UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from to

Commission File Number: 001-34211

GRAND CANYON EDUCATION, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**20-3356009**
(State or other jurisdiction of Incorporation or organization)	**(I.R.S. Employer Identification No.)**

3300 W. Camelback Road

Phoenix, Arizona 85017

(Address, including zip code, of principal executive offices)

(602) 639-7500

(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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The total number of shares of common stock outstanding as of October 23, 2015, was 47,139,356.

Table of Contents

Table of Contents

GRAND CANYON EDUCATION, INC.

FORM 10-Q

INDEX

	Page
PART I FINANCIAL INFORMATION	3
Item 1 Financial Statements	3
Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3 Quantitative and Qualitative Disclosures About Market Risk	25
Item 4 Controls and Procedures	25
PART II OTHER INFORMATION	26
Item 1 Legal Proceedings	26
Item 1A Risk Factors	26
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3 Defaults Upon Senior Securities	27
Item 4 Mine Safety Disclosures	27
Item 5 Other Information	27
Item 6 Exhibits	27
SIGNATURES	28
101.INSXBRL Instance Document	
101.SCHXBRL Taxonomy Extension Schema	
101.CALXBRL Taxonomy Extension Calculation Linkbase	
101.LABXBRL Taxonomy Extension Label Linkbase	
101.PREXBRL Taxonomy Extension Presentation Linkbase	
101.DEFXBRL Taxonomy Extension Definition Linkbase	

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GRAND CANYON EDUCATION, INC.

Consolidated Income Statements

(Unaudited)

(In thousands, except per share data)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net revenue	$ 193,393	$ 175,056	$ 562,246	$ 501,082
Costs and expenses:				
Instructional costs and services	83,180	71,714	237,224	210,239
Admissions advisory and related, including $412 and $762 for the three months ended September 30, 2015 and 2014, respectively, and $1,406 and $2,373 for the nine months ended September 30, 2015 and 2014, respectively, to related parties	27,506	27,324	83,211	79,793
Advertising	19,360	16,491	57,810	48,954
Marketing and promotional	1,827	1,931	5,309	5,629
General and administrative	12,536	11,640	31,466	29,188
Total costs and expenses	144,409	129,100	415,020	373,803
Operating income	48,984	45,956	147,226	127,279
Interest expense	(313)	(576)	(834)	(1,455)
Interest and other income	201	43	585	377
Income before income taxes	48,872	45,423	146,977	126,201
Income tax expense	15,530	16,407	53,680	47,828
Net income	$ 33,342	$ 29,016	$ 93,297	$ 78,373
Earnings per share:				
Basic income per share	$ 0.72	$ 0.64	$ 2.03	$ 1.72
Diluted income per share	$ 0.70	$ 0.62	$ 1.97	$ 1.67
Basic weighted average shares outstanding	46,063	45,651	45,956	45,486

Diluted weighted average shares outstanding	47,320	47,051	47,262	46,962

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

3

Table of Contents

GRAND CANYON EDUCATION, INC.

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	$ 33,342	$ 29,016	$ 93,297	$ 78,373
Other comprehensive income, net of tax:				
Unrealized gains (losses) on available-for-sale securities, net of taxes of $74 and $8 for the three months ended September 30, 2015 and 2014, respectively, and $7 and $10 for the nine months ended September 30, 2015 and 2014, respectively	118	12	13	(16)
Unrealized gains (losses) on hedging derivatives, net of taxes of $154 and $39 for the three months ended September 30, 2015 and 2014, respectively, and $267 and $73 for the nine months ended September 30, 2015 and 2014, respectively	(257)	61	(432)	(113)
Comprehensive income	$ 33,203	$ 29,089	$ 92,878	$ 78,244

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

Table of Contents

GRAND CANYON EDUCATION, INC.

Consolidated Balance Sheets

(In thousands, except par value)	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS:		
Current assets		
Cash and cash equivalents	$ 78,177	$ 65,238
Restricted cash, cash equivalents and investments	64,737	67,840
Investments	84,016	100,784
Accounts receivable, net	9,500	7,605
Deferred income taxes	5,651	6,149
Other current assets	21,152	19,429
Total current assets	263,233	267,045
Property and equipment, net	639,631	478,170
Prepaid royalties	3,429	3,650
Goodwill	2,941	2,941
Other assets	3,377	3,907
Total assets	$ 912,611	$ 755,713
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current liabilities		
Accounts payable	$ 41,482	$ 22,715
Accrued compensation and benefits	21,580	23,995
Accrued liabilities	14,819	13,533
Income taxes payable	612	4,906
Student deposits	65,978	69,584
Deferred revenue	86,712	36,868
Due to related parties	382	403
Current portion of capital lease obligations	495	91
Current portion of notes payable	6,723	6,616
Total current liabilities	238,783	178,711
Capital lease obligations, less current portion	153	406
Other noncurrent liabilities	3,689	4,513
Deferred income taxes, noncurrent	14,590	15,974
Notes payable, less current portion	75,759	79,877
Total liabilities	332,974	279,481

Commitments and contingencies				
Stockholders equity				
Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at September 30, 2015 and December 31, 2014				
Common stock, $0.01 par value, 100,000 shares authorized; 50,247 and 49,746 shares issued and 47,138 and 46,744 shares outstanding at September 30, 2015 and December 31, 2014, respectively		502		497
Treasury stock, at cost, 3,109 and 3,002 shares of common stock at September 30, 2015 and December 31, 2014, respectively		(58,000)		(53,770)
Additional paid-in capital		173,301		158,549
Accumulated other comprehensive loss		(454)		(35)
Retained earnings		464,288		370,991
Total stockholders equity		579,637		476,232
Total liabilities and stockholders equity	$	912,611	$	755,713

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

5

Table of Contents

GRAND CANYON EDUCATION, INC.

Consolidated Statement of Stockholders Equity

(In thousands)

(Unaudited)

	Common Stock Shares	Common Stock Par Value	Treasury Stock Shares	Treasury Stock Cost	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2014	49,746	$ 497	3,002	$ (53,770)	$ 158,549	$ (35)	$ 370,991	$ 476,232
Comprehensive income						(419)	93,297	92,878
Restricted shares forfeited			15					
Exercise of stock options	177	2			2,869			2,871
Excess tax benefits					3,515			3,515
Share-based compensation	324	3	92	(4,230)	8,368			4,141
Balance at September 30, 2015	50,247	$ 502	3,109	$ (58,000)	$ 173,301	$ (454)	$ 464,288	$ 579,637

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

6

Table of Contents

GRAND CANYON EDUCATION, INC.

