WHITMAN EDUCATION GROUP INC
Form 10-Q
February 07, 2001

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 December 31, 2000

Commission File Number 1-13722

WHITMAN EDUCATION GROUP, INC.

Florida	22-2246554
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 Biscayne Boulevard, Miami, Florida 33137
(Address of Principal Executive Offices) (Zip Code)

(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 X No ____

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

As of February 5, 2001, there were 13,468,620 shares of common stock outstanding.

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WHITMAN EDUCATION GROUP, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2000	MARCH 31, 2000
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents................	$ 2,563,577	$ 6,056,738
Accounts receivable, net.................	25,294,239	26,198,803
Inventories..............................	1,540,849	1,409,449
Deferred tax assets, net.................	3,630,134	2,800,968
Other current assets.....................	1,926,053	1,830,882
Total current assets....................	34,954,852	38,296,840
Property and equipment, net................	11,179,669	11,284,404
Deposits and other assets, net.............	3,268,175	3,351,370
Goodwill, net..............................	9,378,652	9,593,841
Total assets............................	$ 58,781,348	$ 62,526,455
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable.........................	$ 2,021,250	$ 1,345,738
Accrued expenses.........................	3,967,389	5,731,883
Current portion of capitalized lease obligations..........................	1,515,263	1,454,792
Deferred tuition revenue.................	21,160,098	21,589,823
Total current liabilities...............	28,664,000	30,122,236
Capitalized lease obligations..............	3,408,399	3,561,818
Long-term debt.............................	6,730,156	7,557,447
Stockholders' equity:		
Common stock, no par value, authorized 100,000,000 shares; issued and outstanding 13,368,535 shares at December 31, 2000 and 13,412,455 shares at March 31, 2000..	22,009,408	22,067,271
Additional paid-in capital...............	674,173	674,173
Accumulated deficit......................	(2,704,788)	(1,456,490)
Total stockholders' equity..............	19,978,793	21,284,954
Total liabilities and stockholders' equity...............................	$ 58,781,348	$ 62,526,455

See accompanying notes to financial statements.

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WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED DECEMBER 31, 2000	1999
Net revenues	$20,878,235	$20,287,808
Costs and expenses:		
Instructional and educational support	13,385,860	12,703,537
Selling and promotional	3,429,755	3,423,209
General and administrative	2,958,630	3,013,968
Total costs and expenses	19,774,245	19,140,714
Income from operations	1,103,990	1,147,094
Other (income) and expenses:		
Interest expense	322,445	274,380
Interest income	(79,528)	(79,878)
Income before income tax provision	861,073	952,592
Income tax provision	(343,051)	(379,513)
Net income	$ 518,022	$ 573,079
Net income per share:		
Basic and diluted	$ .04	$ .04
Weighted average common shares outstanding:		
Basic	13,364,052	13,406,795
Diluted	13,397,760	13,464,655

See accompanying notes to financial statements.

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WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE NINE MONTHS ENDED DECEMBER 31, 2000	1999
Net revenues	$58,278,904	$56,664,102
Costs and expenses:		
Instructional and educational support	39,263,572	38,558,134
Selling and promotional	10,737,054	9,094,902

General and administrative............	8,804,030	9,111,459
Total costs and expenses................	58,804,656	56,764,495
Loss from operations....................	(525,752)	(100,393)
Other (income) and expenses:		
Interest expense......................	850,945	868,186
Interest income.......................	(239,185)	(220,414)
Loss before income tax benefit and cumulative effect of change in accounting principle..................	(1,137,512)	(748,165)
Income tax benefit......................	453,185	298,069
Loss before cumulative effect of change in accounting principle.........	(684,327)	(450,096)
Cumulative effect of change in accounting principle, net of tax	(563,971)	-
Net loss................................	$(1,248,298)	$ (450,096)
Net loss per share (basic and diluted):		
Loss before cumulative effect of change in accounting principle.......	$ (.05)	$ (.03)
Cumulative effect of change in accounting principle, net of tax	(.04)	-
Net loss	$ (.09)	(.03)
Weighted average common shares outstanding:		
Basic and diluted	13,358,568	13,424,156

See accompanying notes to financial statements.

WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE NINE MONTHS ENDED DECEMBER 31,	
	2000	**1999**
Cash flows from operating activities:		
Net loss.......................................	$(1,248,298)	$ (450,096)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization...............	3,037,521	3,304,079
Bad debt expense..........................	2,883,296	2,528,388
Deferred tax benefit........................	(829,166)	(298,365)
Changes in operating assets and liabilities:		
Accounts receivable.......................	(1,978,732)	(2,033,346)
Inventories..............................	(131,400)	(156,338)
Other current assets......................	(103,332)	(647,572)

Deposits and other assets.................	83,195	(458,703)
Accounts payable..........................	675,512	137,589
Accrued expenses..........................	(1,764,494)	690,697
Income taxes payable......................	-	(898,664)
Deferred tuition revenue..................	(429,725)	1,417,149
Other liabilities.........................	-	(475,203)
Net cash provided by operating activities........	194,377	2,659,615
Cash flows from investing activities:		
Purchase of property and equipment..............	(1,472,793)	(959,212)
Investment in Huron University..................	-	(1,164,613)
Net cash used in investing activities...........	(1,472,793)	(2,123,825)
Cash flows from financing activities:		
Proceeds from line of credit, long-term borrowings and capitalized lease obligations...	16,122,709	25,233,467
Principal payments on line of credit, long-term borrowings and other liabilities.....	(18,279,591)	(28,207,598)
Purchase of common stock	(127,936)	-
Proceeds from purchases in stock purchase plan, exercise of options and warrants..............	70,073	92,158
Net cash used in financing activities...........	(2,214,745)	(2,881,973)
Decrease in cash and cash equivalents...........	(3,493,161)	(2,346,183)
Cash and cash equivalents at beginning of period.	6,056,738	4,267,110
Cash and cash equivalents at end of period.......	$ 2,563,577	$ 1,920,927

Continued on following page.

See accompanying notes to financial statements.

WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE NINE MONTHS ENDED DECEMBER 31,	
	2000	**1999**
Supplemental disclosures of noncash financing activities:		
Equipment acquired under capital leases...........	$ 1,236,643	$1,778,239
Supplemental disclosures of cash flow information:		
Interest paid...................................	$ 850,944	$ 868,186
Income taxes paid...............................	$ 140	$1,341,656

See accompanying notes to financial statements.

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 the management of Whitman, 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 generally accepted accounting principles. 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 Whitman's Form 10-K for the fiscal year ended March 31, 2000. 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 the seasonal factors on a quarterly basis. Accordingly, quarterly variations in net revenues will result in fluctuations in income (loss) from operations on a quarterly basis.

2. RECLASSIFICATION

Certain prior year amounts have been reclassified to conform to the fiscal 2001 presentation. These changes had no effect on previously reported net income (loss).

WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. EARNINGS PER SHARE

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

	THREE MONTHS ENDED DECEMBER 31,	NINE MONTHS ENDED DECEMBER 31,

	2000	1999	2000	1999
Numerator:				
Net income (loss).........	$ 518,022	$ 573,079	$(1,248,298)	$ (450,096)
Denominator:				
Denominator for basic net income (loss) per share - weighted average shares................	13,364,052	13,406,795	13,358,568	13,424,156
Effect of dilutive securities:				
Employee stock options..	33,708	57,860	-	-
Dilutive potential common shares..................	33,708	57,860	-	-
Denominator for diluted net income (loss) per share - adjusted weighted average shares and assumed conversions............	13,397,760	13,464,655	13,358,568	13,424,156
Basic and diluted net income (loss) per share..	$ .04	$ .04	$ (.09)	$ (.03)

4. COMPREHENSIVE INCOME (LOSS)

In fiscal 1999, Whitman adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components. Statement 130 requires unrealized gains or losses on Whitman's available-for-sale securities, which prior to its adoption were recorded separately in stockholders' equity, to be included in other comprehensive loss.

