Aspen University, Inc.

Financial Statements

April 30, 2023 and 2022

OPE ID NUMBER: 04080300

Aspen University, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder of:
Aspen University, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Aspen University, Inc. (a wholly-owned subsidiary of Aspen Group, Inc.) (the "Company"), which comprises the balance sheets at April 30, 2023 and 2022, and the related statements of operations, changes in stockholder's equity, and cash flows for each of the two years in the period ended April 30, 2023 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspen University, Inc. as of April 30, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended April 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying footnote 14 on the Company's calculation of its Title IV 90/10 revenue test, footnote 12 on related party transactions and Supplemental Schedule I – Financial Responsibility Supplemental Schedule are required by the U.S Department of Education and are presented for purposes of additional analysis and was not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Aspen University's internal control over financial reporting and compliance.

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October 31, 2023

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Aspen University, Inc.
Balance Sheets

	April 30, 2023	April 30, 2022
Assets		
Current assets:		
Cash	$ 649,679	$ 2,235,913
Restricted cash	770,832	1,114,089
Accounts receivable, net of allowance of $2,193,182 and $2,713,014, respectively	12,760,715	15,992,161
Prepaid expenses	293,465	424,492
Other current assets	2,775,959	565,386
Total current assets	17,250,650	20,332,041
Property and equipment:		
Computer equipment and hardware	1,144,488	1,029,590
Furniture and fixtures	2,051,789	2,052,053
Leasehold improvements	6,594,931	5,529,096
Instructional equipment	518,441	477,525
Software	9,694,503	9,149,371
Construction in progress	—	2,100
	20,004,152	18,239,735
Accumulated depreciation and amortization	(10,333,498)	(7,351,827)
Total property and equipment, net	9,670,654	10,887,908
Courseware and accreditation, net	66,646	89,059
Long-term contractual accounts receivable	4,694,798	4,381,677
Operating lease right-of-use assets, net	10,292,656	9,243,517
Deposits and other assets	56,942	381,298
Total assets	$ 42,032,346	$ 45,315,500

(Continued)

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

Aspen University, Inc.
Balance Sheets (Continued)

	April 30, 2023	April 30, 2022
Liabilities and Stockholder’s Equity		
Liabilities:		
Current liabilities:		
Accounts payable	$ 714,084	$ 1,322,577
Accrued expenses	528,829	612,717
Advances on tuition	2,271,967	1,018,281
Deferred tuition	2,496,761	4,673,691
Due to students	2,536,064	3,253,794
Operating lease obligations, current portion	1,605,207	1,141,052
Other current liabilities	42,006	50,499
Total current liabilities	10,194,918	12,072,611
Operating lease obligations, less current portion	14,012,821	12,606,965
Total liabilities	24,207,739	24,679,576
Commitments and contingencies - See Note 7		
Stockholder's equity:		
Common stock, $0.01 par value; 1,000 shares authorized, issued and outstanding		
at April 30, 2023 and 2022, respectively	1	1
Additional paid-in capital	7,101,564	13,364,754
Retained earnings	10,723,042	7,271,169
Total stockholder's equity	17,824,607	20,635,924
Total liabilities and stockholder's equity	$ 42,032,346	$ 45,315,500

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

Aspen University, Inc.
Statements of Operations

	Years Ended April 30,	
	2023	2022
Revenue	$ 40,541,949	$ 51,839,354
Operating Expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately)	16,879,884	23,565,471
General and administrative	16,271,853	18,429,882
Bad debt expense	900,000	950,000
Depreciation and amortization	2,987,568	2,809,255
Total operating expenses	37,039,305	45,754,608
Operating income	3,502,644	6,084,746
Other income, net	18,662	416,617
Income before income taxes	3,521,306	6,501,363
Income tax expense	69,433	360,947
Net income	$ 3,451,873	$ 6,140,416

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

Aspen University, Inc.
Statements of Changes in Stockholder's Equity
For the Years Ended April 30, 2023 and 2022

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Total Stockholder's Equity
Balance as of April 30, 2021	1,000	$ 1	$ 22,026,561	$ 1,130,753	$ 23,157,315
Distribution of capital to parent and/or affiliates, net	—	—	(8,661,807)	—	(8,661,807)
Net income	—	—	—	6,140,416	6,140,416
Balance as of April 30, 2022	1,000	1	13,364,754	7,271,169	20,635,924
Distribution of capital to parent and/or affiliates, net	—	—	(6,263,190)	—	(6,263,190)
Net income	—	—	—	3,451,873	3,451,873
Balance as of April 30, 2023	1,000	$ 1	$ 7,101,564	$ 10,723,042	$ 17,824,607

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

Aspen University, Inc.
Statements of Cash Flows

	Years Ended April 30,	
	2023	2022
Cash flows from operating activities:		
Net income	$ 3,451,873	$ 6,140,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	900,000	950,000
Depreciation and amortization	2,987,568	2,809,255
Stock-based compensation	153,296	—
Non-cash lease benefit	(19,128)	(1,739,061)
Tenant improvement allowances received from landlords	840,000	773,295
Loss on asset disposal	—	36,443
Changes in operating assets and liabilities:		
Accounts receivable	2,018,325	(5,197,213)
Prepaid expenses	131,027	63,103
Accounts receivable, secured	—	45,329
Deposits and other assets	324,356	(38,583)
Other current assets	(2,210,573)	(497,731)
Accounts payable	(608,493)	563,575
Accrued expenses	(83,888)	131,774
Due to students	(717,730)	840,829
Advances on tuition and deferred revenue	(923,244)	(1,082,363)
Other current liabilities	(8,493)	46,343
Net cash provided by operating activities	6,234,896	3,845,411
Cash flows from investing activities:		
Purchases of courseware and accreditation	(17,500)	(29,391)
Disbursements for reimbursable leasehold improvements	(840,000)	(773,295)
Purchases of property and equipment	(687,969)	(1,972,285)
Net cash used in investing activities	(1,545,469)	(2,774,971)
Cash flows from financing activities:		
Distribution of capital to Affiliates, net	(6,618,918)	(7,322,452)
Net cash used in financing activities	(6,618,918)	(7,322,452)
Net decrease in cash and restricted cash	(1,929,491)	(6,252,012)
Cash and restricted cash at beginning of year	3,350,002	9,602,014
Cash and restricted cash at end of year	$ 1,420,511	$ 3,350,002
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ —	$ —
Cash paid for income taxes	$ 42,146	$ 20,947
Supplemental disclosure of non-cash investing and financing activities:		
Allocation of leasehold improvements from/to Affiliates	$ 202,432	$ 1,339,355