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	**Nine Months Ended September 30, 2015**	**2014**
Cash flows provided by operating activities:		
Net income	$ 93,297	$ 78,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	8,423	7,412
Excess tax benefits from share-based compensation	(3,343)	(7,232)
Provision for bad debts	11,412	10,835
Depreciation and amortization	25,360	21,418
Deferred income taxes	(1,305)	(137)
Prepaid royalty impairment		966
Other, including fixed asset impairments	2,098	2,475
Changes in assets and liabilities:		
Restricted cash, cash equivalents and investments	3,103	5,567
Accounts receivable	(13,307)	(11,907)
Prepaid expenses and other	(1,549)	(317)
Due to/from related parties	(21)	17
Accounts payable	1,400	(2,956)
Accrued liabilities and employee related liabilities	(1,181)	(1,610)
Income taxes receivable/payable	(791)	18,782
Deferred rent	(824)	(2,736)
Deferred revenue	49,844	44,092
Student deposits	(3,606)	(6,300)
Net cash provided by operating activities	169,010	156,742
Cash flows used in investing activities:		
Capital expenditures	(169,706)	(141,217)
Purchases of investments	(35,547)	(101,185)
Proceeds from sale or maturity of investments	52,315	82,479
Net cash used in investing activities	(152,938)	(159,923)
Cash flows (used in) provided by financing activities:		
Principal payments on notes payable and capital lease obligations	(5,117)	(5,021)
Repurchase of common shares including shares withheld in lieu of income taxes	(4,230)	(5,338)
Excess tax benefits from share-based compensation	3,343	7,232
Net proceeds from exercise of stock options	2,871	6,966

Net cash (used in) provided by financing activities		(3,133)		3,839
Net increase in cash and cash equivalents		12,939		658
Cash and cash equivalents, beginning of period		65,238		55,824
Cash and cash equivalents, end of period	$	78,177	$	56,482
Supplemental disclosure of cash flow information				
Cash paid for interest	$	849	$	1,327
Cash paid for income taxes	$	54,408	$	29,223
Cash received for income tax refunds	$	2	$	364
Supplemental disclosure of non-cash investing and financing activities				
Purchases of property and equipment included in accounts payable	$	23,212	$	11,650
Purchases of equipment through capital lease and note payable obligations	$	1,257	$	
Tax benefit of Spirit warrant intangible	$	190	$	195
Shortfall tax expense from share-based compensation	$	18	$	14

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

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

1. Nature of Business

Grand Canyon Education, Inc. (together with its subsidiaries, the University , we or us) is a comprehensive regionally accredited university that offers over 160 graduate and undergraduate degree programs across eight colleges both online and on ground at our 200+ acre campus in Phoenix, Arizona, at leased facilities and at facilities owned by third party employers of our students. Our undergraduate programs are designed to be innovative and to meet the future needs of employers, while providing students with the needed critical thinking and effective communication skills developed through a Christian, liberal arts foundation. We offer master and doctoral degrees in contemporary fields that are designed to provide students with the capacity for transformational leadership in their chosen industry, emphasizing the immediate relevance of theory, application, and evaluation to promote personal and organizational change. The University is accredited by The Higher Learning Commission. The University s wholly-owned subsidiaries are primarily used to facilitate expansion of the University campus.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its wholly-owned subsidiaries. Intercompany transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying unaudited interim consolidated financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles and pursuant to the rules and regulations of the United States Securities and Exchange Commission and the instructions to Form 10-Q and Article 10 of the Securities Exchange Act of 1934, consistent in all material respects with those applied in its financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014. They do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. Such interim financial information is unaudited but reflects all adjustments that in the opinion of management are necessary for the fair presentation of the interim periods presented. Interim results are not necessarily indicative of results for a full year. These consolidated financial statements should be read in conjunction with the University s audited financial statements and footnotes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014 from which the December 31, 2014 balance sheet information was derived.

Restricted Cash, Cash Equivalents and Investments

A significant portion of the University s revenue is received from students who participate in government financial aid and assistance programs. Restricted cash, cash equivalents and investments primarily represent amounts received from the federal and state governments under various student aid grant and loan programs, such as Title IV (Title IV) of the Higher Education Act of 1965, as amended (the Higher Education Act). The University receives these funds subsequent to the completion of the authorization and disbursement process and holds them for the benefit of the student. The U.S. Department of Education (Department of Education) requires Title IV funds collected in advance of student billings to be restricted until the course begins. The University records all of these amounts as a current asset in restricted cash, cash equivalents and investments. The majority of these funds remains as restricted for an average of 60 to 90 days from the date of receipt.

Investments

The University considers its investments in municipal bond, mutual funds and municipal securities as available-for-sale securities. Available-for-sale securities are carried at fair value, determined using Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the assets, with unrealized gains and losses, net of tax, reported as a separate component of other comprehensive income. Unrealized losses considered to be other-than-temporary are recognized currently in earnings. Amortization of premiums, accretion of discounts, interest and dividend income and realized gains and losses are included in interest and other income.

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

Note Receivable

The University purchased a note receivable from a financial institution at fair market value in the fourth quarter of 2012 for $27,000. The note bore interest at 11%, which represented the 6% rate of the loan plus the 5% default rate. The principal and most of the interest due on the note was paid in March 2013 resulting in the full return on investment of the note receivable and an additional gain in interest income and other income of $2,187 on the loan. However, the borrower has disputed certain amounts remaining due under the note agreement, including default interest in the amount of $432, a late payment penalty in the amount of $1,392, and a statutory trustee s fee in the amount of $139. The funds disputed by the borrower, plus interest thereon, were deposited into an escrow account with the clerk of the Maricopa County Superior Court pending resolution of the disputed issues. In the third quarter of 2013, the court ruled in favor of the University with respect to the late penalty and default interest accrued thereon. Accordingly, the University recorded interest and other income of $1,459 for the year ended December 31, 2013. The court ordered the late penalty funds and interest thereon to be released to the University on October 28, 2013 unless prior to said date, borrower filed with the court a formal notice of appeal and simultaneously deposited an additional $344 into escrow with the clerk of the court representing continued interest accruing on the late penalty pending an appeal. On October 28, 2013 borrower deposited with the clerk of the court the required cash bond in the amount of $344 and filed its formal notice of appeal. The briefing and oral argument phases of the appeal have been completed and the University is awaiting a written decision from the Court of Appeals. Following a bench trial, the trial court ruled in favor of the University with respect to remaining default interest and other fees totaling $697. Should the borrower appeal the trial court s judgment in favor of the University, the $697 will remain on deposit with the clerk of the court, provided the borrower deposits additional interest thereon in an amount determined by the court, as a cash bond pending any appeal.

Derivatives and Hedging

Derivative financial instruments are recorded on the balance sheet as assets or liabilities and re-measured at fair value at each reporting date. For derivatives designated as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Derivative financial instruments enable the University to manage its exposure to interest rate risk. The University does not engage in any derivative instrument trading activity. Credit risk associated with the University s derivatives is limited to the risk that a derivative counterparty will not perform in accordance with the terms of the contract. Exposure to counterparty credit risk is considered low because these agreements have been entered into with institutions with strong credit ratings, and such institutions are expected to perform fully under the terms of the agreements.

On February 27, 2013, the University entered into an interest rate corridor to manage its 30 Day LIBOR interest exposure related to its variable rate debt. The fair value of the interest rate corridor instrument as of September 30, 2015 and December 31, 2014 was $630 and $1,332, respectively, which is included in other assets. The fair value of this derivative instrument was determined using a hypothetical derivative transaction and Level 2 of the hierarchy of valuation inputs. This derivative instrument was originally designated as a cash flow hedge of variable rate debt obligations. The adjustment of $699 for the nine months ended September 30, 2015, for the effective portion of the loss on the derivative is included as a component of other comprehensive income, net of taxes.

The interest rate corridor instrument reduces variable interest rate risk starting March 1, 2013 through December 20, 2019 with a notional amount of $81,667 as of September 30, 2015. The corridor instrument s terms permits the University to hedge its interest rate risk at several thresholds; the University pays variable interest monthly based on the 30 Day LIBOR rates until that index reaches 1.5%. If 30 Day LIBOR is equal to 1.5% through 3.0%, the University pays 1.5%. If 30 Day LIBOR exceeds 3.0%, the University pays actual 30 Day LIBOR less 1.5%.

As of September 30, 2015, no derivative ineffectiveness was identified. Any ineffectiveness in the University s derivative instrument designated as a hedge is reported in interest expense in the income statement. For the nine months ended September 30, 2015, $3 of credit risk was recorded in interest expense for the interest rate corridor. At September 30, 2015, the University does not expect to reclassify gains or losses on derivative instruments from accumulated other comprehensive income (loss) into earnings during the next 12 months.

