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WHITMAN EDUCATION GROUP INC

Form 10-Q

August 07, 2002

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended June 30, 2002

Commission File Number 1-13722

WHITMAN EDUCATION GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Florida	22-2246554
-----	-----
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

4400 Biscayne Boulevard, Miami, Florida	33137
-----	-----

(Address of Principal Executive Offices)

(305) 575-6510

(Registrant's Telephone Number, Including Area Code)

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 the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date.

As of August 5, 2002, there were 13,961,149 shares of common stock outstanding.

WHITMAN EDUCATION GROUP, INC.
Form 10-Q
June 30, 2002

TABLE OF CONTENTS

PART I - Financial Information

Page

Edgar Filing: WHITMAN EDUCATION GROUP INC - Form 10-Q

Item 1. Financial Statements.....	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10

PART II - Other Information

Item 6. Exhibits and Reports on Form 8-K.....	16
---	----

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Whitman Education Group, Inc. and Subsidiaries Condensed Consolidated Balance Sheets

	June 30, 2002	March 31, 2002
	----- (Unaudited)	-----
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 15,247,397	\$ 14,010,878
Accounts receivable, net.....	23,543,893	23,425,589
Inventories.....	1,453,676	1,633,917
Deferred tax assets, net.....	3,272,192	3,376,197
Other current assets.....	2,210,225	2,273,607
	-----	-----
Total current assets.....	45,727,383	44,720,188
Property and equipment, net.....	10,479,402	10,804,417
Deposits and other assets.....	2,041,518	2,296,002
Goodwill, net.....	9,288,622	9,288,622
	-----	-----
Total assets.....	\$ 67,536,925	\$ 67,109,229
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable.....	\$ 1,372,868	\$ 1,716,674
Accrued expenses.....	6,383,529	6,749,811
Income taxes payable.....	510,162	-
Current portion of capitalized lease obligations.....	1,715,166	1,781,501
Current portion of capital expenditure note payable.....	1,300,000	1,300,000
Deferred tuition revenue.....	22,722,425	23,269,177
	-----	-----
Total current liabilities.....	34,004,150	34,817,163
Capitalized lease obligations.....	2,457,656	2,815,136
Capital expenditure note payable.....	4,333,333	4,658,333
Deferred tax liability.....	1,153,049	1,091,960
Stockholders' equity:		
Common stock, no par value; authorized 100,000,000 shares; issued 14,369,414 shares at June 30, 2002 and 14,262,648		

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shares at March 31, 2002; outstanding		
13,934,620 shares at June 30, 2002 and		
13,827,854 shares at March 31, 2002.....	23,638,436	23,198,153
Additional paid-in capital.....	805,309	805,309
Retained earnings (accumulated deficit)....	1,144,992	(276,825)
	-----	-----
Total stockholders' equity.....	25,588,737	23,726,637
	-----	-----
Total liabilities and stockholders'		
equity.....	\$ 67,536,925	\$ 67,109,229
	=====	=====

See accompanying notes to financial statements.

3

Whitman Education Group, Inc. and Subsidiaries Condensed Consolidated Statements of Operations (Unaudited)

	For the Three Months Ended June 30,	
	2002	2001
	-----	-----
Net revenues.....	\$ 25,424,115	\$ 20,518,116
Costs and expenses:		
Instructional and educational support.....	15,058,863	13,742,210
Selling and promotional.....	3,886,540	3,362,968
General and administrative.....	4,018,101	3,091,962
	-----	-----
Total costs and expenses.....	22,963,504	20,197,140
	-----	-----
Income from operations.....	2,460,611	320,976
Other (income) and expenses:		
Interest expense.....	175,069	268,714
Interest income.....	(104,067)	(109,449)
	-----	-----
Income before income tax provision.....	2,389,609	161,711
Income tax provision.....	967,792	64,684
	-----	-----
Net income.....	\$ 1,421,817	\$ 97,027
	=====	=====
Net income per share:		
Basic.....	\$ 0.10	\$ 0.01
	=====	=====
Diluted.....	\$ 0.09	\$ 0.01
	=====	=====
Weighted average common shares outstanding:		
Basic	13,919,993	13,648,779
	=====	=====

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Diluted.....	15,410,777	13,879,583
	=====	=====

See accompanying notes to financial statements.

