STERICYCLE INC
Form 4
February 09, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Collins Michael J

(Last) (First) (Middle)

28161 N. KEITH DRIVE

(Street)

LAKE FOREST, IL 60045

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
STERICYCLE INC [SRCL]

3. Date of Earliest Transaction (Month/Day/Year)
02/06/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amou Underlying Secur (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nu of S
Incentive Stock Option (right to buy)	$ 130.19	02/06/2015		A		768		02/06/2020	02/06/2023	Common Stock	7
Non-Qualified Stock Option (right to buy)	$ 130.19	02/06/2015		A		32,232		(1)	02/06/2023	Common Stock	32
Non-Qualified Stock Option (right to buy)	$ 130.19	02/06/2015		A		2,733		02/06/2015	02/06/2025	Common Stock	2,

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Collins Michael J 28161 N. KEITH DRIVE LAKE FOREST, IL 60045			Executive Vice President	

Signatures

Michael J. Collins	02/09/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option vests in five equal annual installments on the anniversary of the grant date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. graduate degree from an accredited college, university, or program with a grade point average of 2.8 or greater, or a graduate degree from an accredited college, university, or program. In addition, some students who do not meet the qualifications for admission may be accepted with specification. A student being considered for such admission may be asked to submit additional information such as personal references and an essay addressing academic history. Students may also need to schedule an interview to help clarify academic goals and help us make an informed decision.

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Retention. A key component in retaining our students is providing an outstanding learning experience. We feel that our team-based, proactive approach to recruitment and enhanced student services results in increased retention due to our systematic approach to contacting students at key milestones during their enrollment, providing encouragement and highlighting their achievements. Our student services counselors proactively assist each student with the student s selection of an appropriate payment option, and monitor the student s progress and account balance to ensure a smooth financial aid experience and to help ensure our students are well prepared for the financial obligations they incur. These counselors also assist students with their academic schedules and regularly monitor triggering events, such as the failure to participate in the classroom or failure to matriculate in a timely manner, which signal that a student may be at-risk for dropping out. Upon identifying an at-risk student, these counselors proactively interact with the student to resolve any issues and encourage the student to continue with his or her program. We have found that personally involving our employees in the student educational process, and proactively seeking to resolve issues before they become larger problems, can significantly increase retention rates among students. These frequent interactions between student services counselors and students are a key component to our retention strategy.

Enrollment

At December 31, 2016, we had 81,908 students enrolled in our courses, of which 64,646, or 78.9%, were enrolled in our online programs, and 17,262, or 21.1%, were enrolled in our ground programs. Of our students in online programs, which were geographically distributed throughout all 50 states of the United States, and Canada, and in professional studies programs, 86.5% were age 25 or older. Of our traditional on-campus students, 94.6% were under age 25 and, although we draw students from throughout the United States, a majority were from Arizona.

The following is a summary of our student enrollment at December 31, 2016 and 2015 by degree type and by instructional delivery method:

	December 31, 2016(1)		December 31, 2015(1)	
	# of Students	% of Total	# of Students	% of Total
Graduate degree(2)	33,215	40.6%	29,237	39.2%
Undergraduate degree	48,693	59.4%	45,269	60.8%
Total	81,908	100.0%	74,506	100.0%

	December 31, 2016(1)		December 31, 2015(1)	
	# of Students	% of Total	# of Students	% of Total
Online(3)	64,646	78.9%	59,311	79.6%
Ground(4)	17,262	21.1%	15,195	20.4%
Total	81,908	100.0%	74,506	100.0%

(1) Enrollment at December 31, 2016 and 2015 represents individual students who attended a course during the last two months of the calendar quarter. Includes 847 and 679 students pursuing non-degree certificates at December 31, 2016 and 2015, respectively.

(2) Includes 7,084 and 6,302 students pursuing doctoral degrees at December 31, 2016 and 2015, respectively.

(3) As of December 31, 2016 and 2015, 49.5% and 47.8%, respectively, of our working adult students (online and professional studies students) were pursuing graduate or doctoral degrees.
(4) Includes our traditional on-campus students, as well as our professional studies students.

Tuition and Fees

For the 2016-17 academic year (the academic year begins in May), our prices per credit hour range from $355 to $470 for undergraduate online and professional studies courses, $330 to $630 for graduate online courses, $640 for doctoral online programs, and $688 for undergraduate courses for ground students. For our active duty military and active reserve online and professional studies students, our prices per credit hour are $250 for undergraduate, $400 for graduate courses and $608 for doctoral courses. The overall price of each course varies based upon the number of credit hours per course (with most courses representing four credit hours), the degree level of the program, and the discipline. In addition, we charge a fixed $8,250 block tuition for undergraduate ground students taking between 12 and 18 credit hours per semester, with an additional $688 per credit hour for credits in excess of 18. A traditional undergraduate degree typically requires a minimum of 120 credit hours. The minimum number of credit hours required for a master s degree and overall cost for such a degree varies by program, although such programs typically require approximately 36 credit hours. The doctoral program requires approximately 60 credit hours and on average, doctoral students who graduated during the 2014-2015 academic year required 5.25 dissertation continuation courses to complete their degree. The University did not raise tuition in any of our programs for our 2016-2017 academic year and has not raised tuition for its traditional ground programs in eight years.

Based on current tuition rates, tuition for a full program would generally equate to between $15,450 and $37,000 for an online master s program, between $42,600 and $56,400 for a full four-year online bachelor s program, approximately $66,000 for a full four-year bachelor s program taken on our ground campus, and $48,000 for a full doctoral program including five dissertation continuation courses. Students requiring dissertation continuation courses in excess of five are only charged $500 per course. The tuition amounts referred to above assume no reductions for transfer credits or scholarships, which many of our students utilize to reduce their total program costs. For example, the average student on our ground traditional campus will pay approximately $8,600 in tuition in the 2016-17 school year after scholarships. Thus, based on the number of transfer credits and the scholarships they receive it is likely that a student will pay less than $35,000 in tuition for a bachelor s degree on our ground campus. For the fiscal years ended December 31, 2016, 2015 and 2014, our revenue was reduced by approximately $179.2 million, $163.9 million and $140.0 million, respectively, as a result of scholarships that we offered to our students. The increase in scholarships reflects our increasing use of academic scholarships, to attract high performing students to our ground traditional campus.

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We have established a refund policy for tuition and fees based upon individual course start dates. Under our policy, for courses offered through a working adult modality, generally if a student drops or withdraws from a course before the course begins, 100% of the charges for tuition and fees are refunded. If a student drops or withdraws from a course during the first week of the course, 75% of the charges for tuition are refunded. If a student drops or withdraws from a course during or after the second week of a course, tuition charges and fees are not refunded. Most fees, including materials fees, are non-refundable for non-traditional students after the start of a course. We will refund tuition and fees according to the above policy unless a student attending courses online is a resident of a state that requires us to comply with different, state specific guidelines. For traditional students attending 15-week courses, generally if a student withdraws before the course begins, 100% of the charges for tuition and fees are refunded. If a student withdraws during the first week of the course, 90% of the charges for tuition are refunded and instructional fees and ground campus-related fees are refunded. If a student drops or withdraws from a course during the second week of a course, 75% of the tuition charges are refunded but most fees are non-refundable. If a student drops during the third week of a course, 50% of the tuition charges are refunded and during or after the fourth week, there are no refunds for tuition charges. Fees charged by us include graduation fees as well as fees for access to certain educational resources such as online materials. This tuition and fees refund policy is different from, and applies in addition to, the return of Title IV funds policy we are required to follow as a condition of our participation in the Title IV programs.

Sources of Student Financing

Our students finance their education through a combination of methods, as follows:

Title IV programs. The federal government provides for grants and loans to students under the Title IV programs, and students can use those funds at any institution that has been certified as eligible by the Department of Education. Student financial aid under the Title IV programs is primarily awarded on the basis of a student s financial need, which is generally defined as the difference between the cost of attending the institution and the amount the student and the student s family can reasonably contribute to that cost. All students receiving Title IV program funds must maintain satisfactory academic progress toward completion of their program of study. In addition, each school must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students.

During fiscal 2016 and 2015, we derived approximately 72.3% and 74.8%, respectively, of our net revenues (calculated on a cash basis in accordance with Department of Education standards currently in effect) from tuition financed under the Title IV programs. The primary Title IV programs that our students receive funding from are the Federal Direct Loan program or FDL Program, and the Federal Pell Grant, or Pell, Program.

Student loans administered through the FDL Program are currently the most significant source of U.S. federal student aid. There are two types of federal student loans: subsidized loans, which are based on the U.S. federal statutory calculation of student need, and unsubsidized loans, which are not need-based. Neither type of student loan is based on creditworthiness although annual and aggregate loan limits apply based on a student s grade level. Students are generally not responsible for interest on subsidized loans while the student is enrolled in school. Students are responsible for the interest on unsubsidized loans while enrolled in school, but have the option to defer payment while enrolled. Repayment on federal student loans begins six months after the date the student ceases to be enrolled. The loans are repayable over the course of 10 years and, in some cases, longer. Both graduate and undergraduate students are eligible for loans. During fiscal 2016, federal student loans (both subsidized and unsubsidized) represented approximately 81.9% of the gross Title IV funds that we received.

Grants under the Pell Program (Pell Grants) are awarded based on need and only to undergraduate students who have not earned a bachelor s or professional degree. Unlike loans, Pell Grants are not repayable. During fiscal year 2016, Pell Grants represented approximately 13.6% of the gross Title IV funds that we received. For the 2015-16 award year, the maximum amount available under Pell Grants was $5,775 and the maximum income that makes an applicant for Title IV Program funds eligible for an automatic zero Expected Family Contribution was $24,000. For the 2016-2017 award year, the maximum amount available under Pell Grants was increased to $5,815 and the maximum income that makes an applicant to Title IV Program funds eligible for an automatic zero Expected Family Contribution increased to $25,000.

Our students also receive funding under other Title IV programs, including the Federal Perkins Loan Program, the Federal Supplemental Educational Opportunity Grant Program, the Federal Work-Study Program, and the Teacher Education Assistance for College and Higher Education Grant Program.

Other financial aid programs. In addition to the Title IV programs listed above, eligible students may participate in several other financial aid programs or receive support from other governmental sources. These include veterans educational benefits administered by the U.S. Department of Veterans Affairs and state financial aid programs. During fiscal 2016 and 2015, we derived an immaterial amount of our net revenue from tuition financed by such programs.

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Private loans. Some of our students also use private loan programs to help finance their education. Students can apply to a number of different lenders for private loans at current market interest rates. Private loans are intended to fund a portion of students cost of education not covered by the Title IV programs and other financial aid. During fiscal 2016 and 2015, payments derived from private loans constituted less than 1% of our net revenues for each year, respectively.

Other sources. We derived the remainder of our net revenue from tuition that is self-funded or attributable to employer tuition reimbursements.

Technology Systems and Management

We believe that we have established secure, reliable and scalable technology systems that provide a high quality educational environment and that give us the capability to substantially grow our online and traditional programs and enrollment.

Online course delivery and management. Our online delivery platform was developed in partnership with a third party and put into full production in 2011. We have a prepaid license for this platform for the foreseeable future as well as full source code rights. Because of its modular implementation, this platform can easily and reliably scale as our student population increases. The platform provides in depth analytics that allows us to closely monitor student success and the quality of our instructional resources. All ground and online students receive online course delivery and resources through this learning management platform.

Internal administration. We utilize a commercial customer relations management development platform to distribute, manage, track, and report on all interactions with prospective student leads as well as all active and inactive students. This software is scalable to capacity levels well in excess of current requirements. We also utilize a commercial software package to track Title IV funds, student records, grades, accounts receivable, accounts payable and general ledger.