Fair Value of Financial Instruments

As of September 30, 2015, the carrying value of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued compensation and benefits and accrued liabilities approximate their fair value based on the liquidity or the short-term maturities of these instruments. The carrying value of notes payable approximates fair value as it is based on a variable rate index. The carrying value of capital lease obligations approximate fair value based upon market interest rates available to the University for debt of similar risk and maturities. Derivative financial instruments are carried at fair value, determined using Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the asset or liability.

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

The fair value of investments, primarily municipal securities (including municipal bond portfolios), were determined using Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the assets. The unit of account used for valuation is the individual underlying security. The municipal securities are comprised of city and county bonds related to schools, water and sewer, utilities, transportation, healthcare and housing. Because these securities are held by the University as investments, assessment of non-performance risk is not applicable as such considerations are only applicable in evaluating the fair value measurements for liabilities.

Revenue Recognition

Net revenues consist primarily of tuition and fees derived from courses taught by the University online, on ground at its approximately 200+ acre campus in Phoenix, Arizona, at leased facilities and at facilities owned by third party employers of our students, as well as from related educational resources that the University provides to its students, such as access to online materials. Tuition revenue and most fees from related educational resources are recognized pro-rata over the applicable period of instruction, net of scholarships provided by the University. For the nine months ended September 30, 2015 and 2014, the University s revenue was reduced by approximately $114,660 and $96,188, respectively, as a result of scholarships that the University offered to students. The University also maintains an institutional tuition refund policy, which provides for the refund of all or a portion of a student s tuition if the student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the University s policy to the extent in conflict. If a student withdraws at a time when only a portion, or none, of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. However, for students that have taken out financial aid to pay their tuition and for which a return of such money to the Department of Education (a Return to Title IV) is required as a result of his or her withdrawal, the University recognizes revenue after a student withdraws only at the time of cash collection. Sales tax collected from students is excluded from net revenues. Collected but unremitted sales tax is included as an accrued liability in the consolidated balance sheets. The University also charges online students an upfront learning management fee, which is deferred and recognized over the average expected term of a student. Costs that are direct and incremental to new online students are also deferred and recognized ratably over the average expected term of a student. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the income statement and are reflected as current liabilities in the accompanying consolidated balance sheet. The University s educational programs have starting and ending dates that differ from its fiscal quarters. Therefore, at the end of each fiscal quarter, a portion of revenue from these programs is not yet earned. Other revenues may be recognized as sales occur or services are performed.

Allowance for Doubtful Accounts

The University records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student s cost of tuition and related fees. The University determines the adequacy of its allowance for doubtful accounts based on an analysis of its historical bad debt experience, current economic trends, the aging of the accounts receivable and student status. The University applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables and student status. The University writes off accounts receivable balances at the earlier of the time the balances were deemed uncollectible or one year after the revenue is generated. The University accelerates the write off of inactive student accounts such that the accounts are written off by day 150. The University reflects accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection. Bad debt expense is recorded as an instructional costs and services expense in the consolidated income statement.

Long-Lived Assets (other than goodwill)

The University evaluates the recoverability of our long-lived assets for impairment 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.

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

Instructional Costs and Services

Instructional costs and services consist primarily of costs related to the administration and delivery of the University s educational programs. This expense category includes salaries, benefits and share-based compensation for full-time and adjunct faculty and administrative personnel, information technology costs, bad debt expense, curriculum and new program development costs (which are expensed as incurred) and costs associated with other support groups that provide services directly to the students. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of educational services, primarily at the University s Phoenix, Arizona campus.

Admissions Advisory and Related

Admissions advisory and related expenses include salaries and benefits for admissions advisory personnel and revenue share expense. This category also includes an allocation of depreciation, amortization, rent and occupancy costs attributable to the admissions advisory personnel.

Advertising

Advertising expenses include brand advertising, marketing leads and other branding activities. Advertising costs are expensed as incurred.

Marketing and Promotional

Marketing and promotional expenses include salaries, benefits and share-based compensation for marketing personnel, and other promotional expenses. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to marketing and promotional activities. Marketing and promotional costs are expensed as incurred.

General and Administrative

General and administrative expenses include salaries, benefits and share-based compensation of employees engaged in corporate management, finance, human resources, compliance, and other corporate functions. General and administrative expenses also include an allocation of depreciation, amortization, rent, and occupancy costs attributable to the departments providing general and administrative functions.

Commitments and Contingencies

The University accrues for contingent obligations when it is probable that a liability has been incurred and the amount is reasonably estimable. When the University 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 University records a liability for the estimated loss. If the loss is not probable or the amount of the potential loss is not estimable, the University 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 University expenses legal fees as incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Segment Information

The University operates as a single educational delivery operation using a core infrastructure that serves the curriculum and educational delivery needs of both its ground and online students regardless of geography. The University s Chief Executive Officer manages the University s operations as a whole and no expense or operating income information is generated or evaluated on any component level.

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Revenue from Contracts with Customers. The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. After the FASB amended the standard in July 2015, the standard is effective for us January 1, 2018 and early adoption is permitted effective January 1, 2017. The University is currently evaluating the impact that the standard will have on our financial condition, results of operations and disclosures.

In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance will be effective for the University s annual reporting period beginning January 1, 2016, and applied on a retrospective basis. Early adoption is also permitted. The University does not expect adoption of this guidance to have a material impact on its financial condition, results of operations, or disclosures.

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software, Customer s Accounting for Fees Paid in a Cloud Computing Arrangement*. The guidance requires customers to determine whether a cloud computing arrangement contains a software license. If the arrangement contains a software license, customers must account for fees related to the software license element in a manner consistent with how the acquisition of other software licenses is accounted for under ASC 350-40; if the arrangement does not contain a software license, customers must account for the arrangement as a service contract. The standard will take effect for the University for the year ending December 31, 2016 and all interim periods therein. Entities may adopt this guidance retrospectively, or prospectively for arrangements entered into, or materially modified, after the standard s effective date. The University does not expect adoption of this guidance to have a material impact on its financial condition, results of operations, or disclosures.

The University has determined that no other recent accounting pronouncements have a potential material impact to its operations or otherwise would have a material impact on its financial statements.

3. Investments

The following is a summary of amounts included in restricted and unrestricted investments as of September 30, 2015 and December 31, 2014. The University considered all investments as available for sale.

As of September 30, 2015

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Municipal securities	$ 84,007	$ 94	$ (85)	$ 84,016
Municipal bond mutual fund	55,621		(115)	55,506
Total restricted and unrestricted investments	$ 139,628	$ 94	$ (200)	$ 139,522

	As of December 31, 2014			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Municipal securities	$ 83,364	$ 51	$ (177)	$ 83,238
Municipal bond mutual fund	85,386			85,386
Total restricted and unrestricted investments	$ 168,750	$ 51	$ (177)	$ 168,624

The cash flows of municipal securities are backed by the issuing municipality s credit worthiness. All municipal securities are due in one year or less as of September 30, 2015. As of September 30, 2015, the net unrealized loss on available-for-sale securities was $64, net of taxes.

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

4. Net Income Per Common Share

Basic net income per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the assumed conversion of all potentially dilutive securities, consisting of stock options and restricted stock awards, for which the estimated fair value exceeds the exercise price, less shares which could have been purchased with the related proceeds, unless anti-dilutive. For employee equity awards, repurchased shares are also included for any unearned compensation adjusted for tax.

