
Stock options	5,407	131,849
Total stock-based compensation expense	$ 1,286,628	$ 2,534,665

Treasury Stock

As of both April 30, 2023 and 2022, 155,486 shares of common stock were held in treasury representing shares of common stock surrendered upon the exercise of stock options in payment of the exercise prices and the taxes and similar amounts due arising from the option exercises. The values aggregating $1,817,414 were based upon the fair market value of shares surrendered as of the date of each applicable exercise. Subsequent to April 30, 2023, the treasury shares were retired.

Note 11. Leases

The Company determines if a contract contains a lease at inception. The Company entered into operating leases totaling approximately 172,021 square feet of office and classroom space in Phoenix, San Diego, New York City, Denver, Austin, Tampa, Nashville, Atlanta and the New Brunswick Province in Canada. These leases expire at various dates through April 2031, and the majority contain annual base rent escalation clauses. Most of these leases include options to extend for additional five-year periods. Since it is not reasonably certain that the leases would be renewed, the Company does not consider the renewal option in the lease term. As permitted by ASC 842, leases with an initial term of twelve months or less are not recorded on the accompanying consolidated balance sheet. The Company does not have any financing leases.

As of April 30, 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, represent the right to use an underlying asset for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating leases are included in "Operating lease right-of-use assets, net", "Operating lease obligations, current portion" and "Operating lease obligations, less current portion" in the consolidated balance sheets at April 30, 2023 and 2022. These assets and lease liabilities are recognized based on the present value of remaining lease payments over the lease term. Variable lease costs such as common area maintenance, property taxes and insurance are expensed as incurred. When the lease does not provide an implicit interest rate, the Company uses an incremental borrowing rate of 12% to determine the present value of the lease payments.

Lease incentives are deducted from the ROU assets. Incentives such as tenant improvement allowances are amortized as leasehold improvements, separately, over the life of the lease term. For the years ended April 30, 2023 and 2022, the amortization expense for these leasehold improvements was $725,480 and $661,131, respectively.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for the years ended April 30, 2023 and 2022, was $4,096,791 and $3,868,333, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

ROU assets are summarized below:

	April 30,	
	2023	2022
	(Unaudited)	
ROU assets - Operating facility leases	$ 18,528,967	$ 15,958,721
Less: accumulated amortization	(5,097,893)	(3,312,771)
Total ROU assets	$ 13,431,074	$ 12,645,950

Operating lease obligations, related to the ROU assets are summarized below:

	April 30,	
	2023	2022
	(Unaudited)	
Total lease liabilities	$ 26,058,494	$ 22,517,355
Reduction of lease liabilities	(6,004,172)	(3,671,466)
Total operating lease obligations	$ 20,054,322	$ 18,845,889

The following is a schedule by future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of April 30, 2023 [(a)] (by fiscal year) (unaudited).

Maturity of Lease Obligations	Lease Payments
2024	$ 4,739,252
2025	4,547,151
2026	4,677,145
2027	4,782,909
2028	4,809,323
Thereafter	4,917,969
Total future minimum lease payments	28,473,749
Less: imputed interest	(8,419,427)
Present value of operating lease liabilities	$ 20,054,322

Balance Sheet Classification	April 30, 2023	April 30, 2022
	(Unaudited)	
Operating lease obligations, current portion	$ 2,502,810	$ 2,036,570
Operating lease obligations, less current portion	17,551,512	16,809,319
Total operating lease obligations	$ 20,054,322	$ 18,845,889

Other Information	April 30, 2023	April 30, 2022
Weighted average remaining lease term (in years)	6.00	6.81
Weighted average discount rate	12 %	12 %

Note 12. Revenue

Revenue consists 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 its 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 payments received in excess of the portion recognized as revenue and it is included in current liabilities in the accompanying consolidated balance sheets.

