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 September 30, 2024

☐ **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: 001-42283

LEGACY EDUCATION INC.
(Exact name of registrant as specified in its charter)

Nevada	**84-5167957**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
701 W Avenue K, Suite 123 Lancaster, CA	**93534**
(Address of principal executive offices)	(Zip Code)

(661) 940-9300
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value	LGCY	NYSE American LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the issuer’s common stock, $0.001 par value per share, outstanding as of November 12, 2024 was 12,244,162.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q contains certain forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this Quarterly Report on Form 10-Q about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "believes," "will," "expects," "anticipates," "estimates," "predicts," "potential," "continues" "intends," "plans" and "would" or the negative of these terms or other comparable terminology. For example, statements concerning financial condition, possible or assumed future results of operations, growth opportunities, and plans are all forward-looking statements. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- compliance with the extensive existing regulatory framework applicable to our industry or our failure to timely obtain and maintain regulatory approvals and accreditation;
- compliance with continuous changes in applicable federal laws and regulations including pending rulemaking by the U.S. Department of Education;
- the effect of current and future Title IV Program regulations arising out of negotiated rulemakings, including any potential reductions in funding or restrictions on the use of funds received through Title IV Programs;
- successful updating and expansion of the content of existing programs and developing new programs in a cost-effective manner or on a timely basis;
- uncertainties regarding our ability to comply with federal laws and regulations regarding the 90/10 Rule and cohort default rates;
- successful implementation of our strategic plan;
- our inability to maintain eligibility for or to process federal student financial assistance;
- regulatory investigations of, or actions commenced against, us or other companies in our industry;
- changes in the state regulatory environment or budgetary constraints;
- enrollment declines or challenges in our students' ability to find employment as a result of economic conditions;
- maintenance and expansion of existing industry relationships and develop new industry relationships;
- a loss of members of our senior management or other key employees;
- uncertainties associated with opening of new campuses and closing existing campuses;
- uncertainties associated with integration of acquired schools;
- industry competition;
- the effect of any cybersecurity incident; and
- general economic conditions.

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC") could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q may include market data and certain industry data and forecasts, which we may obtain from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications, articles and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Legacy Education Inc.
(dba High Desert Medical College)
(dba Central Coast College)
(dba Integrity College of Health)
Consolidated Financial Statements for the three months ended September 30, 2024 and 2023

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Legacy Education Inc.
Consolidated Balance Sheets

		September 30, 2024 (Unaudited)		June 30, 2024 *
ASSETS				
Current assets				
Cash and cash equivalents	$	21,492,618	$	10,376,149
Accounts receivable, net of $1,245,164 and $688,848 allowance for doubtful accounts as of September 30, 2024 and June 30, 2024, respectively		12,255,677		13,038,241
Prepaid expenses		963,503		1,032,325
Other receivables		140,894		140,894
Total current assets		34,852,692		24,587,609
Property and equipment, net		1,185,160		989,952
Operating lease right-of-use asset		8,370,928		3,575,369
Financing lease right-of-use asset		340,048		340,048
Intangible assets		1,053,694		1,054,947
Goodwill		1,929,326		1,929,326
Accounts receivable, long-term		1,525,250		1,381,194
Deferred income tax assets		898,000		898,000
Security deposits		425,769		416,605
Total assets	$	50,580,867	$	35,173,050
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	4,353,836	$	3,862,895
Accrued income tax payable		295,711		1,443,335
Deferred, unearned tuition		3,792,429		2,585,747
Other current liabilities		39,737		24,201
Current portion of debt		569,002		574,244
Debt owed, related party		50,000		50,000
Current portion of financing lease		58,887		57,260
Current portion of operating lease liability		2,190,714		1,868,560
Total current liabilities		11,350,316		10,466,242
Debt, net of current portion		139,170		123,862
Financing lease, net of current portion		139,346		215,409
Other liabilities		89		905
Operating lease liability, net of current portion		6,396,058		1,947,620
Total liabilities		18,024,979		12,754,038
Commitments and contingencies				
Stockholders' equity				
Preferred stock: $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding		-		-
Common stock: $0.001 par value, 100,000,000 shares authorized, 11,867,149 and 9,291,149 shares issued and outstanding as of September 30, 2024 and June 30, 2024, respectively		11,867		9,291
Additional paid in capital		24,229,798		16,186,251
Retained earnings		8,314,223		6,223,470
Total stockholders' equity		32,555,888		22,419,012
Total liabilities and stockholders' equity	$	50,580,867	$	35,173,050

* Derived from audited information

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

Legacy Education Inc.
Consolidated Income Statements
for the three months ended September 30, 2024 and 2023
(Unaudited)

	For the Three Months Ended September 30,	
	2024	2023
Revenue		
Tuition and related income, net	$ 14,005,091	$ 10,366,934
Operating expenses		
Educational services	7,204,574	5,732,126
General and administrative	3,966,047	3,154,405
General and administrative – related party	81,053	42,000
Depreciation and amortization	81,141	57,859
Total costs and expenses	11,332,815	8,986,390
Operating income	2,672,276	1,380,544
Other income(expense)		
Interest expenses	(29,350)	(28,266)
Interest income	260,896	143,134
Total other income	231,546	114,868
Income before income taxes	2,903,822	1,495,412
Income tax expenses	(813,069)	(425,816)
Net income	$ 2,090,753	$ 1,069,596
Net income per share		
Basic net income per share	$ 0.22	$ 0.12
Diluted net income per share	$ 0.21	$ 0.11
Weighted average number of common stock outstanding		
Basic weighted average shares outstanding	9,320,063	9,291,149
Diluted weighted average shares outstanding	9,817,558	9,691,149

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

Legacy Education Inc.
Consolidated Statements of Changes in Stockholders' Equity
for the three months ended September 30, 2024 and 2023
(Unaudited)

	Preferred Stock		Common Stock		Additional paid in capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2024	-	$ -	9,291,149	$ 9,291	$ 16,186,251	$ 6,223,470	$ 22,419,012
Exercise of option			76,000	76	39,444		39,520
Issuance of common stock, net of offering costs			2,500,000	2,500	7,937,072		7,939,572
Stock-based compensation					67,031		67,031
Net income						2,090,753	2,090,753
Balance, September 30, 2024	-	$ -	11,867,149	$ 11,867	$ 24,229,798	$ 8,314,223	$ 32,555,888

	Preferred Stock		Common Stock		Additional paid in capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2023	-	$ -	9,291,149	$ 9,291	$ 14,304,175	$ 1,108,618	$ 15,422,084
Net income						1,069,596	1,069,596
Balance, September 30, 2023	-	$ -	9,291,149	$ 9,291	$ 14,304,175	$ 2,178,214	$ 16,491,680

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

Legacy Education Inc.
Consolidated Statements of Cash Flows
for the three months ended September 30, 2024 and 2023
(Unaudited)

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023
Cash flows provided by (used in) operating activities:		
Net income	$ 2,090,753	$ 1,069,596
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Non cash compensation	67,031	-
Depreciation & amortization	81,137	57,859
Deferred income tax	-	-
Provision for allowance for doubtful accounts for accounts receivable and contracts receivable	556,316	442,641
Changes in assets and liabilities:		
Accounts receivable	82,193	(1,953,326)
Prepaid expenses	(208,042)	(208,700)
Other receivables	-	-
Related party receivable	-	-
Other assets	(34,133)	41,805
Accounts payable and accrued liabilities	490,941	186,428
Income tax payable	(1,147,624)	647,131
Deferred unearned tuition	1,206,682	201,183
Net cash provided by operating activities	3,185,254	484,617
Cash flows used in investing activities:		
Purchases of property and equipment	(235,816)	(177,392)
Net cash used in investing activities	(235,816)	(177,392)
Cash flows provided by financing activities:		
Proceeds from IPO, net of offering cost	8,216,438	-
Proceeds from exercise of options	39,520	-
Principal payment on finance lease	(56,184)	(54,614)
Principal payments on debt	(32,743)	(151,110)
Net cash provided by (used in) financing activities	8,167,031	(205,724)
Net increase cash and cash equivalents and restricted cash	11,116,469	101,501
Cash and cash equivalents and restricted cash, beginning of year	10,376,149	9,389,606
Cash and cash equivalents and restricted cash, end of year	$ 21,492,618	$ 9,491,107
Supplemental disclosure of cash flow information		
Cash paid during the periods for interest	$ 24,052	$ 27,602
Cash paid during the periods for income taxes	$ 1,960,693	$ -
Supplemental disclosure of noncash activities		
Non-cash purchase of financed lease assets	$ -	$ 340,048
Non-cash purchase of equipment	$ 39,275	$ 34,580
Prepaid expense reclassifies to offering cost	$ 276,866	$ -