The table below reflects the calculation of the weighted average number of common shares outstanding, on an as if converted basis, used in computing basic and diluted earnings per common share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Denominator:				
Basic weighted average shares outstanding	46,063	45,651	45,956	45,486
Effect of dilutive stock options and restricted stock	1,257	1,400	1,306	1,476
Diluted weighted average shares outstanding	47,320	47,051	47,262	46,962

Diluted weighted average shares outstanding exclude the incremental effect of shares that would be issued upon the assumed exercise of stock options and vesting of restricted stock. For the nine months ended September 30, 2015 and 2014, approximately 373 and 155, respectively, of the University s stock options outstanding were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive. These options and restricted stock awards could be dilutive in the future.

5. Allowance for Doubtful Accounts

	Balance at Beginning of Period	Charged to Expense	Deductions[(1)]	Balance at End of Period

Nine months ended September 30, 2015	$	6,472	11,412	(12,089)	$	5,795
Nine months ended September 30, 2014	$	9,678	10,835	(13,036)	$	7,477

(1) Deductions represent accounts written off, net of recoveries.

6. Property and Equipment, net

Property and equipment, net consist of the following:

	September 30, 2015	December 31, 2014
Land	$ 94,735	$ 76,537
Land improvements	10,864	8,800
Buildings	387,988	298,124
Buildings and leasehold improvements	69,071	45,855
Equipment under capital leases	5,568	5,310
Computer equipment	87,999	75,990
Furniture, fixtures and equipment	50,219	38,162
Internally developed software	24,569	20,813
Other	1,099	1,099
Construction in progress	42,776	20,693
	774,888	591,383
Less accumulated depreciation and amortization	(135,257)	(113,213)
Property and equipment, net	$ 639,631	$ 478,170

13

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

7. Commitments and Contingencies

Leases

The University leases certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2022. Future minimum lease payments under operating leases due each year are as follows at September 30, 2015:

2015 (remaining three months)	$ 1,884
2016	5,683
2017	3,935
2018	3,432
2019	3,022
Thereafter	4,869
Total minimum payments	$ 22,825

Total rent expense and related taxes and operating expenses under operating leases for the nine months ended September 30, 2015 and 2014 were $5,837 and $6,359, respectively.

Legal Matters

From time to time, the University is a party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business, some of which are covered by insurance. When the University is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the University records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the University discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material. With respect to the majority of pending litigation matters, the University s ultimate legal and financial responsibility, if any, cannot be estimated with certainty and, in most cases, any potential losses related to those matters are not considered probable.

Upon resolution of any pending legal matters, the University may incur charges in excess of presently established reserves. Management does not believe that any such charges would, individually or in the aggregate, have a material adverse effect on the University s financial condition, results of operations or cash flows.

Tax Reserves, Non-Income Tax Related

From time to time the University has exposure to various non-income tax related matters that arise in the ordinary course of business. At September 30, 2015 and December 31, 2014, the University reserved approximately $0 and $659, respectively, for tax matters where its ultimate exposure is considered probable and the potential loss can be reasonably estimated.

8. Share-Based Compensation

Incentive Plan

Restricted Stock

During the nine months ended September 30, 2015, the University granted 315 shares of common stock with a service vesting condition to certain of its executives, officers, faculty and employees. The restricted shares have voting rights and vest in five annual installments of 20% starting on March 1, 2016 and each of the four anniversaries of the vesting date following the date of grant. Upon vesting, shares will be held in lieu of taxes equivalent to the minimum statutory tax withholding required to be paid when the restricted stock vests. During the nine months ended September 30, 2015, the University withheld 92 shares of common stock in lieu of taxes at a cost of $4,230 on the restricted stock vesting dates. In May 2015, the University granted 9 shares of common stock to certain of the non-employee members of the University s board of directors. The restricted shares granted to these directors have voting rights and vest on the earlier of (a) the one year anniversary of the date of grant or (b) immediately prior to the following year s annual stockholders meeting.

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

A summary of the activity related to restricted stock granted under the University s Incentive Plan since December 31, 2014 is as follows:

	Total Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2014	1,033	$ 28.75
Granted	324	45.66
Vested	(270)	27.03
Forfeited, canceled or expired	(15)	29.60
Outstanding as of September 30, 2015	1,072	$ 34.28

Stock Options

During the nine months ended September 30, 2015, no options were granted. A summary of the activity related to stock options granted under the University s Incentive Plan since December 31, 2014 is as follows:

	Summary of Stock Options Outstanding			
	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)(1)
Outstanding as of December 31, 2014	2,452	$ 14.83		
Granted				
Exercised	(177)	16.20		
Forfeited, canceled or expired	(10)	15.80		
Outstanding as of September 30, 2015	2,265	$ 14.72	4.08	$ 52,701
Exercisable as of September 30, 2015	2,054	$ 14.60	3.93	$ 48,048

Available for issuance as of September 30, 2015	1,936

(1) Aggregate intrinsic value represents the value of the University s closing stock price on September 30, 2015 ($37.99) in excess of the exercise price multiplied by the number of shares underlying options outstanding or exercisable, as applicable.

Share-based Compensation Expense

The table below outlines share-based compensation expense for the nine months ended September 30, 2015 and 2014 related to restricted stock and stock options granted:

	2015	**2014**
Instructional costs and services	$ 5,054	$ 4,403
Admissions advisory and related	143	122
Marketing and promotional	140	169
General and administrative	3,086	2,718
Share-based compensation expense included in operating expenses	8,423	7,412
Tax effect of share-based compensation	(3,369)	(2,965)
Share-based compensation expense, net of tax	$ 5,054	$ 4,447

GRAND CANYON EDUCATION, INC.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

9. Regulatory

The University is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act and the regulations promulgated thereunder by the Department of Education, subject the University 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.

To participate in Title IV programs, an institution must be authorized to offer its programs of instruction by the relevant agency of the state in which it is located, accredited by an accrediting agency recognized by the Department of Education and certified as eligible by the Department of Education. The Department of Education will certify an institution to participate in Title IV programs only after the institution has demonstrated compliance with the Higher Education Act and the Department of Education s extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to the Department of Education on an ongoing basis. As of September 30, 2015, management believes the University is in compliance with the applicable regulations in all material respects.

Because the University operates in a highly regulated industry, like other industry participants, it may be subject from time to time to investigations, claims of non-compliance, or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions, or common law causes of action. While there can be no assurance that regulatory agencies or third parties will not undertake investigations or make claims against the University, or that such claims, if made, will not have a material adverse effect on the University s business, results of operations or financial condition, management believes the University is in compliance with applicable regulations in all material respects.

10. Treasury Stock

The Board of Directors has authorized the University to repurchase up to $75,000 in aggregate of common stock, from time to time, depending on market conditions and other considerations. The expiration date on the repurchase authorization has been extended to September 30, 2016. Repurchases occur at the University s discretion. Repurchases may be made in the open market or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules. The amount and timing of future share repurchases, if any, will be made as market and business conditions warrant. Since its approval of the share repurchase plan, the University has purchased 2,787 shares of common stock at an aggregate cost of $49,135. During the nine months ended September 30, 2015 the University did not repurchase any shares of common stock. At September 30, 2015, there remained $25,865 available under its share repurchase authorization. Shares repurchased in lieu of taxes are not included in the repurchase plan totals as they were approved in conjunction with the restricted share awards.

