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ASPEN GROUP, INC.

State of Incorporation: Delaware
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SIC Code: 8200

Annual Report
Items 12, 13 and 15

For the period ending April 30, 2024
(the "Reporting Period")

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SALBERG & COMPANY, P.A.
Certified Public Accountants and Consultants

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of:
Aspen Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Aspen Group, Inc. and Subsidiaries (the "Company") as of April 30, 2024 and 2023, the related consolidated statements of operations, changes in stockholders' equity, and cash flows, for each of the two years in the period ended April 30, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of April 30, 2024 and 2023, and the consolidated results of its operations and its cash flows for each of the two years in the period ended April 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Valuation of Accounts Receivable

As described in footnote 2 “Accounts Receivable and Allowance for Credit Losses” and in footnote 3, to the consolidated financial statements, the Company’s consolidated accounts receivable balances, both current and long-term contractual accounts receivable net of the related allowance for credit losses of $4,560,378, was $37,219,557 at April 30, 2024. Accounts receivable balances are evaluated by management for collectability periodically and at year end. The determination of the valuation of these balances requires management to make significant estimates and assumptions related to the intent and ability of the debtor to pay the amounts due to the Company.

We identified the valuation of accounts receivable as a critical audit matter. Auditing management’s judgments regarding the intent and ability of the debtor to pay the amounts due to the Company involved a high degree of subjectivity.

The primary procedures we performed to address this critical audit matter included (a) reviewed management’s process for developing an estimate of the allowance to be recorded, (b) performed accuracy and completeness tests related to system generated data utilized to develop management’s estimates, (c) tested management’s significant assumptions (d) reviewed and verified the historical and subsequent collection history and the age of these receivables through the date of our procedures and (e) performed attribute testing on select data utilized by management in developing an estimate of the allowance to be recorded. We agreed with management’s conclusions.

Analysis of Going Concern Risk

The Company has an accumulated deficit at April 30, 2024 and net loss and net cash used in operating activities for the year ended April 30, 2024. These are considered adverse conditions or events that lead management to consider whether there is substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. However, management believes that their planned cost cutting measures and current positive working capital alleviate the substantial doubt related to going concern and the need for a going concern risk disclosure.

We identified the going concern risk analysis as a critical audit matter. Auditing management’s going concern analysis including their process to develop the analysis and the projections of future cash flows, operating trends, and assessments of internal and external matters that may affect the Company’s future operations and cash flows involved a high degree of subjectivity. Additionally, auditing management’s plans to address the going concern risk involved highly subjective auditor judgment.

The primary procedures we performed to address this critical audit matter included (a) assessed the reasonableness of management’s process for developing their assessment of whether a going concern risk exists, (b) assessed the reasonableness of assumptions management used in their cash flow projections including comparison to prior year results, and consideration of positive and negative evidence impacting management’s forecasts (c) tested cash balances as of April 30, 2024 and reviewed management’s cash balances just prior to the issuance date of the consolidated financial statements, (d) identified management’s plans for dealing with the adverse conditions and events discussed above and assessed the reasonableness of the assumptions of such plans, (e) assessed whether it is probable that management’s plans, when implemented, will mitigate the adverse effects of the conditions and events discussed above, (f) concluded whether substantial doubt exists as to whether the Company can continue as a going concern for a period of one year after the consolidated financial statements are issued. We agreed with management’s conclusions.

Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
We have served as the Company’s auditor since 2012
Boca Raton, Florida
October 31, 2024

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Items 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, 2024	April 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 1,531,425	$ 1,353,635
Restricted cash	1,088,002	4,370,832
Accounts receivable, net of allowance of $4,560,378 and $3,506,895, respectively	19,686,527	22,121,237
Prepaid expenses	502,751	609,900
Other current assets	1,785,621	3,068,918
Total current assets	24,594,326	31,524,522
Property and equipment:		
Computer equipment and hardware	886,152	1,655,130
Furniture and fixtures	1,974,271	2,169,090
Leasehold improvements	6,553,314	8,055,363
Instructional equipment	529,299	756,568
Software	8,784,996	11,648,505
	18,728,032	24,284,656
Accumulated depreciation and amortization	(9,542,520)	(11,922,435)
Property and equipment, net	9,185,512	12,362,221
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,900,000
Courseware, net	363,975	291,438
Long-term contractual accounts receivable	17,533,030	13,004,428
Deferred financing costs	—	73,897
Operating lease right-of-use assets, net	10,639,838	13,431,074
Deposits and other assets	718,888	210,536
Total assets	$ 75,947,001	$ 83,809,548

(Continued)

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

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

	April 30,	
	2024	**2023**
Liabilities and Stockholders' Equity		
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,311,360	$ 2,250,902
Accrued expenses	2,880,478	2,355,370
Advances on tuition	2,030,501	2,975,680
Deferred tuition	4,881,546	2,892,333
Due to students	2,558,492	2,624,831
Operating lease obligations, current portion	2,608,534	2,502,810
Debt, current portion	2,284,264	5,000,000
Other current liabilities	86,495	109,328
Total current liabilities	19,641,670	20,711,254
Long-term debt, net	6,776,506	10,000,000
Operating lease obligations, less current portion	14,999,687	17,551,512
Warrant liabilities	1,964,593	—
Other long-term liabilities	287,930	—
Total liabilities	43,670,386	48,262,766
Commitments and contingencies - See Note 9		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized,		
10,000 issued and outstanding at April 30, 2024; and 0 issued and outstanding at April 30, 2023	10	—
Common stock, $0.001 par value; 85,000,000 shares authorized,		
25,701,603 issued and 25,701,603 outstanding at April 30, 2024		
25,592,802 issued and 25,437,316 outstanding at April 30, 2023	25,702	25,593
Additional paid-in capital	121,921,048	113,429,992
Treasury stock (0 shares at April 30, 2024 and 155,486 shares at April 30, 2023)	—	(1,817,414)
Accumulated deficit	(89,670,145)	(76,091,389)
Total stockholders' equity	32,276,615	35,546,782
Total liabilities and stockholders' equity	$ 75,947,001	$ 83,809,548

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended April 30,	
	2024	2023
Revenue	$ 51,395,302	$ 66,324,788
Operating expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	16,232,385	27,087,829
General and administrative	33,497,456	39,400,967
Impairments of right-of-use assets and tenant leasehold improvements	1,526,410	—
Loss on asset dispositions	308,055	—
Bad debt expense	2,094,661	1,700,000
Depreciation and amortization	3,718,621	3,709,131
Total operating expenses	57,377,588	71,897,927
Operating loss	(5,982,286)	(5,573,139)
Other income (expense):		
Interest expense	(4,979,507)	(2,649,405)
Loss on debt extinguishment	(2,053,417)	—
Change in fair value of put warrant liability	(505,989)	—
Other income, net	20,817	11,687
Total other expense, net	(7,518,096)	(2,637,718)
Loss before income taxes	(13,500,382)	(8,210,857)
Income tax expense	78,374	136,748
Net loss	(13,578,756)	(8,347,605)
Dividends attributable to preferred stock	(59,836)	—
Net loss available to common stockholders	$(13,638,592)	$ (8,347,605)
Net loss per share - basic and diluted available to common stockholders	$ (0.53)	$ (0.33)
Weighted average number of common shares outstanding - basic and diluted	25,590,919	25,325,022

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED APRIL 30, 2024 AND 2023

	Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
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	$ (1,817,414)	$ (76,091,389)	$ 35,546,782
Stock-based compensation	—	—	—	—	677,392	—	—	677,392
Common stock issued for vested restricted stock units	—	—	239,287	239	(239)	—	—	—
Common stock issued for services	—	—	25,000	25	1,833	—	—	1,858
Cancellation of treasury stock	—	—	(155,486)	(155)	(1,817,259)	1,817,414	—	—
Amortization of warrant-based cost issued for services	—	—	—	—	28,000	—	—	28,000
Accrued dividends	—	—	—	—	(59,836)	—	—	(59,836)
Conversion of Convertible Notes preferred stock	10,000	10	—	—	9,999,990	—	—	10,000,000
Relative fair value of warrants issued in connection with the 15% Debentures	—	—	—	—	154,000	—	—	154,000
Reclassification of warrants to put liability	—	—	—	—	(500,825)	—	—	(500,825)
Warrants modifications	—	—	—	—	8,000	—	—	8,000
Net loss	—	—	—	—	—	—	(13,578,756)	(13,578,756)
Balance as of April 30, 2024	10,000	$ 10	25,701,603	$ 25,702	$ 121,921,048	$ —	$ (89,670,145)	$ 32,276,615

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

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

	Years Ended April 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (13,578,756)	$ (8,347,605)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	2,094,661	1,700,000
Depreciation and amortization	3,718,621	3,709,131
Stock-based compensation	677,392	1,286,628
Change in fair value of put warrant liability	505,989	—
Amortization of warrant-based cost	28,000	28,000
Warrant modification	8,000	—
Amortization of debt issuance costs	1,275,377	569,721
Amortization of debt discounts	405,342	118,000
Loss on debt extinguishment	2,053,417	—
Common stock issued for services	1,858	24,500
Loss on asset dispositions	308,055	9,681
Non-cash lease benefit	(850,467)	(423,309)
Tenant improvement allowances received from landlords	—	840,000
Impairments of right-of-use assets and tenant leasehold improvements	1,526,410	—
Changes in operating assets and liabilities:		
Accounts receivable	(4,188,553)	(1,059,899)
Prepaid expenses	107,149	748,735
Other current assets	1,283,297	(2,320,350)
Deposits and other assets	(508,352)	367,589
Accounts payable	60,458	357,615
Accrued expenses	415,503	(466,062)
Due to students	(66,339)	(1,438,980)
Advances on tuition and deferred tuition	1,044,034	(21,898)
Other current liabilities	(22,833)	(20,934)
Other long-term liabilities	37,930	—
Net cash used in operating activities	(3,663,807)	(4,339,437)
Cash flows from investing activities:		
Purchases of courseware and accreditation	(182,750)	(109,520)
Disbursements for reimbursable leasehold improvements	—	(840,000)
Purchases of property and equipment	(1,147,429)	(1,651,425)
Net cash used in investing activities	(1,330,179)	(2,600,945)
Cash flows from financing activities:		
Proceeds from 15% Senior Secured Debentures, net of original issuance discount and fees	10,451,080	—
Repayment of 2018 Credit Facility	(5,000,000)	—
Repayment of portion of 15% Senior Secured Debentures	(3,328,973)	—
Payments of debt issuance costs	(233,161)	(60,833)
Advance from related party	200,000	—
Repayment of advance from related party	(200,000)	—
Payment of commitment fee for 2022 Credit Facility	—	(200,000)
Proceeds from sale of common stock, net of underwriter costs	—	9,535
Net cash provided by (used in) financing activities	1,888,946	(251,298)
Net decrease in cash and cash equivalents	(3,105,040)	(7,191,680)
Cash, cash equivalents and restricted cash at beginning of year	5,724,467	12,916,147
Cash, cash equivalents and restricted cash at end of year	$ 2,619,427	$ 5,724,467

(Continued)

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

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

	Years Ended April 30,	
	2024	2023
Supplemental disclosure cash flow information:		
Cash paid for interest	$ 3,289,824	$ 1,912,877
Cash paid for income taxes	$ 98,343	$ 49,465
Supplemental disclosure of non-cash investing and financing activities:		
Relative fair value of warrants issued as part of the 15% Senior Secured Debentures	$ 154,000	$ —
Reclassification of put warrants issued as part of the 15% Senior Secured Debentures from equity to liabilities	$ 500,825	$ —
Issuance of put warrants as part of the 15% Senior Secured Debentures	$ 1,964,593	$ —
Exchange of $10 million Convertible Notes from debt to equity	$ 10,000,000	$ —
Accrued dividends	$ 59,836	$ —

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

	April 30,	
	2024	2023
Cash and cash equivalents	$ 1,531,425	$ 1,353,635
Restricted cash	1,088,002	4,370,832
Total cash and cash equivalents and restricted cash	$ 2,619,427	$ 5,724,467

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

ASPEN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2024 and 2023

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. and its subsidiaries, 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 Commission (“DEAC”), an accrediting agency recognized by the United States Department of Education (the “DOE”), through January 2025.

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. The application for recertification was submitted on August 16, 2023. Certification continues month to month until a final decision is made by the DOE. See Note 9. Commitments and Contingencies Note for additional information.

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 credit losses, 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 the put warrant liability, 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,	
	2024	2023
Cash and cash equivalents	$ 1,531,425	$ 1,353,635
Restricted cash:		
Collateral for surety bond at AU (At April 30, 2023, AGI held on behalf of AU)	1,000,000	3,500,000
Letter of credit for Title IV with DOE at AU	88,002	—
Collateral for corporate credit card at AGI	—	100,000
Letters of credit for operating leases at AU	—	770,832
Total restricted cash	1,088,002	4,370,832
Total cash, cash equivalents and restricted cash as shown on the statement of cash flows	$ 2,619,427	$ 5,724,467

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, 2024. At April 30, 2024 and 2023, the Company maintained deposits exceeding federally insured limits by $1,192,501 and $1,072,659, 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.

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 the Company's reporting unit. 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 and long-term accounts receivable approximate fair value since there is not a significant finance component (see below).

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**.**

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The table below summarize the fair values of the Company's financial assets and liabilities as of April 30, 2024 that are not valued at historical cost:

	April 30, 2024			
	Level 1	Level 2	Level 3	Total Fair Value Measurements
Warrant Liability	$ —	$ —	$ 1,964,593	$ 1,964,593

For the Company's warrant liabilities measure at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table provides a reconciliation of the beginning and ending balance for each category therein, and gains or losses recognized during the year ended April 30, 2024:

Beginning balance, April 30, 2023	$ —
Re-measurement adjustments:	
Reclassification from additional paid-in capital	500,825
Initial valuation of warrant liability	957,779
Change in fair value of put warrant liability	505,989
Ending balance, April 30, 2024	$ 1,964,593

Significant unobservable inputs used in the fair value measurements of the Company's derivative liabilities designated as Level 3 are as follows:

	April 30, 2024
Fair value	$1,964,593
Valuation technique	Monte Carlo Analysis*
Significant unobservable input	Time to maturity and volatility

*The Monte Carlo Simulation inputs include the minimum payment per 1% of equity, $100,000; risk-free rate, 4.85%; cost of debt, 15%; selected volatility, 11.7%; remaining warrants term (weighted) (years), 4.44; the Company's stock price as of April 30, 2024, $0.26; and exercise price, $0.01.