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

Legacy Education Inc.
Notes to Consolidated Financial Statements
For The Three Months ended September 30, 2024 and 2023
(Unaudited)

Note 1 - Nature of Business

For purposes of these financial statements, “Legacy,”, the “Company,” “we,” “our,” “us,” or similar references refers to Legacy Education Inc. and its consolidated subsidiaries, unless the context requires otherwise. Legacy Education, LLC was formed on October 19, 2009 in the state of California as a limited liability company. The Company operates as career institution that focuses on real-life training by utilizing educational practices in different job markets. The Company offers programs in career paths such as healthcare, veterinary, medical information technology, business management, and green technology. The Company is accredited by the Accrediting Council for Continuing Education and Training (“ACCET”), and the Accrediting Bureau of Health Education Schools (“ABHES”) and approved to operate in the state of California by the Bureau for Private Postsecondary Education (“BPPE”). The consolidated financial statements include accounts of Legacy Education Inc. d/b/a High Desert Medical College (“HDMC”) and its wholly owned subsidiary, Legacy Education Monterey LLC (“Monterey”) d/b/a Central Coast College (“CCC”), and its wholly owned subsidiary, Advanced Health Services, LLC d/b/a Integrity College of Health (“Integrity”). Pursuant to an Agreement and Plan of Merger and Reorganization (the “Reorganization Merger”), dated September 1, 2021, effective as of September 3, 2021 (the “Effective Date”), Legacy Education Merger Sub, LLC, a wholly owned subsidiary of Legacy Education Inc. formed solely for the purpose of implementing the Reorganization Merger, merged with and into Legacy Education, LLC, with Legacy Education, LLC surviving the merger and becoming a wholly owned subsidiary of Legacy Education Inc., a corporation formed on March 18, 2020 in the State of Nevada for the sole purpose of restructuring the Company from a member-owned Limited Liability Corporation to a shareholder-owned C-Corporation. On the Effective Date, in exchange for each Class A Unit owned in Legacy Education, LLC, the members of Legacy Education, LLC received one share of common stock in Legacy Education Inc. in a one for one exchange. The members immediately prior to the Reorganization Merger became the 100% owners of Legacy Education Inc. immediately following the Reorganization Merger.

HDMC offers instruction in twenty nine programs including ultrasound technician, ultrasound technician associate of applied science degree, medical billing and coding, vocational nursing, clinical medical assisting, pharmacy technician, dental assisting, medical administrative vocational nursing associate of applied science degree and registered nursing

CCC, a wholly-owned subsidiary of HDMC, offers instruction in healthcare career training programs, and veterinary career training.

Integrity, a wholly-owned subsidiary of HDMC, is an accredited college offering instruction in medical assisting, vocational nursing, medical insurance coding and billing, diagnostic medical sonography (ultrasound technician) and Bachelors of Science in nursing (RN to BSN).

The accompanying consolidated financial statements, and all per share information contained herein, have been retroactively adjusted to reflect the reverse stock split described in Note 12.

Note 2 – Summary of Significant Accounting Principals

Principal of Consolidation

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

Basis of Presentation Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all the normal recurring adjustments necessary to present fairly the financial position and results of operations as of and for the periods presented. The interim results are not necessarily indicative of the results to be expected for the full year or any future period.

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The Company believes that the disclosures are adequate to make the interim information presented not misleading. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the Company’s Report on Form 10-K filed on October 1, 2024, for the year ended June 30, 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the assumptions used in the evaluation of the Company’s distinct performance obligations, the valuation of equity instruments and allowance for credit losses related to accounts receivable.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported consolidated net income.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. These investments are stated at cost, which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Normal repairs and maintenance are expensed as incurred. Expenditures that materially extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures, machinery, computer equipment, and vehicles generally have estimated useful lives of ten, seven, four, and five years, respectively. Leasehold improvements are depreciated over the shorter of their lease term or their useful life.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, using a modified retrospective approach and early adoption is permitted. The Company adopted ASU 2016-02 on July 1, 2022.

The Company has elected to apply the short-term scope exception for leases with terms of 12 months or less at the inception of the lease and will continue to recognize rent expense on a straight-line basis. As a result of the adoption, on July 1, 2022, the Company recognized a lease liability of approximately $5.7 million, which represented the present value of the remaining minimum lease payments using an estimated incremental borrowing rate of 3.98%. As of July 1, 2022, the Company recognized a right-to-use asset of approximately $5.3 million. Lease expense did not change materially as a result of the adoption of ASU 2016-02.

Goodwill and Intangibles

Goodwill represents the excess of the purchase price over the fair market value of the net assets (including intangibles) acquired on December 31, 2019 and January 15, 2019. The Company has implemented the Business Combinations Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, *Intangibles - Goodwill and Other*.

Goodwill, tradename, and accreditation are deemed to have an indefinite life, and course curriculum has a definite life of approximately 18 years. Goodwill and indefinite life intangible assets are not amortized but are subject to, at a minimum, annual impairment tests. The Company expenses costs to maintain or extend intangible assets as incurred.

The Company reviews intangible assets (with a definite life), excluding goodwill, accreditation and tradenames, for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. We measure the recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows that the assets are expected to generate. If the carrying value of the assets are not recoverable, the impairment recognized is measured as the amount by which the carrying value of the asset exceeds its fair value. There were no impairments for the periods presented.

The Company tests goodwill, accreditation and trade names for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. There were no goodwill, accreditation or trade names impairments for the periods presented.

The Company amortizes intangible assets with definite lives on a straight-line basis.

Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets for impairment, other than goodwill, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows. The Company had no long-lived asset impairments as of September 30, 2024 and June 30, 2024, respectively.

Revenue Recognition

Revenue is recognized when control of promised goods or services is transferred to the Company's customers in an amount of consideration to which the Company expects to be entitled to in exchange for those goods or services. The Company follows the five steps approach for revenue recognition under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. The Company's contracts include promises for educational services and course materials which are distinct performance obligations.

Tuition revenue is primarily derived from postsecondary education services provided to students. Generally, tuition and other fees are paid upfront and recorded in contract liabilities in advance of the date when education services are provided to the student. A tuition receivable is recorded for the portion of tuition not paid in advance. In some instances, installment billing is available to students which reduces the amount of cash consideration received in advance of performing the service. The contractual terms and conditions associated with installment billing indicate that the student is liable for the total contract price, therefore mitigating the Company's exposure to losses associated with nonpayment. Tuition revenue is recognized ratably over the instruction period. The Company generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of tuition services. Revenue associated with distinct course materials is recognized at the point of time when control transfers to the student, generally when the materials are delivered to the student. Revenue associated with lab services is recognized over the period of time when the service is performed.

The Company's refund policy may permit students who do not complete a course to be eligible for a refund for the portion of the course they did not attend. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

The transaction price is stated in the contract and known at the time of contract inception, as such there is variable consideration for situations when a student drops from a program based on the Company's refund policy and additional charges if a student requires additional hours to complete the program beyond the contracted end date. The Company believes that its experience with these situations is of little predictive value because the future performance of students is dependent on each individual and the amount of variable consideration is highly susceptible to factors outside of the Company's influence. Accordingly, no variable consideration has been included in the transaction price or recognized as income until the constraint has been eliminated. Revenue is allocated to each performance obligation based on its standalone selling price. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. The Company generally determines standalone selling prices based on prices charged to students.

The Company excludes from revenue taxes assessed by a governmental authority as these are agency transactions collected on their behalf from the customer. Significant judgments include the allocation of the contract price across performance obligations, the methodology for earning tuition ratably over the instruction period, estimates for the amount of variable consideration included in the transaction price as well as the determination of the impact of the constraints preventing the variable consideration from being recognized in revenue.