16

Table of Contents

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes that appear elsewhere in this report.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Item 2, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, contains certain forward-looking statements, which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; statements as to whether regulatory developments or other matters may or may not have a material adverse effect on our financial position, results of operations, or liquidity; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management s goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as may, should, could, would, predicts, potential, continue, anticipates, future, intends, plans, believes, estimates and similar expressions, as well as statements in future identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our failure to comply with the extensive regulatory framework applicable to our industry, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements;

- the ability of our students to obtain federal Title IV funds, state financial aid, and private financing;

- potential damage to our reputation or other adverse effects as a result of negative publicity in the media, in the industry or in connection with governmental reports or investigations, lawsuits, or otherwise, affecting us or other companies in the for-profit postsecondary education sector;

- risks associated with changes in applicable federal and state laws and regulations and accrediting commission standards, including pending rulemaking by the Department of Education;

- our ability to properly manage risks and challenges associated with strategic initiatives, including the potential conversion of our university operations to non-profit status, the expansion of our campus, potential acquisitions of, or investments in, new businesses, acquisitions of new properties, or the development of new campuses;

our ability to hire and train new, and develop and train existing employees and faculty;

the pace of growth of our enrollment;

our ability to convert prospective students to enrolled students and to retain active students;

our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis;

industry competition, including competition for students and for qualified executives and other personnel;

risks associated with the competitive environment for marketing our programs;

failure on our part to keep up with advances in technology that could enhance the online experience of our students;

the extent to which obligations under our loan agreement, including the need to comply with restrictive and financial covenants and to pay principal and interest payments, limits our ability to conduct our operations or seek new business opportunities;

our ability to manage future growth effectively; and

general adverse economic conditions or other developments that affect the job prospects of our students.

Table of Contents

Additional factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in this Management s Discussion and Analysis of Financial Condition and Results of Operations and in Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as updated in our subsequent reports filed with the Securities and Exchange Commission (SEC), including any updates found in Part II, Item 1A of this Quarterly Report on Form 10-Q or our other reports on Form 10-Q. You should not put undue reliance on any forward-looking statements. Forward-looking statements speak only as of the date the statements are made and we assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Table of Contents

Overview

We are a comprehensive regionally accredited university that offers over 160 graduate and undergraduate degree programs across eight colleges both online and on ground at our 200+ acre campus in Phoenix, Arizona, at leased facilities and at facilities owned by third party employers of our students. Our undergraduate programs are designed to be innovative and meet the future needs of employers, while providing students with the needed critical thinking and effective communication skills developed through a Christian-oriented, liberal arts foundation. We offer master and doctoral degrees in contemporary fields that are designed to provide students with the capacity for transformational leadership in their chosen industry, emphasizing the immediate relevance of theory, application, and evaluation to promote personal and organizational change.

End-of-period enrollment increased 10.2% between September 30, 2015 and September 30, 2014, as ground enrollment increased 19.9% and online enrollment increased 7.9% over the prior year. We attribute the significant growth in our ground enrollment between years to our increasing brand recognition and the value proposition that our ground traditional campus affords to traditional-aged students and their parents. After scholarships, our ground traditional students pay tuition, room, board, and fees in an amount that is often half to a third of what it costs to attend a private, traditional university in another state and an amount comparable to what it costs to attend the public universities in the state of Arizona as an in-state student. Our online students pay tuition and fees in an amount that is often less than the cost of other high service online programs such as ours. For example, our largest local competitor s undergraduate tuition for online programs ranges from $490 to $553 per credit hour and its graduate tuition for online programs ranges from $492 to $852 per credit hour while our online tuition per credit hour ranges from $355 to $470 for undergraduate programs and $330 to $640 for graduate programs. There are online programs that are less expensive than ours but those programs generally do not provide the full level of support services that we provide to our students. Although our online enrollment continues to grow, as the proportion of traditional colleges and universities providing alternative learning modalities increases, we will face increasing competition for working adult students from such institutions, including those with well-established reputations for excellence. Net revenues increased 12.2% for the nine months ended September 30, 2015 over the first nine months of the prior year primarily due to the enrollment growth and due to an increase in ancillary revenues resulting from the increased traditional student enrollment (e.g., housing, food, etc.). We did not raise tuition in any of our programs for our 2014-2015 academic year. A tuition increase of approximately 1% was implemented for the majority of online programs for our 2015-2016 academic year. We have not raised our tuition for our traditional ground programs in seven years. Operating income was $147.2 million for the nine months ended September 30, 2015, an increase of 15.7% over the $127.3 million in operating income for the nine months ended September 30, 2014.

The following is a summary of our student enrollment at September 30, 2015 and 2014 by degree type and by instructional delivery method:

	2015(1)		**2014(1)**	
	# of Students	**% of Total**	**# of Students**	**% of Total**
Graduate degrees(2)	29,302	39.0%	26,007	38.2%
Undergraduate degree	45,771	61.0%	42,115	61.8%
Total	75,073	100.0%	68,122	100.0%

	2015[1]		2014[1]	
	# of Students	**% of Total**	**# of Students**	**% of Total**
Online[3]	59,600	79.4%	55,218	81.1%
Ground[4]	15,473	20.6%	12,904	18.9%
Total	75,073	100.0%	68,122	100.0%

(1) Enrollment at September 30, 2015 and 2014 represents individual students who attended a course during the last two months of the calendar quarter. Included in enrollment at September 30, 2015 and 2014 are students pursuing non-degree certificates of 716 and 621, respectively.

(2) Includes 6,259 and 5,336 students pursuing doctoral degrees at September 30, 2015 and 2014, respectively.

(3) As of September 30, 2015 and 2014, 47.5% and 45.2%, respectively, of our working adult students (online and professional studies students) were pursuing graduate degrees.

(4) Includes both our traditional on-campus ground students and our professional studies students.

Table of Contents

Critical Accounting Policies and Use of Estimates

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. During the nine months ended September 30, 2015, there have been no significant changes in our critical accounting policies.

Key Trends, Developments and Challenges

The key trends, developments and challenges facing the University are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. During the nine months ended September 30, 2015, there have been no significant changes in these trends. See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Key Trends, Developments and Challenges in our Annual Report on Form 10-K for our fiscal year ended December 31, 2014, which is incorporated herein by reference.

Results of Operations

The following table sets forth income statement data as a percentage of net revenue for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses				
Instructional costs and services	43.0	41.0	42.2	42.0
Admissions advisory and related	14.2	15.6	14.8	15.9
Advertising	10.0	9.4	10.3	9.8
Marketing and promotional	0.9	1.1	0.9	1.1
General and administrative	6.5	6.6	5.6	5.8
Total operating expenses	74.7	73.7	73.8	74.6
Operating income	25.3	26.3	26.2	25.4
Interest expense	(0.2)	(0.3)	(0.1)	(0.3)
Interest income and other income	0.1	0.0	0.1	0.1
Income before income taxes	25.3	25.9	26.1	25.2
Income tax expense	8.0	9.4	9.5	9.5
Net income	17.2	16.6	16.6	15.6

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Net revenue. Our net revenue for the three months ended September 30, 2015 was $193.4 million, an increase of $18.3 million, or 10.5%, as compared to net revenue of $175.1 million for the three months ended September 30, 2014. This increase was primarily due to an increase in enrollment and, to a lesser extent, an increase in room and board and other student fees, partially offset by an increase in institutional scholarships. We did not raise tuition in any of our programs for our 2014-2015 academic year. A tuition increase of approximately 1% was implemented for the majority of our online programs for our 2015-2016 academic year. We have not raised our tuition for our traditional ground programs in seven years. End-of-period enrollment increased 10.2% between September 30, 2015 and September 30, 2014, as ground enrollment increased 19.9%, and online enrollment increased 7.9% over the prior year. The majority of the ground enrollment growth between the third quarter of 2014 and the third quarter of 2015 is due to an increase in the number of our residential students at our ground traditional campus in Phoenix, Arizona. The growth in revenue per student between years is primarily due to our residential traditional campus enrollment growing at a rate higher than our working adult enrollment. When factoring in room, board and fees, the revenue per student is higher for these students than for our working adult students.