Accounts Receivable and Allowance for Credit Losses

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 credit losses in accordance with ASC 326, which was adopted on May 1, 2023 (and under ASC 310 previously), 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 in accordance with ASC 326. 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 along with market conditions and reasonable and supportable forecasts of future economic conditions to form adjustments to historical loss patterns. 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 consolidated 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.

At times, 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

Due to students represents the remaining balances owed to students after deducting tuition and fees.

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. Due to students may also include inactive or graduated students who may have made overpayments towards their tuition and fees and the Company reimburses the remaining balances due 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 included in 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.

ROU assets are subject to impairment evaluation similar to other long-lived assets.

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, Advances on Tuition and Deferred Tuition

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 tuition liability represents student billings in excess of revenues recognized for courses that started as of the balance sheet date for which the related accounts receivable have not yet been collected.

Advances on tuition liability represents student billings in excess of revenues recognized for courses that started as of the balance sheet date for which the related accounts receivable have already been collected.

The Company's disaggregated revenue disclosures are presented in Note 12. Revenue.

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 $15,515,300 and $21,323,666 for the years ended April 30, 2024 and 2023, 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 $717,085 and $5,764,163 for the years ended April 30, 2024 and 2023, 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 typically the vest term and 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 requisite service period, which is typically the vesting term, which is included in general and administrative expense in the consolidated statement of operations.

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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 requisite service period, which is typically the vesting term and 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,	
	2024	2023
Options to purchase common shares	87,433	565,210
Warrants to purchase common shares	6,121,018	425,000
Unvested restricted stock	1,869,888	513,254
Convertible 15% Debentures	18,121,540	—
Convertible Notes	—	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 Pronouncement

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.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at April 30, 2024 and 2023:

	April 30,	
	2024	2023
Total accounts receivable, gross	$ 41,779,935	$ 38,632,560
Long-term contractual accounts receivable	(17,533,030)	(13,004,428)
Accounts receivable, gross	24,246,905	25,628,132
Less: allowance for credit losses	(4,560,378)	(3,506,895)
Accounts receivable, net	$ 19,686,527	$ 22,121,237

In Q4 Fiscal 2024 and 2023, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the monthly payment plan ("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 amount collected under the program is summarized in the table below:

	For the quarter ended April 30,	
	2024	2023
	Program ended on April 19, 2024	Program ended on March 1, 2023
Aspen University	$1.3 million	$1.2 million
United States University	$2.3 million	$2.4 million
Total cash collected under the program	$3.6 million	$3.6 million

In Q4 Fiscal 2024 and 2023, $1.4 million and $1.2 million, respectively, of consolidated accounts receivable was written off under the program and was recorded as a reduction of revenue in the accompanying consolidated statement of operations.

Bad debt expense for the years ended April 30, 2024 and 2023, was $2,094,661 and $1,700,000, 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 income or expense. For the years ended April 30, 2024 and 2023, $0.3 million and $0, respectively, of net fixed assets were written off and are included in "Loss on asset dispositions" in the consolidated statements of operations. For the years ended April 30, 2024 and 2023, $0.4 million and $0, respectively, of leasehold improvements were written off and included in "Impairments of right-of-use assets and tenant leasehold improvements" in the consolidated statements of operations.

Property and equipment consisted of the following:

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	April 30, 2024	April 30, 2023
Computer equipment and hardware	$ 886,152	$ 1,655,130
Furniture and fixtures	1,974,271	2,169,090
Leasehold improvements	6,553,314	8,055,363
Instructional equipment	529,299	756,568
Software	8,784,996	11,648,505
	18,728,032	24,284,656
Accumulated depreciation and amortization	(9,542,520)	(11,922,435)
Property and equipment, net	$ 9,185,512	$ 12,362,221

Software consisted of the following:

	April 30, 2024	April 30, 2023
Software	$ 8,784,996	$ 11,648,505
Accumulated amortization	(4,933,312)	(7,071,616)
Software, net	$ 3,851,684	$ 4,576,889

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

	Years Ended April 30, 2024	Years Ended April 30, 2023
Depreciation and amortization expense:		
Property and equipment, excluding software	$ 1,765,301	$ 1,716,329
Software	$ 1,843,108	$ 1,900,673

The following is a schedule of estimated future amortization expense of software at April 30, 2024 (by fiscal year):

	Future Expense
2025	$ 1,562,694
2026	1,103,933
2027	691,588
2028	368,458
2029	125,011
Total	$ 3,851,684

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 sheets.

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, 2024 and 2023.

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 was no expense impact for such write-offs for the years ended April 30, 2024 and 2023.

Courseware and accreditation consisted of the following:

	April 30,	
	2024	2023
Courseware	$ 820,152	$ 684,803
Accreditation	106,750	59,350
	926,902	744,153
Accumulated amortization	(562,927)	(452,715)
Courseware and accreditation, net	$ 363,975	$ 291,438

Amortization expense of courseware and accreditation is as follows:

	Years Ended April 30,	
	2024	2023
Courseware and accreditation amortization expense	$ 110,212	$ 92,129

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, 2024 (by fiscal year):

	Future Expense
2025	$ 123,164
2026	116,601
2027	68,450
2028	39,990
2029	15,770
Total	$ 363,975

Note 7. Accrued Expenses

	April 30,	
	2024	2023
Accrued compensation	$ 1,031,733	$ 877,810
Accrued foreign taxes	528,356	500,000
Accrued professional fees	513,580	289,705
Accrued interest	—	156,164
Accrued dividend	59,836	—
Other accrued expenses	746,973	531,691
Accrued expenses	$ 2,880,478	$ 2,355,370

Note 8. Debt

	April 30,	
	2024	2023
15% Senior Secured Debentures due May 12, 2026 (the "15% Debentures"); interest payable monthly	$ 9,060,770	$ —
14% Convertible Notes due March 14, 2027 (the "2022 Convertible Notes"); interest payable monthly in arrears; exchanged for Series A Convertible Preferred Stock on April 29, 2024	—	10,000,000
Credit Facility due November 4, 2023 (the "2018 Credit Facility"); interest payable monthly in arrears	—	5,000,000
Total long-term debt	9,060,770	15,000,000
Less: current portion of long-term debt	(2,284,264)	(5,000,000)
Total long-term debt, net	$ 6,776,506	$ 10,000,000

15% Debentures

On May 12, 2023, Aspen Group, Inc. completed a private offering of approximately $12.4 million aggregate principal amount of 15% Senior Secured Debentures ("15% Debentures") due May 2026. Of the $12.4 million of principal, approximately $10.5 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, discussed below, in addition to paying expenses associated with this offering; the remaining proceeds were 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 15% Debentures. After the discount, fees, expenses, discussed below, 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, which is included in "Restricted cash" in the accompanying consolidated balance sheets. The $2.0 million restricted cash deposit was subsequently reduced to a $500,000 restricted cash deposit (see Second Amendment discussion below); and the remaining $500,000 was used to prepay the outstanding balance (see Third Amendment discussion below).

At closing of the 15% Debentures, the Company paid the investment bank fees, lender fees and legal expenses of $0.8 million, which are recorded as debt issuance costs and recorded a $1.4 million original issue discount, both of which are being amortized over a three-year period in "interest expense" in the accompanying consolidated statement of operations. During the year ended April 30, 2024, the Company recorded $176,573 of amortization of debt issuance costs and $308,832 of amortization of original issue discount, which are included in "Interest expense" in the consolidated statement of operations. In connection with the Third Amendment discussed below, the Company recorded the loss on debt extinguishment, which consisted of $0.7 million of debt issuance costs, $250,000 exit fee and $1.0 million of original issue discount. The loss is included in "Loss on debt extinguishment" in the consolidated statement of operations for the year ended April 30, 2024.

The 15% Debentures bear cash interest from May 12, 2023 at an annual rate of 15% payable monthly in arrears on the last business day of each month, beginning on May 1, 2023. The interest rate is subject to increase to 20% upon the occurrence of an event of default. The 15% Debentures will mature on May 12, 2026 unless earlier redeemed. The 15% Debentures are subject to monthly redemptions beginning in November 2023 of approximately $290,000.

The Company had the option to prepay the 15% Debentures at any time after May 12, 2024 at 105%; but did not make this election.

As part of the offering, the Company also issued warrants to purchase 2.2 million shares of common stock, representing 6% of the outstanding common stock at closing, at an exercise price of $0.01 per share ("May 2024 Warrants"). The fair value of the warrants was $154,000 and was being amortized over a three-year term. The warrants contain anti-dilution protection. In connection with the Second Amendment, described below and discussed in Note 10. Stockholders' Equity, these warrants were reclassified to liabilities in the third quarter of fiscal 2024. See Note 10. Stockholders' Equity for additional information.

The 15% Debentures contain covenants that required the Company to maintain $2.0 million of restricted cash (subsequently amended as discussed in the Second and Third Amendments below), maintain at least $20.0 million of accounts receivable at all times, and maintain enumerated quarterly revenue and quarterly Adjusted EBITDA amounts, which is defined as EBITDA excluding: (1) stock-based compensation; and (2) non-recurring charges (subsequently amended as discussed in the Third Amendment below).

First Amendment

On August 1, 2023, the Company entered into an amendment with the purchasers pursuant to the 15% Debentures to unrestrict $750,000 of the $2 million restricted cash, required to be maintained as part of the covenants, until the earlier of August 22, 2023 or next Heightened Cash Monitoring 2 ("HCM2") funding, discussed in Note 9. Commitments and Contingencies. On August 9, 2023, the Company replenished the restricted cash balance to $2 million and paid $100,000 of principal along with a $5,000 fee.

Second Amendment

On October 31, 2023, the Company entered into a Second Amendment with the purchasers pursuant to the 15% Debentures to unrestrict $1.5 million of the $2.0 million restricted cash which was accounted for as a debt modification. Upon receipt of the fifth HCM2 reimbursement on February 8, 2024, the Company was required to prepay $1.5 million of the outstanding principal of the 15% Debentures (“Mandatory Prepayment”). Additionally, the Company paid a prepayment premium of $250,000, which is included in loss on debt extinguishment in the accompanying consolidated statements of operations. Monthly redemptions which began in November 2023 were reduced by 10% following the Mandatory Prepayment to approximate $260,000. As part of the Second Amendment, the Company also issued additional warrants to purchase Common Stock. See Note 10. Stockholders' Equity for additional information on the warrants.

Third Amendment

On April 16, 2024, the Company entered into a Third Amendment with the holders of its outstanding 15% Debentures to:

(i) utilize the remaining $500,000 of restricted cash to prepay outstanding principal on April 18, 2024;

(ii) pay an exit fee of $250,000 on or prior to the earlier of the maturity date and repayment in full of the outstanding balance of the 15% Debentures which was accrued in "Other long-term liabilities" in the accompanying consolidated balance sheets;

(iii) reduce the monthly principal payments to $50,000 for the calendar months of March, April, May, June, July, and August 2024. If the Company enters into a binding agreement providing for the sale of the Company for minimum sale proceeds of $40 million, the monthly principal payments of $50,000 will be continued for the months of September, October, and November 2024;

(iv) reduce the required minimum Revenue and Adjust EBITDA covenants; and

(v) include a voluntary $0.50 conversion feature to common stock of AGI.

The above conversion feature of $0.50 triggered price protection in certain prior warrant grants. See Note 10. Stockholders' Equity.

Fourth Amendment

On April 29, 2024, the Company entered into a Fourth Amendment with the holders of its outstanding 15% Debentures to:

(i) approve the exchange of the 2022 Convertible Notes held by the holders in exchange for the Series A Convertible Preferred Stock ("Series A") pursuant to the Exchange Agreement and the terms of the Series A set forth in the Certificate of Designation;

(ii) revise certain negative covenants in the 15% Debentures to permit the issuance of the Dividend Shares (see Note 10. Stockholders' Equity) and carve-out the issuance of the Dividend Shares from triggering any adjustments pursuant to negative covenants in the Debentures;

(iii) clarify that the issuance of the Dividend Shares is an “Exempt Issuance” under the 15% Debentures;

(iv) agree that if the Series A are exchanged for new convertible notes on similar terms as the original 2022 Convertible Notes (other than a $0.50 per share conversion price), such notes would be “Permitted Indebtedness” (as defined in the 15% Debentures); and

(v) enter into an agreement to terminate the subordination agreement.

Fifth Amendment

On July 19, 2024, the Company entered into a Fifth Amendment to amend certain events of default.

Sixth Amendment

On October 31, 2024, the Company entered into a Sixth Amendment with the holders of its outstanding 15% Debentures. The Amendment provides that effective Q3 Fiscal 2025, required monthly loan principal payments will be converted to quarterly payments of $500,000. The first quarterly principal payment will be made on January 31, 2025 and each 90 days thereafter. As part of the Sixth Amendment, the Company will issue additional warrants to purchase common stock equal to 5% of outstanding shares of common stock on the Sixth Amendment effective date of October 31, 2024.

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 convertible notes to each of the two unaffiliated Lenders. The proceeds were 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 2022 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 the 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 as consideration to the Lenders who agreed to subordinate their security interests therein to the security interests granted to the holders of the 15% Debentures;
- The Convertible Notes are secured by a lien 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”). The lien is subordinate to the blanket lien security interests on all of the assets of the Company granted to the holders of the 15% Debentures.
- 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 debt issuance costs and was being amortized over a one-year period in "interest expense" in the accompanying consolidated financial statements.