For the three months ended December 31, 2000 and 1999, total comprehensive income was $518,022 and $573,079, respectively. For the nine months ended December 31, 2000 and 1999, total comprehensive losses were $1,248,298 and $450,096, respectively.

5. LEGAL SETTLEMENT

In May 2000, Whitman (in conjunction with its insurance carriers) reached an agreement in principle to settle the previously reported case styled Cullen, et. al. v. Whitman Education Group, Inc., et. al., in the United States District Court for the Eastern District of Pennsylvania (Civil Action No. 98-CV-4076). On October 6, 2000, the Court approved the settlement, which took effect 30 days later, after the period for any appeal had expired. The settlement agreement covers students who attended Whitman's Ultrasound Diagnostic Schools any time from August 1, 1994 to August 1, 1998 in either the

5. LEGAL SETTLEMENT - (CONTINUED)

general ultrasound program or the non-invasive cardiovascular technology program. As a result of the settlement, Whitman recorded a one-time, after-tax charge to earnings of approximately $932,000, or $0.07 per share in the fiscal quarter ended March 31, 2000. Although management denied the allegations of the lawsuit, and believed the key allegations to be without merit, Whitman entered into the settlement to resolve litigation in a satisfactory business manner, to avoid disruption of Whitman's business, and to allow Whitman to pursue its mission of providing quality education to its enrolled students.

6. SEGMENT AND RELATED INFORMATION

In fiscal 1999, Whitman adopted the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise." Whitman is organized by two reportable segments, the University Degree Division and the Associate Degree Division through three wholly-owned subsidiaries. The University Degree Division primarily offers bachelor, master and doctorate degrees through Colorado Technical University. The Associate Degree Division 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.

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

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED DECEMBER 31,	
	2000	**1999**	**2000**	**1999**
Net revenues:				
Associate Degree Division........	$15,380,648	$15,365,116	$44,327,126	$42,453,403
University Degree Division........	5,497,587	4,922,692	13,951,778	14,210,699
Total..............	$20,878,235	$20,287,808	$58,278,904	$56,664,102
Income (loss) before income tax provision (benefit) and cumulative effect of change in accounting principle:				
Associate Degree Division.........	$ 246,384	$ 408,176	$ (859,446)	$ 110,481
University Degree Division.........	1,140,178	1,112,923	1,361,368	891,222
Other..............	(525,489)	(568,507)	(1,639,434)	(1,749,868)
Total............	$ 861,073	$ 952,592	$(1,137,512)	$ (748,165)

	December 31, 2000	**March 31, 2000**
Total assets:		
Associate Degree Division.......	$44,358,941	$49,223,023
University Degree Division.......	12,271,778	11,152,738
Other............	2,150,629	2,150,694

Total...........	$58,781,348	$62,526,455

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 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, 2000 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, projections of revenues, income, and cash flows, and Whitman's financing needs and plans for future 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, risks relating to unanticipated attrition or reductions in student enrollment, risks that marketing efforts may not achieve anticipated results, risks that new programs may not be implemented on a timely basis or be successful, which may cause our actual results, performance or achievements to differ materially from the forward-looking statements made in the report or otherwise made by or on our behalf. 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.

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED DECEMBER 31,		**NINE MONTHS ENDED DECEMBER 31,**	
	2000	**1999**	**2000**	**1999**
Net revenues..............	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Instructional and educational support.....	64.1	62.6	67.4	68.0
Selling and promotional..	16.4	16.9	18.4	16.1
General and administrative.........	14.2	14.8	15.1	16.1
Total costs and expenses...	94.7	94.3	100.9	100.2
Income (loss) from operations...............	5.3	5.7	(0.9)	(0.2)
Other (income) and expenses:				
Interest expense.........	1.6	1.4	1.5	1.5

Interest income..........	(0.4)	(0.4)	(0.4)	(0.4)
Income (loss) before income tax provision (benefit) and cumulative effect of change in accounting principle................	4.1	4.7	(2.0)	(1.3)
Income tax provision (benefit)................	1.6	1.9	(0.8)	(0.5)
Income (loss) before cumulative effect of change in accounting principle.................	2.5	2.8	(1.2)	(0.8)
Cumulative effect of change in accounting principle, net of tax.....	-	-	(0.9)	-
Net income (loss)..........	2.5 %	2.8 %	(2.1)%	(0.8)%