Disaggregation of Revenue

The tuition and related revenue consist of the following during the three months ended September 30, 2024 and 2023:

		2024		2023
Tuition and lab fees (recognized over time)	$	12,120,857		9,921,049
Books, registration and other fees (recognized at a point in time)		1,884,234		445,885
Total revenue	$	14,005,091	$	10,366,934

Allowance for Credit Losses

The Company records an allowance for credit losses 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. The Company determines the adequacy of its allowance for doubtful accounts based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. The Company applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables and student status. The Company writes off account receivable balances of inactive students at the earlier of the time the balances were deemed uncollectible, or one year after the revenue is generated. Bad debt expense is recorded as a general and administrative expense in the accompanying statements of operations. The Company performs an analysis annually to determine which accounts are uncollectable and then writes them off.

Refunds

The Company pays or credits refunds within 45 days of a student's cancellation or withdrawal for students who have completed 60% or less of the period of attendance based on a pro rata calculation. Once the student has completed more than 60% of a period of attendance, all Title IV funds are considered earned and no refunds are due to ED.

Advertising

The Company expenses advertising cost as incurred. Advertising costs amounted to $1,166,898 and $1,093,784for the three months ended September 30, 2024, and 2023, respectively.

Share-Based Compensation

The Company utilizes ASC 718, *Stock Compensation,* related to accounting for share-based payments and, accordingly, records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock options and restricted stock awards. The Company estimates the fair value of stock-based compensation awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of operations. The Company estimates the fair value of stock-based compensation awards using the Black-Scholes model. This model requires the Company to estimate the expected volatility and value of its common stock and the expected term of the stock options, all of which are highly complex and subjective variables. The expected life was calculated based on the simplified method as described by the SEC Staff Accounting Bulletin No. 110, Share-Based Payment. The Company's estimate of expected volatility was based on the volatility of peers. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the options. The Company accounts for forfeitures upon occurrence.

Fair Value of Financial Instruments

The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deferred, unearned tuition, debt and finance lease obligations. The carrying values of the Company's financial instruments approximate fair value.

FASB ASC 820, *Fair Value Measurements* ("ASC 820") establishes a framework for all fair value measurements and expands disclosures related to fair value measurement and developments. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 requires that assets and liabilities measured at fair value are classified and disclosed in one of the following three categories:

Level 1—Quoted market prices for identical assets or liabilities in active markets or observable inputs;
Level 2—Significant other observable inputs that can be corroborated by observable market data; and
Level 3—Significant unobservable inputs that cannot be corroborated by observable market data.

Concentration of Credit Risk

A substantial portion of revenues and ending accounts receivable at June 30, 2024 and 2023 are a direct result of the Company's participation in Financial Student Aid ("FSA") programs, which represents a primary source of student tuition. The FSA programs are subject to political budgetary considerations. There is no assurance that funding will be maintained at current levels. The FSA programs are subject to significant regulatory requirements. Any regulatory violation could have a material effect on the Company.

The Company maintains its cash and cash equivalents in various financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company performs ongoing evaluations of these institutions to limit concentration risk exposure. The Company maintains cash balances in excess of these limits from time to time.

As of September 30, 2024 and June 30, 2024, $2.18 and $2.15 million, respectively, was maintained in a redeemable money market account bearing interest at approximately 4.88% per annum.

Commitments and Contingencies

The Company accrues for a contingent obligation when it is probable that a liability has been incurred and the amount is reasonably estimable. When the Company becomes aware of a claim or potential claim, the likelihood of any loss exposure is assessed. If it is probable that a loss will result and the amount of the loss is estimable, the Company records a liability for the estimated loss. If the loss is not probable or the amount of the potential loss is not estimable, the Company will disclose the claim if the likelihood of a potential loss is reasonably possible and the amount of the potential loss could be material. Estimates that are particularly sensitive to future changes include tax, legal, and other regulatory matters, which are subject to change as events evolve, and as additional information becomes available during the administrative and litigation process. The Company expenses legal fees as incurred.

Income Taxes

GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that is more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed the Company's tax positions and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statement.

The Company accounts for income taxes payable or refundable for the current year and deferred tax assets and liabilities for future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be realized.

The Company expenses penalties and interest related to federal and state income taxes as incurred. Penalties, if any, are included in general and administration expenses on the income statement. The estimated federal and state effective tax rates are 21% and 8.84%, respectively.

Emerging Growth Company

The Company has elected to be an emerging growth company as defined under the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). Included with this election, the Company has also elected to use the provisions within the JOBS Act that allow companies that go public to continue to use the private company adoption date rules for new accounting policies. The Company will remain an emerging growth company until the earlier of (i) the last day of the Company's fiscal year following the fifth anniversary of the closing of the Company's initial public offering of its securities, (ii) the last day of the fiscal year (a) in which the Company total annual gross revenue of at least $1.235 billion or (b) in which the Company is deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, and (iii) the date on which the Company has issued more than $1.0 billion of non-convertible debt in any three-year period.

Earnings Per Share

ASC 260, Earnings Per Share, requires dual presentation of basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS is calculated using the treasury stock method, and reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income per common share for the three months ended September 30, 2024 and 2023:

	2024	2023
Numerator		
Net income	$ 2,090,753	$ 1,069,596
Denominator		
Weighted-average shares outstanding, basic	9,320,063	9,291,149
Dilutive impact of share-based instruments	497,495	400,000
Weighted-average shares outstanding, diluted	9,817,558	9,691,149
Net income per share		
Basic	$ 0.22	$ 0.12
Diluted	$ 0.21	$ 0.11

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 provides guidance for recognizing credit losses on financial instruments based on an estimate of current expected credit losses model. The amendments are effective for fiscal years beginning after December 15, 2019. Recently, the FASB issued the final ASU to delay adoption for smaller reporting companies for fiscal years beginning after December 15, 2022. We adopted ASU 2016-13 on July 1, 2023 and it did not have a material impact on our consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity, and also improves and amends the related earnings per share guidance for both Subtopics. The ASU will be effective for smaller reporting companies for annual reporting periods beginning after December 15, 2023 and interim periods within those annual periods and early adoption is permitted. We adopted ASU 2020-06 on July 1, 2024 and it did not have a material impact on our consolidated financial statements and related disclosures.

Note 3 - Intangible Assets

The intangibles consisted of the following as of September 30, 2024 and June 30, 2024:

	September 30, 2024	June 30, 2024
Goodwill	$ 1,929,326	$ 1,929,326
Trade name	796,100	796,100
Accreditation	88,200	88,200
Course curriculum	198,000	198,000
Total cost of intangibles	$ 3,011,626	$ 3,011,626
Less accumulated amortization	(28,606)	(27,353)
Intangibles net	$ 2,983,020	$ 2,984,273

As of September 30, 2024 and June 30, 2024, no impairment of the Company's goodwill, nor other intangibles with an indefinite life was required related to its previous acquisitions of CCC and Integrity. Although the ACCET accreditation has an indefinite life, the accreditation requires renewal every five years. CCC's ACCET accreditation was most recently renewed in April 2020 and its next renewal is in April 2025. The Company recognized $1,253 in amortization expense for the three months ended September 30, 2024 and 2023. Although the Accrediting Bureau of Health Education Schools ("ABHES") has an indefinite life, the accreditation requires renewal every five years. Integrity's next ABHES accreditation renewal is in February 28, 2026. 100% of goodwill is expected to be deductible for federal income tax purposes and will be amortized over 15 years on a straight-line basis.

Note 4 - Property and Equipment

Property and equipment consist of the following:

	September 30, 2024	June 30, 2024
Leasehold improvements	$ 678,078	$ 561,108
Machinery and equipment	1,043,700	1,032,286
Computer equipment	848,616	704,846
Furniture, fixtures and other equipment	269,860	266,923
Total	2,840,254	2,565,163
Less accumulated depreciation and amortization	(1,655,094)	(1,575,211)
Property and equipment, net	$ 1,185,160	$ 989,952

Depreciation and amortization expense associated with property and equipment totaled $79,883 and $56,606 for the three months ended September 30, 2024 and 2023, respectively.