4

Whitman Education Group, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Three Months Ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net income.....	\$ 1,421,817	\$ 97,027
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	894,336	984,210
Bad debt expense.....	1,358,756	1,121,434
Deferred tax provision.....	165,094	-
Changes in operating assets and liabilities:		
Accounts receivable.....	(1,477,060)	(1,171,910)
Inventories.....	180,241	60,183
Other current assets.....	63,382	(33,827)
Deposits and other assets.....	254,484	(217,653)
Accounts payable.....	(343,806)	(964,350)
Accrued expenses.....	(61,012)	297,349
Income taxes payable.....	510,162	55,063
Deferred tuition revenue.....	(546,752)	(326,689)
Net cash provided by (used in) operating activities.....	2,419,642	(99,163)
Cash flows from investing activities:		
Purchase of property and equipment.....	(523,699)	(416,076)
Net cash used in investing activities.....	(523,699)	(416,076)
Cash flows from financing activities:		
Proceeds from line of credit and long-term debt.....	-	5,746,081
Principal payments on line of credit, long-term debt and capital lease obligations.....	(794,437)	(8,135,370)
Proceeds from purchases in stock purchase plan and exercise of options.....	135,013	29,501
Net cash used in financing activities.....	(659,424)	(2,359,788)
Increase (decrease) in cash and cash equivalents.....	1,236,519	(2,875,027)

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Cash and cash equivalents at beginning of year.	14,010,878	5,892,779
	-----	-----
Cash and cash equivalents at end of period.....	\$ 15,247,397	\$ 3,017,752
	=====	=====
Supplemental disclosures of noncash financing and investing activities:		
Equipment acquired under capital leases.....	\$ 45,622	\$ 220,612
	=====	=====
Value of stock issued for 401(k) employee match.....	\$ 305,270	\$ -
	=====	=====
Supplemental disclosures of cash flow information:		
Interest paid.....	\$ 175,069	\$ 268,714
	=====	=====
Income taxes paid.....	\$ 107,998	\$ -
	=====	=====

See accompanying notes to financial statements.

5

Whitman Education Group, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and footnotes required for a presentation in accordance with accounting principles generally accepted in the United States of America. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included or incorporated by reference in our Form 10-K for the fiscal year ended March 31, 2002. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The accompanying financial statements include the accounts of Whitman Education Group, Inc., and its wholly-owned subsidiaries, Ultrasound Technical Services, Inc. ("Ultrasound Diagnostic Schools"), Sanford Brown College, Inc. ("Sanford-Brown College") and CTU Corporation ("Colorado Technical University"). All intercompany accounts and transactions have been eliminated. Hereafter, references to "Whitman" shall include collectively Whitman Education Group, Inc. and its operating subsidiaries, Ultrasound Diagnostic Schools, Sanford-Brown College and Colorado Technical University.

Whitman experiences seasonality in its quarterly results of operations as a result of changes in the level of student enrollment. New enrollment in Whitman's schools tends to be lower in the first and second fiscal quarters covering the summer months which are traditionally associated with recess from school. Costs are generally not significantly affected by seasonal factors on a quarterly basis. Accordingly, quarterly variations in net revenues will result

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in fluctuations in income from operations on a quarterly basis.

6

Whitman Education Group, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited)-(Continued)

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	For the Three Months Ended June 30,	
	2002	2001
Numerator:		
Net income.....	\$ 1,421,817	\$ 97,027
	=====	=====
Denominator:		
Denominator for basic earnings per share - weighted average shares.....	13,919,993	13,648,779
Effect of dilutive securities:		
Employee stock options.....	1,490,784	230,804
	-----	-----
Dilutive potential common shares.....	1,490,784	230,804
Denominator for diluted earnings per share - adjusted weighted - average shares and assumed conversions...	15,410,777	13,879,583
	=====	=====
Basic net income per share.....	\$ 0.10	\$ 0.01
	=====	=====
Diluted net income per share.....	\$ 0.09	\$ 0.01
	=====	=====

3. New Accounting Pronouncement

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS 144 supercedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions" for the disposal of a segment of a business. The adoption of SFAS 144, which was effective April 1, 2002, did not have an impact on Whitman's financial position or results of operations.

Whitman Education Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)-(Continued)

4. Net Income Per Common Share

Basic net income per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and common equivalent shares outstanding during the period.

5. Comprehensive Income

Whitman complies with the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes rules for the reporting and display of comprehensive income and its components. SFAS 130 requires unrealized gains or losses on available-for-sale securities to be included in "other comprehensive income."

For the three months ended June 30, 2002 and June 30, 2001, total comprehensive income was \$1,421,817 and \$97,027, respectively.