Infrastructure. We operate two data centers, one at our campus and one at another Phoenix-area location. All of our servers are networked and we have redundant data backup. We manage our technology environment internally. Our wide area network is fully redundant to ensure maximum uptime, bandwidth capacity and network performance. Student access is load balanced for maximum performance. Real-time monitoring provides current system status across network, server, and storage components.

Ground Campus

We own our ground campus, which is located on over 260 acres in the center of the Phoenix, Arizona metropolitan area, near downtown Phoenix. Our on-campus facilities currently consist of classroom buildings, lecture halls, a 300-seat theater, a 155,000-volume newly renovated library, a media arts complex that provides communications students with audio and video equipment, a 55,000 square foot recreation center for both student-athletes and on-campus students, a 140,000 square foot/ 7,500 seat basketball and entertainment arena, a gymnasium, an activity center that contains a food court, a bowling alley and other student services, a student union which was recently remodeled and expanded, residence halls, apartments, campus pools, athletic facilities and parking garages. Additionally, we have several office buildings used for administration. In order to accommodate the continued growth of our traditional ground population, we completed four additional residence halls, a classroom building for our College of Science, Engineering and Technology and a third parking structure prior to the 2015/2016 school year and prior to the 2016/2017 school year we completed construction on three apartment style residence halls, an additional 170,000 square foot classroom building for its College of Science, Engineering and Technology, a student service center and a fourth parking structure.

We have 21 intercollegiate athletic teams that currently compete in Division I of the National Collegiate Athletic Association (NCAA). Our athletic facilities include the University Arena (a 7,500 seat venue for all men s and women s basketball games plus select other GCU athletic competitions, concerts, speakers and other events); a stadium that hosts NCAA men s and women s soccer as well as several club sports programs; a basketball practice facility; on-campus tennis courts; beach volleyball courts; and a competition/practice gymnasium, which accommodates men s and women s volleyball and competitive events. In addition, the University s 55,000 square foot student recreation center has state of the art training facilities for our 400 student-athletes plus practice space and locker rooms for men s and women s basketball. Our baseball, softball and track and field programs utilize on-campus practice and competition sites. In January 2016 the Grand Canyon University Championship golf course opened to the public. The men s and women s golf teams have dedicated practice facilities, a team room and coaches offices at the course. The cross-country and swimming programs utilize off-campus sites for practice and competition. The University won the 2012-13 and 2011-12 Learfield Sports Directors Cup as the top overall NCAA Division II intercollegiate athletic program based on the combined success in all of the sports in which we competed. We advanced 16 programs into NCAA Championship competition and gained top 10 finishes in nine separate sports. In November 2012, we accepted an invitation to be a member of the NCAA Division I Western Athletic Conference beginning with the 2013-14 academic year and in September 2013 we began playing full Division I schedules. In June 2016, the University successfully completed all year three requirements and was advanced to the fourth and final year of reclassification. During the 2015-2016 academic year, men s tennis won its first ever conference title while the men s and women s track teams swept the indoor and outdoor track and field conference championships. GCU televises home athletic events in multiple sports highlighted by the men s basketball games that have averaged approximately 5,800 fans per night with most games played when the students are not on semester break at or near capacity.

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We believe our ground-based programs and traditional campus not only offer our ground students, faculty, and staff an opportunity to participate in a traditional college experience, but also provide our online students, faculty, and staff with a sense of connection to a traditional university. Additionally, our full-time ground faculty play an important role in integrating online faculty into our academic programs and ensuring the overall consistency and quality of the ground and online student experience. We believe the mix of our online program with our traditional ground-based program with a greater than 60-year history and heritage differentiates us from other for-profit postsecondary education providers.

We intend to continue to expand the size and enhance the profile and reputation of our ground campus by, among other things, adding faculty, excelling in the performance areas such as athletics, debate, theatre, music and dance, expanding upon our campus infrastructure and technological capabilities, and potentially adding additional locations in the Southwest United States. These activities will require significant capital expenditures.

Employees

As of December 31, 2016, we employed approximately 3,850 full-time faculty, and staff and administrative personnel in university services, academic advising and academic support, enrollment services, university administration, financial aid, information technology, human resources, corporate accounting, finance, and other administrative functions. None of our employees is a party to any collective bargaining or similar agreement with us. We consider our relationships with our employees to be good.

Community Involvement and the Public Good

The University has embarked on a five-point plan to revitalize its West Phoenix neighborhood through the following initiatives. We believe these initiatives reflect well on the University and its employees, make the University more appealing to students and prospective students, help us develop strong working relationships with local government bodies, and continue to build the Grand Canyon University brand.

Significant support for K-12 education. We have expanded our free tutoring/mentoring program to 25 Phoenix-area high schools. This program, which is served by over 1,200 University students, operates in partnership with Phoenix-area businesses to provide 100 full-tuition scholarships to attend Grand Canyon University each year for students from inner-city schools.

Increased home values. Together with Habitat for Humanity, we participated in the largest home renovation project in the country in the West Phoenix area. These efforts, combined with the University s expanded presence in the community, has resulted in a 30 percent increase in home values in the 85017 zip code in the past year.

Improved safety. We are in the fourth year of a $1.0 million partnership with City of Phoenix Police Department that focuses on improving safety and reducing crime in the communities surrounding our campus. Since the initiation of this program, crime has decreased by 30 percent in the two-mile radius surrounding the University.

Job creation on the campus. We have tripled the number of our full-time employees from 1,219 in 2008 to nearly 4,000 by the end of 2016.

Job creation off campus. We are launching ten new business enterprises that will provide management opportunities for recent graduates and employment opportunities for current students and neighborhood residents, while spurring economic growth in the area.

The University is also involved in countless community events and projects throughout the year, helping organizations such as the Phoenix Dream Center, Feed My Starving Children, Hopefest, Arizona Foster Care, Phoenix Rescue Mission, Boy/Girl Scouts, Goodwill Arizona, St. Vincent de Paul, Young Life, Elevate Phoenix and St. Mary s Food Bank. The University also puts on popular gift drives at Christmas and Easter to help brighten those seasons for many underprivileged families. Our faculty, staff and students also go out into our surrounding neighborhoods to participate in University-sponsored programs such as Serve the City, Canyon Kids, Salute Our Troops, Colter Commons senior home visits and the Run to Fight Children s Cancer.

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Competition

There are more than 4,000 U.S. colleges and universities serving traditional and adult students. Competition is highly fragmented and varies by geography, program offerings, modality, ownership, quality level, and selectivity of admissions. No one institution has a significant share of the total postsecondary market.

Our ground program competes with Arizona State University, Northern Arizona University, and the University of Arizona, the in-state public universities, as well as two-year colleges within the state community college system. Our ground program also competes with geographically proximate universities with similar religious heritages, including Azusa Pacific University, Baylor University, and Pepperdine University. Our online programs compete with local, traditional universities geographically located near each of our prospective students, and with other for-profit postsecondary schools that offer online degrees, particularly those schools that offer online graduate programs within our core disciplines.

Non-profit institutions receive substantial government subsidies, and have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to for-profit schools. Accordingly, non-profit institutions may have instructional and support resources that are superior to those in the for-profit sector. In addition, some of our competitors, including both traditional colleges and universities and other for-profit schools, have substantially greater name recognition and financial resources than we have, which may enable them to compete more effectively for potential students. We also expect to face increased competition as a result of new entrants to the online education market, including established colleges and universities that had not previously offered online education programs.

We believe that the competitive factors in the postsecondary education market include:

- availability of professionally relevant and accredited program offerings;
- the types of degrees offered and the marketability of those degrees;
- reputation, regulatory approvals, and compliance history of the school;
- convenient, flexible and dependable access to programs and classes;
- qualified and experienced faculty;
- quality of the ground campus facilities;
- level of student support services;

cost of the program;

the effectiveness of marketing and sales efforts; and

the time necessary to earn a degree.

Proprietary Rights

We own or are licensed to use various intellectual property rights, including copyrights, trademarks, service marks, trade secrets and domain names. We license the right to utilize the name of Jerry Colangelo in connection with our business school and our Colangelo School of Sports Business that we operate within our business school, and we have spent significant resources in related branding efforts. While such intellectual property rights are important to us, we do not believe that the loss of any individual property right or group of related rights would have a material adverse effect on our overall business.

Available Information

Our Internet address is www.gcu.edu. We make available free of charge on our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Forms 3, 4, and 5 filed on behalf of directors and executive officers, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission (hereafter, the SEC). In addition, our earnings conference calls are web cast live via our website. In addition to visiting our website, you may read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F. Street NE, Washington, D.C. 20549 or at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room.

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REGULATION

We are subject to extensive regulation by state education agencies, accrediting commissions, and the federal government through the Department of Education under the Higher Education Act. The regulations, standards, and policies of these agencies cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, athletics and financial condition.

As an institution of higher education that grants degrees and certificates, we are required to be authorized by appropriate state education authorities. In addition, in order to participate in the federal student financial aid programs, we must be accredited by an accrediting commission recognized by the Department of Education. Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources, and financial stability. The Higher Education Act requires accrediting commissions recognized by the Department of Education to review and monitor many aspects of an institution s operations and to take appropriate action if the institution fails to meet the accrediting commission s standards.

Our operations are also subject to regulation by the Department of Education due to our participation in the federal student financial aid programs under Title IV of the Higher Education Act. Those Title IV programs include educational loans with below-market interest rates that are issued by the federal government under the Federal Direct Loan program (the FDL Program), as well as grant programs for students with demonstrated financial need. To participate in the Title IV programs, a school must receive and maintain authorization by the appropriate state education agency or agencies, be accredited by an accrediting commission recognized by the Department of Education, and be certified as an eligible institution by the Department of Education.

Our business activities are planned and implemented to comply with the standards of these regulatory agencies. We employ a Vice President of Student Financial Aid Compliance who is knowledgeable about regulatory matters relevant to student financial aid programs and our Chief Financial Officer, Chief Risk Officer, Senior Vice President of Academic Affairs and General Counsel also provide oversight designed to ensure that we meet the requirements of our regulated operating environment.

State Education Licensure and Regulation

We are authorized to offer our educational programs by the Arizona State Board for Private Postsecondary Education, the regulatory agency governing private postsecondary educational institutions in the State of Arizona, where we are located. We do not presently have campuses in any states other than Arizona, although we do have one location in Albuquerque, New Mexico. We are required by the Higher Education Act to maintain authorization from the Arizona State Board for Private Postsecondary Education in order to participate in the Title IV programs. This authorization is very important to us and our business. To maintain our state authorization, we must continuously meet standards relating to, among other things, educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures. Our failure to comply with the requirements of the Arizona State Board for Private Postsecondary Education could result in us losing our authorization to offer our educational programs, which would cause us to lose our eligibility to participate in the Title IV programs and could force us to cease operations. Alternatively, the Arizona State Board for Private Postsecondary Education could restrict our ability to offer certain degree and non-degree programs.

The Department of Education released a final rule on state authorizations of distance learning programs, which will become effective on July 1, 2018, unless repealed or overruled. As written, the rule provides that programs may be authorized pursuant to certain reciprocity agreements among states. We are an approved institutional participant in the State Authorization Reciprocity Agreement (SARA). SARA is an agreement among member states, districts and territories that establishes comparable national standards for interstate offering of postsecondary distance education courses and programs. It is intended to make it easier for students to take online courses offered by postsecondary institutions based in another state. SARA is overseen by a national council (NC-SARA) and administered by four regional education compacts, for which Arizona is a W-SARA member. There is a yearly renewal for participating in NC-SARA and AZ-SARA and institutions must agree to meet certain requirements to participate. As of December 31, 2016, 47 states are members of SARA.