(Continued)

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

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

	April 30,	
	2023	2022
Cash	$ 649,679	$ 2,235,913
Restricted cash	770,832	1,114,089
Total cash and restricted cash	$ 1,420,511	$ 3,350,002

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

Note 1. Nature of Operations

Overview

Aspen University, Inc. (the “Company”, the "University" or “Aspen”), organized in 1987, is a wholly owned subsidiary of Aspen Group, Inc. (“AGI” or “Parent”).

Aspen University’s vision is to make college affordable again in America. 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 online higher education. Aspen University has been offering a monthly payment plan that is available to all students across every online degree program offered, since March 2014. The monthly payment plan is designed so that students will make one fixed payment per month, and that monthly payment is applied towards the total cost of attendance (tuition and fees, excluding textbooks). The monthly payment plan offers online undergraduate students the opportunity to pay their tuition and fees at $250/month, online master's students $325/month, and online doctoral students $375/month, interest free, thereby giving students a monthly payment option versus taking out a federal financial aid loan.

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 2024.

Aspen University is qualified to participate under the Higher Education Act of 1965, as amended ("HEA") and the Federal student financial assistance programs (Title IV, HEA programs). 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. See Note 7. Commitments and Contingencies Note for additional information.

Note 2. Significant Accounting Policies

Basis of Presentation

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

Accounting Estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its 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 financial statements include the allowance for doubtful accounts, the valuation of lease liabilities and the carrying value of the related right-of-use assets ("ROU assets"), depreciable lives of property and equipment, amortization periods and valuation of courseware and software development costs, valuation of loss contingencies, and the valuation allowance on deferred tax assets.

All references to the year ended April 30, 2023 and 2022 are to the fiscal years ending April 30, 2023 and 2022.

Cash and Restricted Cash

For the purposes of the 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. There were no cash equivalents at April 30, 2023 and 2022.

	April 30, 2023	April 30, 2022
Cash	$ 649,679	$ 2,235,913
Restricted cash:		
Letters of credit for operating leases	770,832	1,114,089
Total restricted cash	770,832	1,114,089
Total cash and restricted cash as shown on the statement of cash flows	$ 1,420,511	$ 3,350,002

Fair Value Measurements and Fair Value of Financial Instruments

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

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

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

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

Accounts Receivable and Allowance for Doubtful Accounts Receivable

All students are required to select both a primary and secondary payment option with respect to amounts due to Aspen for tuition, fees and other expenses. The monthly payment plan represents the majority of the payments that are made by Aspen'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 Aspen'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, Aspen may have to return all or a portion of the Title IV funds to the DOE and the student will owe Aspen all amounts incurred that are in excess of the amount of financial aid that the student earned and that Aspen is entitled to retain. In this case, Aspen must collect the receivable using the student's second payment option.

For accounts receivable from students, and payors other than students, Aspen records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students or other payors to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student's cost of tuition and related fees. Aspen 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. Aspen writes off accounts receivable balances at the time the balances are deemed uncollectible. Aspen continues to reflect accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection.

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

Property and Equipment

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

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

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

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 statements of operations. Repairs and maintenance costs are expense in the period incurred.

Courseware and Accreditation

The Company records the costs of courseware and accreditation in accordance with the FASB Accounting Standards Codification ("ASC") Topic 350 "Intangibles - Goodwill and Other".

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

Long-Lived Assets

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

Due to Students

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

Leases

The Company accounts for leases in accordance with FASB issued ASU No. 2016-2, *Leases (Topic 842)*.

The Company enters into various lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or financing lease. Leases may contain initial periods of free rent and/or periodic escalations. When such items are included in a lease agreement, the Company records rent expense on a straight-line basis over the initial term of a lease. The difference between the rent payment and the straight-line rent expense is recorded to the balance sheet as operating lease right-of-use assets/liabilities. The Company expenses any additional payments under its operating leases for taxes, insurance or other operating expenses as incurred.

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

Disclosures related to the amount, timing, and uncertainty of cash flows arising from leases are included in Note 8. Leases.

Revenue Recognition, Advances on Tuition and Deferred Tuition

The Company follows Accounting Standards Codification (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 9. 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 $13.7 million and $13.0 million for the years ended April 30, 2023 and 2022, respectively, and are included in cost of revenue.

Marketing and Promotional Costs

Marketing and promotional costs include costs associated with producing marketing materials and advertising. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing and recruiting efforts, and expenditures on advertising initiatives for new and existing academic programs. The Company's marketing generally consists of non-direct response advertising activities and are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. Total marketing and promotional costs were $3.2 million and $10.6 million for the years ended April 30, 2023 and 2022, respectively, and are included in cost of revenue.

General and Administrative

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

Legal Expenses

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

Income Taxes

The University is included in the consolidated tax return of Aspen Group, Inc. The University calculates the provision for income taxes by using a “separate return” method. Under this method, the University is assumed to file a separate return with the tax authority, thereby reporting the University’s taxable income or loss and paying the applicable tax to or receiving the appropriate refund from Aspen Group, Inc. Our current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. We provide deferred taxes on temporary differences and on any carryforwards that we could claim on our hypothetical return and assess the need for a valuation allowance on the basis of our projected separate return results.

Any difference between the tax provision (or benefit) allocated to us under the separate return method and payments to be made to (or received from) Aspen Group, Inc. for tax expense, are treated as either dividends or capital contributions. Accordingly, the amount by which our tax liability under the separate return method exceeds the amount of tax liability ultimately settled as a result of using incremental expenses of Aspen Group, Inc. is periodically settled as a capital contribution from Aspen Group, Inc. to the University.

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.

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 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 financial statements.