On April 29, 2024, the Lenders exchanged their notes for 10,000 shares of the Company's Series A Convertible Preferred Stock relinquishing all other rights under the 2022 Convertible Notes. See Note 10. Stockholders' Equity.

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 required monthly interest payments on sums borrowed at the rate of 12% per annum (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, a non-current asset, and was amortized over the term of the loan of one-year. The Company paid 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 Revolver Agreements expired. No amounts were ever borrowed under this facility.

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 were made.

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. 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 originally exercisable at $1.00 per share subject to adjustment. The fair value of the 200,000 warrants was $118,000 and was amortized over one-year. The fair value of the warrants was 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 was 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, as a result of reduction of the surety bond requirement, 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.

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. On March 14, 2022, the Company extended the 2018 Credit Facility by one year to November 4, 2023, at an increased interest rate from 12% to 14% per annum. At April 30, 2023, there were $5,000,000 outstanding borrowings under the 2018 Credit Facility. On May 12, 2023, the 2018 Credit Facility was repaid with the proceeds from the closing of the 15% Debentures as discussed above.

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 an original exercise price of $5.85 per share subject to adjustment. The fair value of the warrants is $137,500 and was amortized to interest expense through the maturity date of November 4, 2023, as extended on March 14, 2022. The fair value of the warrants was recorded as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets. Total unamortized costs at April 30, 2024 and 2023, were $0 and $23,897, respectively. 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 complaint was transferred to the United States District Court, District of Arizona. 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. The payment was covered by Aspen University's errors and omissions insurance policy that provided 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 who have not been refunded for courses that did not transfer. The settlement agreement was approved by the Arizona District Court judge on January 10, 2024, the class notice process is complete, and the Escrow account was funded and $50,000 was expensed in Fiscal 2024, which was included in "General and administrative" expense in the accompanying consolidated statements of operations. Class Counsel has been directed by the Court to file a closing statement on or before November 14, 2024, to include a final summary accounting of escrowed settlement funds and the disposition of those funds. Aspen awaits any final disposition by the Court.

In June 2023, Aspen was served with a lawsuit filed by a former BSN Pre-licensure program student in the United States District Court, District of Arizona. The student contended that she was falsely dismissed from the BSN Pre-licensure program in June 2021. She was not a member of the class described above. Discovery was completed and a mediation settlement conference took place on November 13, 2023, before a magistrate judge with the District Court, District of Arizona. The judge called an end to the meeting prior to a settlement being reached. The Court has accepted Plaintiff's lawyer's petition to withdraw as counsel of record. Aspen submitted a defendant's motion for summary judgement to the Court on October 16, 2023, which was granted on August 9, 2024. Aspen received a disposition for Judgement against the Plaintiff on all claims. The case is now closed. The Company accurately assessed that it was not probable that the plaintiff would prevail; therefore, no amounts were accrued in the financial statements.

In November 2020, United States University, Inc., Aspen Group, Inc., and the former President of USU (subsequently deceased), were sued in San Diego County, CA, Supreme Court ("the Court") by a former employee (subsequently deceased), alleging discrimination (age/gender/disability), failure to prevent harassment, and breach of contract, among others. A mandatory settlement conference occurred on March 12, 2024. A settlement agreement was reached on April 9, 2024 for a payment of $54,000, which was paid on May 10, 2024 and is included in "General and administrative" expense in the accompanying consolidated statements of operations. USU awaits final disposition by the Court.

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.

Several new Title IV-related regulations became effective July 1, 2024, with initial data or disclosure components required July 1, 2024; August 1, 2024; October 1, 2024; and/or January 1, 2025. These include regulations on Financial Value Transparency and Gainful Employment (88 Fed. Reg. 70004) and Financial Responsibility, Certification Procedures for Title IV Participation, Standards of Administrative Capability, and State-defined Processes for Ability to Benefit (88 Fed. Reg. 74568; the "2024 Rule"). While there may be litigation challenges to the rules, both Aspen and USU have reviewed the new regulations and have implemented plans for timely compliance.

In compliance with the FR-A23, Financial Responsibility - Questions and Answers, FR-Q6 (May 17, 2024) related to the 2024 Rule, Aspen and USU submitted their required financial disclosures and documentation regarding events pre-dating the 2024 Rule. These events were not considered reportable prior to July 1, 2024, but were considered reportable under the new 2024 Rule, and were reported on July 19, 2024, by the required deadline.

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.

Several component parts of the telemarketing Consent Requirements related to the Federal Communication Commission's Telephone Consumer Protection Act (TCPA) were amended, with sections effective May 16, 2024; October 15, 2024; November 2024 (exact date not yet available); and January 26, 2025. Additionally, updated Federal Trade Commission recordkeeping requirements related to telemarking became effective in May 2024, with compliance required in October 2024. Aspen and USU have reviewed the new regulations and have implemented plans for timely compliance.

ASPEN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2024 and 2023

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.

Aspen University Regulatory Matters

Federal Financial Aid

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 application for recertification was submitted on August 16, 2023. Certification continues month to month until a final decision is made by the DOE.

BSN Pre-licensure Nursing Program

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 AZ BON, 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 AZ BON in which Aspen University's provisional approval for the pre-licensure program was revoked, with the revocation stayed pending Aspen University's compliance with the terms and conditions of the Consent Agreement. The probationary period was 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-RN® 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 would commence with Aspen University on probation (regular or "stayed revocation" probation, depending on the outcome of Phase I). Aspen University would be permitted to begin enrollments into the core component of its pre-licensure nursing program in Arizona once four consecutive quarters of 80% NCLEX-RN® first-time pass rates occurred. However, once achieved, if the NCLEX-RN® pass rate fell below 80% for any quarter, the AZ BON could limit enrollments, and repeated failures could result in a required cessation of enrollments and teach-out of the program. The terms of the Consent Agreement also included requirements that the University provide the AZ BON with monthly reports, provided 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 AZ BON 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 would be unable to meet the minimum 80% NCLEX-RN® first-time pass rates for calendar year 2022, which was a requirement of an earlier consent agreement that Aspen University 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.

Under the terms of the revised Consent Agreement, many of the previous requirements were eliminated; for example, Aspen no longer had a requirement to use a consultant or the requirement for a certain percentage of full-time faculty. However, Aspen would continue its current Arizona Core nursing program for all current students and provided regular reports to the AZ BON about the program. It remained accountable to the Board to ensure that its current students received expected instruction and learning opportunities. Once all currently enrolled students in the program had either completed the program or ceased enrollment, or within two years, whichever was sooner, Aspen's program approval would be automatically voluntarily surrendered for a minimum period of two years.

Having entered into the revised Consent Agreement with the AZ BON, Aspen suspended new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas agreed to complete instruction for currently enrolled Core nursing students. The state authorizing units and state boards of nursing were noticed to that effect on September 20, 2022.

On February 23, 2023, the AZ BON 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 AZ BON signed an Amendment to the September 2022 Consent Agreement that permitted the teach-out of the program to continue with heightened oversight and reporting. The University hired a consultant and additionally an ombudsperson to oversee critical aspects of the program in Arizona including testing and clinical practices.

The Arizona-based students completed their teach-out in January 2024. As a result, Aspen University concluded its required monthly reporting to the AZ BON as of February 2024. At its meeting on January 19, 2024, the AZ BON affirmed that the signed Amendment permits Tennessee-based students to be taught out through May 2024, and Texas- and Florida-based students through September 2024. Tennessee-based students completed their teach-out in May 2024 as scheduled. The Tennessee Board of Nursing was noticed of the program closure on May 24, 2024. Texas- and Florida-based students completed their teach-out in September 2024 as scheduled. To fulfill Florida Board of Nursing requirements, the program closure notice was submitted on August 9, 2024. On September 9, 2024, program closure notification was provided to the Texas Board of Nursing. On September 20, 2024, the AZ BON recognized the closure of all Aspen BSN Pre-licensure locations.

Arizona State Board for Private Postsecondary Education

On March 8, 2022, Aspen University entered into a Stipulated Agreement with the Arizona State Board for Private Postsecondary Education (the "AZPPSE") 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 of $5 million for this surety bond was included in "Restricted cash" in the consolidated balance sheet at April 30, 2022.

On October 31, 2022, Aspen and the AZPPSE entered into a revised 2nd Amended Stipulated Agreement that reduced AU's surety bond requirement from $18.3 million to $5.5 million, required a civil penalty of $12,000 and enrollment stoppage in the core pre-licensure program and required the teach out of the pre-licensure program consistent with the AZ BON Consent Agreement. 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 AZPPSE, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

On February 20, 2023, Aspen University entered into a 3rd revised Amended Stipulated Agreement with the AZPPSE which required 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, which is discussed below.

At its meeting on December 7, 2023, the AZPPSE lowered Aspen University's surety bond requirement to $2.5 million, reflecting the execution of the 4th Amended Stipulated Agreement signed December 18, 2023. On February 14, 2024, an additional $1.5 million of cash collateral for the surety bond was returned to the Company.

At its meeting on September 13, 2024, the AZPPSE’s Finance Committee further lowered Aspen University's surety bond requirement to $729,713. As a result, $750,000 of cash collateral for the surety bond was returned to the Company on October

3, 2024. At its meeting on October 24, 2024, the AZPPSE lowered the bond to $500,000. Additionally, the AZPPSE agreed to remove the monthly reporting requirements and will continue to require quarterly financial reporting for both Aspen University and AGI. A fifth amended stipulated agreement to these effects is expected in early November 2024.

National Council of State Authorization Reciprocity Agreements

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. Since February 2022, 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, exclusively related to the Bachelor of Science in Nursing (Pre-licensure) degree program. As of the date of issuance of this report, the University awaits a final determination.

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 called 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 permitted continuance of DEAC's monitoring of monthly financial reports. Aspen has complied with the request for monthly reporting timely each month.

Aspen University has provided multiple regulatory bodies with requested records and data, and willingly complied with DEAC's continued oversight through the show cause period. During the show cause remediation period, Aspen University remained fully accredited. DEAC expected Aspen to submit its response to the Show Cause Directive on May 19, 2023, which it submitted timely, and DEAC conducted a site visit on June 13, 2023. Aspen received the Chair's Report on August 8, 2023, and responded to it timely on September 8, 2023.

On September 7, 2023, Aspen University received notification from DEAC that it had expanded the original Show Cause Directive's focus on Standard XI.E to include all of Standard XI due to a heightened concern with fiscal resources and management. Aspen University provided required additional related information by October 4, 2023, and again during the full reaccreditation site visit on October 19, 2023. Aspen University received the Chair's Report on February 6, 2024 and submitted its Response on March 6, 2024, as required. Aspen was noticed on April 25, 2024, that the Show Cause Directive would be reviewed at the June 2024 Commission meeting and that action on its application for reaccreditation would be deferred until January 2025. Aspen University submitted the June 1, 2024 required response on May 31, 2024. Additional requested information specific to the reaccreditation process was due on September 30, 2024 and submitted on September 27, 2024; and the last required submission is due on December 1, 2024.

On July 19, 2024, Aspen University received notification from DEAC that on June 21, 2024, the Commission voted to vacate the show cause directive. DEAC requested that Aspen keep the Commission informed on the status of the teach-out of students who are completing the pre-licensure program through September 2024, with which the University complied on August 23, 2024, and September 24, 2024, and to continue providing monthly and quarterly reports through January 2025. The Commission also determined that Aspen was making satisfactory progress in addressing the accreditation standards that remain under a deferred review of the institution's application to renew accreditation. The Commission will review the additional reaccreditation documentation submitted by Aspen for consideration at its January 2025 meeting.

Arizona Department of Veterans' Services

On December 11, 2023, the Arizona Department of Veterans' Services, Arizona State Approving Agency (SAA), notified Aspen that it intended to conduct a Risk-Based Survey ("RBS") of the university. The purpose of a risk-based survey is to advise the university of the laws and regulations governing its existing program approval and to review any potential areas of risk that could hinder its success. Aspen submitted the required Pre-Survey List of Required Action Items on January 12, 2024, which included documentation from most operational areas of the university, and it underwent an onsite visit on March 20, 2024. Aspen received the final RBS report on April 30, 2024, and required follow-up documentation was provided May 1, 2024. Aspen remains approved by the Arizona SAA as a provider for Veteran's Administration education programs.

Heightened Cash Monitoring 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 Monitoring 2 ("HCM2"). HCM2 is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. The letter from the DOE stated that the DOE acted in response to the Show Cause Directive from DEAC. By letter dated August 16, 2024, the DOE removed Aspen University from the HCM2 payment method and placed Aspen University on HCM1. A school placed on HCM1 receives funds after a school makes disbursements to eligible students from institutional funds and submits disbursement records to the Common Origination and Disbursement System; it will then draw down financial aid funds to cover those disbursements in the same way as a school on the Advance Payment Method.

Under the HCM2 method of payment, Aspen University obligated funds under the federal student financial assistance programs authorized by Title IV of HEA. 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. As of April 30, 2024 and 2023, $1.5 million and $2.2 million, respectively, of HCM2 payments were due from the DOE and are included in "Other current assets" in the accompanying consolidated balance sheets.

Aspen University received its financial aid payments under HCM2 as follows:

HCM2 Reimbursement	Date	Amount
HCM2 #1	June 2023	$1.0 million
HCM2 #2	August 2023	$2.9 million
HCM2 #3	September 2023	$1.9 million
HCM2 #4	November 2023	$2.3 million
HCM2 #5	February 2024	$3.8 million
HCM2 #6	April 2024	$2.4 million
HCM2 #7	June 2024	$1.3 million
HCM2 #8	July 2024	$1.1 million

United States University Regulatory Matters

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 due to both AGI's voluntary delisting from NASDAQ (see Note 10. Stockholders' Equity) and Aspen University's Show Cause Directive from DEAC. USU provided the required information timely on April 4, 2023. WSCUC subsequently requested quarterly updates for the remainder of 2023 and a final update in mid-2024. Updates were sent on June 30, 2023, September 29, 2023, and December 15, 2023. WSCUC received a final update on June 18, 2024.