Some states that do not participate in SARA impose regulatory requirements on out-of-state educational institutions operating within their boundaries, such as those having a physical facility or conducting certain academic activities within the state. We currently enroll students in all 50 states and the District of Columbia. Although we are currently licensed, authorized, in-process, or exempt in all non-SARA jurisdictions in which we operate, if we fail to comply with state licensing or authorization requirements for a state, or fail to obtain licenses or authorizations when required, we could lose our state license or authorization by that state or be subject to other sanctions, including restrictions on our activities in, and fines and penalties imposed by, that state, as well as fines, penalties, and sanctions imposed by the Department of Education. The loss of licensure or authorization in any non-SARA state could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our enrollments.

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Individual state laws establish standards in areas such as instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters, some of which are different than the standards prescribed by the Department of Education or the Arizona State Board for Private Postsecondary Education. Laws in some states limit schools ability to offer educational programs and award degrees to residents of those states. Some states also prescribe financial regulations that are different from those of the Department of Education, and may require the posting of surety bonds.

State Professional Licensure

Many states have specific requirements that an individual must satisfy in order to be licensed as a professional in specified fields, including fields such as education and healthcare, and counseling. These requirements vary by state and by field. A student s success in obtaining licensure following graduation typically depends on several factors, including the background and qualifications of the individual graduate, as well as the following factors, among others:

- whether the institution and the program were approved by the state in which the graduate seeks licensure, or by a professional association;
- whether the program from which the student graduated meets all requirements for professional licensure in that state;
- whether the institution and the program are accredited and, if so, by what accrediting commissions; and
- whether the institution s degrees are recognized by other states in which a student may seek to work.

Many states also require that graduates pass a state test or examination as a prerequisite to becoming certified in certain fields, such as teaching and nursing. Many states will certify individuals if they have already been certified in another state.

Our College of Education is approved by the Arizona State Department of Education to offer Institutional Recommendations (credentials) for the certification of elementary, secondary, and special education teachers and school administrators. Our College of Nursing and Health Care Professions is approved by the Arizona State Board of Nursing for the Bachelor of Science in Nursing and advanced practice Master of Science in Nursing degrees. Our College of Humanities and Social Sciences is approved by the National Addiction Studies Accreditation Commission (NASAC). Due to varying requirements for professional licensure and certification in states other than Arizona, we inform students of the risks associated with obtaining professional licensure or certification and that it is each student s responsibility to determine what state, local or professional licensure and certification requirements are necessary in his or her individual state.

Accreditation

Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources, and financial stability. To be recognized by the Department of

Education, accrediting commissions must adopt specific standards for their review of educational institutions, conduct peer-review evaluations of institutions, and publicly designate those institutions that meet their criteria. An accredited school is subject to periodic review by its accrediting commissions to determine whether it continues to meet the performance, integrity and quality required for accreditation.

Grand Canyon University has been regionally accredited by the Higher Learning Commission and its predecessor since 1968, most recently obtaining reaccreditation in 2007 for the ten-year period through 2017. Following a comprehensive evaluation by the Higher Learning Commission during the Fall of 2016, we expect our accreditation to be reaffirmed in the Spring of 2017. Accreditation by the Higher Learning Commission is important to us for several reasons, including the fact that it enables our students to receive Title IV financial aid. Other colleges and universities depend, in part, on an institution s accreditation in evaluating transfers of credit and applications to graduate schools. Employers rely on the accredited status of institutions when evaluating candidates credentials, and students and corporate and government sponsors under tuition reimbursement programs look to accreditation for assurance that an institution maintains quality educational standards.

In addition to our institutional accreditation, we have specialized accreditations for certain programs, including from the National Addiction Studies Accreditation Commission (NASAC), the Accreditation Council for Business Schools and Programs (ACBSP), the Commission on Collegiate Nursing Education (CCNE), and the Commission on Accreditation of Athletic Training Education (CAATE). In addition, Grand Canyon Theological Seminary is an Associate Member of the Association of Theological Schools in the United States and Canada (ATS). We believe that our institution-wide regional accreditation, together with these specialized accreditations, reflect the quality of our programs, enhance their marketability to students, and improve the employability of our graduates.

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Regulation of Federal Student Financial Aid Programs

To be eligible to participate in the Title IV programs, an institution must comply with specific requirements contained in the Higher Education Act and the regulations issued thereunder by the Department of Education. An institution must, among other things, be licensed or authorized to offer its educational programs by the state in which it is physically located (in our case, Arizona) and maintain institutional accreditation by an accrediting commission recognized by the Department of Education (in our case, the Higher Learning Commission).

The substantial amount of federal funds disbursed to schools through the Title IV programs, the large number of students and institutions participating in these programs, and allegations of fraud and abuse by certain for-profit educational institutions have caused Congress to require the Department of Education to exercise considerable regulatory oversight over for-profit educational institutions. As a result, our institution is subject to extensive oversight and review. Because the Department of Education periodically revises its regulations and changes its interpretations of existing laws and regulations, we cannot predict with certainty how the Title IV program requirements will be applied in all circumstances.

Significant regulations and other factors relating to the Title IV programs that could adversely affect us include the following:

Congressional action. Congress must reauthorize the Higher Education Act on a periodic basis, usually every five to six years, and the most recent reauthorization occurred in August 2008. The reauthorized Higher Education Act reauthorized all of the Title IV programs in which we participate, but made numerous revisions to the requirements governing the Title IV programs, including provisions relating to student loan default rates and the formula for determining the maximum amount of revenue that institutions are permitted to derive from the Title IV programs. In addition, members of Congress periodically introduce legislation that would impact Title IV programs and our industry generally. Moreover, the Congressional Review Act provides Congress an expedited path to disapproving rules made by federal agencies, including the Department of Education, during transitions between presidential administrations, which could also impact Title IV programs and our industry generally. Because a significant percentage of our revenue is derived from the Title IV programs, any action by Congress that significantly reduces Title IV program funding or our ability or the ability of our students to participate in the Title IV programs could increase our costs of compliance, reduce the ability of some students to finance their education at our institution, require us to seek to arrange for other sources of financial aid for our students and materially decrease our student enrollment.

Regulatory changes. In October 2016, the Department of Education announced the final regulations relating to a new federal standard and a process for determining whether a borrower has a defense to repayment on federal student loans based on an act or omission of a school. The new regulations, which largely go into effect as of July 1, 2017, will provide repayment relief to students in respect of student loans first disbursed after July 1, 2017 where: a school breaches contractual promises to a student; certain judgments are entered against a school related to the loan or the educational services after a contested proceeding; or the school makes substantial misrepresentations about the nature of its educational programs, financial charges or employability of graduates, or insubstantial misrepresentations where other factors are present, such as pressure to enroll quickly or taking advantage of students distress or lack of knowledge or sophistication. The regulations will allow the Department of Education to identify and grant relief to groups of students where there are common facts, including students who have not requested relief, and will entitle the Department of Education to seek reimbursement from the school in most cases in respect of loans discharged under the new procedure. Schools will be completely barred from requiring, or even asking, students to agree to settle future disputes through arbitration.

In addition, the final regulations will automatically require a school to post a letter of credit in the amount of at least 10% of the school s annual Title IV disbursements upon the occurrence of specified events such as the commencement of a major lawsuit by a state or federal government entity; the filing of a substantial number of borrower defense claims; a default by the school on its debt obligations; the failure of the school to satisfy the 90/10 Rule; and/or action by the school s accreditor that could result in the school losing its accreditation. If a school experiences any of these triggers, the school will be required to warn prospective and current students that it has been required to provide enhanced financial protection to the Department of Education. The final regulations also will require disclosure by proprietary institutions to prospective and enrolled students if student loan repayment rates fall below specified levels.

Under the final regulations, the precise standards for student loan discharge may be unclear or subject to interpretation or Department of Education discretion in a manner that is adverse to us and not fully known or predictable in advance. In addition, certain of the potential adverse consequences could arise from actions or claims, such as the mere commencement of enforcement actions by state or federal government entities or the filing of student claims for debt relief, which ultimately are found to lack merit. Each of these consequences could materially and adversely affect our business or require us to change our practices and procedures in a manner that materially increases our costs and reduces our administrative effectiveness. In addition, our flexibility in responding to state or federal and certain private lawsuits may be materially reduced because of the possible significant ancillary consequences of an adverse judgment or finding.

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Eligibility and certification procedures. Each institution must apply periodically to the Department of Education for continued certification to participate in the Title IV programs. Such recertification generally is required every six years, but may be required earlier, including when an institution undergoes a change in control. An institution may also come under the Department of Education s review when it expands its activities in certain ways, such as opening an additional location, adding a new educational program or modifying the academic credentials it offers. The Department of Education may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when an institution is certified for the first time or undergoes a change in control. During the period of provisional certification, the institution must comply with any additional conditions included in the school s program participation agreement with the Department of Education. In addition, the Department of Education may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another school, or make any other significant change. If the Department of Education determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution s certification to participate in the Title IV programs without advance notice or opportunity for the institution to challenge the action. Students attending provisionally certified institutions remain eligible to receive Title IV program funds.

On October 28, 2013, the University received a new program participation agreement with full certification from the Department of Education, which gives the University the ability to participate in the Title IV programs through September 30, 2017.

Administrative capability. Department of Education regulations specify extensive criteria by which an institution must establish that it has the requisite administrative capability to participate in the Title IV programs. To meet the administrative capability standards, an institution must, among other things:

- comply with all applicable Title IV program requirements;
- have an adequate number of qualified personnel to administer the Title IV programs;
- have acceptable standards for measuring the satisfactory academic progress of its students;
- not have student loan cohort default rates above specified levels;
- have various procedures in place for awarding, disbursing and safeguarding Title IV funds and for maintaining required records;
- administer the Title IV programs with adequate checks and balances in its system of internal controls;
- not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension;

provide financial aid counseling to its students;

refer to the Department of Education s Office of Inspector General any credible information indicating that any student, parent, employee, third-party servicer or other agent of the institution has engaged in any fraud or other illegal conduct involving the Title IV programs;

submit all required reports and consolidated financial statements in a timely manner; and

not otherwise appear to lack administrative capability.

If an institution fails to satisfy any of these criteria, the Department of Education may:

require the institution to repay Title IV funds its students previously received;

transfer the institution from the advance method of payment of Title IV funds to heightened cash monitoring status or the reimbursement system of payment;

place the institution on provisional certification status; or

commence a proceeding to impose a fine or to limit, suspend or terminate the institution s participation in the Title IV programs.

Financial responsibility. The Higher Education Act and Department of Education regulations establish extensive standards of financial responsibility that institutions such as Grand Canyon University must satisfy in order to participate in the Title IV programs. The Department of Education evaluates institutions for compliance with these standards on an annual basis based on the institution s annual audited consolidated financial statements, as well as when the institution applies to the Department of Education to have its eligibility to participate in the Title IV programs recertified. The most significant financial responsibility standard is the institution s composite score, which is derived from a formula established by the Department of Education based on three financial ratios:

equity ratio, which measures the institution s capital resources, financial viability and ability to borrow;

primary reserve ratio, which measures the institution s ability to support current operations from expendable resources; and

net income ratio, which measures the institution s ability to operate at a profit or within its means.

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The Department of Education assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. The Department of Education then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution. The composite score for an institution s most recent fiscal year must be at least 1.5 for the institution to be deemed financially responsible without the need for further Department of Education oversight. Our composite scores for our fiscal years ended December 31, 2015, 2014 and 2013 were 2.6, 3.0 and 3.0, respectively, and, therefore, we are considered financially responsible for purposes of these regulations. We have not yet submitted our consolidated financial statements to the Department of Education for our 2016 fiscal year, but have calculated that our composite score for the 2016 fiscal year will be 2.5. We have modeled our composite score for future years using, among other estimates, our estimated ground campus capital expenditures and believe that our composite score will remain at a financially responsible level for the foreseeable future.