Instructional costs and services expenses. Our instructional costs and services expenses for the three months ended September 30, 2015 were $83.2 million, an increase of $11.5 million, or 16.0%, as compared to instructional costs and services expenses of $71.7 million for the three months ended September 30, 2014. This increase was primarily due to increases in employee compensation and related expenses including share based compensation, faculty compensation, dues, fees and subscriptions and other instructional supplies, and depreciation and amortization and occupancy expense, and increases in other instructional related expenses in these categories, of $5.4 million, $1.7 million, $1.6 million, $0.8 million, and $2.0 million, respectively. The increase in employee compensation and related expenses and faculty compensation are primarily due to the increase in the number of staff and faculty needed to support the increasing number of students attending the University. In addition, we have incurred an increase in employee benefit costs between years. The increase in dues, fees, subscriptions and other instructional supplies is primarily due to increased licensing fees related to educational resources and increased food costs associated with a higher number of residential students. The increase in depreciation and amortization and occupancy costs is the result of our placing into service additional buildings in the Fall of 2015 and 2014 to support the growing number of ground traditional students. Other instructional costs and services during the three months ended September 30, 2015 and 2014 include $1.2 million and $0.4 million, respectively, of fixed asset disposals related to the removal of older campus buildings as those buildings will be replaced with new campus infrastructure. Our instructional costs and services expenses as a percentage of net revenues increased 2.0% to 43.0% for the three months ended September 30, 2015, from 41.0% for the three months ended September 30, 2014 primarily due to increases in employee compensation and related expenses and other instructional related expenses as a percentage of revenue between years. The increase in employee compensation and related expenses as a percentage of revenue is primarily due to headcount increases needed to support the increasing number of ground traditional students. We expect these costs to continue to grow, as a percentage of revenue, on a year over year basis in the second and third fiscal quarters as revenues are lowest in these quarters due to the seasonal enrollment decline in these students between Spring and Fall semesters as only a small percentage take classes in the Summer, whereas most of the payroll costs are fixed. The increase in other instructional related expenses as a percentage of revenue between years is primarily due to the increase in the fixed asset disposals. Bad debt expense improved from 2.2% of net revenues for the three months ended September 30, 2014 to 2.1% for the three months ended September 30, 2015, which resulted primarily from improved student retention and improved collection efforts.

Admissions advisory and related expenses. Our admissions advisory and related expenses for the three months ended September 30, 2015 were $27.5 million, an increase of $0.2 million, or 0.7%, as compared to admissions advisory and related expenses of $27.3 million for the three months ended September 30, 2014. This increase is primarily the result of increases in employee compensation and related expenses including share based compensation primarily due to increased headcount between years of $1.1 million, partially offset by a decrease in other admissions advisory related expenses of $0.9 million between years. Our admissions advisory and related expenses as a percentage of revenue decreased 1.4% to 14.2% for the three months ended September 30, 2015, from 15.6% for the three months ended September 30, 2014 primarily due to our ability to leverage our admissions advisory personnel across an increasing revenue base.

Advertising expenses. Our advertising expenses for the three months ended September 30, 2015 were $19.4 million, an increase of $2.9 million, or 17.4%, as compared to advertising expenses of $16.5 million for the three months ended September 30, 2014. This increase is primarily the result of increased digital media and branding advertising focused on the southwestern United States region. Our advertising expenses as a percentage of net revenue increased by 0.6% to 10.0% for the three months ended September 30, 2015, from 9.4% for the three months ended September 30, 2014 as we have intentionally increased our advertising spend to increase brand awareness.

Marketing and promotional expenses. Our marketing and promotional expenses for the three months ended September 30, 2015 were $1.8 million, a decrease of $0.1 million, or 5.3%, as compared to marketing and promotional expenses of $1.9 million for the three months ended September 30, 2014. This decrease is primarily the result of decreases in other promotional expenses between years. Our marketing and promotional expenses as a percentage of net revenue decreased 0.2% to 0.9% for the three months ended September 30, 2015, from 1.1% for the three months ended September 30, 2014.

General and administrative expenses. Our general and administrative expenses for the three months ended September 30, 2015 were $12.5 million, an increase of $0.9 million, or 7.7%, as compared to general and administrative expenses of $11.6 million for the three months ended September 30, 2014. This increase was primarily due to increases in legal, audit and insurance expenses and our continued increases in charitable contributions including the funding of the rehabilitation of residential neighborhoods near our Phoenix, Arizona campus. During both the third quarter of 2015 and 2014 we contributed $2.8 million to private school tuition organizations in lieu of state income taxes. Our general and administrative expenses as a percentage of net revenue decreased by 0.1% to 6.5% for the three months ended September 30, 2015, from 6.6% for the three months ended September 30, 2014.

Interest expense. Interest expense for the three months ended September 30, 2015 was $0.3 million, a decrease of $0.3 million, as compared to interest expense of $0.6 million for the three months ended September 30, 2014. This decrease was primarily due to an increase in ongoing construction projects, resulting in higher capitalized interest and a decrease in the average balance of our credit facility between periods due to scheduled monthly principal payments. Our interest expense decreased as a percentage of net revenue by 0.1% to 0.2% for the three months ended September 30, 2015, from 0.3% for the three months ended September 30, 2014.

Interest and other income. Interest and other income for the three months ended September 30, 2015 was $0.2 million, an increase of $0.2 million, as compared to interest and other income of $0.0 million in the three months ended September 30, 2014. The increase was primarily due to average investment balances and higher investment returns period over period.

Income tax expense. Income tax expense for the three months ended September 30, 2015 was $15.5 million, a decrease of $0.9 million, or 5.3%, as compared to income tax expense of $16.4 million for the three months ended September 30, 2014. Our effective tax rate was 31.8% during the third quarter of 2015 compared to 36.1% during the third quarter of 2014. The variance in the effective tax rate is attributable to non-recurring favorable items in the third quarter of 2015. The tax rate for both periods is less than the annual effective tax rates due to the contributions made in lieu of state income taxes in the third quarter of both years.

Net income. Our net income for the three months ended September 30, 2015 was $33.3 million, an increase of $4.3 million, as compared to $29.0 million for the three months ended September 30, 2014, due to the factors discussed above.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Net revenue. Our net revenue for the nine months ended September 30, 2015 was $562.2 million, an increase of $61.1 million, or 12.2%, as compared to net revenue of $501.1 million for the nine months ended September 30, 2014. This increase was primarily due to an increase in enrollment and, to a lesser extent, an increase in room and board and other student fees, partially offset by an increase in institutional scholarships. We did not raise tuition in any of our programs for our 2014-2015 academic year. A tuition increase of approximately 1% was implemented for the majority of our online programs for our 2015-2016 academic year. We have not raised our tuition for our traditional ground programs in seven years. End-of-period enrollment increased 10.2% between September 30, 2015 and September 30, 2014, as ground enrollment increased 19.9%, and online enrollment increased 7.9% over the prior year. The majority of the ground enrollment growth between the third quarter of 2014 and the third quarter of 2015 is due to an increase in the number of our residential students at our ground traditional campus in Phoenix, Arizona. The growth in revenue per student between years is primarily due to our residential traditional campus enrollment growing at a rate higher than our working adult enrollment. When factoring in room, board and fees, the revenue per student is higher for these students than for our working adult students.