On May 14, 2019, USU was granted temporary provisional certification to participate in the Title IV Programs due to its acquisition by AGI. The provisional certification allowed the school to continue to receive Title IV funding as it did prior to the change of ownership. 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 PPA was issued with an effective period until December 31, 2025.

On August 21, 2024, the California Board of Registered Nursing agreed to the transition of USU's approved in-state MSN Family Nurse Practitioner program to an out-of-state approved MSN Family Nurse Practitioner program in Texas.

Title IV Funding and Other Federal Funds - AU and USU

Aspen University and United States University derive a portion of their revenue from financial aid received by 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, 2024, 19.20% of Aspen University's and 23.21% of United States University's cash-basis revenue for eligible tuition and fees was derived from Federal Fund Programs, which includes Student Title IV Revenue and Other Federal Funds (effective for Fiscal 2024 calculation). For the fiscal years ended April 30, 2023, 25.86% of Aspen University's and 20.57% of United States University's cash-basis revenue for eligible tuition and fees was derived from Title IV Programs.

Return of Title IV Funds - AU and USU

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.

Resulting from a compliance audit for Fiscal Year 2023, Aspen University had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4) and was required to produce a letter of credit in the amount of

$88,002 as a result of this finding. On April 19, 2024, the letter of credit was provided to the Department of Education by Aspen University and the $88,002 is included in "Restricted cash" in the consolidated balance sheets at April 30, 2024.

Approval to Confer Degrees - AU and USU

Aspen University is a Delaware corporation and is authorized by the Arizona State Board for Private Postsecondary Education to operate as a degree-granting institution for all degrees. As it relates to Aspen's discontinued pre-licensure program, the university is also authorized to operate in Texas, Tennessee and Florida. Aspen University is authorized to operate as a degree-granting institution for bachelor degrees by the Texas Higher Education Coordinating Board ("THECB") in the State of Texas. Aspen is working with THECB on its processes to formally close the institution. Aspen University was granted Optional Expedited Authorization as a postsecondary educational institution in Tennessee for its Bachelor of Science in Nursing (Pre-licensure) degree program; Aspen's Pre-licensure program was Closed in Good Standing in Tennessee on June 17, 2024. Aspen University had 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 ("FLCIE"). Aspen is working with FLCIE on its processes to formally close the institution.

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

Stock-based Incentive Plans

AGI maintains one stock-based incentive plan: the 2018 Equity Incentive Plan (the "2018 Plan") that provides 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.

As of April 30, 2024 and 2023, there were 146,554 and 1,263,882 shares, respectively, remaining available for future issuance under the 2018 Plan.

Increase in Authorized Common Shares

On June 10, 2024, Company received approval for an amendment to the Certificate of Incorporation of the Company (the "Charter Amendment") to increase the number of shares of common stock authorized from to 60,000,000 to 85,000,000 shares. The Charter Amendment was approved by a majority of the Company's common stockholders, which was required to approve this proposal. The Charter Amendment was filed with the Secretary of State of the State of Delaware on June 10, 2024. This increase has been retrospectively adjusted to all periods in the accompanying consolidated financial statements.

Voluntarily delist common stock from The Nasdaq Global Market

On March 13, 2023, Aspen Group, Inc. notified Nasdaq Global Market ("NASDAQ") of the Company's decision to voluntarily delist its common stock from NASDAQ. On March 23, 2023, the Company filed a Form 25 with the SEC, thereby terminating trading of its common stock on NASDAQ. 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 no longer files reports with the SEC. After terminating trading on NASDAQ, the Company's common stock was quoted on the OTC Pink Market ("OTC Pink") operated by OTC Markets Group Inc. (the "OTC"), and on October 18, 2023, the Company up-listed from the OTC Pink to the OTCQB® Venture Market (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 continue 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.

Effective September 18, 2024, the Company has now been moved from the OTCQB OTC Pink to the Expert Market. Once the Company becomes current with its filings with OTC Markets, for the Fiscal Year 2024 Annual Report and Q1 Fiscal 2025 Quarterly Report, and meets all of the eligibility requirements listed under Section 1.1 of the OTCQB Standards, the Company expects its common stock will again trade on the OTCQB.

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, 2024, there were 10,000 shares issued and outstanding. As of April 30, 2023, there were no shares of preferred stock issued and outstanding.

On April 25, 2024, the Company's Board of Directors approved the designation of the Company's new series of preferred stock as Series A Convertible Preferred Stock ("Series A"). Accordingly, on April 26, 2024, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (the “Certificate of Designation”) with the Delaware Secretary of State which was necessary to issue the Series A. On April 29, 2024, the Company and the holders of its outstanding $10 million of 2022 Convertible Notes entered into an Exchange Agreement where they exchanged the Convertible Notes for 10,000 shares of Series A with a total stated value of $10 million, which was equal to the total principal of the Convertible Notes.

Each share of Series A has a par value of $0.001 per share and an initial stated value of $1,000 per share. Retroactive to April 1, 2024 shares of the Series A is entitled to receive dividends at the rate of 14.0% per annum of the stated value payable solely in shares of AGI Common Stock (the “Dividend Shares”). Such dividends accrue and are cumulative from and including April 1, 2024 and are payable quarterly in arrears on each dividend payment date, commencing May 1, 2024. Accruing and unpaid dividends are settled with common stock shares using a conversion price of $0.50 per share. Each share of Series A is convertible into 2,000 shares of AGI common stock at a conversion price of $0.50 based on the stated value. The Series A has a beneficial ownership limitation on the Common Stock of 24.99% per shareholder. On May 1, 2024, the Company paid the April 2024 common stock dividend with 230,138 shares, with a fair value of $59,836 based on the quoted trading price, which was accrued at April 30, 2024. On August 1, 2024, the Company paid the July 2024 common stock dividend with 705,758 shares, with a fair value of $141,152 based on the quoted trading price, which was accrued at July 31, 2024.

Common Stock

At April 30, 2024, the Company was authorized to issue 85,000,000 shares of common stock.

During the years ended April 30, 2024 and 2023, no shares were granted to the members of the Board of Directors for services in the 2022, 2023 and 2024 calendar year. However, at April 30, 2024 and 2023, the Company had a cumulative accrual recorded for their services of approximately $0.5 million and $0.2 million, respectively, which is included in "Accrued expenses" in the accompanying consolidated balance sheets.

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.

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.

In connection with the closing of the 15% Debentures, on May 10, 2023, the Company granted 25,000 shares of common stock to Lampert Capital Advisors for financial advisory services. The grant had a grant date fair value of approximately $2,000 based on a closing stock price of $0.08 per share, and it was fully vested on the grant date. The expense related to this grant of $2,000 was incurred during the three months ended July 31, 2023, which is included in "General and administrative" expense in the consolidated statements of operations.

ASPEN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2024 and 2023

Restricted Stock

As of both April 30, 2024 and 2023, there were no unvested shares of restricted common stock outstanding. There is no unrecognized compensation expense related to restricted stock as of April 30, 2024.

Restricted Stock Units

A summary of the Company’s RSU activity granted under the 2018 Equity Incentive Plan, during the year ended April 30, 2024 is presented below:

Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance outstanding, April 30, 2023	513,254	$ 7.98
Granted	1,780,000	0.15
Forfeits	(202,828)	7.37
Vested	(220,538)	0.18
Expired	—	—
Unvested balance outstanding, April 30, 2024	1,869,888	$ 0.40

CEO RSUs

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 ("CEO") 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 of certain key metrics will not be met. Therefore, the cumulative amortization expense related to this grant of $242,708 was reversed during the six months ended October 31, 2022, which is included in "General and administrative" expense in the 2023 consolidated statements of operations.

On September 29, 2023, the Board of Directors approved a 1.0 million RSU grant to the Company's CEO. The grant has a grant date fair value of $180,000 based on a closing stock price of $0.18 per share. The amortization expense related to this grant for the year ended April 30, 2024 was $52,500, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

CFO RSUs

On August 16, 2021, the Compensation Committee approved a grant of 125,000 RSUs to the Company’s Chief Financial Officer ("CFO") as part of his employment agreement. The grant had a grant date fair value of $725,000 based on a closing stock price of $5.80 per share and was scheduled to vest annually over a period of three years and subject to continued employment as an officer of the Company on each applicable vesting date.

As of December 22, 2022 and August 16, 2023, the vested portion of the underlying shares of common stock for 41,667 and 41,667 vested RSUs discussed above, respectively, had not been delivered to the CFO and were instead cancelled. The amortization expense related to this grant for the years ended April 30, 2024 and 2023 was $241,667 and $241,667, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

On August 29, 2023, the Board of Directors approved a 500,000 RSU grant to the Company's CFO. The grant has a grant date fair value of $65,000 based on a closing stock price of $0.13 per share. The amortization expense related to this grant for the year ended April 30, 2024 was $12,639, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Chief Academic Officer RSUs

On August 12, 2021, the Compensation Committee approved a grant of 80,000 RSUs to the Company's Chief Academic Officer ("CAO"). The grant had a grant date fair value of $518,400 based on a closing stock price of $6.48 per share and was scheduled to vest annually over a period of three years and subject to continued employment as an officer of the Company on each applicable vesting date.

As of August 16, 2023, the vested portion of underlying shares of common stock for 26,667 vested RSUs discussed above had not been delivered to the CAO and were instead cancelled. The amortization expense related to these grants for the years ended April 30, 2024 and 2023 was $172,800 and $172,800, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

On September 29, 2023, the Board of Directors approved a 100,000 RSU grant to the Company's CAO. The grant has a grant date fair value of $18,000 based on a closing stock price of $0.18 per share. The amortization expense related to this grant for the year ended April 30, 2024 was $3,695, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Former COO RSUs

On August 12, 2021, the Compensation Committee approved a grant of 80,000 RSUs to the Company's former Chief Operating Officer ("COO"). The grant had a grant date fair value of $518,400 based on a closing stock price of $6.48 per share and was scheduled to vest annually over a period of three years and subject to continued employment as an officer of the Company on each applicable vesting date.

As a result of the resignation of the COO on May 15, 2023, the underlying shares of common stock for 53,334 unvested RSU's were forfeited. In addition, the COO forfeited 62,741 of unvested RSU's related to two other separate grants. The amortization expense related to these grants for the year ended April 30, 2023 was $172,800, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Other RSUs

Of the 220,538 vested RSUs during the year ended April 30, 2024, 113,750 shares are related to the remainder of the shares vested from the February 4, 2020 executive grant, which vested on February 4, 2024 (four years from the grant date), 36,666 shares are related to the accelerated vesting of RSUs resulting from the May 5, 2023 termination of the Chief Accounting Officer and 29,148 shares related to officer vesting of other RSUs. The amortization expense related to the February 4, 2020 executive grant for the years ended April 30, 2024 and 2023, was an expense reversal of $(40,843), which reflects expense reversal from the impact of the resignation of the COO and $240,441, respectively. This expense reversal is included in "General and administrative" expense in the consolidated statements of operations.

Of the 1,869,888 unvested RSUs outstanding at April 30, 2024, 1.6 million shares are related to the CFO, CEO and CAO RSU grants discussed above. The remaining 180,000 unvested RSU grants were employee grants subject to time-based vesting and continued employment, which had a total grant date fair value of $31,965 based on a closing stock price of the date of grant.

At April 30, 2024, total unrecognized compensation expense related to unvested RSUs is $0.4 million and is expected to be recognized over a weighted-average period of approximately 2.66 years.

Warrants

The Company estimates the fair value of warrants utilizing the Black-Scholes pricing model, unless indicated otherwise, 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, 2024 is presented below:

Warrants	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Balance Outstanding, April 30, 2023	425,000	$	3.56	2.77	$	—
Granted	5,846,018		0.01	4.04		—
Exercised	—		—	—		—
Surrendered	—		—	—		—
Expired	(150,000)		5.63	—		—
Balance Outstanding, April 30, 2024	6,121,018	$	0.06	3.97	$	1,459,751
Exercisable, April 30, 2024	6,112,685	$	0.05	3.98	$	1,459,751

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
$0.01	$	0.01	5,846,018	$0.01	4.04	5,846,018
$0.50	$	0.50	200,000	$0.50	2.99	200,000
$0.50	$	0.50	50,000	$0.50	2.34	50,000
$6.99	$	6.99	25,000	$6.99	3.23	16,667
			6,121,018			6,112,685

15% Debentures - Warrants

On May 12, 2023, as part of the 15% Debentures offering, the Company issued warrants to the investors to purchase 2.2 million shares of the Company’s common stock exercisable for five years from the date of issuance at the exercise price of $0.01 per share (the "May 2023 Warrants"). See Note 8. Debt. The relative fair value of the warrants was $154,000 and they are amortized over a three-year term and contain anti-dilution protection. The relative fair value of the warrants was treated as a deferred financing cost. The Company recognized $34,222 of amortization expense in connection with the fair value of the warrants for the year ended April 30, 2024, which is included in "interest expense" in the accompanying consolidated statement of operations. In connection with the Second Amendment, described below, the fair value warrants were reclassified to liabilities due to the addition of the cash repayment put option in accordance with ASC 480. As of April 30, 2024, the Company reclassified $500,825 from "Additional paid-in capital" to "Warrant liabilities" in the accompanying consolidated balance sheet; recorded $957,779 of initial grant date fair value as expense; and recognized a $505,989 loss of fair value adjustment in "Change in fair value of put warrant liability" in the accompanying consolidated statement of operations during the year ended April 30, 2024.