In addition to having an acceptable composite score, an institution must, among other things, provide the administrative resources necessary to comply with Title IV program requirements, meet all of its financial obligations, including required refunds to students and any Title IV liabilities and debts, be current in its debt payments, and not receive an adverse, qualified, or disclaimed opinion by its accountants in its audited consolidated financial statements. If the Department of Education were to determine that we did not meet the financial responsibility standards due to a failure to meet the composite score or other factors, we would expect to be able to establish financial responsibility on an alternative basis permitted by the Department of Education, which could include, in the Department of Education s discretion, posting a letter of credit, accepting provisional certification, complying with additional Department of Education monitoring requirements, agreeing to receive Title IV program funds under an arrangement other than the Department of Education s standard advance funding arrangement, such as the reimbursement system of payment or heightened cash monitoring, and complying with or accepting other limitations on our ability to increase the number of programs we offer or the number of students we enroll.

Return of Title IV funds for students who withdraw. When a student who has received Title IV program funds withdraws from school, the institution must determine the amount of Title IV program funds the student has earned and then must return the unearned Title IV program funds (a return to Title IV) to the appropriate lender or the Department of Education in a timely manner, which is generally no later than 45 days after the date the institution determined that the student withdrew. If such payments are not timely made, the institution will be required to submit a letter of credit to the Department of Education equal to 25% of the Title IV funds that the institution should have returned for withdrawn students in its most recently completed fiscal year. Under Department of Education regulations, the letter of credit requirement is triggered by late returns of Title IV program funds for 5% or more of the withdrawn students (and involving more than two student refunds) in the audit sample in the institution s annual Title IV compliance audit for either of the institution s two most recent fiscal years or in a Department of Education program review. We did not exceed this 5% threshold in our annual Title IV compliance audits for 2015 (the most recent year for which we have completed a Title IV compliance audit), 2014 or 2013.

The 90/10 Rule. A requirement of the Higher Education Act, commonly referred to as the 90/10 Rule, that is applicable only to for-profit, postsecondary educational institutions like us, provides that an institution loses its eligibility to participate in the Title IV programs if the institution derives more than 90% of its revenue for each of two consecutive fiscal years from Title IV program funds. For purposes of the 90/10 Rule, revenue is calculated under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of an institution s revenue under generally accepted accounting principles that appears in its consolidated financial statements. Under the 90/10 Rule, an institution becomes ineligible to participate in the Title IV programs as of the first day of the fiscal year following the second consecutive fiscal year in which it exceeds the 90% threshold, and its period of ineligibility extends for at least two consecutive fiscal years. If an institution exceeds the 90% threshold for two consecutive fiscal years and it and its students have received Title IV funds during the subsequent period of ineligibility, the institution will be required to return those Title IV funds to the applicable lender or the Department of Education. If an institution s rate exceeds 90% for any single fiscal year, it will be placed on provisional certification for at least two fiscal years.

Using the Department of Education s cash-basis, regulatory formula under the 90/10 Rule as currently in effect, for our 2016, 2015, and 2014 fiscal years, we derived approximately 72.3%, 74.8%, and 76.5%, respectively, of our 90/10 Rule revenue from Title IV program funds.

As a result of the continuing increase in the number of students attending our ground campus, who typically finance a greater percentage of their educational costs with non-Title IV sources of funds, we expect the percentage of our revenue that we receive from Title IV programs to remain stable or to continue to decrease in the future, although this may be impacted by recent changes in federal law that increased Title IV grant and loan limits, as well as the ongoing economic environment, which has adversely affected the employment circumstances of our students and their parents and increased their reliance on Title IV programs.

Student loan defaults. Under the Higher Education Act, an educational institution may lose its eligibility to participate in some or all of the Title IV programs if defaults by its students on the repayment of their federal student loans exceed certain levels. For each federal fiscal year, the Department of Education calculates a rate of student defaults for each institution (known as a cohort default rate). The reauthorization of the Higher Education Act in 2008 extended the measurement period for cohort default rates so that the rate is calculated by determining the rate at which borrowers who became subject to their repayment obligation in one federal fiscal year default in that same year or by the end of the second year following the first federal fiscal year (the three-year method).

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The Department of Education applies legal thresholds to measure an institution s compliance. If the Department of Education notifies an institution that its cohort default rates exceeded 30%, for each of its three most recent federal fiscal years, the institution s participation in the FDL Program and the Pell grant program would end 30 days after that notification, unless the institution appeals that determination in a timely manner on specified grounds and according to specified procedures. In addition, an institution s participation in the FDL Program would end 30 days after notification by the Department of Education that its most recent cohort default rate, is greater than 40%, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution whose participation ends under either of these provisions may not participate in the relevant programs for the remainder of the fiscal year in which the institution receives the notification or for the next two fiscal years. If an institution s cohort default rate for any single federal fiscal year equals or exceeds 30%, the Department of Education may place the institution on provisional certification status.

Our cohort default rates on federal student loans for the 2013, 2012 and 2011 federal fiscal years, the latest years for which such rates are available, were 9.2%, 10.3% and 15.7%, respectively.

Incentive compensation rule. An institution that participates in the Title IV programs may not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admissions, or financial aid awarding activity. Prior to July 1, 2011, Department of Education regulations included 12 safe harbors that described payments and arrangements that did not violate the incentive compensation rule. Under new rules effective July 1, 2011, the 12 safe harbors were eliminated. The restrictions of the incentive compensation rule, which extend to any third-party companies that an educational institution contracts with for student recruitment, admissions, or financial aid awarding services, increase the uncertainty about what constitutes incentive compensation and which employees are covered by the regulation. This makes the development of effective and compliant performance metrics more difficult to establish. As such, these changes limit our ability to compensate our employees based on their performance of their job responsibilities, which could make it more difficult to attract and retain highly-qualified employees.

Compliance reviews. We are subject to announced and unannounced compliance reviews and audits by various external agencies, including the Department of Education, its Office of Inspector General, state licensing agencies, the applicable state approving agencies for financial assistance to veterans, and accrediting commissions. As part of the Department of Education s ongoing monitoring of institutions administration of the Title IV programs, the Higher Education Act also requires institutions to annually submit to the Department of Education a Title IV compliance audit conducted by an independent certified public accountant in accordance with applicable federal and Department of Education audit standards. In addition, to enable the Department of Education to make a determination of an institution s financial responsibility, each institution must annually submit audited financial statements prepared in accordance with Department of Education regulations.

In connection with its administration of the Title IV federal student financial aid programs, the Department of Education periodically conducts program reviews at selected schools that receive Title IV funds. In April 2014, the Department of Education initiated a program review of Grand Canyon University that focused on the University s administration of the Title IV programs in which it participates, its administration of the Clery Act and related regulations, and its compliance with the requirements of the Drug-Free Schools and Communities Act for the 2012-2013 and 2013-2014 award years. The final program review determination letter received in June 2014 set forth three findings, each of which involved individual student-specific information gathering and/or reporting errors and all of which the University promptly corrected to the Department of Education s satisfaction. Accordingly, the final program review determination letter concluded that the University had taken all corrective actions necessary to resolve the findings and that the program review had been closed with no further action required.

Gainful employment rules. Under the Higher Education Act, proprietary schools are eligible to participate in Title IV programs in respect of educational programs that lead to gainful employment in a recognized occupation, with the limited exception of qualified programs leading to a bachelor s degree in liberal arts. Historically, this concept has not been defined in detail. In October 2014, the Department of Education published final regulations, effective July 1, 2015, on the metrics for determining whether an academic program prepares students for gainful employment in a recognized occupation. This rule establishes requirements related to the debt to earnings ratio of graduates of our programs, and sets additional disclosure requirements for students. Under the final regulations, which apply on a program-by-program basis, students enrolled in a program will be eligible for Title IV student financial aid only if that program satisfies at least one of two tests relating to student debt service-to-earnings ratios. The two tests specify minimum debt service-to-earnings ratios calculated on the basis of the earnings of program graduates. One test measures student loan debt service as a percentage of total earnings, and is calculated by comparing (1) the annual loan payment required on the median student loan debt incurred by students receiving Title IV funds who completed a particular program and (2) the higher of the mean or median of those graduates annual earnings two to four years after graduation. The other test measures student loan debt service as a percentage of discretionary earnings and is calculated by comparing (1) the annual loan payment required on the median student loan debt incurred by students receiving Title IV funds who completed a particular program and (2) the higher of the mean or median annual earnings of those graduates two to four years after graduation, less 1.5 times the government issued Poverty Guideline. Under the new gainful employment regulation, a program would pass if:

the annual loan payment required on the median student loan debt is less than or equal to 8% of the higher of the mean or median annual earnings of graduates in the relevant period; or

the annual loan payment required on the median student loan debt is less than or equal to 20% of the discretionary income of graduates in the relevant period.

In addition, a program that does not pass either of the debt-to-earnings metrics, and that has an annual earnings rate between 8% and 12%, or a discretionary income rate between 20% and 30%, would be considered to be in the Zone . A program would fail if the annual loan payment on the median student loan debt is greater than 12% of the mean or median annual earnings of the graduates or the annual loan payment on the median student debt is greater than 30% of the discretionary income of the graduates. A program would become Title IV-ineligible for three years if it fails both metrics for two out of three consecutive years, or is in the Zone (or fails) for four consecutive award years. In the first four years that the debt-to-earnings metrics are calculated under the rule (award years 2014-15, 2015-16, 2016-17, and 2017-18), if a program would be failing or in the Zone based on the typical approach to calculating debt-to-earnings metrics, transitional debt-to-earnings rates would be calculated using the most currently available yearly earnings two years after graduation and the annual loan payments of students who completed the program in the most recently completed award year. Transitional rates will be used to assess the program if they are lower than what the rates would be under the normal calculation. This allows programs that promptly lower tuition and fees to realize the benefit of their changes.

If an institution is notified by the Secretary of Education that a program could become ineligible, based on its final rates, for the next award year:

The institution must provide a warning with respect to the program to students and prospective students indicating, among other things, that students may not be able to use Title IV funds to attend or continue in the program; and

The institution must not enroll, register or enter into a financial commitment with a prospective student until a specified time after providing the warning to the prospective student.

On October 20, 2016, the Department issued to institutions draft debt-to-earnings rates for the first gainful employment debt measurement year and certain underlying data used to calculate those rates. According to the Department s draft rates, none of the University s programs fail. The draft rates did indicate that four current degree programs are in the Zone, including three undergraduate education programs and the Masters in Theology. The University is currently analyzing the data for these programs to determine what changes, if any, should be made.

Schools are also required to certify to the Department the following for each Title IV eligible program:

The program is included in the schools accreditation;

The program is programmatically accredited, if required by a federal government entity, or by a government entity in any state in which the school is located or is required to obtain state approval;

- The program satisfies any applicable state licensing and certification requirements for the occupations for which the program prepares students to enter; and

- The program is not substantially similar to a program offered by the school that became ineligible due to the student debt service-to-earnings ratios.

We believe we successfully submitted the certifications required for all pre-existing programs prior to the December 31, 2015 deadline for doing so. We continue to follow this protocol on an ongoing basis.

The new regulation also requires institutions to report student and program level data to the Department, and comply with additional disclosure requirements beginning in January 2017.

This is a complicated rule and, although management will work to achieve compliance with this new rule, the continuing eligibility of our educational programs for Title IV funding is at risk due to factors measured by this rule and beyond our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, and other factors. The exposure to these external factors could reduce our ability to confidently offer or continue certain types of programs for which there is market demand, and therefore would impact our ability to maintain or grow our business.