Note 5 – Accounts Receivable, Long-Term

TuitionFlex

The TuitionFlex Program is designed to create a flexible tuition credit program for students and families to help bridge the financial gap, all in accordance with applicable federal Truth-In-Lending regulations. Through this program, we offer payment plans to all students, regardless of financial need, for up to 5 years. The long-term portion of student receivables utilizing the Tuition Flex program was $1,525,250 and $1,381,194 as of September 30, 2024 and June 30, 2024, respectively.

Note 6 – Prepaid Expenses

The prepaid expenses consist of the following as of September 30, 2024 and June 30, 2024:

	September 30, 2024	June 30, 2024
Books	$ 229,549	$ 199,122
Supplies and other prepaid expenses	733,954	833,203
Total prepaid expenses	$ 963,503	$ 1,032,325

Note 7 – Other Receivables

The other receivables consist of the following as of September 30, 2024 and June 30, 2024:

	September 30, 2024	June 30, 2024
Other advance	94,454	94,454
Employee retention credit	46,440	46,440
Total other receivables	$ 140,894	$ 140,894

The Company paid $106,846 federal income taxes on behalf of a foreign investor in Legacy, and the amount due back to the Company was $94,454 as of September 30, 2024 and June 30, 2024.

During the fiscal year ended June 30, 2021, the Company applied for certain Employee Retention Credits ("ERTC") under the CARES Act in the approximate amount of $2.9 million. The remaining balance of the ERTC receivable as of September 30, 2024 and June 30, 2024 was $46,440.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses as of September 30, 2024 and June 30, 20234 consist of the following:

	September 30, 2024	June 30, 2024
Accounts payable	$ 1,669,932	$ 1,532,576
Accrued payroll and payroll taxes	389,813	641,594
Accrued vacation	445,434	447,482
Accrued bonuses	1,795,113	1,200,000
Accrued other expenses	53,544	41,243
Total	$ 4,353,836	$ 3,862,895

Note 9 - Debts and Other Liabilities

(1) Promissory Notes

The Company received $750,000 in proceeds from several creditors, including $150,000 from related parties. Under the unsecured promissory notes, the principal shall be due and payable on the earlier to occur (i) the 9-month anniversary of the first advance under each promissory note; or (ii) the completion of an initial public offering by payee ("Maturity Date"), and the promissory note shall bear interest at a monthly rate of 1% based upon the amount outstanding as of any calculation date. Interest shall be payable monthly commencing on the 15th day of each calendar month following the date funds are first advanced. The maturity dates on these promissory notes were extended to March 31, 2021. The noteholders agreed to defer the repayment of the principal balance until the completion of a future Initial Public Offering.

	September 30, 2024	June 30, 2024
Promissory note issued on November 12, 2019	$ 500,000	$ 500,000
Promissory note issued on December 30, 2019, related party	50,000	50,000
Total other debt	$ 550,000	$ 550,000

A further note issued on February 6, 2020 in the amount of $100,000 was repaid in cash in September 2023.

(2) Equipment Loan

In January 2023, the Company entered into an equipment loan for $30,744. The note accrues interest at a rate of 6.0% per annum and requires 48 equal monthly payments. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $19,005 and $20,929, respectively.

In August 2023, the Company entered into an equipment loan for $35,580. The note accrues interest at a rate of 10.14% per annum and requires 48 equal monthly payments. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $25,789 and $27,723, respectively.

In November 2023, the Company entered into an equipment loan for $14,610. The note accrues interest at a rate of 10.72% per annum and requires 48 equal monthly payments. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $11,788 and $12,582, respectively.

In December 2023, the Company entered into an equipment loan for $11,920. The note accrues interest at a rate of 13.53% per annum and requires 36 equal monthly payments. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $8,978 and $9,853, respectively.

In February 2024, the Company entered into an equipment loan for $35,612. The note accrues interest at a rate of 8% per annum and requires 36 equal monthly payments. The first payment will be on April 1, 2024. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $30249 and $32,950, respectively.

In June 2024, the Company entered into an equipment loan for $48,966. The note accrues interest at a rate of 11.16% per annum and requires 48 equal monthly payments. The first payment will be on June 1, 2024. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $45,650 and $48,125, respectively.

In July 2024, the Company entered into an equipment loan for $39,189. The note accrues interest at a rate of 11.15% per annum and requires 48 equal monthly payments. The first payment will be on July 1, 2024. As of September 30, 2024 and June 30, 2024, the principal balance of the promissory note was $45,650 and $0, respectively.

(3) Bank Loan

On December 31, 2019, the Company acquired Integrity, assuming its two bank loans, which are secured by all business assets of the Company.

	September 30, 2024		June 30, 2024	
Bank loan #1, monthly payment $803.69, due in 110 months, effective interest rate 6.44%	$	22,805	$	24,447
Bank loan #2, monthly payment $5,672.86 start on November 23, 2020, due in 48 months		6,699		21,495
Total bank loans	$	29,504	$	45,942

Future maturities over the remaining term of total debt for (1) to (3) are as follows:

2025 (1)	$	603,366
2026		67,118
2027		60,664
2028		27,024
		758,172
Less: current portion (1)		(619,002)
Long-term portion of debt	$	139,170

(1) Includes $50,000 related party debt

Note 10 - Related Party Transactions

A shareholder of the Company was paid $22,500 as consulting fees in the three months ended September 30, 2024 and 2023.

A director of the Company was paid $19,500 in consulting fees in the three months ended September 30, 2024 and 2023.

A director of the Company was paid $39,053 and $25,950, respectively, in the three months ended September 30, 2024 and 2023 as consulting fees.

In December 2019, the Company received $50,000 of proceeds from a promissory note, entered into with an executive of the Company, which bears interest at the rate of 12% per annum and matures on the earlier of the nine-month anniversary of the loan or the completion of an initial public offering. The balance of this note was $50,000 as of September 30, 2024 and June 30, 2024.

Note 11 – Lease Commitments

Finance Leases

In July 2023, the Company entered into an equipment lease for $340,048. The related finance liability has an implied interest rate of 11.16% per annum and requires 5 equal annually payments on September 1, 2023. As of September 30, 2024 and June 30, 2024, the balance of the finance liability was $198,233 and $272,669, respectively.

The present value of future minimum lease payments due at September 30, 2024, was as follows:

2025		-
2026		81,459
2027		81,459
Thereafter		81,458
Total minimum payments		244,377
Less: amount representing interest		(46,144)
Present value of minimum payments	$	198,233
Less: current portion		(58,887)
Long term portion	$	139,346

Operating Leases

The Company leases its instructional facilities under non-cancelable operating leases expiring at various dates through 2026. In most cases, the facility leases require the Company to pay various operating expenses of the facilities in addition to base monthly lease payments. In certain cases, the Company has options available under its leases to renew, and certain leases contain ordinary rental escalations on the space. Rent expense for the certain leases described above is recorded evenly over each lease term. The difference between rent expense recorded and the amount paid is reflected as deferred rent on the accompanying balance sheets for those leases with rent escalation clauses.

Because the rate implicit in each lease is not readily determinable, the Company uses its incremental borrowing rate to determine the present value of the lease payments. The Company has elected the practical expedient to use the risk-free rate as its incremental borrowing rate.

June 30, 2024 are as follows:

2025	$	1,786,450
2026		2,084,138
2027		1,155,836
2028		830,612
2029		847,224
After 2029		2,719,747
Total future minimum operating lease payments		9,424,007
Less: imputed interest		(837,235)
Total		8,586,772
Current portion of operating lease		2,190,714
Long term portion of operating lease	$	6,396,058

Total rent expense and related taxes and operating expenses under operating leases for the three months ended September 30, 2024 and 2023 were $999,115 and $867,624, respectively.

Supplemental balance sheet information related to leases was as follows:

	September 30, 2024		June 30, 2024	
Operating lease right-of-use assets	$	8,370,928	$	3,575,369
Operating lease liability - current	$	2,190,714	$	1,868,560
Operating lease liability – non-current		6,396,058		1,947,620
Total operating lease liability	$	8,586,772	$	3,816,180

Other supplemental information:

	For the three months ended September 30,			
	2024		2023	
Cash paid for operating lease	$	782,273	$	543,993

Note 12 – Stockholders' Equity

Reverse Stock Split

On September 9, 2024, our stockholders approved an amendment to our articles of incorporation to effect a 1-for-2 reverse split of our common stock. The amendment to our certificate of incorporation was filed with the Nevada Secretary of State on September 9, 2024. The consolidated financial statements, and all share and per share information contained herein, have been retroactively adjusted to reflect the reverse stock split.