Instructional costs and services expenses. Our instructional costs and services expenses for the nine months ended September 30, 2015 were $237.2 million, an increase of $27.0 million, or 12.8%, as compared to instructional costs and services expenses of $210.2 million for the nine months ended September 30, 2014. This increase was primarily due to increases in employee compensation and related expenses including share based compensation, faculty compensation, dues, fees and subscriptions and other instructional supplies, depreciation and amortization and occupancy expense, and other instructional compensation and related expenses in these categories, of $11.2 million, $5.1 million, $5.4 million, $5.1 million, and $0.2 million, respectively. The increase in employee compensation and related expenses and faculty compensation are primarily due to the increase in the number of staff and faculty needed to support the increasing number of students attending the University. In addition, we have incurred an increase in employee benefit costs between years. The increase in depreciation and amortization and occupancy costs is the result of our placing into service additional buildings in the Fall of 2015 and 2014 to support the growing number of ground traditional students. The increase in dues, fees, subscriptions and other instructional supplies is primarily due to increased licensing fees related to educational resources and increased food costs associated with a higher number of residential students. Our instructional costs and services expenses as a percentage of net revenues increased 0.2% to 42.2% for the nine months ended September 30, 2015, from 42.0% for the nine months ended September 30, 2014, primarily due to increases in employee compensation and related expenses, dues, fees and subscriptions and other instructional supplies and depreciation and amortization and occupancy expense as a percentage of revenue between years. The increase in employee compensation and related expenses as a percentage of revenue is primarily due to headcount increases needed to support the increasing number of ground traditional students. The increase in dues, fees and subscriptions and other instructional supplies as a percentage of revenue is primarily due to increased board revenue, as the margin on our food operations is much lower than the margin on our overall operations. The increase in depreciation and amortization and occupancy costs as a percentage of revenue is primarily related to the continued buildout of our traditional ground campus. We expect these costs to continue to grow, as a percentage of revenue, on a year over year basis in the second and third fiscal quarters as revenues are lowest in these quarters due to the seasonal enrollment decline in these students between Spring and Fall semesters as only a small percentage take classes in the Summer, whereas most of these payroll costs are fixed. Bad debt expense improved from 2.2% of net revenues for the nine months ended September 30, 2014 to 2.0% for the nine months ended September 30, 2015, which resulted primarily from improved student retention and improved collection efforts.

Admissions advisory and related expenses. Our admissions advisory and related expenses for the nine months ended September 30, 2015 were $83.2 million, an increase of $3.4 million, or 4.3%, as compared to admissions advisory and related expenses of $79.8 million for the nine months ended September 30, 2014. This increase is primarily the result of increases in employee compensation and related expenses including share based compensation of $4.3 million primarily due to increased headcount between years, partially offset by a decrease in other admissions advisory related expense of $0.9 million between years. Our admissions advisory and related expenses as a percentage of revenue decreased 1.1% to 14.8% for the nine months ended September 30, 2015, from 15.9% for the nine months ended September 30, 2014 primarily due to our ability to leverage costs related to our admissions advisory personnel across an increasing revenue base.

Advertising expenses. Our advertising expenses for the nine months ended September 30, 2015 were $57.8 million, an increase of $8.8 million, or 18.1%, as compared to advertising expenses of $49.0 million for the nine months ended September 30, 2014. This increase is primarily the result of increased digital media and branding advertising focused on the southwestern United States region. Our advertising expenses as a percentage of net revenue increased by 0.5% to 10.3% for the nine months ended September 30, 2015, from 9.8% for the nine months ended September 30, 2014 as we have intentionally increased our advertising spend to increase brand awareness.

Marketing and promotional expenses. Our marketing and promotional expenses for the nine months ended September 30, 2015 were $5.3 million, a decrease of $0.3 million, or 5.7%, as compared to marketing and promotional expenses of $5.6 million for the nine months ended September 30, 2014. This decrease is primarily the result of decreases in other promotional expenses of $0.5 million partially offset by a slight increase in employee compensation of $0.2 million between years. Our marketing and promotional expenses as a percentage of net revenue decreased 0.2% to 0.9% for the nine months ended September 30, 2015, from 1.1% for the nine months ended September 30, 2014.

General and administrative expenses. Our general and administrative expenses for the nine months ended September 30, 2015 were $31.5 million, an increase of $2.3 million, or 7.8%, as compared to general and administrative expenses of $29.2 million for the nine months ended September 30, 2014. This increase was primarily due to increases in legal, audit and insurance expenses and other general and administrative expenses between periods. Increased other general and administrative expenses is primarily related to increased charitable contributions including the funding of the rehabilitation of residential neighborhoods near our Phoenix, Arizona campus. Additionally, during both the third quarter of 2015 and 2014 we contributed $2.8 million to private school tuition organizations in lieu of state income taxes. Our general and administrative expenses as a percentage of net revenue decreased by 0.2% to 5.6% for the nine months ended September 30, 2015, from 5.8% for the nine months ended September 30, 2014, due to our ability to leverage the fixed costs structure of our general and administrative expenses across an increasing revenue base.

Interest expense. Interest expense for the nine months ended September 30, 2015 was $0.8 million, a decrease of $0.7 million, as compared to interest expense of $1.5 million for the nine months ended September 30, 2014. This decrease was primarily due to an increase in ongoing construction projects resulting in higher capitalized interest and a decrease in the average balance of our credit facility between periods due to scheduled monthly principal payments. Our interest expense decreased as a percentage of net revenue by 0.2% to 0.1% for the nine months ended September 30, 2015, from 0.3% for the nine months ended September 30, 2014.

Interest and other income. Interest and other income for the nine months ended September 30, 2015 was $0.6 million, an increase of $0.2 million, as compared to interest and other income of $0.4 million in the nine months ended September 30, 2014. The increase was primarily due to differences in the investment balances and returns period over period.

Income tax expense. Income tax expense for the nine months ended September 30, 2015 was $53.7 million, an increase of $5.9 million, or 12.2%, as compared to income tax expense of $47.8 million for the nine months ended September 30, 2014. Our effective tax rate decreased to 36.5% during the nine months ended September 30, 2015 from 37.9% during the nine months ended September 30, 2014 due to non-recurring favorable items in the third quarter of 2015. The tax rate for both periods is less than the annual effective tax rates due to the contributions made in lieu of state income taxes in the third quarter of both years.

Net income. Our net income for the nine months ended September 30, 2015 was $93.3 million, an increase of $14.9 million, as compared to $78.4 million for the nine months ended September 30, 2014, due to the factors discussed above.

Seasonality

Our net revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in enrollment. Student population varies as a result of new enrollments, graduations, and student attrition. The majority of our traditional ground students do not attend courses during the summer months (May through August), which affects our results for our second and third fiscal quarters. Since a significant amount of our campus costs are fixed, the lower revenue resulting from the decreased ground student enrollment has historically contributed to lower operating margins during those periods. As we increased the relative proportion of our online students during prior years, this summer effect lessened. However, during the past year we increased, and over the next few years we intend to continue to increase, the relative proportion of our students that are ground traditional students. Thus, we expect this summer effect to become more pronounced in future years. Partially offsetting this summer effect in the third quarter has been the sequential quarterly increase in enrollments that has occurred as a result of the traditional fall school start. This increase in enrollments also has occurred in the first quarter, corresponding to calendar year matriculation. In addition, we typically experience higher net revenue in the fourth quarter due to its overlap with the semester encompassing the traditional fall school start and in the first quarter due to its overlap with the first semester of the calendar year. A portion of our expenses do not vary proportionately with these fluctuations in net revenue, resulting in higher operating income in the first and fourth quarters relative to other quarters. We expect quarterly fluctuation in operating results to continue as a result of these seasonal patterns.

Liquidity and Capital Resources

Liquidity. We financed our operating activities and capital expenditures during the nine months ended September 30, 2015 and 2014 primarily through cash provided by operating activities. Our unrestricted cash and cash equivalents and investments were $162.2 million and $166.0 million at September 30, 2015 and December 31, 2014, respectively. Our restricted cash, cash equivalents and investments at September 30, 2015 and December 31, 2014 were $64.7 million and $67.8 million, respectively.