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Substantial misrepresentation. The Higher Education Act prohibits an institution that participates in Title IV programs from engaging in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates. The Department of Education has defined a misrepresentation as any statement made by the institution or a third party that provides educational programs, marketing, advertising, recruiting, or admissions services to the institution that is false, erroneous or has the likelihood or tendency to deceive. A substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person s detriment. Considering the breadth of the definition of substantial misrepresentation, it is possible that despite our efforts to prevent such misrepresentations, our employees or service providers may make statements that could be construed as substantial misrepresentations. As a result, we may face complaints from students and prospective students over statements made by us and our agents throughout the enrollment, admissions and financial aid process, as well as throughout attendance at the University, which would expose us to increased risk of enforcement action and applicable sanctions or other penalties and increased risk of private qui tam actions under the Federal False Claims Act. Under the new rules, if the Department of Education determines that an institution has engaged in substantial misrepresentation, the Department of Education may revoke an institution s program participation agreement, impose limitations on the institution s participation in Title IV programs, deny applications from the institution for approval of new programs or locations or other matters, or initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs. If the Department of Education determines that statements made by us or on our behalf are in violation of the regulations, we could be subject to sanctions and other liability, which could have a material adverse effect on our business.

Regulatory Standards that May Restrict Institutional Expansion or Other Changes

Many actions that we may wish to take in connection with expanding our operations or other changes are subject to review or approval by the applicable regulatory agencies. In addition to those matters described in detail below, most state education agencies impose regulatory requirements on educational institutions operating within their boundaries.

Adding teaching locations, implementing new educational programs, and increasing enrollment. The requirements and standards of state education agencies, accrediting commissions, and the Department of Education limit our ability in certain instances to establish additional teaching locations, implement new educational programs, or increase enrollment in certain programs. Many states require review and approval before institutions can add new locations or programs, and Arizona also limits the number of pre-licensure nursing students we may enroll (which represents a small portion of our overall nursing program). The Arizona State Board for Private Postsecondary Education, the Higher Learning Commission, and other state education agencies and specialized accrediting commissions that authorize or accredit us and our programs generally require institutions to notify them in advance of adding new locations or implementing new programs, and upon notification may undertake a review of the quality of the facility or the program and the financial, academic, and other qualifications of the institution.

With respect to the Department of Education, if an institution participating in the Title IV programs plans to add a new location or educational program, the institution must generally apply to the Department of Education to have the additional location or educational program designated as within the scope of the institution s Title IV eligibility. However, a degree-granting institution, like Grand Canyon University, that is fully certified to participate in the Title IV programs is not required to obtain the Department of Education s approval of additional programs that lead to a bachelor s, professional, or graduate degree at the same degree level as programs previously approved by the Department of Education, and, similarly, is not required to obtain advance approval for new programs that prepare students for gainful employment in the same or a related recognized occupation as an educational program that has previously been designated by the Department of Education as an eligible program at that institution if it meets certain minimum-length requirements.

Acquiring other schools. While we have not acquired any other schools in the past, we may seek to do so in the future. The Department of Education and virtually all state education agencies and accrediting commissions require a company to seek their approval if it wishes to acquire another school. In our case, we would need to obtain the approval of the Arizona State Board for Private Postsecondary Education or other state education agency that licenses the school being acquired, the Higher Learning Commission, any other accrediting commission that accredits the school being acquired, and the Department of Education. The level of review varies by individual state and accrediting commission, with some requiring approval of such an acquisition before it occurs and others only considering approval after the acquisition has occurred. The Higher Learning Commission would require us to obtain its advance approval of such an acquisition. The approval of the applicable state education agencies and accrediting commissions is a necessary prerequisite to the Department of Education certifying the acquired school to participate in the Title IV programs under our ownership. The restrictions imposed by any of the applicable regulatory agencies could delay or prevent our acquisition of other schools in some circumstances.

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Change in ownership resulting in a change in control. The Department of Education, as well as many accrediting commissions and states, require institutions of higher education to report or obtain approval of certain changes in control and changes in other aspects of institutional organization or control. With respect to publicly traded corporations, like us, Department of Education regulations provide that a change in control occurs if, among other things, the corporation has a stockholder that owns, or has voting control over, at least 25% of the total outstanding voting stock of the corporation and is the largest stockholder of the corporation (defined in the regulations as a controlling shareholder), and that controlling shareholder ceases to own, or have voting control over, at least 25% of such stock or ceases to be the largest stockholder. Under Department of Education regulations, an institution that undergoes a change in control as defined by the Department of Education loses its eligibility to participate in the Title IV programs and must apply to the Department of Education in order to reestablish such eligibility.

The Higher Learning Commission provides that an institution must obtain its approval in advance of a change in ownership, corporate control or structure in order for the institution to retain its accredited status. In certain circumstances that process may require several weeks or several months or more to complete. In addition, following a change in control, the Higher Learning Commission will conduct an onsite evaluation within six months in order to continue the institution s accreditation.

Many states include the sale of a controlling interest of common stock in the definition of a change in control requiring approval, but their thresholds for determining a change in control vary widely. The standards of the Arizona State Board for Private Postsecondary Education provide that an institution that is owned by a publicly traded company whose control is vested in the voting members of the board of directors, such as Grand Canyon Education, undergoes a change in control if 50% or more of the voting members of the board of directors change within a 12-month period or the chief executive officer of the corporation changes. A change in control under the definition of one of the other state agencies that regulate us might require us to obtain approval of a change in control in order to maintain our authorization to operate in that state, and in some cases such states could require us to obtain advance approval of the change in control. If we were to undergo a change in control under the standards of the Arizona State Board of Private Postsecondary Education at any time in the future, we would be required to file an application with the Arizona State Board for Private Postsecondary Education in order to obtain approval for such change in control. We cannot predict whether the Arizona State Board for Private Postsecondary Education would impose any limitations or conditions on us, or identify any compliance issues related to us in the context of the change in control process, that could result in our loss of authorization in Arizona. Any such loss would result in our loss of eligibility to participate in the Title IV programs which would cause a significant decline in our student enrollment.

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Item 1A. *Risk Factors*

You should carefully consider the risks and uncertainties described below and all other information contained in this Annual Report on Form 10-K. In order to help assess the major risks in our business, we have identified many, but not all, of these risks. Due to the scope of our operations, a wide range of factors could materially affect future developments and performance.

If any of the following risks, or risks that we do not anticipate, are realized, our business, financial condition, cash flow or results of operations could be materially and adversely affected, and as a result, the trading price of our common stock could be materially and adversely impacted. These risk factors should be read in conjunction with other information set forth in this Annual Report, including Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, and Item 8, *Consolidated Financial Statements and Supplementary Data,* including the related Notes to Consolidated Financial Statements.

Risks Related to the Extensive Regulation of Our Industry

Our failure to comply with the extensive regulatory requirements governing our school could result in financial penalties, restrictions on our operations or growth, or loss of external financial aid funding for our students.

To participate in the Title IV programs, a school must be authorized by the appropriate state education agency or agencies, be accredited by an accrediting commission recognized by the Department of Education, and be certified as an eligible institution by the Department of Education. In addition, our operations and programs are regulated by other state education agencies and additional accrediting commissions. As a result of these requirements, we are subject to extensive regulation by the Arizona State Board for Private Postsecondary Education and education agencies of other states, the Higher Learning Commission, which is our primary accrediting commission, specialized accrediting commissions, and the Department of Education. These regulatory requirements cover the vast majority of our operations, including our educational programs, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, and financial condition. These regulatory requirements also affect our ability to open additional schools and locations, add new educational programs, change existing educational programs, and change our corporate or ownership structure. The agencies that regulate our operations periodically revise their requirements and modify their interpretations of existing requirements. Regulatory requirements are not always precise and clear, and regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of regulatory requirements could materially adversely affect us. If we fail to comply with any of these regulatory requirements, we could suffer financial penalties, limitations on our operations, loss of accreditation, termination of or limitations on our ability to grant degrees and certificates, or limitations on or termination of our eligibility to participate in the Title IV programs, each of which could materially adversely affect us. In addition, if we are charged with regulatory violations, our reputation could be damaged, which could have a negative impact on our stock price and our enrollments. The Department of Education and other regulators have increased the frequency and severity of their enforcement actions against postsecondary schools. In some cases, these enforcement actions have resulted in material sanctions, letter of credit requirements, loss of Title IV eligibility, or closure in schools. We cannot predict with certainty how all of these regulatory requirements will be applied, or whether we will be able to comply with all of the applicable requirements in the future.

Rulemaking by the U.S. Department of Education could materially and adversely affect our business.

Over the past few years, the U.S. Department of Education has regularly promulgated new regulations that impact our business. These regulations have increased our operating costs and in some cases required us to change the manner in which we operate our business. In addition, because certain of these regulations have been vacated or blocked as a result of litigation challenging the regulations, there remains substantial uncertainty regarding their present or future effectiveness or enforcement. New or amended regulations in the future, particularly regulations focused on the proprietary sector, could further negatively impact our business.

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If the Department of Education does not recertify us to continue participating in the Title IV programs, our students would lose their access to Title IV program funds, or we could be recertified but required to accept significant limitations as a condition of our continued participation in the Title IV programs.

Department of Education certification to participate in the Title IV programs lasts a maximum of six years, and institutions are thus required to seek recertification from the Department of Education on a regular basis in order to continue their participation in the Title IV programs. An institution must also apply for recertification by the Department of Education if it undergoes a change in control, as defined by Department of Education regulations, and may be subject to similar review if it expands its operations or educational programs in certain ways.

On October 28, 2013, the University received a new program participation agreement with full certification from the Department of Education, which gives the University the ability to participate in the Title IV programs through September 30, 2017. There can be no assurance that the Department of Education will recertify us at that time or that it will not impose conditions or other restrictions on us as a condition of approving our application with respect to any future recertification. If the Department of Education does not renew or withdraws our certification to participate in the Title IV programs at any time, our students would no longer be able to receive Title IV program funds. Alternatively, the Department of Education could renew our certification, but restrict or delay our students receipt of Title IV funds, limit the number of students to whom we could disburse such funds, or place other restrictions on us, or it could delay our recertification after our program participation agreement expires on September 30, 2017, in which case our certification would continue on a month-to-month basis. Any of these outcomes could have a material adverse effect on our enrollments and us.

We would lose our ability to participate in the Title IV programs if we fail to maintain our institutional accreditation, and our student enrollments could decline if we fail to maintain any of our accreditations or approvals.

An institution must be accredited by an accrediting commission recognized by the Department of Education in order to participate in the Title IV programs. We have institutional accreditation by the Higher Learning Commission, which is an accrediting commission recognized by the Department of Education. To remain accredited, we must continuously meet accreditation standards relating to, among other things, performance, institutional control, institutional integrity, educational quality, faculty, administrative capability, resources, and financial stability. We most recently obtained reaccreditation in 2007 for the ten-year period through 2017. Following a comprehensive evaluation by the Higher Learning Commission during the Fall of 2016, we expect our accreditation to be reaffirmed in the Spring of 2017. If we fail to satisfy any of the Higher Learning Commission s standards, however, we could lose our accreditation by the Higher Learning Commission, which would cause us to lose our eligibility to participate in the Title IV programs, could cause a significant decline in our total student enrollments, and could have a material adverse effect on us. In addition, many of our individual educational programs are also accredited by specialized accrediting commissions or approved by specialized state agencies. If we fail to satisfy the standards of any of those specialized accrediting commissions or state agencies, we could lose the specialized accreditation or approval for the affected programs, which could result in materially reduced student enrollments in those programs and have a material adverse effect on us.

If the percentage of our revenue that is derived from the Title IV programs is too high, we may lose our eligibility to participate in those programs.