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RESULTS OF OPERATIONS - (CONTINUED)

THREE MONTHS ENDED DECEMBER 31, 2000 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 1999

Net revenues increased by $0.6 million or 2.9% to $20.9 million for the three months ended December 31, 2000 from $20.3 million for the three months ended December 31, 1999. This increase was primarily due to a 0.7% increase in average student enrollment and an increase in tuition rates.

The University Degree Division experienced an 8.8% increase in average student enrollment and the Associate Degree Division experienced a 3.4% decrease in average student enrollment. The increase in student enrollment in the University Degree Division was primarily due to increased enrollment at Colorado Technical University's Sioux Falls campus and in Colorado Technical University's information technology programs. The decrease in student enrollment in the Associate Degree Division was primarily due to a decrease in enrollment in the healthcare programs at Sanford-Brown College.

Instructional and educational support increased by $0.7 million or 5.4% to $13.4 million for the three months ended December 31, 2000 from $12.7 million for the three months ended December 31, 1999. As a percentage of net revenues, instructional and educational support expenses increased to 64.1% for the three months ended December 31, 2000 as compared to 62.6% for the three months ended December 31, 1999. The increase in instructional and educational support expenses was primarily due to an increase of $0.6 million in the University Degree Division. The increase in instructional and educational support expenses in the University Degree Division was primarily due to increases in payroll and related benefits for faculty and student support personnel to support the increase in enrollment and an increase in expenses related to the start up of Colorado Technical University's online program.

Selling and promotional expenses remained consistent at $3.4 million for the three months ended December 31, 2000 and December 31, 1999. As a percentage of net revenues, selling and promotional expenses decreased to 16.4% for the three months ended December 31, 2000, as compared to 16.9% for the three months ended December 31, 1999.

General and administrative expenses remained consistent at $3.0 million for the three months ended December 31, 2000 and December 31, 1999. As a percentage of net revenues, general and administrative expenses decreased to 14.2% for the three months ended December 31, 2000 as compared to 14.8% for the three months ended December 31, 1999.

Income from operations remained consistent at $1.1 million for the three months ended December 31, 2000 and December 31, 1999.

We reported net income of $0.5 million and $0.6 million for the three months ended December 31, 2000 and 1999, respectively.

RESULTS OF OPERATIONS - (CONTINUED)

NINE MONTHS ENDED DECEMBER 31, 2000 COMPARED TO THE NINE MONTHS ENDED DECEMBER 31, 1999

Net revenues increased by $1.6 million or 2.8% to $58.3 million for the nine months ended December 31, 2000 from $56.7 million for the nine months ended December 31, 1999. Excluding Huron University, which was sold in August 2000, net revenues increased by $3.1 million or 5.5% to $58.3 million for the nine months ended December 31, 2000 from $55.2 million for the nine months ended December 31, 1999. This increase was primarily due to a 3.0% increase in average student enrollment.

Excluding Huron University, the University Degree Division experienced a 5.2% increase in average student enrollment and the Associate Degree Division experienced a 1.9% increase in average student enrollment. The increase in student enrollment in the University Degree Division was primarily due to increased enrollment at Colorado Technical University's Sioux Falls campus and in Colorado Technical University's information technology programs. The increase in average student enrollment in the Associate Degree Division was primarily due to increased enrollments in the medical assisting and health information specialist programs offered by the Ultrasound Diagnostic Schools.