Reclassifications

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

The Company has concluded that based on industry practices, the preferred presentation for disbursements for reimbursable leasehold improvements received from the landlords should be reclassified from "purchases of property and equipment" to separately disclose the "disbursements for reimbursable leasehold improvements." The purchases of property and equipment balance of $773,295 for the tenant improvement allowance received from the landlord at April 30, 2022, which was previously included in "purchases of property and equipment" in the accompanying statements of cash flows was reclassified to "Disbursements for reimbursable leasehold improvements" to align with the current year presentation. There is no impact to net cash provided by investing activities included in the accompanying statement of cash flows for the year ended April 30, 2022.

The Company has concluded that based on the timing of the monthly payment plan receipts for student tuition, it is preferable to separately disclose tuition received in advance of class starts and billed unearned revenue instead of presenting the two items combined as deferred revenue. As a result, tuition received in advance of class starts and billed unearned revenue have been reclassified from "deferred revenue" to separately disclose "Advances on tuition" and "Deferred tuition." The "deferred revenue" balance of $5,691,972 at April 30, 2022, in the balance sheet was reclassified to "Advances on tuition" of $1,018,281 and "Deferred tuition" of $4,673,691 to align with the current year presentation. The "Deferred revenue" line item in the accompanying statement of cash flows for the year ended April 30, 2022 was renamed to "Advances on tuition and deferred tuition" to align with the current year presentation. There is no impact to current liabilities in the accompanying balance sheets at April 30, 2022 or net cash provided by operating activities included in the accompanying statement of cash flows for the year ended April 30, 2022.

Note 3. Accounts Receivable

Accounts receivable consisted of the following:

	April 30, 2023	April 30, 2022
Total accounts receivable, gross	$ 19,648,695	$ 23,086,852
Long-term contractual accounts receivable	(4,694,798)	(4,381,677)
Accounts receivable, gross	14,953,897	18,705,175
Less: allowance for doubtful accounts	(2,193,182)	(2,713,014)
Accounts receivable, net	$ 12,760,715	$ 15,992,161

In Q4 Fiscal 2023, AU 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 program ended on March 1, 2023. Approximately $1.2 million was collected under the program. $0.4 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2023 Statement of Operations.

Bad debt expense for the years ended April 30, 2023 and 2022, was $900,000 and $950,000, 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 is recognized as either other income or expense. There is no expense impact for such write offs for the years ended April 30, 2023 and 2022.

Property and equipment consisted of the following:

	April 30, 2023	April 30, 2022
Computer equipment and hardware	$ 1,144,488	$ 1,029,590
Furniture and fixtures	2,051,789	2,052,053
Leasehold improvements	6,594,931	5,529,096
Instructional equipment	518,441	477,525
Software	9,694,503	9,149,371
Construction in progress	—	2,100
	20,004,152	18,239,735
Accumulated depreciation and amortization	(10,333,498)	(7,351,827)
Total property and equipment, net	$ 9,670,654	$ 10,887,908

Software consisted of the following:

	April 30, 2023	April 30, 2022
Software	$ 9,694,503	$ 9,149,371
Accumulated amortization	(6,646,315)	(5,053,067)
Software, net	$ 3,048,188	$ 4,096,304

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

	Years Ended April 30,	
	2023	2022
Depreciation and amortization expense:		
Property and equipment, excluding software	$ 1,354,408	$ 1,152,150
Software	$ 1,593,248	$ 1,615,295

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

	Future Expense
2024	$ 1,366,756
2025	960,836
2026	512,070
2027	182,990
2028	25,536
Total	$ 3,048,188

Note 5. Courseware and Accreditation

As courseware and accreditation reach the end of their useful life, they are written off against the accumulated amortization. There is no expense impact for such write-offs for the years ended April 30, 2023 and 2022.

Courseware and accreditation consisted of the following:

	April 30,	
	2023	2022
Courseware	$ 367,180	$ 349,681
Accreditation	59,350	59,350
	426,530	409,031
Accumulated amortization	(359,884)	(319,972)
Courseware and accreditation, net	$ 66,646	$ 89,059

Amortization expense of courseware and accreditation is as follows:

	Years Ended April 30,	
	2023	2022
Courseware and accreditation amortization expense	$ 39,912	$ 41,810

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

	Future Expense
2024	$ 28,521
2025	17,433
2026	12,573
2027	8,119
Total	$ 66,646

Note 6. Accrued Expenses

Accrued expenses consisted of the following:

	April 30,	
	2023	2022
Accrued foreign tax	$ 380,000	$ 340,000
Accrued marketing	—	148,873
Other accrued expenses	148,829	123,844
Accrued expenses	$ 528,829	$ 612,717

Note 7. Commitments and Contingencies

Operating Leases

The Company leases space for its campus and corporate operations. (See Note 8. 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. Aspen University has E&O insurance with Lloyd's London that provides for a $500,000 limit of liability (each claim). The deductible associated with this policy is $100,000. After consideration of the policy limit and associated deductible, the Company's liability is estimated to be approximately $150,000, which was recorded in "general and administrative" expense in the accompanying statement of operations at April 30, 2023. 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 must be approved by the United States District Court, District of Arizona before it can take effect.

In June 2023, Aspen was served with a lawsuit filed by a former BSN Pre-licensure program student which is pending with the US District Court, District of Arizona. The student contends that she was falsely dismissed from the BSN Pre-licensure program in June 2021. She is not a member of the class described above. Aspen will be meeting with a District Court, District of Arizona, magistrate for a settlement conference in mid-November 2023. The Company assessed that it is not probable that the plaintiff will prevail, therefore, no amounts have been accrued in the financial statements.

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

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

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

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

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

Regulatory Matters

The Company is 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.

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.

The Company operates in a highly regulated industry, it 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.

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.