A requirement of the Higher Education Act, commonly referred to as the 90/10 Rule, that is applicable only to for-profit, postsecondary educational institutions like us provides that an institution loses its eligibility to participate in the Title IV programs if the institution derives more than 90% of its revenue for each of two consecutive fiscal years from Title IV program funds. For purposes of the 90/10 Rule, revenue is calculated under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of an institution s revenue under generally accepted accounting principles that appears in its consolidated financial statements. Under the 90/10 Rule, an institution becomes ineligible to participate in the Title IV programs as of the first day of the fiscal year following the second consecutive fiscal year in which it exceeds the 90% threshold, and its period of ineligibility extends for at least two consecutive fiscal years. If an institution exceeds the 90% threshold for two consecutive fiscal years and it and its students have received Title IV funds during the subsequent period of ineligibility, the institution will be required to return those Title IV funds to the applicable lender or the Department of Education. If an institution s rate exceeds 90% for any single fiscal year, it will be placed on provisional certification for at least two fiscal years.

Using the Department of Education s cash-basis, regulatory formula under the 90/10 Rule as currently in effect, for our 2016, 2015, and 2014 fiscal years, we derived approximately 72.3%, 74.8%, and 76.5%, respectively, of our 90/10 Rule revenue from Title IV program funds.

As a result of the continuing increase in the number of students attending our ground campus, who typically finance a greater percentage of their educational costs with non-Title IV sources of funds, we expect the percentage of our revenue that we receive from Title IV programs to remain stable or decrease in the future, although this may be impacted by recent changes in federal law that increased Title IV grant and loan limits, as well as the ongoing economic environment, which has adversely affected the employment circumstances of our students and their parents and increased their reliance on Title IV programs. If we were to exceed the 90% threshold for two consecutive years such that we lost our eligibility to participate in the Title IV programs, or if Congress passed legislation changing how certain funds are counted under this rule, revising the percentage of income that proprietary schools must derive from non-federal sources, or both, it would have a material adverse effect on our business, prospects, financial condition, and results of operations.

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We may lose our eligibility to participate in the Title IV programs if our student loan default rates are too high.

An institution may lose its eligibility to participate in some or all of the Title IV programs if, for three consecutive years, 30% or more of its students who were required to begin repayment on their student loans in one year default on their payment by the end of the second year. In addition, an institution may lose its eligibility to participate in some or all of the Title IV programs if the default rate of its students exceeds 40% for any single year. While our cohort default rates have historically been significantly below these levels, we cannot assure you that this will continue to be the case. Increases in interest rates or declines in income or job losses for our students could contribute to higher default rates on student loans. Exceeding the student loan default rate thresholds and losing our eligibility to participate in the Title IV programs would have a material adverse effect on our business, prospects, financial condition, and results of operations. Any future changes in the formula for calculating student loan default rates, economic conditions, or other factors that cause our default rates to increase, could place us in danger of losing our eligibility to participate in some or all of the Title IV programs and materially adversely affect us.

If we do not meet specific financial responsibility standards established by the Department of Education, we may be required to post a letter of credit or accept other limitations in order to continue participating in the Title IV programs, or we could lose our eligibility to participate in the Title IV programs.

To participate in the Title IV programs, an institution must either satisfy specific quantitative standards of financial responsibility prescribed by the Department of Education, or post a letter of credit in favor of the Department of Education and possibly accept operating restrictions as well. These financial responsibility tests are applied to each institution on an annual basis based on the institution s audited consolidated financial statements, and may be applied at other times, such as if the institution undergoes a change in control. These tests may also be applied to an institution s parent company or other related entity. The operating restrictions that may be placed on an institution that does not meet the quantitative standards of financial responsibility include being transferred from the advance payment method of receiving Title IV program funds to either the reimbursement or the heightened cash monitoring system, which could result in a significant delay in the institution s receipt of those funds. If, in the future, we fail to satisfy the Department of Education s financial responsibility standards, we could experience increased regulatory compliance costs or delays in our receipt of Title IV program funds because we could be required to post a letter of credit or be subjected to operating restrictions, or both. Our failure to secure a letter of credit in these circumstances could cause us to lose our ability to participate in the Title IV programs, which would materially adversely affect us.

If we do not comply with the Department of Education s administrative capability standards, we could suffer financial penalties, be required to accept other limitations in order to continue participating in the Title IV programs, or lose our eligibility to participate in the Title IV programs.

To continue participating in the Title IV programs, an institution must demonstrate to the Department of Education that the institution is capable of adequately administering the Title IV programs under specific standards prescribed by the Department of Education. These administrative capability criteria require, among other things, the institution to have an adequate number of qualified personnel to administer the Title IV programs, have adequate procedures for disbursing and safeguarding Title IV funds and for maintaining records, submit all required reports and consolidated financial statements in a timely manner, and not have significant problems that affect the institution s ability to administer the Title IV programs. If we fail to satisfy any of these criteria, the Department of Education may assess financial penalties against us, restrict the manner in which we receive Title IV funds, require us to post a letter of credit, place us on provisional certification status, or limit or terminate our participation in the Title IV programs, any of which could materially adversely affect us.

A finding that we violated the Department of Education s substantial misrepresentation regulation could materially and adversely affect our business.

The Higher Education Act prohibits an institution that participates in Title IV programs from engaging in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates. Under these rules, a misrepresentation is any statement made by the institution or a third party that provides educational programs, marketing, advertising, recruiting, or admissions services to the institution that is false, erroneous or has the likelihood or tendency to deceive or confuse. A substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person s detriment. Considering the breadth of the definition of substantial misrepresentation, it is possible that despite our efforts to prevent such misrepresentations, our employees or service providers may make statements that could be construed as substantial misrepresentations. As a result, we may face complaints from students and prospective students over statements made by us and our agents throughout the enrollment, admissions and financial aid process, as well as throughout attendance at the University, which would expose us to increased risk of enforcement action and applicable sanctions or other penalties and increased risk of private qui tam actions under the Federal False Claims Act. Under the new rules, if the Department of Education determines that an institution has engaged in substantial misrepresentation, the Department of Education may revoke an institution s program participation agreement, impose limitations on the institution s participation in Title IV programs, deny applications from the institution for approval of new programs or locations or other matters, or initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs. If the Department of Education determines that statements made by us or on our behalf are in violation of the regulations, we could be subject to sanctions and other liability, which could have a material adverse effect on our business.

We are subject to sanctions if we fail to correctly calculate and timely return Title IV program funds for students who withdraw before completing their educational program.

A school participating in the Title IV programs must calculate the amount of unearned Title IV program funds that it has disbursed to students who withdraw from their educational programs before completing such programs and must return those unearned funds to the appropriate lender or the Department of Education in a timely manner, generally within 45 days of the date the school determines that the student has withdrawn. If the unearned funds are not properly calculated and timely returned for a sufficient percentage of students, we may have to post a letter of credit in favor of the Department of Education equal to 25% of the Title IV program funds that should have been returned for such students in the prior fiscal year, we may be liable for repayment of Title IV program funds and related interest and we could be fined or otherwise sanctioned by the Department of Education, which could increase our cost of regulatory compliance and materially adversely affect us. Further, a failure to comply with these regulatory requirements could result in termination of our ability to participate in the Title IV programs, which would materially affect us.

Increased disclosure and recordkeeping requirements could result in lower enrollment or growth rates in a manner that materially and adversely affects our business.

Department of Education rules require that, for each program leading to gainful employment in a recognized occupation, institutions must provide prospective students with information concerning the occupation that the program prepares students to enter, the program s on-time graduation rate, and the tuition and fees it charges a student for completing the program within normal time, as well as the costs of books, supplies, room, and board, and the median loan debt incurred by students who completed the program. Institutions must also provide the Department of Education with information that will allow determination of student debt levels and incomes after program completion. These reporting and disclosure requirements have caused increased administrative burden and costs and may have a negative effect on our growth and enrollments.

A reduction in funding or new restrictions on eligibility for the Federal Pell Grant Program, or the elimination of subsidized Stafford loans, could make college less affordable for certain students at our institution, which could negatively impact our enrollments, revenue and results of operations.

The U.S. Congress must periodically reauthorize the Higher Education Act and annually determine the funding level for each Title IV program. In 2008, the Higher Education Act was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. Changes to the Higher Education Act, including changes in eligibility and funding for Title IV programs, are likely to occur in subsequent reauthorizations, but we cannot predict the scope or substance of any such changes.

In recent years, there has been increased focus by Congress on the role that proprietary educational institutions play in higher education. Any action by Congress that significantly reduces Title IV program funding, whether through across-the-board funding reductions, sequestration or otherwise, or materially impacts the eligibility of our institutions or students to participate in Title IV programs would have a material adverse effect on our enrollment, financial condition, results of operations and cash flows. Congressional action could also require us to modify our practices in ways that could increase our administrative costs and reduce our operating income, which could have a material adverse effect on our financial condition, results of operations and cash flows.

If Congress significantly reduced the amount of available Title IV program funding, we would attempt to arrange for alternative sources of financial aid for our students, which may include lending funds directly to our students, but private sources may not be able to provide as much funding to our students on as favorable terms as is currently provided by Title IV. In addition, private organizations could require us to guarantee all or part of this assistance and we might incur other additional costs. For these reasons, private, alternative sources of student financial aid would only partly offset, if at all, the impact on our business of reduced Title IV program funding.

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We cannot offer new programs, expand our operations into certain states, or acquire additional schools if such actions are not timely approved by the applicable regulatory agencies, and we may have to repay Title IV funds disbursed to students enrolled in any such programs, schools, or states if we do not obtain prior approval.

Our expansion efforts include offering new educational programs. In addition, we may increase our operations in additional states and seek to acquire existing schools from other companies. If we are unable to obtain the necessary approvals for such new programs, operations, or acquisitions from the Department of Education, the Higher Learning Commission, the Arizona State Board for Private Postsecondary Education, or any other applicable state education agency or accrediting commission, or if we are unable to obtain such approvals in a timely manner, our ability to consummate the planned actions and provide Title IV funds to any affected students would be impaired, which could have a material adverse effect on our expansion plans. In addition, if we were to determine erroneously that a new program did not need approval or that we had all required approvals, we could be liable for repayment of the Title IV program funds provided to students in that program or at that location.

If we do not maintain our state authorization in Arizona, we may not operate or participate in the Title IV programs.

A school that grants degrees or certificates must be authorized by the relevant education agency of the state in which it is located. We are located in the state of Arizona and are authorized by the Arizona State Board for Private Postsecondary Education. State authorization is also required for our students to be eligible to receive funding under the Title IV programs. To maintain our state authorization, we must continuously meet standards relating to, among other things, educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures. If we fail to satisfy any of these standards, we could lose our authorization by the Arizona State Board for Private Postsecondary Education to offer our educational programs, which would also cause us to lose our eligibility to participate in the Title IV programs and have a material adverse effect on us.

Our failure to comply with the regulatory requirements of states other than Arizona could result in actions taken by those states or the Department of Education that could have a material adverse effect on our enrollments.

Almost every state imposes regulatory requirements on educational institutions that have physical facilities located within the state s boundaries. Individual state laws establish standards in areas such as educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures, some of which are different than the standards prescribed by the Department of Education or the Arizona State Board for Private Postsecondary Education. Several states have sought to assert jurisdiction over educational institutions offering online degree programs that have no physical location in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state, or advertising to or recruiting prospective students in the state.

State regulatory requirements for online education have historically varied among the states. To address this issue and to meet new Department of Education requirements we applied and have been approved to be an approved institutional participant in the State Authorization Reciprocity Agreement (SARA). SARA is an agreement among member states, districts and territories that establishes comparable national standards for interstate offering of postsecondary distance education courses and programs. It is intended to make it easier for students to take online courses offered by postsecondary institutions based in another state. SARA is overseen by a national council (NC-SARA) and administered by four regional education compacts, for which Arizona is a W-SARA member. There is a yearly renewal for participating in NC-SARA and AZ-SARA and institutions must agree to meet certain requirements to participate. As of December 31, 2016, 47 states are members of SARA.