As of September 30, 2024 and June 30, 2024, the Company had 110,000,000 shares of authorized capital, par value $0.001, of which 100,000,000 shares are designated as common stock, and 10,000,000 shares are designated as preferred stock, which have liquidation preference over the common stock and are non-voting.

Equity Transactions

On September 27, 2024, the Company completed its initial public offering of 2,500,000 shares, priced at $4.00 per share.

No shares were issued during the three months ended September 30, 2023.

As of September 30, 2024 and June 30, 2024 the Company had 11,867,149 and 9,291,149 shares of common stock outstanding, respectively, and no shares of preferred stock issued and outstanding.

Note 13 - Share-Based Compensation Plans

Stock Options

The Company utilizes ASC 718, *Stock Compensation,* related to accounting for share-based payments and, accordingly, records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock options and restricted stock awards. The Black Scholes option pricing model was used to estimate the fair value of the options granted. This option pricing model requires a number of assumptions, of which the most significant are: expected stock price volatility, the expected pre-vesting forfeiture rate, and the expected option term (the amount of time from the grant date until the options are exercised or expire). The Company estimated a volatility factor utilizing a weighted average of comparable published volatilities of its peers. The Company applied the simplified method to determine the expected term of stock-based compensation grants.

In prior years, the Company had granted time vested options to purchase shares of common stock with exercise prices ranging from $0.52 - $1.80 on the date of grant by the Board. These options vest ratably over a period of three years and expire ten years from the date of grant and the fair value of these options were calculated using the Black-Scholes Merton model.

On April 1, 2024, the Company granted stock options to purchase an aggregate of 1,425,171 shares of its common stock at an exercise price of $3.74 per share to employees, directors, consultants and non-employee service providers pursuant to its 2021 Equity Incentive Plan.

In August 2024, 76,000 stock options were exercised at $0.52 per share of common stock.

On September 27, 2024, the Company granted stock options to purchase an aggregate of 250,000 shares of its common stock at an exercise price of $4.00 per share to employees, directors, consultants and non-employee service providers pursuant to its 2021 Equity Incentive Plan. These options vest ratably over a period of three years and expire ten years from the date of grant and the fair value of these options were calculated using the Black-Scholes-Merton model.

A summary of the activity related to stock option units granted is as follows:

	Total Options	Summary of Stock Options Outstanding	
		Weighted Average Exercise Price per Option	Weighted Average Remaining Contractual Term (Years)
Outstanding as of June 30, 2024	1,825,171	3.26	8.30
Granted	250,000	4.00	10
Exercised	(76,000)	0.52	-
Forfeited, canceled, or expired	-	-	-
Outstanding as of September 30, 2024	1,999,171	3.46	8.60
Exercisable as of September 30, 2024	1,384,466	3.28	8.10

	Total Options	Summary of Stock Options Outstanding	
		Weighted Average Exercise Price per Option	Weighted Average Remaining Contractual Term (Years)
Outstanding as of June 30, 2023	400,000	1.54	4.14
Granted	-	-	-
Exercised	-		
Forfeited, canceled, or expired	-		
Outstanding as of September 30, 2023	400,000	1.54	3.89
Exercisable as of September, 2023	400,000	1.54	3.89

A summary of the activity related to vested and unvested stock option units granted is as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)
Balance – June 30, 2023, unvested	-	$ -	$ -	-
Options issued	1,425,171	3.74	1.84	10.00
Options vested	(987,534)	3.74	1.84	10.00
Options expired	-	-	-	-
Options exercised	-	-	-	-
Balance – June 30, 2024, unvested	437,637	$ 3.74	1.84	9.75
Options issued	250,000	4.00	1.94	10.00
Options vested	(72,932)	3.74	1.84	
Options expired	-	-	-	-
Options exercised	-	-	-	-
Balance – September 30, 2024, unvested	614,705	$ 3.85	$ 1.88	9.71

The Company valued options issued in April 2024 using the Black Scholes model utilizing volatility 45%, and a risk-free rate of 4.18%. The fair value of the options was $1.84 per option.

The Company valued options issued in September 2024 using the Black Scholes model utilizing volatility 45%, and a risk-free rate of 3.75%. The fair value of the options was $1.94 per option.

The Company recorded share-based compensation expense of $67,031 during the three months ended September 30, 2024, which is included in educational services. Unamortized compensation expense associated with unvested options is $1,154,314 and $737,333 as of September 30, 2024 and June 30, 2024, respectively. The weighted average period over which these costs are expected to be recognized is approximately 2.70 and 2.75 years.

Note 14 - Other Commitments and Contingency

Regulatory

In order for students to participate in Title IV federal financial aid programs, the Company is required to maintain certain standards of financial responsibility and administrative capability. In addition, the Company is accredited with ACCET and ABHES and approved by other agencies and must comply with rules and regulations of the accrediting body. As a result, the Company may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on these financial statements, management believes that the Company has complied in all material respects with all regulatory requirements as of the date of the financial statements.

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act of 1965, as amended (the "Higher Education Act"), and the regulations promulgated thereunder by ED, subject the Company to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Higher Education Act.

Composite Score

As described above, ED requires institutions to meet standards of financial responsibility. ED deems an institution financially responsible when the composite score is at least 1.5. The Company's composite score was 3.0 for the fiscal year ended June 30, 2023. The Company's composite score calculation for the fiscal year ended June 30, 2024 has not been completed as of the date of these financial statements and is due on December 31, 2024.

90/10 Disclosure

The Company derives a substantial portion of its revenues from student financial aid received by its students under the Title IV programs administered by ED pursuant to the Higher Education Act. To continue to participate in the student financial aid programs, the Company must comply with the regulations promulgated under the Higher Education Act. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90% from Title IV programs (the "90/10 revenue test"). If an institution fails to satisfy the test for one year, its participation status becomes provisional for two consecutive fiscal years. If the test is not satisfied for two consecutive years, eligibility to participate in Title IV programs is lost for at least two fiscal years. Using ED's cash-basis, regulatory formula under the 90/10 Rule, as in effect for its 2023 fiscal year, HDMC, CCC and Integrity derived 84.53%,75.48% and 88.14% for its 90/10 revenue from Title IV program funds, respectively. The 90/10 calculation for fiscal year ended June 30, 2024 has not yet been completed as of the date of these financial statements and is due on December 31, 2024.

Litigation

The Company does not believe it is a party to any other pending or threatened litigation arising from services currently or formerly performed by the Company. To the extent that there may be other pending or threatened litigation that management is unaware of, they do not believe there to be any possible claims that could have a material adverse effect on their business, results of operations or financial condition.

Note 15 – Subsequent Events

Subsequent to September 30, 2024 the Company issued an additional 375,000 common shares in respect to the underwriters' option to purchase up to an additional 375,000 shares of common stock to cover allotments.

On October 22, 2024, Legacy Education Antioch, LLC, a wholly-owned subsidiary of Legacy LLC (as defined herein) (the "Buyer") entered into an asset purchase agreement (the "APA") with Legacy Education Inc. (the "Company"), Legacy Education, LLC, a wholly-owned subsidiary of the Company ("Legacy LLC" and together with the Company and the Buyer, the "Buyer Parties"), Contra Costa Medical Career College, Inc. ("CCMCC"), Contra Costa Medical Career College Online, Inc. ("CCMCC Online" and together with CCMCC, "Sellers") and, solely with respect to certain portions of the APA, Stacey Orozco and Bulmaro Orozco, the sole owners CCMCC and CCMCC Online (collectively, the "Owners").