The following table represents the Company's revenue disaggregated by the nature and timing of services:

	Years Ended April 30,	
	2023	2022
	(Unaudited)	
Tuition - recognized over period of instruction	$ 56,720,727	$ 67,200,354
Course fees - recognized over period of instruction	7,546,886	7,982,689
Book fees - recognized at a point in time	—	42,777
Exam fees - recognized at a point in time	877,818	799,367
Service fees - recognized at a point in time	1,179,357	669,179
Revenue	$ 66,324,788	$ 76,694,366

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.

The deferred revenue balance as of April 30, 2023 and 2022, was $2,975,680 and $5,889,911, respectively. During the year ended April 30, 2023, the Company recognized $5,122,057 of revenue that was included in the deferred revenue balance as of April 30, 2022. The Company classifies deferred revenue as current when the remaining term of the course, including affect to the refund policy, is one year or less.

As the Company provides the performance obligation through the instruction of a course, revenue is recognized resulting in the creation of accounts receivable. The Company accounts for receivables in accordance with ASC 310, Receivables. The Company uses the portfolio approach.

Cash Receipts

The Company's 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 veteran and military funding and grants, and cash payments. Most students elect to use the Company's monthly payment plan. This plan allows students to make fixed monthly payments over the length of the payment plan. Title IV and military funding typically arrive during the period of instruction, however, subsequent to AU's placement on HCM2, AU makes disbursements to students from its own institutional funds, and then a Reimbursement Payment Request must be submitted for those funds to the DOE. 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 Judgment

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 policies, which override the Company's policy to the extent in conflict. If a student withdraws at a time when a portion or none of the tuition is refundable, then in accordance with its revenue recognition policy, the Company recognizes as revenue the tuition that was not refunded. Since the Company recognizes revenue pro-rata over the term of the course and because, under its institutional refund policy, the amount subject to refund is never greater than the amount of the revenue that has been deferred, under the Company's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded.

The Company had revenue from students outside the United States totaling approximately 2% of consolidated revenue for each of the years ended April 30, 2023 and 2022, respectively.

Teach-out of the Pre-licensure Nursing Program

On September 20, 2022, Aspen University and the Arizona State Board of Nursing entered into a Consent Agreement under which Aspen agreed to voluntarily surrender its program approval for its pre-licensure nursing program in Phoenix. Having entered into this agreement, the Company also determined to voluntarily suspend new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas, and will complete instruction for currently enrolled Core nursing students in these locations. The state authorizing units and state boards of nursing were given notice to this effect on September 20, 2022.

For the years ended April 30, 2023 and 2022, 19% and 22% of total consolidated AGI revenue was earned from its pre-licensure nursing program.

Note 13. Income Taxes

The components of income tax expense are as follows:

	Years Ended April 30,	
	2023	2022
	(Unaudited)	
Current income tax expense:		
Federal	$ —	$ —
State	36,752	27,400
Foreign	99,996	400,000
Current income tax expense	136,748	427,400
Deferred income tax expense:		
Federal	—	—
State	—	—
Foreign	—	—
Deferred income tax expense	—	—
Income tax expense	$ 136,748	$ 427,400

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	April 30,	
	2023	2022
Deferred tax assets:	(Unaudited)	
Net operating loss carryforward	$ 17,010,826	$ 18,095,495
Allowance for doubtful accounts	916,133	897,965
Lease obligations	5,238,944	—
Deferred rent	—	192,284
Stock-based compensation	769,019	870,245
Contributions carryforward	11,163	11,089
Accrued compensation	47,066	43,176
Warrant amortization	29,583	17,888
Intangibles	—	—
Interest expense limitation carryforward	1,413,319	717,919
Total deferred tax assets	25,436,053	20,846,061
Deferred tax liabilities:		
Property and equipment	(630,915)	(1,000,092)
Intangibles	(460,876)	(463,074)
Right-of-use assets	(3,508,702)	
Stock-based compensation	—	—
Total deferred tax liabilities	(4,600,493)	(1,463,166)
Deferred tax assets, net	$ 20,835,560	$ 19,382,895
Valuation allowance:		
Beginning of year	(19,382,895)	—
Increase during period	(1,452,665)	(19,382,895)
Ending balance	(20,835,560)	(19,382,895)
Net deferred tax asset	$ —	$ —