Some states that do not participate in SARA impose regulatory requirements on out-of-state educational institutions operating within their boundaries, such as those having a physical facility or conducting certain academic activities within the state. We currently enroll students in all 50 states and the District of Columbia. Although we are currently licensed, authorized, in-process, or exempt in all non-SARA jurisdictions in which we operate, if we fail to comply with state licensing or authorization requirements for a state, or fail to obtain licenses or authorizations when required, we could lose our state license or authorization by that state or be subject to other sanctions, including restrictions on our activities in, and fines and penalties imposed by, that state, as well as fines, penalties, and sanctions imposed by the Department of Education. The loss of licensure or authorization in any non-SARA state could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our enrollments.

Laws, regulations, or interpretations related to doing business over the Internet could also increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and have a material adverse effect on our business.

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Additionally, regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of these regulatory requirements or adverse changes in regulations or interpretations thereof by regulators could materially adversely affect us. If we fail to comply with state licensing or authorization requirements for a state in which we operate, or fail to obtain licenses or authorizations when required, we could lose our state licensure or authorization by that state or be subject to other sanctions, including restrictions on our activities in, and fines and penalties imposed by, that state, as well as fines, penalties, and sanctions imposed by the Department of Education. The loss of licensure or authorization in a state other than Arizona could prohibit us from recruiting prospective students or offering educational services to current students in that state, which could significantly reduce our enrollments.

The inability of our graduates to obtain a professional license or certification in their chosen field of study could reduce our enrollments and revenues, and potentially lead to student claims against us that could be costly to us.

Many of our students, particularly those in our education and healthcare programs, seek a professional license or certification in their chosen fields following graduation. A student s ability to obtain a professional license or certification depends on several factors, including whether the institution and the student s program were accredited by a particular accrediting commission or approved by a professional association or by the state in which the student seeks employment. Additional factors are outside the control of the institution, such as the individual student s own background and qualifications. If one or more states refuse to recognize a significant number of our students for professional licensing or certification based on factors relating to our institution or programs, the potential growth of those programs would be negatively impacted and we could be exposed to claims or litigation by students or graduates based on their inability to obtain their desired professional license or certification, each of which could materially adversely affect us.

Government agencies, regulatory agencies, and third parties may conduct compliance reviews, bring claims, or initiate litigation against us based on alleged violations of the extensive regulatory requirements applicable to us, which could cause us to pay monetary damages, be sanctioned or limited in our operations, and expend significant resources to defend against those claims.

Because we operate in a highly regulated industry, we are subject to program reviews, audits, investigations, claims of non-compliance, and lawsuits by government agencies, regulatory agencies, students, employees, stockholders, and other third parties alleging non-compliance with applicable legal requirements, many of which are imprecise and subject to interpretation. If the result of any such proceeding is unfavorable to us, we may lose or have limitations imposed on our state licensing, accreditation, or Title IV program participation; be required to pay monetary damages (including triple damages in certain whistleblower suits); or be subject to fines, injunctions, or other penalties, any of which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Claims and lawsuits brought against us, even if they are without merit, may also result in adverse publicity, damage our reputation, negatively affect the market price of our stock, adversely affect our student enrollments, and reduce the willingness of third parties to do business with us. Even if we adequately address the issues raised by any such proceeding and successfully defend against it, we may have to devote significant financial and management resources to address these issues, which could harm our business.

If any of the education regulatory agencies that regulate us do not approve or delay their approval of any transaction involving us that constitutes a change in control, our ability to operate or participate in the Title IV programs may be impaired.

If we experience a change in control under the standards of the Department of Education, the Higher Learning Commission, the Arizona State Board for Private Postsecondary Education, or any other applicable state education agency or accrediting commission, we must notify and/or seek the approval of each such agency. These agencies do not have uniform criteria for what constitutes a change in control. Transactions or events that typically constitute a change in control include significant acquisitions or dispositions of the voting stock of an institution or its parent company and significant changes in the composition of the board of directors of an institution or its parent company. With respect to publicly traded corporations, like us, they also may include cases where a corporation has a stockholder that owns, or has voting control over, at least 25% of the total outstanding voting stock of the corporation and is the largest stockholder of the corporation (defined in the regulations as a controlling shareholder), and that controlling shareholder ceases to own, or have voting control over, at least 25% of such stock or ceases to be the largest stockholder, or other transactions or events may be beyond our control. Our failure to obtain, or a delay in receiving, approval of any change in control from the Department of Education, the Higher Learning Commission, or the Arizona State Board for Private Postsecondary Education could impair our ability to operate or participate in the Title IV programs, which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Our failure to obtain, or a delay in receiving, approval of any change in control from any other state in which we are currently licensed or authorized, or from any of our specialized accrediting commissions, could require us to suspend our activities in that state or suspend offering the applicable programs until we receive the required approval, or could otherwise impair our operations. The potential adverse effects of a change in control could influence future decisions by us and our stockholders regarding the sale, purchase, transfer, issuance, or redemption of our stock, which could discourage bids for your shares of our stock and could have an adverse effect on the market price of your shares.

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Proposed legislation, additional rulemaking or additional examinations from U.S. Congress may impact general public perception of the industry in a negative manner resulting in a material and adverse impact on our business.

Criticisms of the overall student lending and postsecondary education sectors may impact general public perceptions of educational institutions, including us, in a negative manner. Adverse media coverage regarding other educational institutions or regarding us directly could damage our reputation. The environment surrounding access to and the costs of student loans remains in a state of flux. The uncertainty surrounding these issues, and any resolution of these issues that increases loan costs or reduces students access to Title IV loans or to student extended payment plans such as the ones we make available to our students, could reduce student demand for our programs, adversely impact our revenues and operating profit or result in increased regulatory scrutiny.

Our reputation and our stock price may be negatively affected by adverse publicity or by the actions of other postsecondary educational institutions.

In addition to the Congressional and regulatory activities focused on for-profit educational institutions beginning in 2010 and since, in recent years, regulatory proceedings and litigation have been commenced against various postsecondary educational institutions relating to, among other things, deceptive trade practices, false claims against the government, and non-compliance with Department of Education requirements, state education laws, and state consumer protection laws. These proceedings have been brought by the Department of Education, the U.S. Department of Justice, the SEC, and state governmental agencies, among others. These allegations have attracted adverse media coverage and have been the subject of legislative hearings and regulatory actions at both the federal and state levels, focusing not only on the individual schools but in some cases on the for-profit postsecondary education sector as a whole. Adverse media coverage regarding other for-profit education companies or other educational institutions could damage our reputation, result in lower enrollments, revenues, and operating profit, and have a negative impact on our stock price. Such coverage could also result in increased scrutiny and regulation by the Department of Education, Congress, accrediting commissions, state legislatures, state attorneys general, or other governmental authorities of all educational institutions, including us.

Risks Related to Our Business

Our success depends, in part, on the effectiveness of our marketing and advertising programs in recruiting new students.

Building awareness of Grand Canyon University and the programs we offer is critical to our ability to attract prospective students. It is also critical to our success that we convert prospective students to enrolled students in a cost-effective manner and that these enrolled students remain active in our programs. Some of the factors that could prevent us from successfully recruiting, enrolling, and retaining students in our programs include:

- the reduced availability of, or higher interest rates and other costs associated with, Title IV loan funds or other sources of financial aid;

- the emergence of more successful competitors;

factors related to our marketing, including the costs and effectiveness of Internet advertising and broad-based branding campaigns and recruiting efforts;

performance problems with our online systems;

failure to maintain institutional and specialized accreditations;

the requirements of the education agencies that regulate us which restrict schools initiation of new programs and modification of existing programs;

the requirements of the education agencies that regulate us which restrict the ways schools can compensate their recruitment personnel;

increased regulation of online education, including in states in which we do not have a physical presence;

restrictions that may be imposed on graduates of online programs that seek certification or licensure in certain states;

student dissatisfaction with our services and programs;

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

price reductions by competitors that we are unwilling or unable to match;

a decline in the acceptance of online education;

an adverse economic or other development that affects job prospects in our core disciplines; and

a decrease in the perceived or actual economic benefits that students derive from our programs.

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If we are unable to continue to develop awareness of Grand Canyon University and the programs we offer, and to recruit, enroll, and retain students, our enrollments would suffer and our ability to increase revenues and maintain profitability would be significantly impaired.

Our failure to keep pace with changing market needs and technology could harm our ability to attract students.

Our success depends to a large extent on the willingness of employers to employ, promote, or increase the pay of our graduates. Increasingly, employers demand that their new employees possess appropriate technical and analytical skills and also appropriate interpersonal skills, such as communication, and teamwork skills. These skills can evolve rapidly in a changing economic and technological environment. Accordingly, it is important that our educational programs evolve in response to those economic and technological changes. The expansion of existing academic programs and the development of new programs may not be accepted by current or prospective students or by the employers of our graduates. Even if we are able to develop acceptable new programs, we may not be able to begin offering those new programs in a timely fashion or as quickly as our competitors offer similar programs. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes, or other factors, the rates at which our graduates obtain jobs in their fields of study could suffer, our ability to attract and retain students could be impaired, and our business, prospects, financial condition, and results of operations could be adversely affected.

We have invested significant resources to develop and implement features that enhance the online classroom experience, such as delivering course content through streaming video, simulations, and other interactive enhancements. Our information technology systems and tools could become impaired or obsolete due to our action or failure to act. For instance, we could install new information technology without accurately assessing its costs or benefits, or we could experience delayed or ineffective implementation of new information technology. We could fail to respond in a timely manner for future technological developments in our industry. Should our actions or failure to act impair or render our information technology less effective, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to successfully implement our growth strategy if we are not able to improve the content of our existing academic programs or to develop new programs on a timely basis and in a cost-effective manner, or at all.

We continually seek to improve the content of our existing programs and develop new programs in order to meet changing market needs. The success of any of our programs and courses, both ground and online, depends in part on our ability to expand the content of our existing programs, develop new programs in a cost-effective manner, and meet the needs of existing and prospective students and employers in a timely manner, as well as on the acceptance of our actions by existing or prospective students and employers. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs in a timely fashion or as quickly as our competitors are able to introduce competing programs. If we do not respond adequately to changes in market conditions, our ability to attract and retain students could be impaired and our business, prospects, financial condition, and results of operations could suffer.

The development and approval of new programs and courses, both ground and online, are subject to requirements and limitations imposed by the Department of Education, state licensing agencies, and the relevant accrediting commissions, and in certain cases, such as with doctoral programs, involves a process that can take several years to complete. The imposition of restrictions on the initiation of new educational programs by any of our regulatory agencies, or delays in obtaining approvals of such programs, may delay our expansion plans. Establishing new academic programs or modifying existing academic programs may also require us to make investments in specialized personnel, increase marketing efforts, and reallocate resources. We may have limited experience with the subject matter of new programs.

If we are unable to expand our existing programs, offer new programs on a timely basis or in a cost-effective manner, or otherwise manage effectively the operations of newly established programs, our business, prospects, financial condition, and results of operations could be adversely affected.

We are subject to rules and regulations as a result of our membership with the National Collegiate Athletic Association (NCAA) and any violations of such rules or regulations could adversely affect our reputation and operations.

Strict observance of rules and regulations contribute to the success of our athletic program. It is the responsibility of the University administration and the Athletic Department to adhere to all regulations created for the governance of intercollegiate athletics as set forth by the Western Athletic Conference (WAC), NCAA, and Grand Canyon University. The move from Division II to Division I was effective July 1, 2013 and demonstrated our commitment to athletic excellence and has enhanced our visibility. Any violations of such rules and regulations could adversely affect our reputation and operations.