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 Arizona State Board of Nursing, the university voluntarily suspended BSN pre-licensure enrollments and the formation of new cohorts at its two Phoenix pre-licensure locations, effective February 2022. In March 2022, Aspen University entered into a Consent Agreement for Probation and a Civil Penalty (the "Consent Agreement") with the Arizona State Board of Nursing in which Aspen University's Provisional Approval was revoked, with the revocation stayed pending Aspen University's compliance with the terms and conditions of the Consent Agreement. The probationary period is 36 months from the date of the Consent Agreement. In June 2022, the AZ BON granted approval of Aspen University's request for provisional approval as long as the program is in compliance with the consent agreement through March 31, 2025. The stay was broken into two phases, the first lasting through the end of Calendar Year 2022. During Phase I, Aspen University was not permitted to enroll any new students into the core component of its pre-licensure nursing program in Arizona and must achieve the AZ BON-required 80% NCLEX-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 was permitted to begin enrollments into the core component of its pre-licensure nursing program in Arizona once four consecutive quarters of 80% NCLEX first-time pass rates occur. However, once achieved, if the NCLEX-RN® pass rate fell below 80% for any quarter, the AZ BON could limit enrollments, and repeated failures may result in a required cessation of enrollments and teach-out of the program. The terms of the Consent Agreement also include requirements that the Company provide the AZ BON with monthly reports, provide that our faculty and administrators undergo additional training, retain an approved consultant to prepare and submit evaluations to the AZ BON, and hire a minimum of 35% full-time qualified faculty by September 30, 2022.

On September 20, 2022, Aspen University and the Arizona State Board of Nursing entered into a revised Consent Agreement under which Aspen agreed to voluntarily surrender its program approval for its pre-licensure nursing program in Phoenix, Arizona. Aspen sought the agreement after concluding that it was unable to meet the minimum 80% NCLEX first-time pass rates for calendar year 2022, which was a requirement of an earlier consent agreement that Aspen and the Board signed in March 2022. Aspen did so to minimize uncertainty for its students. Aspen had suspended admissions to its Arizona program in January 2022. For the calendar quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, Aspen University's NCLEX-RN® first-time pass rates were 73.33%, 69.64%, 59.15% and 56.53%, respectively. For the calendar quarters ended March 31, 2023, June 30, 2023 and September 30, 2023, Aspen University's NCLEX-RN® first-time pass rates were 50.52%, 78.05% and 67.42%, respectively.

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

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

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

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

Arizona State Board for Private Postsecondary Education

On March 8, 2022, Aspen University has also entered into a Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which required the University to post a surety bond for $18.3 million in the fourth quarter of fiscal year 2022. The Stipulated Agreement required the cessation of enrollment in both the pre-professional nursing and core components of the program in Arizona, the submission of student records monthly, the removal of Arizona start date information from websites and catalogs, and monthly reporting to the Board staff. The collateral for this surety bond is carried at AGI.

On October 31, 2022, Aspen and the Arizona State Board for Private Postsecondary Education entered into a revised 2nd Stipulated Agreement that reduced AU's surety bond requirement from $18.3 million to $5.5 million, requires a civil penalty of $12,000 and enrollment stoppage and requires the teach out of the pre-licensure program. Other requirements from the April 2022 Stipulated Agreement were carried forward to this revised agreement. In December 2022, as a result of the revised stipulated agreement with the Arizona State Board for Private Postsecondary Education, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

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

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, the start of the regulatory concerns over SARA approval, Aspen University has been seeking individual state authorizations for its students. Aspen University has succeeded in securing full approval, exemption, or has determined approval is not required, in 43 states, while 5 additional states allow our currently enrolled students to continue while applications are under review or in process. Students in these states represent over 99% of the current student body.

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

DOE Program Review

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

Show Cause Directive by DEAC

On February 1, 2023, AGI received notification that Aspen University had been issued a Show Cause Directive by DEAC requiring Aspen University to prove why its current accreditation should not be withdrawn and to require Aspen University to undergo a special visit by a team of DEAC evaluators. Show Cause is an enforcement action focused on specific areas of perceived non-compliance to which Aspen must respond through narrative, documentation, and other evidence within the specific remediation timeframe.

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

To date, Aspen University has provided multiple regulatory bodies with requested records and data and Aspen University will willingly comply with the DEAC's continued oversight through the show cause period. The maximum length of the show cause remediation period is up to two years or 150% of the length of the Institution’s longest program. During the show cause remediation period, Aspen University remains fully accredited. DEAC expected Aspen to submit its response to the Show Cause Directive on May 19, 2023, which it submitted timely, and conducted a site visit on June 13, 2023. Aspen University received the Chair’s Report on August 8, 2023, and responded to it timely on September 8, 2023.

On September 7, 2023, Aspen 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 additional related information by October 4, 2023, and again during the full reaccreditation site visit on October 19, 2023. Aspen University awaits the Chair's Report expected in December 2023.

Heightened Cash Management 2 (“HCM2”)

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

HCM2 is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. Subsequent to its receipt of the first financial aid payment under HCM2, Aspen University will now be able to submit for financial aid reimbursement once every 30 days. Reimbursement payments could be delayed if the DOE has findings upon review of each of our reimbursement files. As of April 30, 2023, $2.3 million due from the DOE was included in "Other current assets" on the balance sheet. Aspen University received its first, second and third financial aid payments under HCM2 in June 2023, August 2023 and September 2023, respectively.

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

Composite Score

Institutions participating in Title IV programs are required to demonstrate financial responsibility. The Department of Education determines an institution’s financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 may be required to submit financial guarantees in order to continue participation in the Title IV programs. Refer to the "Supplemental Schedule I - Financial Responsibility Supplemental Schedule" section for further information.

Title IV Funding

Aspen University derives a portion of their revenue from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the DOE. When students seek funding from the federal government, they receive loans and grants to fund their education under the following Title IV Programs: (1) the Federal Direct Loan program, or Direct Loan; (2) the Federal Pell Grant program, or Pell; (3) Federal Work Study and (4) Federal Supplemental Opportunity Grants. For the years ended April 30, 2023 and 2022, 25.86% and 36.37%, respectively, of Aspen University's cash-basis revenue for eligible tuition and fees was derived from Title IV Programs. See Note 14. Title IV 90% Rule for calculation.