As part of the Second Amendment to the 15% Debentures, which is discussed in Note 8. Debt, the Company also issued warrants to purchase Common Stock at an exercise price of $0.01 based on the outstanding principal balances of the Debentures, which are the same term as the May 2023 Warrants (collectively, the “New Warrants”):

a. on the effective date of the Second Amendment, New Warrants were issued to purchase 403,545 shares of Common Stock, which is equal to 1% of the Company’s outstanding shares on a fully diluted basis, with a value of $91,280;

b. if the Mandatory Prepayment of $1.5 million has not been made by December 30, 2023, on such date, New Warrants to purchase a number of shares of Common Stock equal to 3% of the Company’s issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of $1.5 million had not been made by December 30, 2023, the Company issued an additional 1,210,634 warrants with a value of $324,937; and

c. if the Mandatory Prepayment of $1.5 million has not been made by January 31, 2024, on such date and every 30 days thereafter until such mandatory prepayment has been made, New Warrants to purchase a number of shares of Common Stock equal to 5% of the Company's issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of $1.5 million had not been made by January 31, 2024, but rather on February 8, 2024, the Company issued an additional 2,017,724 warrants with a value of $541,562.

The Second Amendment also provides that upon the first to occur of the (i) the 15% Debenture Maturity Date, (ii) after the occurrence and during the continuance of an event of default, and (iii) the repayment in full of the 15% Debentures, the Company shall, upon the written request, repurchase the May 2023 Warrants and the New Warrants for a purchase price of $100,000 in cash per one percentage point of ownership of the Company's issued and outstanding common stock on a fully diluted basis as of the date of the Second Amendment, which was 8% at April 30, 2024 (subject to adjustment for stock splits, stock dividends, stock combinations, reverse stock splits, recapitalizations and similar transactions) (collectively the "put warrants"). At April 30, 2024, the total number of warrants issued under the 15% Debentures was 5,846,018, and the fair value of these put warrants, valued using a Monte Carlo Simulation, was $1,964,593, which is included in "Warrant liability" in the accompanying consolidated balance sheet. See Note 2. Significant Accounting Policies.

2022 Convertible Notes - Warrants

On April 22, 2022, as consideration for amending the Intercreditor Agreement, the Company issued warrants to the each of the same two holders 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. These warrants had price protection so as a result of making the 15% Debentures convertible in Fiscal 2024, as discussed in Note 8. Debt, the exercise price automatically was reduced to $0.50. The warrant modification charge of $8,000 was included in "Interest expense" in the accompanying 2024 consolidated statements of operations. In addition, for regulatory reasons, a 24.99% beneficial ownership limitation was inserted into the warrants. See Note 8. Debt. The fair value of the warrants is $118,000 and was amortized over the 12-month term. The fair value of the warrants was treated as deferred financing costs, a non-current asset, and is fully amortized in the accompanying consolidated balance sheets at April 30, 2023.

2018 Credit Facility Agreement - Warrants

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. These warrants had price protection so as a result of making the 15% Debentures convertible in Fiscal 2024, as discussed in Note 8. Debt, the exercise price automatically was reduced to $0.50. In addition, for regulatory reasons, a 24.99% beneficial ownership limitation was inserted into the warrants. 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. In connection with repayment of the 2018 Credit Facility on May 12, 2023, the remaining fair value of these warrants of $23,897 was accelerated and fully expensed during the first quarter of fiscal 2024, which is included in "interest expense" in the accompanying consolidated statement of operations. The resulting deemed dividend was de minimis. For the year ended April 30, 2023, the Company recognized $44,672 of amortization expense in connection with the fair value of the warrants.

Former Member of the Board of Directors - Warrants

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 was amortized over the three-year vesting period. The Company recognized $28,000 and $28,000, of amortization expense in connection with the fair value of the warrants for the years ended April 30, 2024 and 2023, 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 stock options granted to employees during the years ended April 30, 2024 and 2023.

A summary of the Company's stock option activity for employees and directors during the year ended April 30, 2024, is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2023	565,210	$ 6.75	0.53	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	(477,777)	6.91	—	—
Balance Outstanding, April 30, 2024	87,433	$ 5.89	0.48	$ —
Exercisable, April 30, 2024	87,433	$ 5.89	0.48	$ —

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
$3.01 to $4.00	$3.99	29,000	$3.99	0.25	29,000
$4.01 to $5.00	$4.06	1,000	$4.06	0.13	1,000
$5.01 to $6.00	$5.39	1,433	$5.39	0.42	1,433
$6.01 to $7.00	$6.92	56,000	$6.92	0.61	56,000
		87,433			87,433

As of April 30, 2024, there are no unrecognized compensation costs related to unvested stock options.

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

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

	Years Ended April 30,	
	2024	2023
RSUs	$ 677,392	$ 1,281,221
Restricted Stock	—	—
Stock options	—	5,407
Total stock-based compensation expense	$ 677,392	$ 1,286,628

Treasury Stock

As of April 30, 2023, 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.

During the quarter ended July 31, 2023, the treasury shares were retired; and they were cancelled during the quarter ended April 30, 2024.

Note 11. Leases

The Company determines if a contract contains a lease at inception. The Company entered into operating leases totaling approximately 157,675 square feet of office and classroom space in Phoenix, San Diego, New York City (lease ended January 31, 2024), Denver (lease ended May 31, 2024), Austin, Tampa, Nashville, Atlanta and the New Brunswick Province in Canada (lease ended December 31, 2023). 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.

Aspen University subleased a portion of its Austin campus, which commenced on February 1, 2024. This sublease income is included as an offset to lease expense in general and administrative expense in the consolidated statement of operations.

On August 2, 2024, Aspen University entered into a sublease for a portion of its Phoenix campus, which commences on January 1, 2025 and runs through the remainder of the term left on its master lease, which expires in April 2028. Aspen University also entered into a sublease for separate portion of its Phoenix campus for one year, which commenced on September 11, 2024. The sublease income will be included as an offset to lease expense in general and administrative expense in the statement of operations.

As of April 30, 2024, our longer-term operating leases are located in Tampa, Phoenix, Austin, Nashville and Atlanta and are set to expire in four 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, 2024 and 2023. 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, 2024 and 2023, the amortization expense for these leasehold improvements was $781,619 and $725,480, 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, 2024 and 2023, was $3,943,680 and $4,096,791, respectively, which is included in "General and administrative" expenses in the consolidated statements of operations.

ROU assets are summarized below:

	April 30,	
	2024	2023
ROU assets - Operating facility leases	$ 17,410,282	$ 18,528,967
Less: accumulated amortization	(6,770,444)	(5,097,893)
Total ROU assets	$ 10,639,838	$ 13,431,074

At April 30, 2024, the ROU assets balance includes the impact of lease impairments on leased properties no longer able to be utilized in the BSN Pre-licensure operations related to the teach out discussed in Note 9. Commitments and Contingencies and Note 12. Revenue. In connection with the lease impairments, in Q4 Fiscal 2024, the Company also recorded tenant improvement impairments. See the table below.

	April 30,	
	2024	2023
Lease impairments	$ 1,118,685	$ —
Tenant improvement impairments	407,725	—
Impairments of right-of-use assets and tenant improvements	$ 1,526,410	$ —

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

	April 30,	
	2024	2023
Total lease liabilities	$ 26,058,494	$ 26,058,494
Reduction of lease liabilities	(8,450,273)	(6,004,172)
Total operating lease obligations	$ 17,608,221	$ 20,054,322

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, 2024 (by fiscal year).

Maturity of Lease Obligations	Lease Payments
2025	$ 4,547,151
2026	4,677,145
2027	4,782,909
2028	4,809,323
2029	2,334,139
Thereafter	2,583,830
Total future minimum lease payments	23,734,497
Less: imputed interest	(6,126,276)
Present value of operating lease liabilities	$ 17,608,221

	April 30,	
Balance Sheet Classification	2024	2023
Operating lease obligations, current portion	$ 2,608,534	$ 2,502,810
Operating lease obligations, less current portion	14,999,687	17,551,512
Total operating lease obligations	$ 17,608,221	$ 20,054,322

	April 30,	
Other Information	**2024**	**2023**
Weighted average remaining lease term (in years)	5.1	6.0
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 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 and exam fees are recognized as services are provided or when goods are received by the student.

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

	Years Ended April 30,	
	2024	**2023**
Tuition - recognized over period of instruction	$ 43,447,153	$ 56,720,727
Course fees - recognized over period of instruction	6,295,309	7,546,886
Exam fees - recognized at a point in time	476,992	877,818
Service fees - recognized at a point in time	1,175,848	1,179,357
Revenue	$ 51,395,302	$ 66,324,788

Contract Balances and Performance Obligations

The advances on tuition and deferred tuition balances as of April 30, 2024 and 2023, totaled $6,912,047 and $5,868,013, respectively. During the year ended April 30, 2024, the Company recognized $4,787,732 of revenue that was included in the these balances as of April 30, 2023. The Company classifies advances on tuition and deferred tuition 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 326, Financial Instruments - Credit Losses. 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, discussed in Note 9. Commitments and Contingencies, 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 recognized as advances on tuition, 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, 2024 and 2023, respectively.

Teach-out of the Pre-licensure Nursing Program

On September 20, 2022, Aspen University and the AZ BON 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, 2024 and 2023, 6% and 19% 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,	
	2024	2023
Current income tax expense:		
Federal	$ —	$ —
State	50,664	36,752
Foreign	27,710	99,996
Current income tax expense	78,374	136,748
Deferred income tax expense:		
Federal	—	—
State	—	—
Foreign	—	—
Deferred income tax expense	—	—
Income tax expense	$ 78,374	$ 136,748

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

	April 30, 2024	April 30, 2023
Deferred tax assets:		
Net operating loss carryforward	$ 20,853,020	$ 19,141,216
Allowance for credit losses	1,202,726	916,133
Lease obligations	4,643,884	5,238,944
Stock-based compensation	606,501	769,019
Contributions carryforward	7,906	11,163
Accrued compensation	122,640	47,066
Warrant amortization	—	29,583
Interest expense limitation carryforward	2,740,890	1,413,319
Total deferred tax assets	30,177,567	27,566,443
Deferred tax liabilities:		
Property and equipment	(929,510)	(630,915)
Intangibles	(747,225)	(460,876)
Right-of-use assets	(2,806,085)	(3,508,702)
Total deferred tax liabilities	(4,482,820)	(4,600,493)
Deferred tax assets, net	$ 25,694,747	$ 22,965,950
Valuation allowance:		
Beginning of year	(22,965,950)	(19,382,895)
Increase during period	(2,728,797)	(3,583,055)
Ending balance	(25,694,747)	(22,965,950)
Net deferred tax asset	$ —	$ —

As of April 30, 2024, 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, 2024 and 2023, the valuation allowance was approximately $25.7 million and $23.0 million, 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, 2024, the Company had approximately $79.1 million of net operating loss carryforwards, $28.2 million 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, 2024, tax years 2021 through 2023 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,	
	2024	2023
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	4.6 %	3.4 %
Permanent Differences	(1.7)%	(5.1)%
Foreign income tax	(0.2)%	(1.2)%
Change in Tax Rates - States	1.6 %	1.6 %
Change in Valuation Allowance	(20.2)%	(43.7)%
Other	(5.7)%	22.3 %
Effective Income Tax Rate	(0.6)%	(1.7)%

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 2023 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 Fiscal 2024 (through December 2024), the final year that permanent establishment is in place.

At April 30, 2024 and 2023, the Company recorded a reserve of approximately $0.5 million for the estimate of the 2013 through 2023 tax year foreign income tax liability during which a permanent establishment was in place in Canada. These reserves are included in "Accrued expenses" in the consolidated balance sheets. These amounts have not yet been remitted to the CRA.

Note 14. Related Party Transaction

On January 31, 2024, the Company received a $200,000 non-interest bearing loan from the Company’s Chief Executive Officer. This loan was for a short-term period until the receipt of the fifth financial aid payments under HCM2. On February 8, 2024, the fifth financial aid payment under HCM2 reimbursement was received and utilized to pay down the loan in full.

Note 15. Quarterly Results (Unaudited)

ASPEN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2024 and 2023

	Quarter Ended July 31	Quarter Ended October 31	Quarter Ended January 31	Quarter Ended April 30
Year Ended April 30, 2024				
Revenue	$ 14,639,872	$ 13,828,847	$ 12,057,847	$ 10,868,736
Cost of revenue (exclusive of depreciation and amortization)	4,392,855	4,584,193	3,861,895	3,393,442
Operating income (loss)	362,927	(526,982)	(1,768,761)	(4,049,470)
Loss before income taxes	(555,267)	(1,571,737)	(3,851,906)	(7,521,472)
Net loss	(639,438)	(1,611,813)	(3,880,437)	(7,447,068)
Net loss per share allocable to common stockholders - basic and diluted	$ (0.03)	$ (0.06)	$ (0.15)	$ (0.29)

	Quarter Ended July 31	Quarter Ended October 31	Quarter Ended January 31	Quarter Ended April 30
Year Ended April 30, 2023				
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) income per share allocable to common stockholders - basic and diluted	$ (0.15)	$ (0.09)	$ (0.06)	$ (0.03)

Note 16. Subsequent Events

In preparing these financial statements, the Company evaluated subsequent events through October 31, 2024, the date the consolidated financial statements were available to be issued.

On October 31, 2024, the Company entered into a Sixth Amendment with the holders of its outstanding 15% Debentures. See Note 8. Debt for detailed information.

On October 1, 2024, USU entered into a sublease agreement with AU for its Atlanta, Georgia campus for the remainder of their master lease, which is in February 2030.

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:

Operating Metrics

- **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.

Operating costs and expenses

- **Cost of revenue** - consists of instructional costs and services and marketing and promotional costs.

    - **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 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, facilities costs, lease impairment and tenant improvement allowances impairment.

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 income (loss) to EBITDA for the fiscal years 2024 and 2023.

- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") -** is a non-GAAP financial measure. See "Non-GAAP – Financial Measures" for the definition of Adjusted EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA for the fiscal years 2024 and 2023.

Company 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. and its subsidiaries, 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 Commission ("DEAC"), an accrediting agency recognized by the United States Department of Education (the "DOE"), through January 2025.

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. The application for recertification was submitted on August 16, 2023. Certification continues month to month until a final decision is made by the DOE.