Instructional and educational support increased by $0.7 million or 1.8% to $39.3 million for the nine months ended December 31, 2000 from $38.6 million for the nine months ended December 31, 1999. As a percentage of net revenues, instructional and educational support expenses decreased to 67.4% for the nine months ended December 31, 2000 as compared to 68.0% for the nine months ended December 31, 1999. Excluding Huron University, instructional and educational support expenses increased by $2.9 million or 7.9% to $39.3 million for the nine months ended December 31, 2000 from $36.4 million for the nine months ended December 31, 1999. Excluding Huron University, as a percentage of net revenues, instructional and educational support expenses increased to 67.4% for the nine months ended December 31, 2000 as compared to 65.9% for the nine months ended December 31, 1999. This increase in instructional and educational support expenses was primarily due to an increase of $1.7 million in the University Degree Division and $1.2 million in the Associate Degree Division. The increase in instructional and educational support expenses in the University Degree Division was primarily due to increases in payroll and related benefits for faculty and student support personnel to support the increase in enrollment and an increase in expenses related to the start up of Colorado Technical University's online program. The increase in instructional and educational support expenses in the Associate Degree Division was primarily due to an increase in payroll and related benefits for faculty and staff to support the increase in enrollment and an increase in occupancy expenses related to the expansion of facilities.

Selling and promotional expenses increased by $1.6 million or 18.1% to $10.7 million for the nine months ended December 31, 2000 from $9.1 million for the nine months ended December 31, 1999. As a percentage of net revenues, selling and promotional expenses increased to 18.4% for the nine months ended December 31, 2000 as compared to 16.1% for the nine months ended December 31, 1999. Excluding Huron University, selling and promotional expenses increased by $1.9 million or 21.7% to $10.7 million for the nine months ended December 31, 2000 from $8.8 million for the nine months ended December 31, 1999. Excluding Huron University, as a percentage of net revenues, selling and promotional expenses increased to 18.4% for the nine months ended December 31, 2000 as compared to 16.0% for the nine months ended December 31, 1999. This increase in selling and promotional expenses was primarily due to an increase in advertising expenses resulting from marketing efforts directed at increasing enrollment.

RESULTS OF OPERATIONS - (CONTINUED)

General and administrative expenses decreased by $0.3 million or 3.4% to $8.8 million for the nine months ended December 31, 2000 from $9.1 million for the nine months ended December 31, 1999. As a percentage of net revenues, general and administrative expenses decreased to 15.1% for the nine months ended December 31, 2000 as compared to 16.1% for the nine months ended December 31, 1999. Excluding Huron University, general and administrative expenses decreased by $0.3 or 3.1% to $8.8 million for the nine months ended December 31, 2000 from $9.1 million for the nine months ended December 31, 1999. Excluding Huron University, as a percentage of net revenues, general and administrative expenses decreased to 15.1% for the nine months ended December 31, 2000 as compared to 16.4% for the nine months ended December 31, 1999. The decrease in general and administrative expenses was primarily due to a reduction in administrative payroll expenses and consulting fees in the University Degree Division.

We reported losses from operations of $0.5 million and $0.1 million for the nine months ended December 31, 2000 and 1999, respectively. Excluding Huron University, income from operations decreased by $1.4 million to a loss from operations of $0.5 million for the nine months ended December 31, 2000 as compared to income from operations of $0.9 million for the nine months ended December 31, 1999. This decrease in profitability was primarily due to a decrease in income from operations of $1.0 million in the Associate Degree Division due to an increase in selling and promotional expenses as a percentage of net revenues from 17.4% for the nine months ended December 31, 1999 to 20.0% for the nine months ended December 31, 2000. Additionally, income from operations in the University Degree Division decreased by $0.6 million due to an increase in instructional and educational support expenses as a percentage of net revenues from 65.2% for the nine months ended December 31, 1999 to 71.9% for the nine months ended December 31, 2000.

We reported net losses of $1.2 million and $0.5 million for the nine months ended December 31, 2000 and 1999, respectively. The increase in net loss was primarily due to the implementation of SEC Staff Accounting Bulletin No. 101 effective April 1, 2000, which resulted in a one-time charge after taxes of $0.6 million.

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 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.

The operating results of Huron University, which was sold in August 1999, were significantly affected by seasonality. As a more traditional university, Huron University experienced a significant decline in revenues during the late spring and summer. The decline in revenues combined with a relatively constant level of operating expenses resulted in operating losses of $1.0 million at Huron University for the nine months ended December 31, 1999. Due to the sale of Huron University, our operating results were not affected by the operations of Huron University for the three and nine months ended December 31, 2000 and the three months ended December 31, 1999.