Return of Title IV Funds

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

Approval to Confer Degrees

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

Note 8. Leases

The Company determines if a contract contains a lease at inception. The Company entered into operating leases totaling approximately 151,347 square feet of office and classroom space in Phoenix, AZ, Denver, CO, Austin, TX, Tampa, FL, Nashville, TN and Atlanta, GA. 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 balance sheet. The Company does not have any financing leases.

As of April 30, 2023, except for Denver, all of our leases are longer term operating leases and are set to expire in six to eight years.

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 balance sheets at April 30, 2023 and 2022. These assets and lease liabilities are recognized based on the present value of remaining lease payments over the lease term. Variable lease costs such as common area maintenance, property taxes and insurance are expensed as incurred. When the lease does not provide an implicit interest rate, the Company uses an incremental borrowing rate of 12% to determine the present value of the lease payments.

Lease incentives are deducted from the ROU assets. Incentives such as tenant improvement allowances are amortized as leasehold improvements, separately, over the life of the lease term. For the years ended April 30, 2023 and 2022, the amortization expense for these leasehold improvements was $540,978 and $437,111, respectively.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for the years ended April 30, 2023 and 2022 was $2,637,067 and $2,123,901, respectively, which is included in general and administrative expense in the statements of operations.

ROU assets are summarized below:

	April 30, 2023	April 30, 2022
ROU assets - Operating facility leases	$ 15,821,588	$ 14,278,313
Less: accumulated reduction	(5,528,932)	(5,034,796)
Total ROU assets	$ 10,292,656	$ 9,243,517

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

	April 30, 2023	April 30, 2022
Total lease liabilities	$ 23,426,244	$ 20,929,007
Reduction of lease liabilities	(7,808,216)	(7,180,990)
Total operating lease obligations	$ 15,618,028	$ 13,748,017

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

Maturity of Lease Obligations	Lease Payments
2024	$ 4,187,290
2025	4,308,743
2026	4,429,201
2027	4,525,048
2028	4,654,707
Thereafter	4,917,969
Total future minimum lease payments	27,022,958
Less: imputed interest	(11,404,930)
Present value of operating lease obligations	$ 15,618,028

Balance Sheet Classification	April 30, 2023	April 30, 2022
Operating lease obligations, current portion	$ 1,605,207	$ 1,141,052
Operating lease obligations, less current portion	14,012,821	12,606,965
Total operating lease liabilities	$ 15,618,028	$ 13,748,017

Other Information	April 30, 2023	April 30, 2022
Weighted average remaining lease term (in years)	6.22	7.17
Weighted average discount rate	12 %	12 %

Note 9. 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, books, 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:

	For the Years Ended April 30,	
	2023	**2022**
Tuition - *recognized over period of instruction*	$ 35,319,770	$ 45,779,780
Course fees - *recognized over period of instruction*	4,141,427	4,799,797
Book fees - *recognized at a point in time*	—	42,778
Exam fees - *recognized at a point in time*	674,568	746,268
Service fees - *recognized at a point in time*	406,184	470,731
Revenue	$ 40,541,949	$ 51,839,354

Contract Balances and Performance Obligations

The advances on tuition and deferred tuition balances as of April 30, 2023 and 2022, was $4,768,728 and $5,691,972, respectively. During the year ended April 30, 2023, the Company recognized $3,069,906 of revenue that was included in the these balances as of April 30, 2022. 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 310, Receivables. The Company uses the portfolio approach.

Cash Receipts

The Company's students finance costs through a variety of funding sources, including, among others, monthly payment plans, installment plans, federal loan and grant programs (Title IV), employer reimbursement, and various veteran and military funding and grants, and cash payments. Most students elect to use the Company's monthly payment plan. This plan allows students to make fixed monthly payments over the length of the payment plan. Title IV and military funding typically arrive during the period of instruction, however, subsequent to AU’s placement on HCM2, discussed in Note 7. 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 Judgments

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

The Company maintains institutional tuition refund policies, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund 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 3% and 2%, respectively, of revenue for each of the years ended April 30, 2023 and 2022.

Teach-out of the Pre-licensure Nursing Programs

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

For the years ended April 30, 2023 and 2022, 31% and 33% of total Aspen revenue was earned from its pre-licensure nursing program.

Note 10. Income Taxes

The components of income tax expense are as follows:

	For the Years Ended April 30,	
	2023	2022
Current:		
Federal	$ —	$ —
State	29,433	20,947
Foreign	40,000	340,000
	69,433	360,947
Deferred:		
Federal	—	—
State	—	—
	—	—
Total income tax expense	$ 69,433	$ 360,947

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

	April 30,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforward	$ 5,619,318	$ 5,568,430
Allowance for doubtful account	572,942	704,043
Lease obligations	4,080,016	—
Stock-based compensation	97,747	69,004
Contributions carryforward	11,163	11,089
Intangibles	9,380	9,651
Total deferred tax assets	10,390,566	6,362,217
Deferred tax liabilities:		
Property and equipment	(969,213)	(943,768)
Right-of-use assets	(2,688,829)	—
Accrued compensation	—	(36,845)
Deferred rent	—	(770,935)
Total deferred tax liabilities	(3,658,042)	(1,751,548)
Deferred tax assets, net	$ 6,732,524	$ 4,610,669
Valuation allowance:		
Beginning of year	$ (4,610,669)	$ (5,548,833)
Decrease during period	(2,121,855)	938,164
Ending balance	(6,732,524)	(4,610,669)
Net deferred tax asset	$ —	$ —

The Company's taxable income (loss) is reported on a U.S. Consolidated Corporation Income Tax Return which includes its parent, Aspen Group, Inc., along with its wholly owned subsidiaries. As of April 30, 2023, as part of its periodic evaluation of the necessity to maintain a valuation allowance against its deferred tax assets, and after consideration of all factors, including, among others, projections of future taxable income, current year net operating loss carryforward utilization and the extent of the Company's cumulative losses in recent years, the Company determined that, on a more likely than not basis, it would not be able to use remaining deferred tax assets. Accordingly, the Company has determined to maintain a full valuation allowance against its net deferred tax assets. In the future, the utilization of the Company's net operating loss carryforwards may be subject to certain change of control limitations. If the Company determines it will be able to use some or all of its deferred tax assets in a future reporting period, the adjustment to reduce or eliminate the valuation allowance would reduce its tax expense and increase after-tax income.