Effective September 18, 2024, the Company was moved from the OTCQB Market to Expert. Once the Company files its Fiscal Year 2024 Annual Report and Q1 Fiscal 2025 Quarterly Report with the OTC and meets all of the eligibility requirements listed under Section 1.1 of the OTCQB Standards, the Company expects its common stock will again trade on the OTCQB.

AGI Student Population Overview

AGI's active degree-seeking student body, including AU and USU, declined 25% year-over-year to 7,048 at April 30, 2024 from 9,399 at April 30, 2023. AU's total active student body decreased by 32% year-over-year to 4,559 at April 30, 2024 from 6,670 at April 30, 2023. On a year-over-year basis, USU's total active student body decreased by 9% to 2,489 at April 30, 2024 from 2,729 at April 30, 2023.

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

	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
Aspen University	6,670	6,001	5,679	5,146	4,559
USU	2,729	2,590	2,733	2,503	2,489
Total	9,399	8,591	8,412	7,649	7,048

AGI Nursing Student Population

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

	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
Aspen University	5,392	4,766	4,470	4,032	3,526
USU	2,490	2,349	2,432	2,270	2,262
Total	7,882	7,115	6,902	6,302	5,788

AGI New Student Enrollments

On a Company-wide basis, new student enrollments were down 15% year-over-year and were flat sequentially. New student enrollments at AU decreased 26% year-over-year and at USU increased 3% year-over-year. New student enrollments were primarily impacted by our reduction in marketing spend and our ceasing new enrollments in our pre-licensure program. We anticipate the resumption of marketing spend in Fiscal 2025 at a level necessary to provide enrollments needed to grow the student body and allow for the generation of positive operating cash flow.

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

	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
Aspen University	574	626	808	473	427
USU	360	389	548	325	370
Total	934	1,015	1,356	798	797

Bookings Analysis and ARPU

On a year-over-year basis, Fiscal 2024 Bookings decreased 20%, to $48.2 million from $60.1 million in the prior year. The Bookings decrease was principally at AU and is the result of the reduction in marketing spend and our ceasing new enrollments in our pre-licensure program.

	Fourth Quarter Bookings1 and Average Revenue Per Enrollment (ARPU)[1]				
	FY '23 Enrollments	FY '23 Bookings [1]	FY'24 Enrollments	FY'24 Bookings [1]	Percent Change Total Bookings & ARPU [1]
Aspen University	2,921	$ 30,061,350	2,334	$ 19,165,650	(36)%
USU	1,687	$ 30,062,340	1,632	$ 29,082,240	(3)%
Total	4,608	$ 60,123,690	3,966	$ 48,247,890	(20)%
ARPU		$ 13,048		$ 12,165	(7)%

[1] "Bookings" are defined by multiplying LTV by new student enrollments for each operating unit. ARPU is defined by dividing total Bookings by total 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. Our current and long-term accounts receivable balances are predominantly the result of students taking advantage of our groundbreaking monthly payment plan, which we introduced in Fiscal Year 2014 at AU and subsequently in Fiscal Year 2018 at USU. At April 30, 2024, gross MPP accounts receivable was 89% of total gross accounts receivable. Of the gross accounts receivable, approximately 31% and 58% relates to AU and USU MPP accounts receivable, respectively.

The MPP is a private education loan in the form of a retail installment contract 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 which also resulted in growth of 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.

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, and strong enrollments in Q2 Fiscal 2024, our long-term accounts receivable balance grew from $13.0 million at April 30, 2023 to $17.5 million at April 30, 2024. 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

The following discussion should be read in conjunction with "Item 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".

Set forth below is the discussion of the results of operations of the Company for the three months ended April 30, 2024 ("Q4 Fiscal 2024") compared to the three months ended April 30, 2023 ("Q4 Fiscal 2023"), and for the year ended April 30, 2024 ("Fiscal 2024") compared to the year ended April 30, 2023 ("Fiscal 2023").

Restructuring Plans

In late Q1 Fiscal 2023, we implemented an initial 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 of 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.

In late Q4 Fiscal 2023, we implemented a second restructuring plan that resulted 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 additional on-going quarterly compensation-related savings are approximately $0.5 million effective Q1 Fiscal 2024.

In Q1 Fiscal 2025, we implemented a third restructuring plan that resulted in additional significant cash benefits for the Company starting in Q1 Fiscal 2025. The restructuring resulted in the elimination approximately 12 positions within AU and Corporate. The resulting additional on-going quarterly compensation-related savings are approximately $0.3 million effective late Q1 Fiscal 2025.

In Q2 Fiscal 2025, we implemented a fourth restructuring plan that will result in additional cash benefits for the Company starting in Q3 Fiscal 2025. The restructuring will in the elimination of approximately 25 positions within AU and Corporate. The resulting additional on-going quarterly compensation-related savings are approximately $0.5 million effective late Q3 Fiscal 2025.

Our restructuring efforts were designed to achieve break-even to positive annual operating cash flows, which will permit the resumption of marketing spend at a level that we expect will renew growth in our post-licensure nursing student body.

On March 23, 2023, Aspen University and the Arizona State Board of Nursing signed an Amendment to the September 2022 Consent Agreement (the "Consent Agreement") that permits the teach-out of the pre-licensure program to continue with heightened oversight and reporting. The signed Consent Agreement means that the Arizona-based students were permitted to be taught out through January 2024 (completed), Nashville-based students through May 2024 (completed), and Texas- and Florida-based students through September 2024 (completed).

In Q4 Fiscal 2024, the Company assessed whether an alternate future use exist for its right-of-use assets relating to the pre-licensure campus leases. In Q4 Fiscal 2024, the Company assessed whether an alternate future use exists for its remaining right-of-use assets relating to the pre-licensure campus leases in Arizona and Austin, and determined impairments of right-of-use assets and tenant leasehold improvements of $1.4 million should be recorded in Q4 Fiscal 2024. The Company is assessing whether an alternate future use exists for its remaining right-of-use assets relating to the pre-licensure campus leases in Nashville and Tampa, and whether impairments of right-of-use assets and tenant leasehold improvements should be recorded. On October 1, 2024, USU entered into a sublease agreement with AU for its Atlanta, Georgia campus for the remainder of their master lease, which is in February 2030. As a result, an impairment charge is not required for the Atlanta campus.

At the end of Q2 Fiscal 2024, the Company resumed limited marketing spend, which is expected to increase to $0.5 million per quarter by the end of Fiscal Year 2025.

Revenue

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

	Three Months Ended April 30,		Years Ended April 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)				
Instructional costs and services	29 %	33 %	30 %	32 %
Marketing and promotional costs	2 %	2 %	1 %	9 %
Total cost of revenue (exclusive of depreciation and amortization shown separately below)	31 %	35 %	32 %	41 %
General and administrative	75 %	57 %	65 %	59 %
Impairments of right-of-use asset and tenant leasehold improvements	13 %	— %	3 %	— %
Loss on asset disposition	3 %	— %	1 %	— %
Bad debt expense	7 %	3 %	4 %	3 %
Depreciation and amortization	8 %	6 %	7 %	6 %
Total operating expenses	137 %	101 %	112 %	108 %
Operating loss	(37)%	(1)%	(12)%	(8)%
Other income (expense):				
Interest expense	(9)%	(4)%	(10)%	(4)%
Loss on debt extinguishment	(19)%	— %	(4)%	— %
Change in fair value of put warrant liability	(6)%	— %	(1)%	— %
Other (expense) income, net	2 %	— %	— %	— %
Total other (expense) income, net	(32)%	(4)%	(15)%	(4)%
Loss before income taxes	(69)%	(5)%	(26)%	(12)%
Income tax expense	(1)%	— %	— %	— %
Net loss	(69)%	(5)%	(26)%	(13)%

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

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
AU	$ 5,106,150	$ (3,610,384)	(41)%	$ 8,716,534	$26,250,907	$ (14,291,042)	(35)%	$40,541,949
USU	5,762,586	(303,166)	(5)%	6,065,752	25,144,395	(638,444)	(2)%	25,782,839
Revenue	$ 10,868,736	$ (3,913,550)	(26)%	$ 14,782,286	$51,395,302	$ (14,929,486)	(23)%	$66,324,788

Q4 Fiscal 2024 compared to Q4 Fiscal 2023

AU and USU combined revenue decreased 26% in Q4 Fiscal 2024 compared to Q4 Fiscal 2023. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses, which accounted for $2.0 million of the decrease, and the remainder of the decrease resulted from lower post-licensure enrollments from the effect of decreased marketing spend initiated late in Q1 Fiscal 2023. The active student body at AU decreased by 32% year-over-year to 4,559 at April 30, 2024 from 6,670 at April 30, 2023.

In Q4 Fiscal 2024 and 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. Approximately $3.6 million was collected under the program in each of Q4 Fiscal 2024 and Q4 Fiscal 2023. $1.4 million and $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2024 and 2023 Consolidated Statement of Operations, respectively.

Excluding the impact of the 25% discount offer discussed above, Q4 Fiscal 2024 revenue would have increased 2% sequentially from Q3 Fiscal 2024.

Fiscal 2024 compared to Fiscal 2023

AU and USU combined revenue decreased 23% in Fiscal 2024 compared to Fiscal 2023. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses, which accounted for $9.6 million of the decrease, and the remainder of the decrease resulted from lower post-licensure enrollments from the effect of decreased marketing spend initiated late in Q1 Fiscal 2023.

The trend of decreased revenue at AU in Fiscal Year 2024 was expected given the Company's suspension of new enrollments in its pre-licensure program associated with the related teach-out, which accounted for less than 1% of consolidated revenue in Q4 Fiscal 2024 as compared to 13% of consolidated revenue in Q4 Fiscal 2023, and the effect of the reduction of marketing spend initiated late in Q1 Fiscal 2023. The AU revenue decline is expected to slow in Fiscal 2025 due to the completion of the pre-licensure teach-out in Fiscal 2024, the resumption of marketing spend of $0.5 million per quarter late in Fiscal 2025, and the effect of annual pricing increases at both AU and USU, which started in Fiscal 2024 and continued in Fiscal 2025.

In Q4 Fiscal 2024 and 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. Approximately $3.6 million was collected under the program in each of Q4 Fiscal 2024 and Q4 Fiscal 2023. $1.4 million and $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2024 and 2023 Consolidated Statement of Operations, respectively.

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

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Instructional costs and services	$ 3,204,891	$ (1,629,050)	(34)%	$ 4,833,941	$ 15,515,300	$ (5,808,366)	(27)%	$ 21,323,666
Marketing and promotional	188,551	(118,623)	(39)%	307,174	717,085	(5,047,078)	(88)%	5,764,163
Cost of Revenue (exclusive of depreciation and amortization shown separately below)	$ 3,393,442	$ (1,747,673)	(34)%	$ 5,141,115	$ 16,232,385	$ (10,855,444)	(40)%	$ 27,087,829

Q4 Fiscal 2024 compared to Q4 Fiscal 2023

Instructional Costs and Services

Consolidated instructional costs and services for Q4 Fiscal 2024 decreased to 29% of revenue from 33% of revenue for Q4 Fiscal 2023, related to the factors described below.

AU instructional costs and services were 26% and 33% of AU revenue for Q4 Fiscal 2024 and Q4 Fiscal 2023, respectively. As a percentage of revenue, instructional costs and services decreased due primarily to the teach out of the BSN Pre-licensure program and the resulting decrease in the pre-licensure student body. The core curriculum of the pre-licensure program requires an increase in the ratio of instructors to students. Fewer students in the program disproportionately decrease overall instructional costs.

USU instructional costs and services were 33% and 32% of USU revenue for Q4 Fiscal 2024 and Q4 Fiscal 2023, 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 2024 remained flat at 2% of revenue compared Q4 Fiscal 2023. The Company implemented a planned reduction in marketing spend associated with the Fiscal 2023 restructuring plan in late Q1 Fiscal 2023. The restructuring program decreased advertising spend across all programs to maintenance levels and is anticipated to increase to a quarterly target spend rate of $0.5 million in late Fiscal 2025. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 2% and 0% of AU revenue for Q4 Fiscal 2024 and Q4 Fiscal 2023, respectively.

USU marketing and promotional costs represented 1% and 0% of USU revenue for each Q4 Fiscal 2024 and Q4 Fiscal 2023, respectively.

Corporate marketing and promotional costs were $0 in Q4 Fiscal 2024 compared to $286,472 in Q4 Fiscal 2023. During Fiscal 2024, these costs were allocated to AU and USU.

Fiscal 2024 compared to Fiscal 2023

Instructional Costs and Services

Consolidated instructional costs and services for Fiscal 2024 decreased to 30% of revenue from 32% of revenue for Fiscal 2023, related to the factors described below.

AU instructional costs and services were 31% and 34% of AU revenue for Fiscal 2024 and Fiscal 2023, respectively. As a percentage of revenue, instructional costs and services decreased due primarily to teach out of the BSN Pre-licensure program.

USU instructional costs and services remained flat at 30% of USU revenue for each Fiscal 2024 and Fiscal 2023, respectively.

Marketing and Promotional

Consolidated marketing and promotional costs for Fiscal 2024 were 1% of revenue compared to 9% of revenue for Fiscal 2023. The decrease is primarily the result of the $5.4 million year-over-year planned reduction in marketing spend associated with the Fiscal 2023 restructuring plan. The restructuring program decreased marketing advertising spend across all programs to maintenance levels and is anticipated to increase to a quarterly target spend rate of $0.5 million in late Fiscal 2025. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 2% and 8% of AU revenue for Fiscal 2024 and Fiscal 2023, respectively.

USU marketing and promotional costs represented 1% and 5% of USU revenue for each Fiscal 2024 and Fiscal 2023, respectively.

Corporate marketing and promotional costs were $0 in Fiscal 2024 compared to $1,384,760 in Fiscal 2023. During Fiscal 2024, these costs were allocated to AU and USU.