6. Segment and Related Information

Whitman complies with the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers.

Whitman is organized into two reportable segments, the University Degree Division and the Associate Degree Division. The University Degree Division primarily offers bachelor, master and doctorate degrees through Colorado Technical University. The Associate Degree Division primarily offers associate degrees and diplomas or certificates through Sanford-Brown College and Ultrasound Diagnostic Schools.

Whitman's revenues are not materially dependent on a single customer or small group of customers.

Whitman Education Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)-(Continued)

6. Segment and Related Information - (Continued)

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Summarized financial information concerning Whitman's reportable segments is shown in the following table:

	For the Three Months Ended June 30,	
	2002	2001
Net revenues:		
Associate Degree Division.....	\$ 19,971,284	\$ 15,288,208
University Degree Division.....	5,452,831	5,229,908
Total.....	\$ 25,424,115	\$ 20,518,116
	=====	=====
Income before income tax provision:		
Associate Degree Division.....	\$ 2,684,996	\$ 68,855
University Degree Division.....	267,512	704,424
Other.....	(562,899)	(611,568)
Total.....	\$ 2,389,609	\$ 161,711
	=====	=====
	June 30, 2002	March 31, 2002
Total assets:		
Associate Degree Division.....	\$ 53,154,526	\$ 52,696,673
University Degree Division.....	8,570,647	10,773,292
Other.....	5,811,752	3,639,264
Total.....	\$ 67,536,925	\$ 67,109,229
	=====	=====

9

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements of Whitman, the related notes to the consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Whitman's Form 10-K for the year ended March 31, 2002 and the condensed consolidated financial statements and the related notes to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q. Except for the historical matters contained herein, statements made in this report are forward-looking and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements may include, but are not limited to, statements regarding Whitman's financing needs and plans for future resources, working capital and operations. Investors are cautioned that forward-looking statements involve risks and uncertainties, including, but not limited to, regulatory, licensing and accreditation risks inherent in operating proprietary postsecondary educational institutions, (including risks relating to the continued eligibility of our schools to receive funds under Title IV Programs), risks relating to the recoverability of our goodwill and the

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realization of our deferred tax assets, and risks and uncertainties relating to the availability of financing which may cause our actual results, performance or achievements to differ materially from the results expressed in the forward-looking statements made in this report. Other factors that may affect our future results include certain economic, competitive, governmental and other factors discussed in our filings with the Securities and Exchange Commission. We assume no responsibility to update forward-looking statements made herein or otherwise.

10

Results of Operations

The following table sets forth the percentage relationship of certain statement of operations data to net revenues for the periods indicated:

	For the Three Months Ended June 30,	
	2002	2001
Net revenues.....	100.0%	100.0%
Costs and expenses:		
Instructional and educational support.....	59.2	67.0
Selling and promotional.....	15.3	16.4
General and administrative.....	15.8	15.0
Total costs and expenses.....	90.3	98.4
Income from operations.....	9.7	1.6
Other (income) and expenses:		
Interest expense.....	0.7	1.3
Interest income.....	(0.4)	(0.5)
Income before income tax provision.....	9.4	0.8
Income tax provision.....	3.8	0.3
Net income	5.6%	0.5%

Three Months Ended June 30, 2002 Compared to Three Months Ended June 30, 2001

Net revenues increased by \$4.9 million or 23.9% to \$25.4 million for the three months ended June 30, 2002 from \$20.5 million for the three months ended June 30, 2001. This increase was primarily due to a 9.8% increase in average student enrollment and an increase in tuition rates.

The Associate Degree Division experienced an 18.6% increase in average student enrollment and the University Degree Division experienced a 6.5% decrease in average student enrollment. The increase in student enrollment in the Associate Degree Division was primarily due to increased enrollment in the medical assisting program and the health information specialist program offered by the Ultrasound Diagnostic Schools and the allied health programs offered at Sanford-Brown College. The decrease in student enrollment in the University Degree Division was primarily due to a decline in enrollment in the information technology programs offered at Colorado Technical University. The decrease in average student enrollment in the University Degree Division was offset by an

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increase in the revenue earned per student due to an increase in the number of credit hours taken by students at Colorado Technical University.