Based on our current level of operations and anticipated growth, we believe that our cash flow from operations and other sources of liquidity, including cash and cash equivalents and our revolving line of credit, will provide adequate funds for ongoing operations, planned capital expenditures, and working capital requirements for at least the next 24 months. No amounts were borrowed on the $50.0 million revolving line of credit as of September 30, 2015.

Share Repurchase Program

Our Board of Directors has authorized the University to repurchase up to an aggregate of $75.0 million of our common stock, from time to time, depending on market conditions and other considerations. The expiration date on the repurchase authorization has been extended to September 30, 2016. Repurchases occur at the University s discretion.

Under our share purchase authorization, we may purchase shares in the open market or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules. The amount and timing of future share repurchases, if any, will be made as market and business conditions warrant.

Since the inception of our share repurchase program, the University has purchased 2.8 million shares of common stock at an aggregate cost of $49.1 million. During the nine months ended September 30, 2015 the University did not repurchase any shares of common stock. At September 30, 2015, there remains $25.9 million available under our share repurchase authorization.

Cash Flows

Operating Activities. Net cash provided by operating activities for the nine months ended September 30, 2015 was $169.0 million as compared to $156.7 million for the nine months ended September 30, 2014. The increase in cash generated from operating activities between the nine months ended September 30, 2014 and the nine months ended September 30, 2015 is primarily due to increased net income.

Investing Activities. Net cash used in investing activities was $152.9 million and $159.9 million for the nine months ended September 30, 2015 and 2014, respectively. Our cash used in investing activities was primarily related to capital expenditures. Capital expenditures were $169.7 million and $141.2 million for the nine months ended September 30, 2015 and 2014, respectively. During the nine-month period for 2015, capital expenditures primarily consisted of ground campus building projects such as the construction of four additional dormitories, an additional classroom building for our College of Science, Engineering and Technology, a new parking structure and land purchases adjacent to our Phoenix campus to support our growing traditional student enrollment as well as purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. During the nine-month period for 2014, capital expenditures primarily consisted of ground campus building projects such as the construction of an additional classroom building, additional residence halls, the expansion of our arena, and land purchases adjacent to our Phoenix campus to support our growing traditional student enrollment as well as purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. Also included in investing activities is the net short-term investment activity. In the first nine months of 2015 proceeds from the sale of short-term investments exceeded purchases by $16.8 million, whereas in the first nine months of 2014 purchases exceeded proceeds by $18.7 million.

Financing Activities. Net cash used in financing activities was $3.1 million for the nine months ended September 30, 2015, whereas net cash provided by financing activities was $3.8 million for the nine months ended September 30, 2014. During the first nine months of 2015, $4.2 million was used to purchase common shares withheld in lieu of income taxes resulting from restricted share awards while principal payments on notes payable and capital leases totaled $5.1 million. These uses were partially offset by proceeds from the exercise of stock options of $2.9 million and excess tax benefits from share-based compensation of $3.3 million. During the first nine months of 2014, proceeds from the exercise of stock options of $7.0 million and excess tax benefits from share-based compensation of $7.2 million were partially offset by $3.6 million used to purchase common shares withheld in lieu of income taxes resulting from restricted share awards, $1.7 million used to purchase treasury stock in accordance with the university s share repurchase program and principal payments on notes payable and capital leases totaled $5.0 million.

Table of Contents

Contractual Obligations

The following table sets forth, as of September 30, 2015, the aggregate amounts of our significant contractual obligations and commitments with definitive payment terms due in each of the periods presented (in millions):

	Payments Due by Period				
	Total	**Less than 1 Year (1)**	**2-3 Years**	**4-5 Years**	**More than 5 Years**
Long term notes payable	$ 82.5	$ 1.7	$ 13.5	$ 66.8	$ 0.5
Capital lease obligations	0.6	0.5	0.1	0.0	0.0
Purchase obligations(2)	86.4	24.8	56.8	4.4	0.4
Operating lease obligations	22.8	1.9	9.6	6.4	4.9
Total contractual obligations	$ 192.3	$ 28.9	$ 80.0	$ 77.6	$ 5.8

(1) Payments due in less than one year represent expected expenditures from October 1, 2015 through December 31, 2015.
(2) The purchase obligation amounts include expected spending by period under contracts that were in effect at September 30, 2015.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have had or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Impact of inflation. We believe that inflation has not had a material impact on our results of operations for the nine months ended September 30, 2015 or 2014. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Market risk. On February 27, 2013 we entered into an interest rate corridor to manage our 30 Day LIBOR interest exposure from our variable rate debt, which debt matures in December 2019. The corridor instrument, which hedges variable interest rate risk starting March 1, 2013 through December 20, 2019 with a notional amount of $81.7 million as of September 30, 2015, permits us to hedge our interest rate risk at several thresholds. Under this arrangement, in addition to the credit spread we will pay variable interest monthly based on the 30 Day LIBOR rates, until that index reaches 1.5%. If 30 Day LIBOR is equal to 1.5% through 3.0%, we will continue to pay 1.5%. If 30 Day LIBOR exceeds 3.0%, we will pay actual 30 Day LIBOR less 1.5%.

Except with respect to the foregoing, we have no derivative financial instruments or derivative commodity instruments. We invest cash in excess of current operating requirements in short-term certificates of deposit and money market instruments in multiple financial institutions.

Interest rate risk. We manage interest rate risk through the instruments noted above and by investing excess funds in cash equivalents, A rated municipal bonds and municipal mutual funds bearing variable interest rates, which are tied to various market indices or individual bond coupon rates. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates. At September 30, 2015, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows. For information regarding our variable rate debt, see Market risk above.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of September 30, 2015, in ensuring that material information relating to us required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Table of Contents

Changes in Internal Control over Financial Reporting.

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (who is our principal executive officer) and our Chief Financial Officer (who is our principal financial officer), there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2014, as updated in our Quarterly Report on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors has authorized the University to repurchase up to an aggregate of $75.0 million of common stock, from time to time, depending on market conditions and other considerations. The expiration date on the repurchase authorization has been extended to September 30, 2016. Repurchases occur at the University s discretion. Repurchases may be made in the open market or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules. The amount and timing of future share repurchases, if any, will be made as market and business conditions warrant. During the nine months ended September 30, 2015, we did not repurchase any shares of common stock. At September 30, 2015, there remains $25.9 million available under our share repurchase authorization.

The following table sets forth our share repurchases of common stock and our share repurchases in lieu of taxes, which are not included in the repurchase plan totals as they were effected in conjunction with the vesting of restricted share awards, during each period in the third quarter of fiscal 2015:

Period

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
Share Repurchases				
July 1, 2015 July 31, 2015		$		$ 25,865,000
August 1, 2015 August 31, 2015		$		$ 25,865,000
September 1, 2015 September 30, 2015		$		$ 25,865,000
Total		$		$ 25,865,000
Tax Withholdings				
July 1, 2015 July 31, 2015		$		$
August 1, 2015 August 31, 2015		$		$
September 1, 2015 September 30, 2015		$		$
Total		$		$

26

Table of Contents

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

Number	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation.	Incorporated by reference to Exhibit 3.1 to Amendment No. 6 to the University s Registration Statement on Form S-1 filed with the SEC on November 12, 2008.
3.2	Third Amended and Restated Bylaws.	Incorporated by reference to Exhibit 3.1 to the University s Current Report on Form 8-K filed with the SEC on October 29, 2014.
4.1	Specimen of Stock Certificate.	Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the University s Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
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.	Filed herewith.

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.	Filed herewith.

This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filings of the University, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Table of Contents

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.

GRAND CANYON EDUCATION, INC.

Date: October 28, 2015

By: /s/ Daniel E. Bachus
Daniel E. Bachus
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

28

Table of Contents

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