Pursuant to the APA, Buyer shall acquire from the Sellers substantially all of the assets comprising of the postsecondary institution known as Contra Costa Career Medical College located in Antioch, California upon the terms and conditions set forth in the APA for a purchase price of $8,000,000, subject to adjustment as set forth in the APA (the "Purchase Price"). The Purchase Price shall be payable as follows: (i) $6,600,000 shall be payable upon the closing (the "Closing") of the transactions contemplated by the APA (the "Transaction"), subject to adjustment as set forth in the APA; (ii) the Buyer shall deliver to the Sellers a promissory note (the "Note") in the principal amount of $400,000 which Note shall be guaranteed by the Company and Legacy LLC, accrue interest at a rate of 6% per annum and shall be payable in 12 equal monthly installments beginning on the one-month anniversary of the closing date of the Transaction and shall be subject to offsets by the Buyer for any Purchase Price Adjustment Payment (as defined in the APA) owed by Sellers pursuant to the APA and for any indemnification claims made by Buyer pursuant to the APA that are not fully resolved prior to the due date of any one or more of the payments due under such Note; and (iii) the issuance, for the benefit of the Sellers, to CCMCC of such number of shares of the Company's common stock (the "Legacy Shares") equal to $1,000,000, which number of shares shall be determined based upon the value of the Company's common stock as of the close of business on the business day immediately preceding the closing date of the Transaction. The Legacy Shares shall be held in escrow for a period of one year following the Closing and shall be subject to any indemnification claims made by the Buyer pursuant to the APA that are not fully resolved and satisfied prior to the end of such one-year period either by payments made by Sellers or by offsets made by Buyer against any one or more of the payments due under the Note.

Pursuant to the APA, the Sellers shall enter into a consulting agreement with the Buyer pursuant to which the Sellers will, for a period of 180 days following the Closing, make available to Buyer, upon its request, the services of the Owners, to provide transitional consulting assistance to Buyer. In addition, pursuant to the APA, the Owners have agreed to assist the Buyer in negotiating an agreement with Contra Costa Clinic pursuant to which Contra Costa Clinic shall continue providing its services to the college following the Closing, on terms reasonably satisfactory to the Buyer. The Buyer shall also enter into a lease agreement with Evergreen Properties SBLD, LLC, the owner of the college campus property.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024 as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.

Throughout this Quarterly Report on Form 10-Q references to "we," "our," "us," the "Company," or "Legacy," refer to Legacy Education Inc.

Overview

We provide career-focused, post-secondary education services to students at all stages of adult life, from recent high school graduates to working parents, through our accredited academic institutions: High Desert Medical College, which we acquired in July 2010, Central Coast College, which we acquired in January 2019, and Integrity College of Health. On December 31, 2019, we entered into a Membership Interest Purchase Agreement with the sole member of Integrity. We purchased from the sole member of Integrity on that date 24.5% of her interest and obtained an exclusive option to acquire her remaining membership interest upon payment of $100, which was exercised on September 15, 2020. For purposes of our financial statements, the acquisition of Integrity is deemed to have been effective as of December 31, 2019.

High Desert Medical College

HDMC was established in the State of California in 2002 and began offering classes in 2003. It started with campuses in Lancaster, California, and added its first branch in 2008 in Bakersfield, California. Due to enrollment growth and high demand for its services, HDMC expanded to add a branch campus in Temecula, California campus in order to accommodate 250 to 400 additional students. HDMC offers UT, VN, VN Associate of Applied Science degree program, Associate Degree of Nursing, nursing assistant, MRI Associate of Applied Science, cardiac sonography, pharmacy technician, dental assisting, clinical medical assisting, medical administrative assisting programs, medical billing and coding, veterinary assistant, phlebotomy technician avocational, nursing assistant avocational, and UT Associate of Applied Science degree programs. HDMC also plans to offer an emergency medical technician (EMT) program beginning in October 2024 and is in the process of obtaining approvals for the program (for which HDMC is not planning to apply for ED approval to make Title IV Program funds available for students who enroll in the program). As of September 30, 2024, HDMC had 1,885 students enrolled in its programs.

Central Coast College

CCC was established in the State of California in 1983. In 1991, CCC moved to its current location in Salinas, California to accommodate growing enrollment numbers and the addition of new training programs.

CCC offers the following certificate or degree programs: business administrative specialist, computer specialist: accounting, medical administrative assistant, medical assisting, nursing assistant, UT, UT Associate of Applied Science, veterinary assistant, veterinary technology Associate of Applied Science, and VN. CCC also offers an avocational phlebotomy technician program. CCC also has obtained approval from ACCET to offer the following programs and plans to begin doing so in October 2024, pending additional approvals: surgical technology (Associate of Applied Science), dental assisting, and sterile processing technician. CCC is also in the process of applying for approvals for a pharmacy technician program and an Associate Degree in Nursing program that it intends to provide in the future. As of September 30, 2024, CCC had 485 students enrolled in its programs.

Integrity College of Health

Integrity was established in the State of California in 2007. Integrity's campus is located in Pasadena, California. Integrity offers VN, VN Associate of Applied Science, Registered Nurse to Bachelor of Science in Nursing ("RN to BSN"), medical assisting, medical billing and coding, veterinary assistant, and Diagnostic Medical Sonography programs. Integrity also plans to offer an emergency medical technician (EMT) program beginning in October 2024 and is in the process of obtaining approvals for the program (for which Integrity is not planning for ED approval to make Title IV funds available for students who enroll in the program). For purposes of our financial statements, Legacy Education, L.L.C. is deemed to have acquired Integrity in December 2019. As of September 30, 2024, Integrity had 169 students enrolled in its programs.

Recent Developments

Regulatory Updates

Acquisition Agreement with Contra Costa Medical Career College

As previously reported on a Current Report on Form 8-K filed with the SEC, on October 22, 2024, Legacy Education Antioch, LLC, a wholly-owned subsidiary of Legacy LLC (as defined herein) (the "Buyer") entered into an asset purchase agreement (the "APA") with Legacy Education Inc. (the "Company"), Legacy Education, LLC, a wholly-owned subsidiary of the Company ("Legacy LLC" and together with the Company and the Buyer, the "Buyer Parties"), Contra Costa Medical Career College, Inc. ("CCMCC"), Contra Costa Medical Career College Online, Inc. ("CCMCC Online" and together with CCMCC, "Sellers") and, solely with respect to certain portions of the APA, Stacey Orozco and Bulmaro Orozco, the sole owners CCMCC and CCMCC Online (the "CCMCC Transaction").

When a company acquires an institution that is eligible to participate in the Title IV Programs, like CCMCC, the acquisition generally will result in the institution undergoing a change of ownership resulting in a change of control as defined by ED and under the rules of other educational agencies and accreditors. Upon such a change, an institution's eligibility to participate in the Title IV Programs is generally suspended until it has applied for recertification by ED as an eligible school under its new ownership, which requires that the school also re-establish its state authorization and accreditation. ED may temporarily and provisionally certify an institution seeking approval of a change of control under certain circumstances while ED reviews the institution's application. The temporary provisional certification typically remains in effect on a month-to-month basis during ED's review of the application as long as the school timely submits certain documentation during the course of ED's review. We cannot predict the timing or outcome of ED's review of the change of ownership of CCMCC.

The time required for ED to act on such an application may vary substantially. ED recertification of an institution following a change of control will be on a provisional basis if ED approves the institution's application and could contain restrictions or conditions depending on the outcome of its review of the institution under the new ownership including its administrative capability and financial stability. Under ED regulations that took effect July 1, 2023, an institution must submit certain information and documentation at least 90 days in advance of the change in ownership including, for example, notice to current and prospective students of the planned change in ownership. The parties have submitted this documentation to ED. If ED contends that the documentation is insufficient and we are unable to take timely corrective action, we could be required to delay the closing of the transaction.

The approval processes for state and accrediting agencies vary in scope and timing with some agencies requiring approval prior to the acquisition and others not conducting their review until after the acquisition has taken place. With regard to the agencies that accredit CCMCC and CCMCC Online, authorize them to operate in the state of California, or approve their programs:

- **California Bureau for Private Postsecondary Education ("BPPE")**: Institutions that are licensed by BPPE by means of accreditation, like CCMC, are required to notify BPPE of the change within 30 days of the change and demonstrate that the substantive change was made in accordance with the institution's accreditation standards.

