
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **July 31, 2018**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **001-38175**

Aspen Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

27-1933597

(I.R.S. Employer Identification No.)

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

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

| | For the Three months ended July 31, | |
|--------------------------------|---|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Cash | \$ 10,423,660 | \$ 6,213,569 |
| Restricted cash | 190,506 | — |
| Total cash and restricted cash | <u>\$ 10,614,166</u> | <u>\$ 6,213,569</u> |

The accompanying condensed notes are an integral part of these un-

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2018
(Unaudited)

Note 1. Nature of Operations and Liquidity

Overview

Aspen Group, Inc. (together with its subsidiaries, the “Company,” “Aspen,” or “AGI”) is a holding company, which has two subsidiaries. Aspen University, Inc. (“Aspen University”) was organized in 1987 and United States University, Inc. (“USU”) was formed May 2017 and acquired the operating business on December 1, 2017. (See Note 8). When we refer to USU in this Report, we refer to either the online university which has operated under the name United States University or our subsidiary which operates this university, as the context illustrates.

AGI’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. In March 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans. The monthly payment plan offers bachelor students (except RN to BSN) the opportunity to pay their tuition at \$250/month for 72 months (\$18,000), nursing bachelor students (RN to BSN) \$250/month for 39 months (\$9,750), master students \$325/month for 36 months (\$11,700) and doctoral students \$375/month for 72 months (\$27,000), interest free, thereby giving students a monthly payment tuition payment option versus taking out a federal financial aid loan.

USU began offering monthly payment plans in the summer of 2017. Today, monthly payment plans are available Z p0nr



ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2018
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ASPEN GROUP, INC. AND SUBSIDIARIES
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JULY 31, 2018
(Unaudited)

Depreciation expense for all Property and Equipment as well as the portion for just software is present

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2018
(Unaudited)

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

Because Aspen



ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2018
(Unaudited)

Note 7. Stockholders' Equity

Preferred Stock

We are authorized to issue 10,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. As of July 31, 2018 and April 30, 2018, we had no shares of preferred stock issued and outstanding.

Common Stock

During the quarter ended July 31, 2018, the company issued 5,230 shares of common stock upon the cashless exercise of stock options.

During the quarter ended July 31, 2018, the company issued 2,689 shares of common stock upon the exercise of stock options and received proceeds of \$7,817.

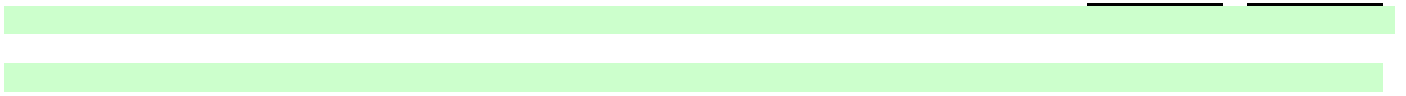
Treasury Stock

On July 19, 2018, AGI in simultaneous transactions repurchased 1,000,000 shares of common stock at \$7.40 per share and re-sold the shares to a large well-known institutional money manager at \$7.40 per share. The Shares were purchased by the Company from ESL pursuant to a Securities Purchase Agreement dated July 18, 2018. Third parties each paid \$30,000 as broker fees to execute the transaction. (See Note 9)

Warrants

A summary of the Company's warrant activity during the three months ended July 31, 2018 is presented below:

| Warrants | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-------------------------------------|---------------------|--|---|---------------------------------|
| Balance Outstanding, April 30, 2018 | 650,847 | \$ 3.80 | 2.4 | \$ 2,581,450 |
| Granted | — | — | — | — |
| Exercised | — | — | — | — |
| Surrendered | — | — | — | — |
| Expired | — | — | — | — |
| Balance Outstanding, July 31, 2018 | 650,847 | \$ 3.80 | 1.9 | \$ 2,041,247 |
| Exercisable, July 31, 2018 | 650,847 | \$ 3.80 | 1.9 | \$ 2,041,247 |



ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2018
(Unaudited)

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2018
(Unaudited)

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

| | For the | |
|--|----------------------------|----------------------------|
| | Three Months Ended | |
| | July 31, | |
| | 2018 | 2017 |
| <i>Tuition - recognized over period of instruction</i> | \$ 6,633,840 | \$ 4,085,793 |
| <i>Course fees - recognized over period of instruction</i> | 461,211 | 78,882 |
| <i>Book fees - recognized at a point in time</i> | 24,214 | 13,953 |
| <i>Exam fee - recognized at a point in time</i> | 52,240 | 30,100 |
| <i>Service fees - recognized at a point in time</i> | 49,800 | 34,158 |
| | <u>\$ 7,221,305</u> | <u>\$ 4,242,886</u> |

Contract Balances and Performance Obligations

The Company recognizes deferred revenue as a student continues their course. Deferred revenue at July 31, 2018, was \$2,244,151 which is future revenue that has not yet been earned for courses in progress. The company has \$1,118,450 of refunds due students, which mainly represents Title IV funds due to students after deducting their tuition payments.