At April 30, 2023, the Company had approximately $21.5 million of net operating loss carryforwards, $21.2 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, 2023, tax years 2020 through 2022 remain open for IRS audit. The Company has received no notice of audit from the Internal Revenue Service for any of the open tax years.

A reconciliation of income tax computed at the U.S. statutory rate to the effective income tax rate is as follows:

	April 30,	
	2023	2022
Statutory rate applied to earnings before income taxes	21.00 %	21.00 %
Increase (decrease) in income tax resulting from:		
State income taxes, net of federal tax benefit	6.14 %	5.37 %
Federal and state minimum taxes	— %	0.02 %
Permanent differences	1.44 %	0.25 %
Foreign Income Tax	1.14 %	5.23 %
Change in tax rates - states	(0.87)%	(0.58)%
Change in valuation allowance	60.26 %	(14.43)%
Other	(87.30)%	(11.26)%
Effective income tax rate	1.81 %	5.60 %

Note 11. Concentrations

Uninsured Cash Balances

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits of $250,000 per financial institution. The Company has not experienced any losses in such accounts from inception through April 30, 2023. As of April 30, 2023 and 2022, the Company maintained deposits exceeding federally insured limits by $920,511 and $2,850,002, respectively, held in two separate institutions.

Concentration of Revenue

Aspen is an eligible proprietary institution that participates in Federal Student Financial Assistance Programs ("Title IV"). In order to continue eligibility in these programs, the institution must meet the "90/10 rule." This means that no more than 90 percent of the Institution's revenue for a fiscal year may be derived from Title IV programs; at least 10 percent must come from non-Title IV program funds. Aspen received 25.86% of its funding from Title IV and 74.04% from non-Title IV for the year ended April 30, 2023. See Note 14. Title IV 90% Rule.

Note 12. Related Party Transactions

Aspen participates in Student Financial Aid ("SFA") under the Title IV programs administrated by the U.S. Department of Education pursuant to HEA. Aspen must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the balance sheet.

For the years ended April 30, 2023 and 2022, Aspen University distributed cash of $6,618,918 and $7,322,452, respectively, to AGI. For the year ended April 30, 2023, Aspen University was allocated leasehold improvements of $202,432 from its affiliate and for the year ended April 30, 2022, Aspen University allocated $1,339,355 to AGI and its affiliate.

Included in general and administrative expense in the accompanying statements of operations is stock-based compensation expense allocated by the parent AGI to Aspen University for Aspen University employees. For the years ended April 30, 2023 and 2022, the amount of stock compensation expense in the Aspen University financial statements was $153,296 and $200,980, respectively. As of April 30, 2023 and 2022, all intercompany liabilities were settled and reclassified as "Distribution of capital to parent and /or affiliate, net" in the statement of changes in stockholder's equity. Management believes these allocations are reasonable.

Note 13. Subsequent Events

In preparing these financial statements, the University evaluated subsequent events through October 31, 2023, the date the financial statements were available to be issued.

On August 9, 2023, Aspen University and the landlord mutually entered into an agreement to terminate its operating lease for office and classroom space in Atlanta, Georgia, contingent upon receiving notice from a new tenant of the landlord (within 90 days). The early termination fee requires Aspen University to pay the landlord, monthly, 45% of the base monthly rent and additional rent that would have been due through January 31, 2030, or approximately $1.5 million, which will be included in other expense in the statements of operations and a corresponding other non-current liability in the balance sheet. In accordance with ASU No. 2016-2, *Leases (Topic 842)*, this early lease termination would result in removing the operating lease right-of-use asset, net and the operating lease obligations, net, from the balance sheet, with an approximate $1.0 million gain recognized for the difference, which will be included in other expense in the statements of operations. Simultaneously, the landlord will immediately reduce the letter of credit for the security deposit by 45% from $239,400 to $107,730; releasing a corresponding amount of restricted cash for use in operating activities.

Note 14. Title IV 90% Rule

Aspen University derives a substantial portion of its revenues from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, Aspen must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges from eligible programs to not be more than 90 percent from Title IV programs. The failure of Aspen to meet the 90 percent limitation for two consecutive years will result in the loss of our ability to participate in Title IV programs. If a school receives more than 90 percent of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years.

For the year ended April 30, 2023, Aspen received $10,393,562 of Title IV funds and total eligible cash receipts of $40,184,316, resulting in Title IV revenues of 25.86% of total cash receipts.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

For the year ended April 30, 2023, Aspen's cash basis calculation formula is:

The sum of Adjusted Student Title IV Revenue = 90/10 Revenue Percentage
Sum of Adjusted Student title IV Revenue
+ Sum of Student Non-Title IV Revenue
+ Total Revenue from Other Sources

	Year Ended April 30, 2023	
	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue		
Subsidized loan	$ 4,104,691	$ 4,104,691
Unsubsidized loan up to pre-ECASLA loan limits	13,697,409	13,697,409
Plus	1,203,930	1,203,930
Federal Pell Grant	3,379,180	3,379,180
FSEOG (subject to matching reduction, the amount of FSEOG funds disbursed to a student and the amount of FWS funds credited to the student's account are reduced by the amount of the school matching (25% of $500 = $125; $500 – $125 = $375)	208,000	156,000
Federal Work Study applied to tuition and fees (subject to matching reduction)	—	—
Student Title IV Revenue		22,541,210
Revenue Adjustment		
(If the amount of Funds Applied First plus Student Title IV Revenue is more than Tuition and fees, then reduce Student Title IV Revenue by the amount over Tuition and Fees)		(10,358,799)
Title IV funds returned for a student under 34 C.F.R. § (withdrawal), reduce Student Title IV Revenue 668.22		(1,788,849)
Adjusted Student Title IV Revenue		10,393,562
Student Non-Title IV Revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	—	
Funds provided for the student under a contractual arrangement with a Federal, State or local government agency for the purpose of providing job training to low-income individuals	—	
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	—	
Institutional scholarships disbursed to the student	—	
Student payments	29,790,754	
Student Non-Title IV Revenue	29,790,754	
Revenue from Other Sources		
Activities that are conducted by the institution that are necessary for education and training (34 C.F.R. § 668.28(a)(3)(ii))	—	
Funds paid by a student, or on behalf of a students by a party other than the school for an education or training program that is not eligible (34 C.F.R. § 668.28(a)(3)(iii))	—	
Allowable student payments + allowable amounts from account receivable or institutional loan sales – any required payments under a recourse agreement	—	
Revenue from Other Sources	—	
Total Non-Title IV Revenue (Student Non-Title IV Revenue + Revenue from Other Sources)		29,790,754
Total Revenue (Adjusted Student Title IV Revenue + Student Non-Title IV Revenue + Revenue from Other Sources)		$ 40,184,316