11

Results of Operations - (Continued)

Instructional and educational support expenses increased by \$1.3 million or 9.6% to \$15.0 million for the three months ended June 30, 2002 from \$13.7 million for the three months ended June 30, 2001. As a percentage of net revenues, instructional and educational support expenses decreased to 59.2% for the three months ended June 30, 2002 as compared to 67.0% for the three months ended June 30, 2001. The increase in instructional and educational support expenses was primarily due to an increase in payroll expenses and related benefits for faculty, academic administrators and student support personnel to support the increase in enrollment. The decrease in instructional and educational support expenses as a percentage of net revenues was due to our ability to better leverage our instructional and educational support expenses to support an increased revenue base.

Selling and promotional expenses increased by \$0.5 million or 15.6% to \$3.9 million for the three months ended June 30, 2002 from \$3.4 million for the three months ended June 30, 2001. As a percentage of net revenues, selling and promotional expenses decreased to 15.3% for the three months ended June 30, 2002 as compared to 16.4% for the three months ended June 30, 2001. The increase in selling and promotional expenses was primarily due to an increase in advertising expenses in the Associate Degree Division resulting from our marketing efforts directed at increasing enrollment. The decrease in selling and promotional expenses as a percentage of net revenues was due to our ability to better leverage such expenses while supporting a growth in revenues.

General and administrative expenses increased by \$0.9 million or 30.0% to \$4.0 million for the three months ended June 30, 2002 from \$3.1 million for the three months ended June 30, 2001. As a percentage of net revenues, general and administrative expenses increased to 15.8% for the three months ended June 30, 2002 as compared to 15.0% for the three months ended June 30, 2001. The increase in general and administrative expenses was primarily due to an increase in administrative payroll expenses and related benefits and an increase in bad debt expense. As a percentage of net revenues, however, bad debt expense decreased to 5.3% for the three months ended June 30, 2002 from 5.5% for the three months ended June 30, 2001.

We reported income from operations of \$2.5 million for the three months ended June 30, 2002 as compared to income from operations of \$0.3 million for the three months ended June 30, 2001. This increase in profitability was primarily due to an increase in income from operations of \$2.6 million in the Associate Degree Division which was partially offset by a decrease in income from operations of \$0.4 million in the University Degree Division.

We reported net income of \$1.4 million and \$0.1 million for the three months ended June 30, 2002 and 2001, respectively. The increase in net profits was primarily due to the increase in profitability in the Associate Degree Division.

Seasonality

We experience seasonality in our quarterly results of operations as a result of changes in the level of student enrollment. New enrollment in our schools tends to be lower in the first and second fiscal quarters covering the

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summer months which are traditionally associated with recess from school. Costs are generally not significantly affected by the seasonal factors on a quarterly basis. Accordingly, quarterly variations in net revenues will result in fluctuations in income from operations on a quarterly basis.

12

Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2002 and March 31, 2002 were \$15.2 million and \$14.0 million, respectively. Our working capital totaled \$11.7 million at June 30, 2002 and \$9.9 million at March 31, 2002.

Net cash of \$2.4 million was provided by operating activities for the three months ended June 30, 2002 compared to net cash of \$0.1 million used in operating activities for the three months ended June 30, 2001. The increase in cash provided by operating activities of \$2.5 million was primarily due to an increase in net profits of \$1.3 million and an increase in income taxes payable of \$0.5 million.

Net cash of \$0.5 million and \$0.4 million were used in investing activities for the three months ended June 30, 2002 and 2001, respectively. The net cash used in investing activities related to the purchase of property and equipment.

Net cash of \$0.7 million and \$2.4 million were used in financing activities for the three months ended June 30, 2002 and 2001, respectively. The net cash used in financing activities related to principal payments made on our long-term debt, line of credit and capital lease obligations net of proceeds received from such financings, and proceeds received from purchases in our employee stock purchase plan and from the exercise of stock options. The decrease in cash used in financing activities was due to a decrease of \$1.6 million in net payments on long-term debt and capitalized lease obligations.

At March 31, 2002, we had a \$2.0 million line of credit which was scheduled to expire on October 31, 2002. In June 2002, we increased the line of credit to \$3.5 million and extended the expiration date to October 31, 2003. At June 30, 2002, we had no outstanding balance under this facility and letters of credit outstanding of \$0.5 million which reduced the amount available for borrowing.

Our primary source of operating liquidity is the cash received from payments of tuition and fees. Most students attending our schools receive some form of financial aid under Title IV Programs. Approximately 65% of our cash collections are from students who received funds from Title IV Programs. Disbursements under each program are subject to disallowance and repayment by the schools. Because a significant percentage of our revenue is derived from the Title IV Programs, any legislative or regulatory action that significantly reduces Title IV Program funding or the ability of our schools or students to participate in the Title IV Programs could have a material adverse effect on our short-term and long-term liquidity.