RESULTS OF OPERATIONS - (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at December 31, 2000 and March 31, 2000 were $2.6 million and $6.1 million, respectively. The decrease in cash and cash equivalents was primarily due to the net repayment of debt of $2.2 million, the settlement payment of the class action lawsuit of $1.2 million and the purchase of capital expenditures of $1.5 million. Our working capital totaled $6.3 million at December 31, 2000 and $8.2 million at March 31, 2000.

Net cash of $0.2 million was provided by operating activities for the nine months ended December 31, 2000 compared to net cash of $2.7 million provided by operating activities for the nine months ended December 31, 1999. The decrease of $2.5 million was primarily due to a decrease in accrued expenses and an increase in net losses of $0.8 million.

Net cash of $1.5 million and $2.1 million were used for investing activities for the nine months ended December 31, 2000 and 1999, respectively. The decrease of $0.6 million was primarily due to cash used for the investment in Huron University for the nine months ended December 31, 1999. This decrease was partially offset by an increase in cash used for capital expenditures.

Net cash of $2.2 million was used in financing activities for the nine months ended December 31, 2000, compared to net cash of $2.9 million used in financing activities for the nine months ended December 31, 1999. The decrease in cash used in financing activities was due to a decrease of $0.8 million in net payments on long-term borrowings.

We have an $8.5 million line of credit which expires on September 30, 2002. At December 31, 2000, we had $6.7 million outstanding under this facility and letters of credit outstanding of $0.2 million which reduced the amount available for borrowing. The amounts borrowed under this facility for the nine months ended December 31, 2000 were primarily used for operations, capital expenditures and repayment of debt.

On November 5, 1999 our Board of Directors authorized the repurchase of up to $1.0 million of our common stock. The repurchases will be made from time to time in the open market or through privately negotiated transactions. We anticipate that the repurchase of shares will be funded through cash from operations. During the three months ended December 31, 2000, we did not repurchase any shares of our common stock and during the nine months ended December 31, 2000, we repurchased 90,000 shares of our common stock for approximately $128,000. Since the inception of the repurchase program, we have repurchased 285,000 shares of our common stock for approximately $498,000.

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. We receive approximately 75% of our funding from the Title IV Programs. Disbursements under each program are subject to disallowance and repayment by the schools.

We believe that with our working capital, our cash flow from operations, our credit facilities and our expected increased financings under capital lease obligations to fund capital expenditures, we will have adequate resources to meet our anticipated operating requirements for the foreseeable future.

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PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed by Whitman during the quarter ended December 31, 2000.

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.
(Registrant)

By: /s/ Fernando L.Fernandez
Fernando L. Fernandez
Vice President - Finance, Chief Financial Officer
and Treasurer

Date: February 7, 2001

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WHITMAN EDUCATION GROUP, INC. AND SUBSIDIARIES
FINANCIAL DATA SCHEDULE

Period Type	9 Months
Fiscal Year-End	March 31, 2001
Period-End	December 31, 2000
Cash	2,563,577
Securities	0
Receivables	32,036,706
Allowances	6,742,467
Inventory	1,540,849

Current Assets	34,954,852
PPE	28,921,062
Accumulated Depreciation	17,741,393
Total Assets	58,781,348
Current Liabilities	28,664,000
Bonds	0
Preferred - Mandatory	0
Preferred	0
Common	22,009,408
Other Shareholders' Equity	(2,030,615)
Total Liability and Equity	58,781,348
Sales	58,278,904
Total Revenues	58,278,904
CGS	39,263,572
Total Costs	50,000,626
Other Expenses	0
Loss Provision	0
Interest Expense (Net)	611,760
Loss Pretax	(1,137,512)
Income Tax (Benefit)	(453,185)
Loss Continuing	0
Discontinued	0
Extraordinary	0
Changes	(563,971)
Net Loss	(1,248,298)
EPS Basic	(0.09)
EPS Diluted	(0.09)