- **Accrediting Council for Continuing Education and Training ("ACCET")**: ACCET accreditation standards require that institutions undergoing a change in ownership or control submit notice at least ten days prior to a prospective agreement for the change. ACCET also requires submission of an application for approval of the change in ownership or control within ten days following the change.
- **California State Approving Agency for Veterans Education ("CSAAVE")**: CSAAVE requires approved institutions to make a post-change submission to CSAAVE for approval of the change when there has been a material change to the institution's current approval.
- **Accreditation Bureau of Health Education Schools ("ABHES")**: ABHES requires institutions that hold ABHES programmatic accreditation to notify it of any change in organizational oversight or legal structure, and to submit a completed application for change in legal status, ownership, or control within five days after the change.
- **California Board of Vocational Nursing and Psychiatric Technicians ("BVNPT")**: The parties plan to provide notice to BVNPT after the transaction occurs and to respond to any subsequent instructions from the agency.
- **California Department of Public Health, Laboratory Field Services ("CDPH")**: CDPH requires certain training programs undergoing a change of ownership to notify CDPH within 30 days after the change has occurred and submit a new application package.

If agencies require us to obtain approvals in connection with the CCMCC Transaction, we will be required to undergo an application process for approvals from the applicable agencies and could be subject to conditions or restrictions (or loss of approval) depending on the outcome of the approval process. We will be required to make or obtain notices and/or approvals prior to the CCMCC Transaction from those agencies that require notice and/or approval to be made or obtained prior to the occurrence of a change in ownership or control. If we move forward with the CCMCC Transaction without making or obtaining required pre-closing notices and approvals, we could be subject to sanctions by the applicable agencies including loss of CCMCC's approvals from these agencies.

Key Financial Metrics

Revenue

Tuition revenue is primarily derived from postsecondary education services provided to students. Generally, tuition and other fees are paid upfront and recorded in contract liabilities in advance of the date when education services are provided to the student. A tuition receivable is recorded for the portion of tuition not paid in advance. In some instances, installment billing is available to students which reduces the amount of cash consideration received in advance of performing the service. The contractual terms and conditions associated with installment billing indicate that the student is liable for the total contract price, therefore mitigating the Company's exposure to losses associated with nonpayment. Tuition revenue is recognized ratably over the instruction period. The Company generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of tuition services. Revenue associated with distinct course materials is recognized at the point of time when control transfers to the student, generally when the materials are delivered to the student. Revenue associated with lab services is recognized over the period of time when the service is performed.

Enrollments

Enrollments are a function of the number of continuing students at the beginning of each period and new enrollments during the period, offset by students who either graduated or withdrew during the period.

Costs and expenses

Educational service. This expense consists primarily of costs related to the administration and delivery of educational programs by our academic institutions. This expense category includes salaries, benefits, share-based compensation, student books, student supplies and occupancy costs.

General and administrative. This expense includes bad debt expense, share-based compensation, legal and professional fees, insurance, accreditation fees, and travel of employees engaged in corporate management, finance, human resources, compliance and other corporate functions. This expense also includes marketing and advertising costs, which are expensed in the fiscal year incurred.

Depreciation and amortization. This expense reflects depreciation and amortization of property and equipment, amortization of assets under capital leases and amortization of intangible assets.

Interest expense

This expense reflects interest paid under notes issued to our investors, IRS interest, non-cash interest related to unit option grants, interest related to notes associated with CCC, and other debt related interest.

Interest income

This income relates to interest received from investments.

Factors Affecting Comparability

We believe the following factors have had, or can be expected to have, a significant effect on the comparability of recent or future results of operations:

Seasonality

Our operations are generally subject to seasonal trends. We generally experience a seasonal increase in new enrollments during the first quarter of our fiscal year, as well as during the third quarter each year, when most other colleges and universities begin their fall semesters and subsequent to holiday break. While we enroll students throughout the year, our second quarter revenue generally is lower than other quarters due to the holiday season.

Critical Accounting Policies and Use of Estimates

The preparation of the financial statements included elsewhere in this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the evaluation of the Company's distinct performance obligations, the valuation of equity instruments and valuation allowances for credit losses related to accounts receivable.

Allowance for credit losses

We record an allowance for doubtful credit losses for estimated losses resulting from the inability, failure or refusal of our 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. We determine the adequacy of our allowance for doubtful accounts based on an analysis of our historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. We apply reserves to our receivables based upon an estimate of the risk presented by the age of the receivables and student status. We write off account receivable balances of inactive students at the earlier of the time the balances were deemed uncollectible, or one year after the revenue is generated. Bad debt expense is recorded as a general and administrative expense in the income statement. The Company performs an analysis annually to determine which accounts are uncollectable and write them off.

Impairment of long-lived assets

We evaluate the recoverability of our long-lived assets for impairment, other than goodwill, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows. We had [no long-lived asset impairments as of September 30, 2024 and June 30, 2023, respectively.]

Income taxes

GAAP requires management to evaluate tax positions taken by us and recognize a tax liability if we have taken an uncertain position that is more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed our tax positions and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statement.

Corporate tax applies to corporations and limited liability companies that elect to be treated as corporations. The federal income tax rate for c-corporations is 21% and the state tax rate is 8.84%, and it applies to net taxable income from business activity in California.

Corporations are not subject to the state's franchise tax, but they are subject to the alternative minimum tax ("AMT") of 6.65%, which limits the effectiveness of a business writing off expenses against income to lower its corporate tax rate. C-corporations pay the state corporate tax of 8.84% or AMT of 6.65%, depending on whether they claim net taxable income.

We account for income taxes payable or refundable for the current year and deferred tax assets and liabilities for future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be realized.

Share Based Compensation

The Company utilizes ASC 718, *Stock Compensation,* related to accounting for share-based payments and, accordingly, records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock options and restricted stock awards. The Company estimates the fair value of stock-based compensation awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of operations. The Company estimates the fair value of stock-based compensation awards using the Black-Scholes model. This model requires the Company to estimate the expected volatility and value of its common stock and the expected term of the stock options, all of which are highly complex and subjective variables. The expected life was calculated based on the simplified method as described by the SEC Staff Accounting Bulletin No. 110, Share-Based Payment. The Company's estimate of expected volatility was based on the volatility of peers. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the options. The Company accounts for forfeitures upon occurrence.

Goodwill and Other Indefinite-lived Assets

We test goodwill and other indefinite-lived assets for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. There were no goodwill or other indefinite-lived intangible asset impairments for the periods presented, and based on current qualitative impairment tests, goodwill and other indefinite-lived intangible assets are not as risk of failing.

Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

The following table sets forth our consolidated statements of income data as a percentage of revenue for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,		Percentage Change
	2024	2023	(decrease)
Revenue	100%	100%	
Costs and expenses:			
Educational services	51.4%	55.3%	-3.9%
General and administrative	28.3%	30.4%	-2.1%
General and administrative – related party	0.6%	0.4%	0.2%
Depreciation and amortization	0.6%	0.6%	0.0%
Total costs and expenses	80.9%	86.7%	-5.8%
Operating income	19.1%	13.3%	5.8%
Interest expense	-0.2%	-0.3%	0.1%
Interest income	1.8%	1.4%	0.4%
Income before income taxes	20.7%	14.4%	6.3%
Income tax expense	-5.8%	-4.1%	-1.7%
Net income	14.9%	10.3%	4.6%

Revenue. Our revenue was approximately $14.0 million for the three months ended September 30, 2024 compared to approximately $10.4 million for the three months ended September 30, 2023, an increase of approximately $3.6 million, or approximately 35.1%. The increase is primarily due to a 25.4% increase in ending enrollment from 2,024 to 2,539 supported by a 23.3 increase in starts from 627 to 773 in the quarter compared to prior year. Additionally, we experienced favorable program mix to higher earning programs within the quarter.

Educational services. Our educational services expense was approximately $7.2 million for the three months ended September 30, 2024 compared to approximately $5.7 million for the three months ended September 30, 2023, an increase of approximately $1.5 million, or approximately 25.7%. The increase was primarily attributable to the increased instructional and staffing required to support the increase in enrollments as well as increased rent and externship fees.

General and administrative expense. Our general and administrative expense was approximately $4.0 million for the three months ended September 30, 2024 compared to approximately $3.2 million for the three months ended September 30, 2023, an increase of approximately $0.8 million, or approximately 25.7%. The increase was primarily attributable to an increase in marketing expense, professional fees and bad debt expense. Of the total general and administrative expense, $1.2 million and $1.1 million relate to marketing expense relate for the first quarter of fiscal 2025 and 2024, respectively.