We believe that with our working capital, our cash flow from operations, and our line of credit, we will have adequate resources to meet our anticipated operating requirements for the foreseeable future.

13

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Contractual Obligations and Other Commercial Commitments

The following summarizes our contractual obligations at June 30, 2002, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period				
	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Note Payable	\$ 5,633	\$ 1,300	\$ 2,600	\$ 1,733	\$ -
Capital Lease					
Obligations	4,173	1,709	2,024	440	-
Operating Leases	29,831	5,705	9,871	7,391	6,864
	\$ 39,637	\$ 8,714	\$ 14,495	\$ 9,564	\$ 6,864
	=====	=====	=====	=====	=====

We have a contractual commitment related to a \$3.5 million line of credit which expires on October 31, 2003. At June 30, 2002, we had no outstanding balance under this facility and letters of credit outstanding of \$0.5 million, which reduced the amount available for borrowing.

Transactions with Former Management

We purchase certain textbooks and materials for resale to our students from an entity that is 40% owned by Randy S. Proto, our former Chief Operating Officer and President. For the three months ended June 30, 2002 and 2001, we purchased approximately \$60,000 and \$23,000, respectively, in textbooks and materials from that entity.

Critical Accounting Policies and Estimates

Financial Reporting Release No. 60, which was recently released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 1 to the Consolidated Financial Statements of Whitman Education Group, Inc. for the fiscal year ended March 31, 2002 included in our Form 10-K as filed with the Securities and Exchange Commission includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. The following is a brief discussion of the more significant accounting policies and methods used by us.

Our discussions and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. On an on-going basis, we evaluate our estimates, including those related to allowance for doubtful accounts, intangible assets, accrued liabilities, income and other tax accruals, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the

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circumstances, the results of which form the basis for making judgments about

14

Critical Accounting Policies and Estimates - (Continued)

the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different conditions or if our assumptions change.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

- o We maintain an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments. We determine the adequacy of this allowance by regularly reviewing the accounts receivable aging and applying various expected loss percentages to certain student account receivable categories based on historical bad debt experience. We charge-off accounts receivable balances deemed to be uncollectible usually after they have been sent to a collection agency and returned uncollected. While such losses have historically been within our expectations, there can be no assurance that we will continue to experience the same level of losses that we have in the past. Furthermore, because a significant percentage of our revenue is derived from the Title IV Programs, any legislative or regulatory action that significantly reduces Title IV Program funding or the ability of our schools or students to participate in the Title IV Programs could have a material adverse effect on the collectability of our accounts receivable and our future operating results, including a reduction in future revenues and additional allowances for doubtful accounts.
- o We have made acquisitions in the past that have resulted in the recognition of goodwill. In assessing the recoverability of our goodwill, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective asset. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for this asset not previously recorded which would adversely impact our operating results for the period in which we made the determination. There are many assumptions and estimates underlying the determination of an impairment loss. Another estimate using different, but still reasonable, assumptions could produce a significantly different result. Therefore, impairment losses could be recorded in the future.
- o We currently have deferred tax assets which are subject to periodic recoverability assessments. Realization of our deferred tax assets is principally dependent upon achievement of projected future taxable income. We evaluate the realizability of our deferred tax assets quarterly.

15

New Accounting Pronouncement

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In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS 144 supercedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions" for the disposal of a segment of a business. The adoption of SFAS 144, which was effective April 1, 2002, did not have an impact on our financial position or results of operations.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number -----	Description -----	Method of Filing -----
10.13	Letter Agreement dated March 19, 2002 by and between Merrill Lynch Business Financial Services, Inc. and Whitman Education Group, Inc.	Filed herewith.
99.1	Certification of Chief Executive Officer	Filed herewith.
99.2	Certification of Chief Financial Officer	Filed herewith.

(b) Reports on Form 8-K

On May 13, 2002, Whitman furnished a Current Report on Form 8-K. In that report, Whitman furnished information relating to a presentation to investors pursuant to Item 9 of Form 8-K and Regulation FD. The information contained in that Current Report on Form 8-K shall not be construed to be included herein.

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.

WHITMAN EDUCATION GROUP, INC.

By: /s/ FERNANDO L. FERNANDEZ

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Fernando L. Fernandez
Vice President - Finance,
Chief Financial Officer,
Treasurer and Secretary

Date: August 7, 2002