Of the total revenue earned during the three months ended July 31, 2018, approximately \$1.8 million came from revenues which were deferred at April 30, 2018.

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

Aspen records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student's cost of tuition and related fees. Aspen determines the adequacy of its allowance for doubtful accounts using a general reserve method based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. Aspen applies the allowance to

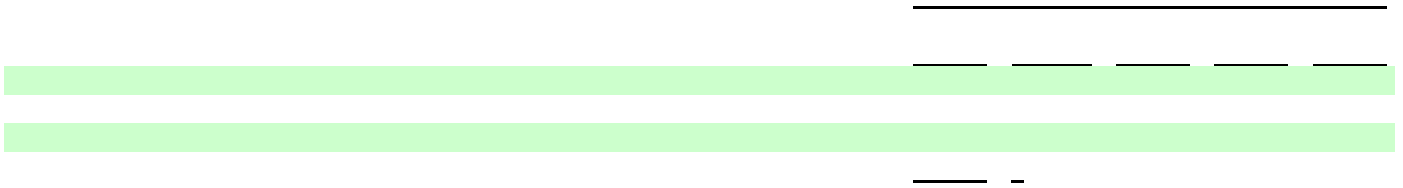
ASPEN GROUP, INC. AND SUBSIDIARIES
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JULY 31, 2018
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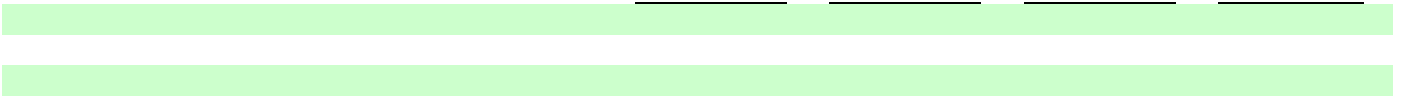
The Company maintains institutional tuition refund policies, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the Company's policy to the extent in conflict. If a student withdraws at a time when a portion or none of the tuition is refundable, then in accordance with its revenue recognition policy, the Company recognizes as revenue the tuition that was not refunded. Since the Company recognizes revenue pro-rata over the term of the course and because, under its institutional refund policy, the amount subject to refund is never greater than the amount of the revenue that has been deferred, under the Company's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded.

The Company had revenues from students outside the United States representing 1.9% and 3.0% of the revenues for the quarters ended July 31, 2018 and 2017 respectively.

Note 11. Subsequent Events

On September 6, 2018, AGI announced the appointment of Joseph Sevely as the Chief Financial Officer of AGI, effective September 11, 2018. Mr. Sevely will oversee the finance, legal, compliance, HR and investor relations functions for AGI. Janet Gill, AGI's previous CFO, will move to the newly created position of Chief Accounting Officer.





ASPEN UNIVERSITY'S PRE-LICENSURE BSN HYBRID (ONLINE/ON-CAMPUS) DEGREE PROGRAM

On July 10, 2018, Aspen University began its first semester for its previously announced pre-licensure Bachelor of Science in Nursing (BSN) degree program at its inaugural campus in Phoenix, Arizona. As a result of overwhelming demand in the Phoenix metro, Aspen recently announced it will offer both day (July, November, March semesters) and evening/weekend (January, May, September semesters) programs, equaling six semester starts per year. Aspen's innovative hybrid (online/on-campus) program allows most of the credits to be completed online (83 of 120 credits or 69%), with pricing offered at Aspen's current low tuition rates of \$150/credit hour for online general education courses and \$325/credit hour for online core nursing courses. For high school students with no prior college credits, the total cost of attendance is less than \$50,000.

Aspen's pre-licensure BSN program is offered as a full-time, three-year (nine semester) program that is specifically designed for students who do not currently hold a state nursing license and have no prior nursing experience. Aspen is admitting students into three tracks: (1) high school graduates with no prior college credits, (2) students that have less than 48 general education prerequisites completed, and (3) students that have completed all 48 general education prerequisite credits and are ready to enter the core nursing courses and clinical experiences.

The semester that started on July 10, 2018 had 93 students enrolled, of which 29 entered with all pre-requisites completed, thereby entering the final two-year core nursing program. The remaining 64 students are enrolled in general education pre-requisite courses which must be completed before being admitted into the two-year core nursing program. #

Additionally, 28 of the 64 general education students that started in July are anticipated to be ready to enter the two-year core nursing program for our upcoming semester starting on November 18, therefore we currently have a waitlist for our final two-year core nursing program for the remainder of the academic year (November and March semesters). Because of the overwhelming demand for our nursing program in Phoenix, the Company is now assessing alternative approaches that would allow Aspen University to meet the demand for the program.