Costs and Expenses

General and Administrative

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
General and administrative	$ 8,161,757	$(199,544)	(2)%	$ 8,361,301	$33,497,456	$(5,903,511)	(15)%	$39,400,967

Q4 Fiscal 2024 compared to Q4 Fiscal 2023

Consolidated general and administrative expense for Q4 Fiscal 2024 was $8.2 million or 75% of revenue compared to $8.4 million or 57% of revenue for Q4 Fiscal 2023, a decrease of $0.2 million or 2%. The Company initiated a second restructuring plan, effective Q1 Fiscal 2024, with quarterly savings of approximately $0.5 million, which is the primary reason for the decrease. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased $0.1 million year-over-year and was 72% and 43% of AU revenue for Q4 Fiscal 2024 and Q4 Fiscal 2023, respectively.

USU general and administrative expense increased $0.3 million year-over-year and was 43% and 36% of USU revenue for Q4 Fiscal 2024 and Q4 Fiscal 2023, respectively.

Corporate general and administrative expense was $2.3 million and $2.4 million in Q4 Fiscal 2024 and Q4 Fiscal 2023, respectively. The decrease was primarily due to planned corporate cost control which resulted in lower compensation expense of $0.3 million, partially offset by higher professional and consulting fees of $0.2 million.

Fiscal 2024 compared to Fiscal 2023

Consolidated general and administrative expense for Fiscal 2024 was $33.5 million or 65% of revenue compared to $39.4 million or 59% of revenue for Fiscal 2023, a decrease of $5.9 million or 15%. As part of the Company's initial 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. The Company initiated a second restructuring plan, effective Q1 Fiscal 2024 with quarterly savings of approximately $0.5 million. The Company also had a decrease in professional fees related to regulatory matters. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased $2.4 million year-over-year and was 53% and 40% of AU revenue for Fiscal 2024 and Fiscal 2023, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management, a decrease in professional fees related to regulatory matters and a decrease in costs associated with the reduction of the AU surety bond requirement by the Arizona State Board for Private Postsecondary Education; partially offset by $0.3 million of loss on asset dispositions.

USU general and administrative expense increased by $0.4 million year-over-year and was 38% and 36% of USU revenue for Fiscal 2024 and Fiscal 2023, respectively.

Corporate general and administrative expense was $10.4 million and $13.9 million in Fiscal 2024 and Fiscal 2023, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management, lower professional fees and lower consulting fees. Lower compensation expense in Fiscal 2024 includes the reversal of stock-based compensation expense for the following: (i) $0.2 million related to a performance award for which the Company assessed the performance condition will not be met, (ii) $0.2 million related to a grant forfeited by the resignation of the Chief Operating Officer on May 15, 2023 and (iii) $0.1 million related to a grant forfeited by the resignation of the Chief Nursing Officer, on July 15, 2022. Additionally, general and administrative expense in Fiscal 2023 includes $0.1 million of severance related to the termination of the Chief Accounting Officer and $0.1 million of severance expense related to the resignation of the Chief Nursing Officer.

Impairments of right-of-use assets and tenant improvements

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Impairments of right-of-use assets and tenant improvements	$ 1,421,096	$1,421,096	NM	$ —	$ 1,526,410	$1,526,410	NM	$ —

NM – Not meaningful

Lease impairment in Q4 Fiscal 2024 includes partial impairment of the Arizona campus of $1.0 million. The impairment is the result of the fact that AU is no longer able to utilize space for BSN Pre-licensure operations due to the teach-out. The Company is assessing whether an alternate future use exists for its remaining right-of-use assets relating to the pre-licensure campus leases in Nashville and Tampa, and whether impairments of right-of-use assets and tenant leasehold improvements should be recorded.

Tenant improvement allowance impairment in Q4 Fiscal 2024 includes the write-off assets associated with leased properties no longer able to be utilized in pre-licensure operations of $0.4 million.

Lease impairment in Fiscal 2024 includes partial impairment of the Texas campus of $0.1 million related to unused space for BSN Pre-licensure operations due to the teach-out.

Loss on asset dispositions

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Loss on asset dispositions	$ 308,055	$308,055	NM	$ —	$ 308,055	$308,055	NM	$ —

Bad Debt Expense

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Bad debt expense	$ 744,661	$294,661	65%	$ 450,000	$ 2,094,661	$394,661	23%	$ 1,700,000

Based on our review of 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.

Q4 Fiscal 2024 compared to Q4 Fiscal 2023

AU bad debt expense increased $0.9 million year-over-year due to a bad debt charge during Q4 Fiscal 2024 resulting from the collections activity associated with aged student accounts receivable during the current quarter.

USU bad debt expense decreased $0.6 million year-over-year due a reversal of bad debt expense related to collections activity associated with student accounts receivable in Q4 Fiscal 2024.

Fiscal 2024 compared to Fiscal 2023

AU bad debt expense increased $0.9 million year-over-year due to a bad debt charge during Fiscal 2024 resulting from the collections activity associated with aged student accounts receivable.

USU bad debt expense decreased $0.5 million year-over-year due a reversal of bad debt expense related to collections activity associated with student accounts receivable in Q4 Fiscal 2024.

Depreciation and Amortization

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Depreciation and amortization	$ 889,195	$(44,606)	(5)%	$ 933,801	$ 3,718,621	$9,490	—%	$ 3,709,131

Interest expense

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Interest expense	$ (1,010,121)	$(369,226)	58%	$(640,895)	$(4,979,507)	$(2,330,102)	88%	$(2,649,405)

For both periods, interest expense increased due principally due to the proceeds of the $12.4 million 15% Senior Secured Debentures, which closed on May 12, 2023; an increase in interest rate of the 2022 Convertible Notes from 12% per annum to 14% on May 12, 2023 as consideration to the Lenders who agreed to subordinate their security interests therein to the security interests granted to the holders of the 15% Debentures and issuance of the 15% Debentures put warrants in connection with the Second Amendment; partially offset by an interest expense decrease related to the repayment of the $5 million Credit Facility with the proceeds from the 15% Debentures in May 2023.

Loss on debt extinguishment

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Loss on debt extinguishment	$ (2,053,417)	$(2,053,417)	NM	$ —	$ (2,053,417)	$(2,053,417)	NM	$ —

In connection with the Third Amendment to the 15% Debentures in Q4 Fiscal 2024, the $2.1 million loss on debt extinguishment resulted from the write-off of $0.8 million of debt issuance costs and $1.0 million of original issue discount; partially offset by an increase in fees including an exit fee of $250,000 on or prior to the earlier of the maturity date and repayment in full of the outstanding balance of the 15% Debentures and legal fees of $25,000 to be paid behalf of the lender.

Change in fair value of put warrant liability

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Change in put warrant liability	$ (599,438)	$(599,438)	NM	$ —	$ (505,989)	$(505,989)	NM	$ —

In connection with the Third Amendment to the 15% Debentures the Change in fair value of put warrant liability includes the change in fair value of the 15% Debentures related put warrants.

Other (expense) income, net

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Other income (expense), net	$ 190,974	$207,425	NM	$ (16,451)	$ 20,817	$9,130	78%	$ 11,687

Income Tax Expense

	Three Months Ended April 30,				Years Ended April 30,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Income tax expense	$ (74,404)	NM	NM	$ 22,677	$ 78,374	$(58,374)	(43)%	$ 136,748

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 2023 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 Fiscal 2024 (through December 2024), the final period that permanent establishment is in place.

Income tax expense in Q4 Fiscal 2024 and Q4 Fiscal 2023 includes a reserve reversal of approximately $35,000 based on updated estimates and a reserve of $25,000, respectively, related to the estimated Fiscal Years 2024 and 2023 Canada foreign income tax year liability, respectively; and estimated quarterly domestic tax payments.

Income tax expense in Fiscal 2024 and Fiscal 2023 primarily relates to the Canada foreign income tax year liability and estimated quarterly domestic tax payments.

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.

<u>EBITDA and Adjusted EBITDA</u>

AGI defines Adjusted EBITDA as EBITDA excluding: (1) bad debt expense; (2) stock-based compensation; (3) severance; (4) lease and tenant improvement impairments; (5) loss on debt extinguishment and (6) non-recurring charges. 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,	
	2024	2023	2024	2023
Net loss	$ (7,447,068)	$ (783,954)	$ (13,578,756)	$ (8,347,605)
Interest expense, net	1,010,121	639,517	4,979,486	2,643,603
Taxes	(74,404)	22,677	78,374	136,748
Depreciation and amortization	889,195	933,801	3,718,621	3,709,131
EBITDA	(5,622,156)	812,041	(4,802,275)	(1,858,123)
Bad debt expense	744,661	450,000	2,094,661	1,700,000
Stock-based compensation	149,735	387,452	677,392	1,286,628
Severance	—	149,043	—	274,043
Impairments of right-of-use assets and tenant leasehold improvements	1,421,096	—	1,526,410	—
Loss on debt extinguishment	2,053,417	—	2,053,417	—
Non-recurring charges - Other	563,908	—	908,557	717,299
Adjusted EBITDA	$ (689,339)	$ 1,798,536	$ 2,458,162	$ 2,119,847
Net loss Margin	(69)%	(5)%	(26)%	(13)%
EBITDA Margin	(52)%	5 %	(9)%	(3)%
Adjusted EBITDA Margin	(6)%	12 %	5 %	3 %

In Q4 Fiscal 2024, the decrease in Adjusted EBITDA was due to lower revenue at AU related to the enrollment stoppage for the pre-licensure program and decreased AU online enrollments related to a maintenance marketing spend level, partially offset by an associated reduction in instructional costs and services and a decrease in general and administrative costs attributed to planned cost control and lower professional fees.

In Fiscal 2024, the increase in Adjusted EBITDA was attributable to savings from the restructuring plan, which includes reducing marketing spend to maintenance levels, a reduction in general and administrative costs associated with planned cost control, reduced professional fees and a reduction in headcount and a reduction of instructional costs and services related to the enrollment stoppage for the pre-licensure program, 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.

In both Q4 Fiscal 2024 and Fiscal 2024, non-recurring charges - Other of $563,908 and $908,557, respectively, includes non-recurring professional fees, change in fair value of put warrants and legal settlement costs.

In Fiscal 2023, non-recurring charges - Other of $717,299 includes 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, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (7,447,068)	$ (7,056,305)	$ (1,924,899)	$ 1,534,136
Interest expense, net	1,010,121	1,010,121	—	—
Taxes	(74,404)	(49,108)	(13,778)	(11,518)
Depreciation and amortization	889,195	79,980	661,951	147,264
EBITDA	(5,622,156)	(6,015,312)	(1,276,726)	1,669,882
Bad debt expense	744,661	—	1,077,468	(332,807)
Stock-based compensation	149,735	143,505	4,531	1,699
Impairments of right-of-use assets and tenant leasehold improvements	1,421,096	1,214,398	206,698	—
Loss on debt extinguishment	2,053,417	2,053,417	—	—
Non-recurring charges - Other	563,908	395,508	114,400	54,000
Adjusted EBITDA	$ (689,339)	$ (2,208,484)	$ 126,371	$ 1,392,774
Net income (loss) margin	(69)%	NM	(38)%	27 %
EBITDA margin	(52)%	NM	(25)%	29 %
Adjusted EBITDA margin	(6)%	NM	2 %	24 %

NM – Not meaningful

	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 (income), 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 income (loss) margin	(5)%	NM	12 %	26 %
EBITDA margin	5 %	NM	21 %	28 %
Adjusted EBITDA margin	12 %	NM	24 %	32 %

	Year Ended April 30, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (13,578,756)	$ (19,457,364)	$ (1,076,990)	$ 6,955,598
Interest expense (income), net	4,979,486	4,979,507	(6)	(15)
Taxes	78,374	14,663	42,770	20,941
Depreciation and amortization	3,718,621	312,962	2,857,455	548,204
EBITDA	(4,802,275)	(14,150,232)	1,823,229	7,524,728
Bad debt expense	2,094,661	—	1,752,468	342,193
Stock-based compensation	677,392	590,665	72,200	14,527
Impairments of right-of-use assets and tenant leasehold improvements	1,526,410	1,214,398	312,012	—
Loss on debt extinguishment	2,053,417	2,053,417	—	—
Non-recurring charges - Other	908,557	488,957	365,600	54,000
Adjusted EBITDA	$ 2,458,162	$ (9,802,795)	$ 4,325,509	$ 7,935,448
Net income (loss) margin	(26)%	NM	(4)%	28 %
EBITDA margin	(9)%	NM	7 %	30 %
Adjusted EBITDA margin	5 %	NM	16 %	32 %

	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 (income), 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 income (loss) margin	(11)%	NM	9 %	25 %
EBITDA margin	(2)%	NM	16 %	27 %
Adjusted EBITDA margin	3 %	NM	19 %	30 %

In Q4 Fiscal 2024, the Adjusted EBITDA Margin declined from Q4 Fiscal 2023 due primarily to lower revenue, partially offset by the decrease in marketing spend, decreased instructional costs and planned cost controls.

In Fiscal 2024, the Adjusted EBITDA margin improved from Fiscal 2023 due primarily to the decrease in marketing spend, decreased instructional costs and planned cost controls and headcount reductions associated with the restructuring initiatives in Q1 Fiscal 2023 and Q4 Fiscal 2023.

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,		Years Ended April 30,	
	2024	2023	2024	2023
Revenue	$ 10,868,736	$ 14,782,286	$ 51,395,302	$ 66,324,788
Cost of Revenue	3,393,442	5,141,115	16,232,385	27,087,829
Adjusted Gross Profit	7,475,294	9,641,171	35,162,917	39,236,959
Less amortization expense included in cost of revenue:				
Intangible asset amortization	29,769	24,107	117,506	92,129
Call center software/website amortization	444,876	471,679	1,494,449	1,887,127
Total amortization expense included in cost of revenue	474,645	495,786	1,611,955	1,979,256
GAAP Gross Profit	$ 7,000,649	$ 9,145,385	$ 33,550,962	$ 37,257,703
GAAP Gross Profit as a percentage of revenue	64 %	62 %	65 %	56 %
Adjusted Gross Profit as a percentage of revenue	69 %	65 %	68 %	59 %

In Fiscal 2024, GAAP Gross profit and gross margin improved primarily due to lower cost of revenue associated with the decrease in marketing spend starting in Q1 Fiscal 2023 and a decrease in instructional costs related to the teach out of the BSN Pre-licensure program; partially offset by lower revenue.