ASPEN UNIVERSITY, INC. - OPE ID: 04080300
SUPPLEMENTARY INFORMATION
(Information Required by the U.S. Department of Education)
for the year ended April 30, 2023
Schedule I
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Lines		**Primary Reserve Ratio:**		
		Adjusted Equity		
34	Balance Sheet - Total Equity	Total equity		$ 17,824,607
6, 7, 12	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	$ —	
6, 12	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		—
10	Balance Sheet - Property, Plant and Equipment, net	Property, plant and equipment, net - including construction in progress	9,670,654	
FS Note line 10A	Note of the Financial Statements - Balance Sheet - Property, Plant and Equipment, net - pre-implementation	Property, plant and equipment, net - pre-implementation less any construction in progress		—
FS Note line 10B	Note of the Financial Statements Balance Sheet - Property, Plant and Equipment, net - pre-implementation with outstanding debt for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		—
FS Note line 10D	Note of the Financial Statements Balance sheet - Property, Plant and Equipment, net - post-implementation without outstanding dept for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		—
FS Note line 10C	Note of the Financial Statements Balance Sheet - Property, Plant, and Equipment - Construction in process	Construction in progress		—
11	Balance Sheet - Lease right-of-use asset	Lease right-of-use asset	10,292,656	
Excluded 11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre- implementation	Lease right-of-use asset - pre-implementation		—
M11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre- implementation	Lease right-of-use asset - post- implementation		—
13, 14	Balance Sheet - Goodwill and Intangibles, net	Intangible assets	66,646	—
31	Balance Sheet - Post-employment and pension liability	Post-employment and defined pension plan liabilities		—
19, 23, 24, 27, 28	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt - for long-term purposes and Construction in process debt	—	
M19, 23, 24, 27, 28 Note Debt A	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt for long-term purposes pre- implementation		—
Debt Note B	Balance Sheet - Notes payable and Line of Credit (both current and long-term) for purchase of Property, Plant and Equipment	Qualified Long-term debt for long-term purposes post-implementation for purchase of Property, Plant and Equipment		—
Debt Note C	Balance Sheet - Notes payable and Line of Credit for Construction in process	Line of Credit for Construction in process		—
21, 29	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Lease right-of-use asset liability	15,618,028	

The supplementary information should be read in connection with the financial statements.

ASPEN UNIVERSITY, INC. - OPE ID: 04080300
SUPPLEMENTARY INFORMATION (CONTINUED)
(Information Required by the U.S. Department of Education)
for the year ended April 30, 2023
Schedule I
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

Lines		**Primary Reserve Ratio (Continued):**		
		Adjusted Equity (Continued)		
Excluded 21, 29 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-Implementation right-of-use leases		$ —
M21, 29 FS Note	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Post-Implementation right-of-use leases		—
45, 50, 51	Statement of (Loss) Income - Total Operating Expenses, Other expense, Interest Expense and Loss on Disposal of Assets	**Total Expenses and Losses:**		37,039,305

Lines		**Equity Ratio:**		
		Modified Equity		
34	Balance Sheet - Total Equity	Total equity		17,824,607
Excluded 21, 29 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-Implementation right-of-use leases		—
Excluded 11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		—
13, 14	Balance Sheet - Goodwill and Intangibles, net	Intangible assets		—
6, 7, 12	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	$ —	
6, 12	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		—

Lines		**Modified Assets:**		
17	Balance Sheet - Total assets	Total assets		$ 42,032,346
Excluded 11 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		
13, 14	Balance Sheet - Goodwill and Intangibles, net	Intangible assets		—
6, 7, 12	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	$ —	
6, 12	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		—

Lines		**Net Income Ratio:**		
53	Statement of (Loss) Income - Net Income Before Income Taxes	**Income Before Taxes**		$ 3,521,306
39, 48, 49	Statement of (Loss) Income - Total Revenue, Investment income, dividend income and Interest income	**Total Revenues and Gains**		40,545,020

The supplementary information should be read in connection with the financial statements.

ASPEN UNIVERSITY, INC. - OPE ID: 04080300
SUPPLEMENTARY INFORMATION (CONTINUED)
(Information Required by the U.S. Department of Education)
for the year ended April 30, 2023
Schedule I
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)
BALANCE SHEET

Line			
	Current Assets		
1	Cash and cash equivalents		$ 1,420,511
2	Investments		—
3	Accounts receivable, net		12,760,715
4	Other receivables		—
5	Prepaid expenses		293,465
6	Related party receivable		—
7	Related party receivable, secured		—
8	Other current assets		2,775,959
9		**Total Current Assets**	17,250,650
10	Property, plant and equipment, net		9,670,654
11	Lease right-of-use assets, net		10,292,656
12	Receivable from affiliate, net		—
13	Goodwill		—
14	Intangibles, net		66,646
15	Cash surrender value of life insurance		—
16	Other non-current assets (Courseware and accreditation, LT AR, deposits and other assets)		4,751,740
17		**Total Assets**	$ 42,032,346
	Current Liabilities		
18	Accounts payable, accrued expenses, and other current liabilities		$ 1,284,919
19	Line of credit - short term CIP		—
20	Advances on tuition and deferred revenue and student deposits		7,304,792
21	Leases right-of-use assets liability		1,605,207
22	Line of credit - operation		—
23	Line of credit - for long term purposes		—
24	Current portion of debt		—
25		**Total Current Liabilities**	10,194,918
26	Line of credit - operating		—
27	Line of credit - for long term purposes		—
28	Debt		—
29	Lease right-of-use asset liabilities		14,012,821
30	Other liabilities		—
31	Post-employment and pension liability		—
32		**Total Liabilities**	24,207,739
	Equity		
33	Stockholders' equity		17,824,607
34		**Total Equity**	17,824,607
35	**Total Liabilities and Equity**		$ 42,032,346

The supplementary information should be read in connection with the financial statements.