As of April 30, 2023, as part of its periodic evaluation of the necessity to maintain a valuation allowance against its deferred tax assets, and after consideration of all factors, including, among others, projections of future taxable income, current year net operating loss carryforward utilization and the extent of the Company's cumulative losses in recent years, the Company determined that, on a more likely than not basis, it would not be able to use remaining deferred tax assets. Accordingly, the Company has determined to maintain a full valuation allowance against its net deferred tax assets. As of April 30, 2023 and 2022, the valuation allowance was approximately $20,800,000 and $19,400,000, respectively. In the future, the utilization of the Company's net operating loss carryforwards may be subject to certain change of control limitations. If the Company determines it will be able to use some or all of its deferred tax assets in a future reporting period, the adjustment to reduce or eliminate the valuation allowance would reduce its tax expense and increase after-tax income.

At April 30, 2023, the Company had approximately $65,100,000 of net operating loss carryforwards, $28,200,000 of which will expire from 2031 to 2038, the remainder will carryforward indefinitely. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of April 30, 2023, tax years 2020 through 2022 remain open for IRS audit. The Company has received no notice of audit from the Internal Revenue Service for any of the open tax years. A reconciliation of income tax computed at the U.S. statutory rate to the effective income tax rate is as follows:

The Company's effective income tax expense differs from the statutory federal income tax rate of 21% as follows:

	April 30,	
	2023	2022
	(Unaudited)	
Statutory Rate applied to net loss before income taxes	21.0 %	21.0 %
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal tax benefit	3.4 %	4.2 %
Effect on change in federal tax rates	— %	— %
Federal and State Minimum Taxes	— %	— %
Permanent Differences	(5.1)%	(1.9)%
Foreign income tax	(1.2)%	(4.4)%
Change in Tax Rates - States	1.6 %	1.1 %
Change in Tax Credits	— %	— %
Change in Valuation Allowance	(17.7)%	(50.3)%
Other	(3.7)%	25.6 %
Effective Income Tax Rate	(1.7)%	(4.7)%

The Company determined that it has a permanent establishment in Canada, as defined by article V(2)(c) of the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital (the “Treaty”), which would be subject to Canadian taxation as levied under the Income Tax Act. The Company filed Canadian T2 Corporation Income Tax Returns and related information returns under the Voluntary Disclosure Program with the Canada Revenue Agency ("CRA") to cover the 2013 through 2021 tax years during which a permanent establishment was in place. The Company will also file an annual Canadian T2 Corporation Income Tax return to report the ongoing activity of the permanent establishment for 2022 through 2023, and future taxation years.

As of April 30, 2023, the Company recorded a reserve of approximately $300,000 for the estimate of the 2013 through 2021 tax year foreign income tax liability during which a permanent establishment was in place in Canada. Additionally, for each of the 2022 and 2023 tax years, the Company recorded a reserve of $100,000 for the related foreign income tax liability. These reserves are included in "Accrued expenses" in the consolidated balance sheets. These amounts have not yet been remitted to the CRA.

Note 14. Quarterly Results (Unaudited)

	Quarter Ended July 31	Quarter Ended October 31	Quarter Ended January 31	Quarter Ended April 30
Year Ended April 30, 2023	(Unaudited)			
Revenue	$ 18,893,913	$ 17,074,547	$ 15,574,042	$ 14,782,286
Cost of revenue (exclusive of depreciation and amortization)	10,205,551	6,347,008	5,394,155	5,141,115
Operating loss	(3,114,766)	(1,540,649)	(813,793)	(103,931)
Loss before income taxes	(3,684,650)	(2,247,139)	(1,517,791)	(761,277)
Net loss	(3,714,971)	(2,293,640)	(1,555,040)	(783,954)
Net loss per share allocable to common stockholders - basic and diluted	$ (0.15)	$ (0.09)	$ (0.15)	$ (0.03)