Liquidity and Capital Resources

Cash flow information

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

	Years Ended April 30,	
	2024	2023
Net cash (used in) provided by		
Operating activities	$ (3,663,807)	$ (4,339,437)
Investing activities	(1,330,179)	(2,600,945)
Financing activities	1,888,946	(251,298)
Net decrease in cash	$ (3,105,040)	$ (7,191,680)

Net Cash Used in Operating Activities

Net cash used in operating activities decreased from $4.3 million in Fiscal 2023 to $3.7 million in Fiscal 2024. Our net loss for Fiscal 2024 adjusted for non-cash activities increased to cash used of $1.8 million as compared to a $0.5 million use of cash in the prior year period. The change was primarily the result of $5.2 million increase in our net loss due to lower revenue. Approximately $1.8 million of cash used in operations is attributed to decreased working capital which is attributed to increases in short-term and long-term monthly payment plan accounts receivable resulting from strong enrollments in the first half of Fiscal 2024, partially offset by a decrease in financial aid related receivables in other current assets resulting from the Heightened Cash Monitoring 2 ("HCM2") payment method and an increase in advances on tuition and deferred tuition. HCM2 was terminated as of August 16, 2024. Refer to 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, Note 16. Subsequent Events. Further discussion follows.

The decrease in cash from changes in working capital primarily consists of increases in accounts receivable and deposits and other assets, offset by a decrease in other current assets and increases in advances on tuition and deferred tuition, accounts payable and accrued expenses and other long-term liabilities. Accounts receivable increased due to strong enrollments in our post licensure programs in the first half of Fiscal 2024 and new students taking advantage of our MPP. The increase in deposits and other assets is due primarily to the reclass of security deposits for campus locations from "Restricted cash" to "Deposits and other assets." The decrease in other current assets is primarily due to the placement of AU on the HCM2 method of financial aid reimbursement by the Department of Education ("DOE") under Title IV Programs. This reimbursement method results in delay in receiving funds until after a Reimbursement Payment Request is submitted to the DOE, resulting is a receivable from the DOE. The receivable from the DOE decreased as of the end of Fiscal 2024 as compared to the end of Fiscal 2023. Advances on tuition and deferred tuition increased principally at USU due to the 2024 Summer I session start on April 30, 2024, (last day of Fiscal 2024), compared to lower deferred tuition in Fiscal 2023 with the 2023 Summer I session start on May 2, 2023, after Fiscal 2023. The increase in accounts payable and accrued expenses is due to close cash management as Aspen University was under the HCM2 payment method described above until August 2024. Other long-term liabilities includes the exit fee of $250,000 due on or prior to the earlier of the maturity date and repayment in full of the outstanding balance of the 15% Senior Secured Debentures.

The increase in non-cash adjustments consists of impairments of right-of-use assets and tenant improvements, amortization of debt issuance costs and original issue discount related to the 15% Senior Secured Debentures, which closed on May 12, 2023, write-off of capitalized debt issuance costs and debt discounts related to extinguishment of 15% Senior Secured Debentures and change in fair value of put warrants issued in connection with the second amendment of the 15% Senior Secured Debentures; offset by tenant improvement allowances received in Fiscal 2023 related to the Atlanta campus and higher stock-based compensation expense in Fiscal 2023. The decrease in stock-based compensation expense is due to reversal of $0.2 million of amortization expense related to the resignation of the COO, on May 15, 2023 and RSU forfeitures related to decreased headcount.

There may be working capital volatility from quarter to quarter due to the timing of financial aid payments, the timing and size of student course starts that impact advances on tuition and deferred tuition and the timing of increased marketing spend, which could result in increased accounts receivable balances.

Net Cash Used in Investing Activities

Net cash used in investing activities in Fiscal 2024 decreased from Fiscal 2023 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 provided by financing activities in Fiscal 2024 relates to proceeds from the 15% Senior Secured Debentures, net of original issuance discount, of $10.5 million, offset by partial principal repayment of the 15% Senior Secured Debentures of $3.3 million, $0.2 million of debt issuance costs related to these proceeds and repayment of the outstanding borrowings under the $5.0 million Credit Facility.

Liquidity and Capital Resources

The Company's cash balance is kept liquid and concentrated in a large financial institution.

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 May 2026 of which $11.0 million was funded and the remainder recorded as debt discount. 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 were used for working capital needs and to fund a $2.0 million restricted cash reserve required by the agreement. The Company also reimbursed the investors $90,000 for legal, due diligence and investment documentation expenses. The Debentures mature on May 12, 2026 unless earlier redeemed. After the discount, fees, expenses, repayment of the 2018 Revolving Credit Facility, and the funding of the $2.0 million reserve, $3.4 million was made available to the Company as unrestricted cash. The $2.0 million restricted cash deposit was subsequently used to prepay the outstanding balances through the amendments discussed below.

The investors also received warrants to purchase 2.2 million shares of common stock, representing 6% 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 had the option to prepay the Debentures any time after May 12, 2024 at 105%; but has not had the available cash to do so. 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 15% Debentures contain covenants that require the Company to maintain $2.0 million of restricted cash (subsequently amended as discussed in the Second and Third Amendments below), maintain at least $20.0 million of accounts receivable at all times, and maintain enumerated quarterly revenue and quarterly Adjusted EBITDA amounts, which is defined as EBITDA excluding: (1) stock-based compensation; and (2) non-recurring charges (subsequently amended as discussed in the Third Amendment below).

First Amendment

On August 1, 2023, the Company entered into an amendment with the purchasers pursuant to the 15% Debentures to unrestrict $750,000 of the $2.0 million restricted cash, required to be maintained as part of the covenants, until the earlier of August 22, 2023 or next HCM2 funding. On August 9, 2023, the Company replenished the restricted cash balance to $2 million and paid $100,000 of principal along with a $5,000 fee.

Second Amendment

On October 31, 2023, the Company entered into a Second Amendment with the purchasers pursuant to the 15% Debentures to unrestrict $1.5 million of the $2.0 million restricted cash. Upon receipt of $1.5 million of payments under the expected fifth HCM2 reimbursement payment, the Company was required to prepay $1.5 million of the outstanding principal of the 15% Debentures (“Mandatory Prepayment”). Additionally, the Company paid a prepayment premium of $250,000. Monthly redemptions which began in November 2023 were reduced by 10% following the Mandatory Prepayment.

As part of the Second Amendment to the 15% Debentures, which is discussed in Item 12. Financial information for the issuer’s most recent fiscal period - Note 10. Stockholders' Equity, the Company also issued warrants to purchase Common Stock at an exercise price of $0.01 based on the outstanding principal balances of the Debentures, which are the same term as the warrants issued in May 2023 with the 15% Debenture Agreement (collectively, the “New Warrants”):

(i) on the effective date of the Second Amendment, New Warrants to purchase 403,545 shares of Common Stock, which is equal to 1% of the Company’s outstanding shares on a fully diluted basis, with a value of $91,280;

(ii) if the Mandatory Prepayment of $1.5 million has not been made by December 30, 2023, on such date, New Warrants to purchase a number of shares of Common Stock equal to 3% of the Company’s issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of $1.5 million had not been made by December 30, 2023, the Company issued an additional 1,210,634 warrants with a value of $324,937; and

(iii) if the Mandatory Prepayment of $1.5 million has not been made by January 31, 2024, on such date and every 30 days thereafter until such mandatory prepayment has been made, New Warrants to purchase a number of shares of Common Stock equal to 5% of the Company’s issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of $1.5 million had not been made by January 31, 2024, but rather on February 8, 2024, the Company issued an additional 2,017,724 warrants with a value of $541,562.

The Second Amendment also provides that upon the first to occur of the (i) the 15% Debenture Maturity Date, (ii) after the occurrence and during the continuance of an event of default, and (iii) the repayment in full of the 15% Debentures, the Company shall, upon the written request, repurchase the warrants issued in May 2023 and the New Warrants for a purchase price of $100,000 in cash per one percentage point of ownership of the Company’s issued and outstanding common stock on a fully diluted basis as of the date of the Second Amendment (subject to adjustment for stock splits, stock dividends, stock combinations, reverse stock splits, recapitalizations and similar transactions) (collectively the "put warrants"). At April 30, 2024, the fair value of these put warrants was $1,964,593, which is included in "Warrant liability" in the accompanying consolidated balance sheet.

Third Amendment

On April 16, 2024, the Company entered into a Third Amendment with the holders of its outstanding 15% Debentures to:

(i) utilize the remaining $500,000 of restricted cash to prepay outstanding principal on April 18, 2024;

(ii) pay an exit fee of $250,000 on or prior to the earlier of the maturity date and repayment in full of the outstanding balance of the 15% Debentures which was accrued in "Other long-term liabilities" in the accompanying consolidated balance sheets;

(iii) reduce the monthly principal payments to $50,000 for the calendar months of March, April, May, June, July, and August 2024. If the Company enters into a binding agreement providing for the sale of the Company for minimum sale proceeds of $40 million, the monthly principal payments of $50,000 will be continued for the months of September, October, and November 2024;

(iv) reduce the required minimum Revenue and Adjust EBITDA covenants; and

(v) include a voluntary $0.50 conversion feature to common stock of AGI.

Fourth Amendment

On April 29, 2024, the Company entered into a Fourth Amendment with the holders of its outstanding 15% Debentures to:

(i) approve the exchange of the 2022 Convertible Notes held by the holders in exchange for the Series A Convertible Preferred Stock ("Series A") pursuant to the Exchange Agreement and the terms of the Series A set forth in the Certificate of Designation;

(ii) revise certain negative covenants in the 15% Debentures to permit the issuance of the Dividend Shares (see Item 12. Financial information for the issuer's most recent fiscal period - Note 10. Stockholders' Equity) and carve-out the issuance of the Dividend Shares from triggering any adjustments pursuant to negative covenants in the Debentures;

(iii) clarify that the issuance of the Dividend Shares is an "Exempt Issuance" under the 15% Debentures;

(iv) agree that if the Series A are exchanged for new convertible notes on similar terms as the original 2022 Convertible Notes (other than a $0.50 per share conversion price), such notes would be "Permitted Indebtedness" (as defined in the 15% Debentures); and

(v) enter into an agreement to terminate the subordination agreement.

Fifth Amendment

On July 19, 2024, the Company entered into a Fifth Amendment to amend certain events of default.

Sixth Amendment

On October 31, 2024, the Company entered into a Sixth Amendment with the holders of its outstanding 15% Debentures. The Amendment provides that effective Q3 Fiscal 2025, required monthly loan principal payments will be converted to quarterly payments of $500,000. The first quarterly principal payment will be made on January 31, 2025 and each 90 days thereafter. As part of the Sixth Amendment, the Company will issue additional warrants to purchase common stock equal to 5% of outstanding shares of common stock on the Sixth Amendment effective date of October 31, 2024.

2022 Convertible Notes

For information on the terms of our 2022 Convertible Notes that were exchanged for our Series A Convertible Preferred Stock on April 29, 2022, see Item 12. Financial information for the issuer's most recent fiscal period
Item 13. Similar financial information - Note 8. Debt.

Preferred Stock

On April 29, 2024, the Company and the holders of its outstanding $10 million of 2022 Convertible Notes entered into an Exchange Agreement where they exchanged the Convertible Notes for 10,000 shares of Series A with a total stated value of $10 million, which was equal to the total principal of the Convertible Notes. Refer to 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, Note 10. Stockholders' Equity. The resulting decrease in on-going quarterly interest expense is $0.4 million.

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.

On May 12, 2023, the $5 million of outstanding borrowings under the facility were repaid with proceeds from the 15% Debentures. This Credit Facility expired.

Sufficiency of Working Capital

On February 8, 2023, Aspen University received notification from the DOE that effective February 7, 2023 the DOE had placed Aspen University on HCM2. Under the HCM2 method of payment, Aspen University may continue to obligate funds under the federal student financial assistance programs. 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. The transition to the HCM2 payment method created variability in our unrestricted cash balance during Fiscal 2024 because receipt of the first payment under the program was delayed due to extended DOE review time. As of July 2024, we received eight reimbursement payments under the HCM2 program.

On July 19, 2024, the Company received notification from the Distance Education Accrediting Commission (the "Commission") regarding its decision to vacate the show cause directive previously issued to AU on February 1, 2023. DEAC requested that Aspen keep the Commission informed on the status of the teach-out of students who are completing the Nursing Pre-licensure program through September 2024 and continue providing monthly and quarterly reports through January 2025.

On August 16, 2024, the DOE moved Aspen University from the HCM2 payment method, which was effective since February 7, 2023, to HCM1. A school placed on HCM1 receives funds after a school makes disbursements to eligible students from institutional funds and submits disbursement records to the Common Origination and Disbursement System; it will then draw down financial aid funds to cover those disbursements in the same way as a school on the Advance Payment Method.
Since removal from HCM2, Aspen University has received $3.0 million in HCM1 funds.

As of November 8, 2024, the Company had $0.7 million of unrestricted cash on hand. Cost 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 future marketing spend, revenue and growth, the impact of bookings, 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 include, without limitation, the impact from our last and next restructuring plan. our ability to sublease our remaining leases other than our executive offices and necessary space used by AU and USU, the continued high demand for nurses for our new programs and in general, student attrition, national and local economic factors including the labor market shortages, , the failure to obtain approval from the National Council for State Authorization Reciprocity Agreements, competition from other online universities including 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, the impact of any Federal Reserve interest rate decreases on the economy, 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.