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Seasonality Briefing

As Aspen University continues to scale its student body, seasonality has become more pronounced. The Company's first fiscal quarter (May – July) is the seasonal low point because it falls during the summer months and therefore our primarily working professional students tend to take less courses during that quarter relative to the other three fiscal quarters.

By way of example, in Q4 fiscal 2017 (quarter ending April 30, 2017), revenues were \$4,289,230. In the following quarter (Q1 fiscal 2018), revenues sequentially declined 1% or 46,344 to \$4,242,886. The following quarter (Q2 fiscal 2018), revenues rose sequentially by 14% or \$608,753 to \$4,851,639.

As previously projected, the Company is reporting the same seasonality effect occurred in the first quarter of the 2019 fiscal year. Specifically, Aspen University revenues declined in this Q1 fiscal 2019 relative to Q4 fiscal 2018 by approximately 3%, however overall Company revenues were flat in Q1 relative to Q4 given the revenue contribution from USU. See Results of Operations below.

August, 2018 Enrollment Business Update

The month of August is the start of the seasonal high-point of the enrollment calendar given students' fall start mentality. Aspen University's core business units (Nursing + Other and Doctoral) achieved its strongest enrollment month in history with 476 enrollments, which is over 25% higher than any enrollment month in our core business unit history (comparative does not include enrollments for Aspen University's BSN pre-licensure campus, as enrollments for the upcoming BSN pre-licensure November semester will primarily be recorded in October). Aspen University's core Nursing + Other unit delivered 417 enrollments, while Aspen University's Doctoral unit delivered 59 enrollments, both being monthly enrollment records for each unit.

Results of Operations

For the Quarter Ended July 31, 2018 Compared with the Quarter Ended July 31, 2017

Revenue

Revenue from operations for the quarter ended July 31, 2018 ("2018 Quarter") increased to \$7,221,305 from \$4,242,886 for the quarter ended July 31, 2017 ("2017 Quarter"), an increase of \$2,978,419 or 70%.

USU revenues contributed nearly 18% of the quarterly revenues for the Company, while Aspen's new BSN pre-licensure program contributed an immaterial amount of revenues in the quarter given the first semester began on July 10, 2018. The Company expects USU and Aspen University's BSN pre-licensure units to acco n i

AGI defines Adjusted EBITDA as earnings (or loss) from operations before the items in the table below including non-recurring charges of \$188,665. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature that affect comparability.

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

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income (in \$



Net cash used in operating activities du



New Accounting Pronouncements

See Note 2 to our unaudited consolidated financial statements included herein for discussion of recent accounting pronouncements.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including statements regarding our future revenues, growth in student body, including future organic/referral enrollments and our plans regarding the new pre-licensure BSN degree, projections with respect to our marketing efficiency ratio, the integration of USU and liquidity. All statements other than statements of historical facts contained in this report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the Risk Factors contained in our Form 10-K for the year ended April 30, 2018 and prospectus supplement dated April 19, 2018. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the Risk Factors and our other filings with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934 (the “Exchange Act”) of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act. Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our evaluation excluded USU which was acquired in December 2017.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our evaluation excluded USU which was acquired in December 2017. In accordance with guidance issued by the SEC, companies are allowed to exclude acquisitions from their assessment of internal controls over financial reporting during the first year subsequent to the acquisition while integrating the acquired operations. The assets of United States University, Inc., excluding intangible assets and goodwill, represent approximately 10% of total consolidated assets of the Company and the revenues of United States University, Inc. represent approximately 18% of consolidated revenues of the Company as of July 31, 2018.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time-to-time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, we are not aware of any 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.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table presents information related to the Company's repurchases of common stock during the quarter ended July 31, 2018:

| Period | Total number of shares (or units) purchased | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs |
|----------------------|---|--|---|---|
| 5/1/2018 – 5/31/2018 | — | — | — | — |
| 6/1/2018 – 6/30/2018 | — | — | — | — |
| 7/1/2018 – 7/31/2018 | 1,000,000(1) | \$ 7.40(1) | — | — |

(1) The Company repurchased the common stock pursuant to a Securities Purchase Agreement dated July 18, 2018 between the Company and Educacion Significativa, LLC, a related party.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index at the end of this report.

EXHIBIT INDEX

| Exhibit # | Exhibit Description | Incorporated by Reference | | | Filed or Furnished Herewith |
|---------------------|--|---------------------------|---------|--------|-----------------------------------|
| | | Form | Date | Number | |
| 3.1 | Certificate of Incorporation, as amended | 10-Q | 3/9/17 | 3.1 | |
| | Bylaws, as amended | 10-Q | 3/15/18 | 3.2 | |
| | Secur | | | | |

**

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Janet Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Group, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (e.g. controls and procedures for reporting and accounting) that:
 - a)
 - b)
 - c)
 - d)
- 5.
- a)
 - b)
-

CERTIFICATION PURSUANT TO

1.

2.

1.

2.