	Quarter Ended July 31	Quarter Ended October 31	Quarter Ended January 31	Quarter Ended April 30
Year Ended April 30, 2022				
Revenue	$ 19,430,995	$ 18,940,211	$ 18,944,798	$ 19,378,362
Cost of revenue (exclusive of depreciation and amortization)	8,593,568	8,789,201	9,275,419	8,601,093
Operating loss	(1,238,459)	(2,657,536)	(3,335,644)	(1,738,684)
Loss before income taxes	(719,878)	(2,846,358)	(3,502,387)	(2,089,758)
Net loss	(870,888)	(2,852,258)	(3,733,997)	(2,128,638)
Net loss per share allocable to common stockholders - basic and diluted	$ (0.03)	$ (0.11)	$ (0.15)	$ (0.09)

Note 15. Subsequent Events

Aspen Group, Inc.

15% Senior Secured Note and Warrants

On May 12, 2023, Aspen Group, Inc. completed a private offering of $12.4 million aggregate principal amount of 15% Senior Secured Debentures ("Debentures") due 2026. Of the $12.4 million of principal, $11.0 million was funded with the remainder recorded as debt discount. A portion of the proceeds from the Debentures ($5 million plus accrued interest) were used to fully repay the outstanding borrowings under the 2018 Credit Facility in addition to paying expenses associated with this offering; the remaining proceeds will be used for working capital needs. The Company also reimbursed the investors for expenses incurred in relation to legal expenses, due diligence and investment documentation of $90,000 in advance of entering into the Debentures. After the discount, fees, expenses and the repayment of the 2018 Credit Facility, $3.4 million was made available to the Company as unrestricted cash, and $2.0 million was deposited into a restricted cash account (see covenants discussion below).

The Debentures bear cash interest from May 12, 2023 at an annual rate of 15% payable monthly, beginning on May 1, 2023. The interest rate is subject to increase to 20% upon the occurrence of an event of default. The Debentures will mature on May 12, 2026 unless earlier redeemed. The Debentures are subject to monthly redemptions beginning in November 2023.

The Company may prepay after one year, or any time after May 12, 2024 at 105%.

The investors also received warrants to purchase 2.2 million shares of common stock, representing 8% of the outstanding common stock at closing, at an exercise price of $0.01 per share. These warrants have a three-year term and contain anti-dilution protection.

The Debentures contain covenants, including covenants that require the Company to maintain $2.0 million of restricted cash, maintain at least $20.0 million of accounts receivable at all times, and maintain enumerated quarterly revenue and quarterly Adjusted EBITDA amounts.

Junior Secured Convertible Promissory Notes

On May 10, 2023, Aspen Group, Inc. agreed to increase the coupon code of the 2022 Convertible Notes from an annual rate of 12% to 14% payable monthly, beginning on May 12, 2023, as consideration to the holders of the 2022 Convertible Notes who agreed to subordinate their security interests therein to the security interests granted to the holders of the Debentures.

Aspen University Lease Termination in Atlanta

On August 8, 2023, Aspen University terminated its operating lease for office and classroom space in Atlanta, Georgia. This lease amendment is contingent on the signing of a lease with a new tenant identified by the landlord. The early termination fee requires Aspen University to pay the landlord, monthly, 45% of the base monthly rent and additional rent that would have been due through January 31, 2030, or approximately $1.5 million, which will be included in other expense in the consolidated statements of operations and a corresponding other non current liability in the balance sheets. In accordance with ASU No. 2016-2, *Leases (Topic 842)*, this early lease termination would result in removing the operating lease right-of-use asset, net and the operating lease obligations, net, from the consolidated balance sheets, with an approximate $1.0 million gain recognized for the difference, which will be included in other expense in the consolidated statements of operations. Simultaneously, the landlord will immediately reduce the letter of credit for the security deposit by 45% from $239,400 to $107,730; releasing and returning $131,670 to Aspen University.