ASPEN UNIVERSITY, INC. - OPE ID: 04080300
SUPPLEMENTARY INFORMATION (CONTINUED)
(Information Required by the U.S. Department of Education)
for the year ended April 30, 2023
Schedule I
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

STATEMENT OF INCOME

Line			
	Revenue		
36	Tuition and fees, net		$ 40,541,949
37	Auxiliary		—
38	Other		—
39		**Total Revenue**	40,541,949
	Operating Expenses		
40	Instructional		13,704,111
41	Advertising		3,175,773
42	Rent and occupancy		3,593,357
43	General and administrative (includes bad debt expense)		13,578,496
44	Depreciation and amortization		2,987,568
45		**Total Operating Expenses**	37,039,305
46		**Operating Income**	3,502,644
	Other Income (expense)		
47	Other income, net		15,590
48	Dividend income		—
49	Interest income		3,072
50	Loss on disposal of assets		—
51	Interest expense		—
52		**Total Other Income**	18,662
53		**Net Income Before Income Taxes**	3,521,306
54	Income taxes expense		69,433
55		**Net Income**	$ 3,451,873

Note for Line 11 - Lease right-of-use assets

A.	Lease right-of-use assets - pre-implementation	$ —	Removed from assets
B.	Lease right-of-use assets - post-implementation	10,292,656	
	Total	$ 10,292,656	

The supplementary information should be read in connection with the financial statements.

ASPEN UNIVERSITY, INC. - OPE ID: 04080300
SUPPLEMENTARY INFORMATION (CONTINUED)
(Information Required by the U.S. Department of Education)
for the year ended April 30, 2023
Schedule I
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

Notes for Line 10 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		$ —
B.	Post-Implementation Property, Plant and Equipment		—
	Vehicles	—	
	Furniture	—	
	Computers	—	
	Equipment	—	
C.	Construction in progress		—
D.	Post-Implementation Property, Plant and Equipment		—
	Total		$ —

A. This is the ending balance on the last financial statement submission prior to the implementation of the regulations — Less any depreciation or disposals

B. This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.

C. Asset value of the Construction in progress

D. Post-Implementation Property, Plant and Equipment with no outstanding debt.

Notes for Line 19, 23, 24, 27 and 28 - Long-term debt for long term purposes

A.	Pre-Implementation Long-term Debt		$ —
B.	Allowable Post-Implementation Long-term Debt		—
	Vehicles	—	
	Furniture	—	
	Computers	—	
	Equipment	—	
C.	Construction in progress - debt		—
D.	Long-term debt not for the purchase of Property, Plant and Equipment or liability greater than assets value		—
	Total		$ —

A. This is the ending balance of the last financial statement submission prior to the implementation of the regulations — Less in repayments

B. This is the lessor of actual outstanding debt of each assets or the value of the asset.

C. All debt associated with Construction in progress up to the asset value for construction on progress is included

D. Long-term debt not for the purchase of Property, Plant and Equipment.

Notes for Line 21 and 29 - Lease right-of-use assets liability

A.	Lease right-of-use assets liability - pre-implementation	$ —	Removed from liabilities
B.	Lease right-of-use assets liability - post-implementation	15,618,028	
	Total	$ 15,618,028	

The supplementary information should be read in connection with the financial statements.

ASPEN UNIVERSITY, INC. - OPE ID: 04080300
SUPPLEMENTARY INFORMATION (CONTINUED)
(Information Required by the U.S. Department of Education)
for the year ended April 30, 2023
Schedule I
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

Calculating the Composite Score	Lines		
*Primary Reserve Ratio = Adjusted Equity	34 - 13 - 14 - (6 + 12) - (10 + M11) + 31 + 29 + (M19 + M21 + M23 + M24 + M27 + M28 + M29)	13,412,677	
			0.3621
/ Total Expenses and Losses	45 + 50+ 51	37,039,305	
*Equity Ratio = Modified Equity	34 - (6 + 12) - 13 - 14	17,757,961	
			0.4232
/Modified Assets	17 - (6 + 12) - 13 - 14	41,965,700	
Net Income Ratio = Income Before Taxes	53	3,521,306	
			0.0868
/Total Revenue and Gains	39 + 48 + 49	40,545,020	

***All pre-implementation right-of-use assets and liabilities are removed from total assets and total liabilities**

M# - Modified for the right-of-use liabilities pre-implementation and post implementation debt not directly related to purchase of assets.

Step 1: Calculate the strength factor score for each ratio by using the following algorithms

Primary Reserve strength factor score = 20 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Net Income strength factor score = 1 + (33.3 x net income ratio result)

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 30% x the primary reserve strength factor

Equity weighted score = 40% x the equity strength factor score

Net income weighted score = 30% x the net income strength factor score

Composite Score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score

RATIO	**Ratio**	**Strength Factor**	**Weight**	**Composite Score**
Primary Reserve Ratio	0.3621	3.0000	30%	0.9000
Equity Ratio	0.4232	2.5389	40%	1.0156
Net Income Ratio	0.0868	3.0000	30%	0.9000
				2.8156
TOTAL Composite Score - Rounded				**2.8**

The supplementary information should be read in connection with the financial statements.

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

INDEPENDENT AUDITORS REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aspen University, Inc. which comprise the balance sheets of Aspen University, Inc. (the "Company") at April 30, 2023 and 2022, and the related statements of operations, changes in stockholder's equity, and cash flows for the each of the two years in the period ended April 30, 2023 and the related notes to the financial statements and have issued our report thereon dated October 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements for the year ended April 30, 2023, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements for the year ended April 30, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such tests included compliance tests as set forth in the 2016 edition of the *Guide For Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
October 31, 2023

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