Depreciation and amortization. Our depreciation and amortization expense was approximately $0.1 million for the three months ended September 30, 2024 compared to approximately $0.1 million for the three months ended September 30, 2023.

Interest expense. Our interest expense was approximately $0.0 for the three months ended September 30, 2024 compared to approximately $0.0 for the three months ended September 30, 2023.

Income tax expense. Our income tax expense was approximately $0.8 million for the three months ended September 30, 2024 compared to approximately $0.4 million for the three months ended September 30, 2023, an increase of approximately $0.4 million, or approximately 90.9%. The increase is primarily attributable to increase in income.

Net Income. Our net income was approximately $2.1 million for the three months ended September 30, 2024 compared to approximately $1.1 million for the three months ended September 30, 2023, an increase of approximately $1.0 million, or approximately 95.5%, due to the reasons mentioned above.

Liquidity and Capital Resources

Our cash and cash equivalents were approximately $21.5 million and $10.4 million as of September 30, 2024, and 2023, respectively.

We are not party to a revolving line of credit or other debt facility.

Based on our current level of operations and anticipated growth, we believe that our cash flow from operations, the proceeds from our initial public offering and other sources of liquidity, including cash and cash equivalents, will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months.

Capital expenditures were approximately $0.2 million and $0.2 million for three months ended September 30, 2024, and 2023, respectively.

Title IV and other government funding

A significant portion of our revenue is derived from student tuition payments funded by the Title IV Programs. As such, the timing of disbursements under the Title IV Programs is based on federal regulations and our ability to successfully and timely arrange financial aid for our students. Title IV Program funds are generally provided in multiple disbursements before we earn a significant portion of tuition and fees and incur related expenses over the period of instruction. Students must apply for new Title IV Program loans and grants each academic year. These factors, together with the timing of our students beginning their programs, affect our operating cash flow.

Financial responsibility

Based on the most recent fiscal year-end financial statements, we satisfied the composite score requirement of the financial responsibility test which institutions must satisfy in order to participate in the Title IV Programs.

Cash Flow Activities for the Three Months Ended September 30, 2024 and 2023

Operating activities

Net cash provided by operating activities was approximately $3.2 million and $0.5 million for the three months ended September 30, 2024, and 2023, respectively. The increase of approximately $1.0 million is primarily attributable to an increase in earnings and an increase of approximately $2.7 million related to deferred unearned tuition.

Investing activities

Net cash used in investing activities was approximately $0.2 million for the three months ended September 30, 2024, and approximately $0.2 million for the three months ended September 30, 2023, an increase of approximately $0.1 million.

Financing activities

Net cash provided by financing activities was approximately $8.2 million for the three months ended September 30, 2024, and net cash used of approximately $0.2 million for the three months ended September 30, 2023, an increase of approximately $8.4 million due to the net proceeds of $7.9 million from our initial public offering ("IPO").

Financings

- From July 2021 to September 2021, the Company issued 108,333 shares of common stock to investors at a purchase price of $3.00 per share for total proceeds of $325,000.

- From July 2022 to June 2023, the Company issued dividends of $929,116

- From July 2024 to September 2024, the Company issued 2,500,000 shares of common stock as part of its IPO at a price of $4.00 per share for gross proceeds of $10,000,000

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for the three months ended September 30, 2024, and 2023. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Segment Information

We operate in one reportable segment as a single educational delivery operation using a core infrastructure that serves the curriculum and educational delivery needs of our institution's students regardless of geography. Our chief operating decision maker, our CEO and President, manages our operations as a whole, and our chief operating decision maker does not evaluate expenses or operating income information on a component level.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, using a modified retrospective approach and early adoption is permitted. The Company adopted ASU 2016-02 on July 1, 2022. The Company has elected to apply the short-term scope exception for leases with terms of 12 months or less at the inception of the lease and will continue to recognize rent expense on a straight-line basis. As a result of the adoption, on July 1, 2022, the Company recognized a lease liability of approximately $5.7 million, which represented the present value of the remaining minimum lease payments using an estimated incremental borrowing rate of 3.98%. As of July 1, 2022, the Company recognized a right-to-use asset of approximately $5.3 million. Lease expense did not change materially as a result of the adoption of ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 provides guidance for recognizing credit losses on financial instruments based on an estimate of current expected credit losses model. The amendments are effective for fiscal years beginning after December 15, 2019. Recently, the FASB issued the final ASU to delay adoption for smaller reporting companies for fiscal years beginning after December 15, 2022. We adopted ASU 2016-13 on July 1, 2023 and it did not have a material impact on our consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity, and also improves and amends the related earnings per share guidance for both Subtopics. The ASU will be effective for smaller reporting companies for annual reporting periods beginning after December 15, 2023 and interim periods within those annual periods and early adoption is permitted. We adopted 2020-06 on July 1, 2024 and it did not have a material impact on our consolidated financial statements and related disclosures.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including, without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more, as such amount is indexed for inflation every five years by the Securities and Exchange Commission to reflect the change in the Consumer Price Index for All Urban Consumers during its most recently completed fiscal year; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our initial public offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer evaluated the effectiveness of our "disclosure controls and procedures" as of September 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is accumulated and communicated to a company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and recognizes that any control and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Based on the evaluation of our disclosure controls and procedures as of September 30, 2024, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

There have been no significant changes in our internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be subject to litigation and claims arising in the ordinary course of business. We are not currently a party to any material legal proceedings and we are not aware of any pending or threatened legal proceeding against us that we believe could have a material adverse effect on our business, operating results, cash flows or financial condition.

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, Item 1A "Risk Factors," in our Annual Report on Form 10-K for the year ended June 30, 2024 as filed with the SEC on October 1, 2024 ("Annual Report"). There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

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

(a) Sales of Unregistered Securities.

None.

(b) Use of IPO Proceeds.

On September 27, 2024, we completed our IPO pursuant to which we issued and sold 2,500,000 shares of common stock at a price of $4.00 per share. We also issued 375,000 shares of common stock issued pursuant to the exercise by the underwriters of their over-allotment option, at a price to the public of $4.00 per share in the second quarter of fiscal 2025. The securities were sold pursuant to our Registration Statement on Form S-1 (File No. 333-281586) which was declared effective by the SEC on September 25, 2024.

We received net proceeds of approximately $7.9 million from the sale of the 2,500,000 shares of common stock after deducting underwriting discounts and commissions and offering expenses We also received net proceeds of approximately $1.4 million, which includes 375,000 shares of common stock issued pursuant to the exercise by the underwriters of their over-allotment option, after deducting underwriting discounts and commissions and offering expenses.

The offering commenced on September 25, 2024, and did not terminate before all securities registered in the registration statement were sold.

None of the expenses incurred by us were direct or indirect payments to any of (i) our directors or officers or their associates, (ii) persons owning 10% or more of our common stock, or (iii) our affiliates. Northland Securities, Inc., acted as book-running manager and representative of the underwriters for the IPO.

There has been no material change in the planned use of proceeds from our IPO from that described in the final prospectus related to the offering, dated September 25, 2024, as filed with the SEC on September 27, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 is formatted in Inline XBRL

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

LEGACY EDUCATION INC.

Date: November 14, 2024	By: */s/ LeeAnn Rohmann* LeeAnn Rohmann Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2024	By: */s/ Brandon Pope* Brandon Pope Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

Certification of Chief Executive Officer of Legacy Education Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, LeeAnn Rohmann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Legacy Education 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

/s/ LeeAnn Rohmann
LeeAnn Rohmann
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer of Legacy Education Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brandon Pope, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Legacy Education 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

/s/ Brandon Pope
Brandon Pope
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, LeeAnn Rohmann, Chief Executive Officer of Legacy Education Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 14, 2024	*/s/ LeeAnn Rohmann*
	LeeAnn Rohmann
	Chief Executive Officer
	(Principal Executive Officer)

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Brandon Pope, Chief Financial Officer of Legacy Education Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 14, 2024

/s/ Brandon Pope
Brandon Pope
Chief Financial Officer
(Principal Executive Officer)