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A decline in the overall growth of enrollment in postsecondary institutions, or in the number of students seeking degrees online or in our core disciplines, could cause us to experience lower enrollment, which could negatively impact our future growth.

Based on industry analyses, we believe that enrollment growth in degree-granting, postsecondary institutions is slowing and that the number of high school graduates that are eligible to enroll in degree-granting, postsecondary institutions is expected to decrease over the next few years. In order to maintain current growth rates, we will need to attract a larger percentage of students in existing markets and expand our markets by creating new academic programs. In addition, if job growth in the fields related to our core disciplines is weaker than expected, as a result of any regional or national economic downturn or otherwise, fewer students may seek the types of degrees that we offer. Our failure to attract new students, or the decisions by prospective students to seek degrees in other disciplines, would have an adverse impact on our future growth.

If students fail to pay their outstanding balances owed to us, our business may be harmed.

From time to time, students, including former students, may carry balances on portions of their education expense not covered by financial aid programs. These balances are unsecured and not guaranteed. We have historically been successful in collecting our accounts receivable, including those due from former students as a result of the return to Title IV requirement, because the amount owed by a particular student that is in excess of the amount of financial aid that the student earned and that we are entitled to retain is often quite small. We believe that the level of motivation that former students have to pay off their balances due to us, based on such factors as being able to receive transcripts or protecting their credit, has lessened over time. As a result, losses related to unpaid student balances in excess of our allowance for doubtful accounts, or the failure of students to repay their debt obligations, could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive industry, and competitors with greater resources could harm our business.

The postsecondary education market is highly fragmented and competitive. We compete for students primarily with traditional public and four-year degree-granting regionally accredited colleges and universities and other proprietary degree-granting regionally accredited schools. An increasing number of traditional colleges and universities and community colleges are offering distance learning and other online education programs, including programs that are geared toward the needs of working adult students. This trend has been accelerated by private companies that provide and/or manage online learning platforms for traditional colleges and universities. As the proportion of traditional colleges and universities providing alternative learning modalities increases, we will face increasing competition for students from such institutions, including those with well-established reputations for excellence. In addition, it is likely that we will begin to face competition from various emerging nontraditional, credit-bearing and noncredit-bearing education programs, provided by both proprietary and not-for-profit providers, and other direct-to-consumer education services. Each of these competitors may develop platforms or other technologies, including technologies that allow for greater levels of interactivity between faculty and students and that are superior to the platform and technology we use, and these differences may affect our ability to recruit and retain students. Public institutions receive substantial government subsidies, and public and private non-profit institutions have access to government and foundation grants, tax-deductible contributions, and other financial resources generally not available to for-profit schools. Accordingly, public and private non-profit institutions may have instructional and support resources superior to those in the for-profit sector, and public institutions may be able to offer substantially lower tuition prices. Some of our competitors in both the public and private sectors also have substantially greater financial and other resources than we do. We may not be able to compete successfully against current or future competitors, including with respect to our ability to acquire or compete with technologies being developed by our competitors, and may face competitive pressures that could adversely affect our business, prospects, financial condition, and results of operations. These competitive factors could cause our enrollments, revenues, and profitability to significantly decrease and could render our online delivery format less competitive or obsolete.

If we do not maintain existing, and develop additional, relationships with employers, our future growth may be impaired.

We currently have relationships with large school districts and healthcare systems, primarily in Arizona, and also have relationships with national and international employers, to provide their employees with the opportunity to obtain degrees through us while continuing their employment. These relationships are an important part of our strategy as they provide us with a steady source of potential working adult students for particular programs and also serve to increase our reputation among high-profile employers. A number of employers we work with have reduced the extent to which they reimburse their employees for participating in our programs. If we are unable to develop new relationships, or if our existing relationships deteriorate or end as a result of current or future economic conditions affecting employers or otherwise, our efforts to seek these sources of potential working adult students will be impaired, and this could materially and adversely affect our business, prospects, financial condition, and results of operations.

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Our success depends upon our ability to recruit and retain key personnel.

Our success to date has largely depended on, and will continue to depend on, the skills, efforts, and motivation of our executive officers, who generally have significant experience with our University and within the education industry. Our success also largely depends on our ability to attract and retain highly qualified faculty, school administrators, and additional corporate management personnel. We may have difficulties in locating and hiring qualified personnel and in retaining such personnel once hired. In addition, because we operate in a highly competitive industry, our hiring of qualified executives or other personnel may cause us or such persons to be subject to lawsuits alleging misappropriation of trade secrets, improper solicitation of employees, or other claims. Other than non-compete agreements of limited duration that we have with certain executive officers, we have not historically sought non-compete agreements with key personnel and they may leave and subsequently compete against us. The loss of the services of any of our key personnel, many of whom are not party to employment agreements with us, or our failure to attract and retain other qualified and experienced faculty and personnel on acceptable terms, could cause our business to suffer.

The protection of our operations through exclusive proprietary rights and intellectual property is limited, and from time to time we encounter disputes relating to our use of intellectual property of third parties, any of which could harm our operations and prospects.

In the ordinary course of our business we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, patent, trade secret, or other protections. This intellectual property includes but is not limited to courseware materials and business know-how and internal processes and procedures developed to respond to the requirements of operating our business and to comply with the rules and regulations of various education regulatory agencies. We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names, and agreements to protect our intellectual property. We rely on service mark and trademark protection in the United States to protect our rights to the mark Grand Canyon University, as well as distinctive logos and other marks associated with our services. We rely on agreements under which we obtain rights to use course content developed by faculty members and other third party content experts, as well as license agreements pursuant to which we license the right to brand certain of our program offerings. We cannot assure you that the measures that we take will be adequate or that we have secured, or will be able to secure, appropriate protections for all of our proprietary rights in the United States or select foreign jurisdictions, or that third parties will not infringe upon or violate our proprietary rights. Unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our curricula, online resource material, and other content, and offer competing programs to ours.

In particular, we license the right to utilize the name of Jerry Colangelo in connection with our business school and our Colangelo School of Sports Business that we operate within our business school, and we have spent significant resources in related branding efforts. Nevertheless, these license agreements may terminate or expire, or otherwise may not necessarily be extended in the future. In addition, third parties may attempt to develop competing programs or copy aspects of our curriculum, online resource material, quality management, and other proprietary content. The termination of this license agreement, or attempts to compete with or duplicate our programs, if successful, could adversely affect our business. Protecting these types of intellectual property rights can be difficult, particularly as it relates to the development by our competitors of competing courses and programs.

We may from time to time encounter disputes over rights and obligations concerning intellectual property, and we may not prevail in these disputes. In certain instances, we may not have obtained sufficient rights in the content of a course. Third parties may raise a claim against us alleging an infringement or violation of the intellectual property of that third party. Some third-party intellectual property rights may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid those intellectual property rights. Any such intellectual property claim could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether such claim has merit, and we may be required to alter the content of our classes or pay monetary damages, which may be significant.

Our credit agreement may restrict our operations and our ability to complete certain transactions.

Our credit agreement, which we entered into in December 2012, imposes certain operating restrictions on us, including limitations on our ability to incur additional debt or make certain investments, and requires us to maintain compliance with certain applicable regulatory standards. In addition, the credit agreement requires us to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio and a minimum tangible net worth, in each case as such terms are defined in the credit agreement. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants or our inability to maintain the required financial ratios could result in a default in respect of the related indebtedness. If a default occurs, the affected lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable.

Our failure to comply with environmental laws and regulations governing our activities could result in financial penalties and other costs.

We use hazardous materials at our ground campus and generate small quantities of waste, such as used oil, antifreeze, paint, car batteries, and laboratory materials. As a result, we are subject to a variety of environmental laws and regulations governing, among other things, the use, storage, and disposal of solid and hazardous substances and waste, and the clean-up of contamination at our facilities or off-site locations to which we send or have sent waste for disposal. In the event we do not maintain compliance with any of these laws and regulations, or are responsible for a spill or release of hazardous materials, we could incur significant costs for clean-up, damages, and fines, or penalties which could adversely impact our business, prospects, financial condition, and results of operations.

The actions, errors, or instances of regulatory noncompliance of third party vendors upon which our institutions rely may negatively impact our business.

We engage third party vendors to provide, among other services, marketing activities. Although we require that the work done by such third parties maintains quality assurance and compliance with applicable regulations, we may be ultimately responsible for any errors on instances of regulatory noncompliance, some of which could adversely impact our reputation, business, prospects, financial condition, cash flows, and results of operations.

Risks Related to Our Business Technology Infrastructure

We are subject to laws and regulations as a result of our collection and use of personal information, and any violations of such laws or regulations, or any breach, theft, or loss of such information, could adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. We collect, use, and retain large amounts of personal information regarding our applicants, students, faculty, staff, and their families, including social security numbers, tax return information, personal and family financial data, and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Our services can be accessed globally through the Internet. Therefore, we may be subject to the application of national privacy laws in countries outside the U.S. from which applicants and students access our services. Such privacy laws could impose conditions that limit the way we market and provide our services.

Our computer networks and the networks of certain of our vendors that hold and manage confidential information on our behalf may be vulnerable to unauthorized access, employee theft or misuse, computer hackers, computer viruses, and other security threats. Confidential information may also inadvertently become available to third parties when we integrate systems or migrate data to our servers following an acquisition of a school or in connection with periodic hardware or software upgrades.

Due to the sensitive nature of the personal information stored on our servers, our networks may be targeted by hackers seeking to access this data. A user who circumvents security measures could misappropriate sensitive information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use, or transmission of personal information could result in a breach of privacy for current or prospective students or employees. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require us to implement certain policies and procedures, such as the procedures we adopted to comply with the Red Flags Rule that was promulgated by the Federal Trade Commission (FTC) under the federal Fair Credit Reporting Act and that requires the establishment of guidelines and policies regarding identity theft related to student credit accounts, and could require us to make certain notifications of data breaches and restrict our use of personal information. A violation of any laws or regulations relating to the collection or use of personal information could result in the imposition of fines against us. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches. A major breach, theft, or loss of personal information regarding our students and their families or our employees that is held by us or our vendors, or a violation of laws or regulations relating to the same, could have a material adverse effect on our reputation and result in further regulation and oversight by federal and state authorities and increased costs of compliance.

Capacity constraints, system disruptions, or security breaches in our online computer networks and phone systems could have a material adverse effect on our ability to attract and retain students.

The performance and reliability of the infrastructure of our computer networks and phone systems, including our online programs, is critical to our operations, reputation and to our ability to attract and retain students. Any computer system disruption or failure, or a sudden and significant increase in traffic on the servers that host our online operations, may result in our online courses and programs being unavailable for a period of time. In addition, any significant failure of our computer networks or servers, whether as a result of third-party actions or in connection with planned upgrades and conversions, could disrupt our on-campus operations. Individual, sustained, or repeated occurrences could significantly damage the reputation of our online operations and result in a loss of potential or existing students. Additionally, our online operations are vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and network and telecommunications failures. Our computer networks may also be vulnerable to unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions to or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these incidents. Any interruption to our online operations could have a material adverse effect on our ability to attract students to our online programs and to retain those students.

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A failure of our information systems to properly store, process and report relevant data may reduce our management s effectiveness, interfere with our regulatory compliance and increase our operating expenses.

We are dependent on the integrity of our data management systems. If these systems do not effectively collect, store and process relevant data for the operation of our business, whether due to equipment malfunctions or constraints, software deficiencies, or human error, our ability to effectively report, plan, forecast and execute our business plan and comply with applicable laws and regulations, including the Higher Education Act, as reauthorized, and the regulations thereunder, will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, and cash flows.

We may incur liability for the unauthorized duplication or distribution of class materials posted online for class discussions.

In some instances, our faculty members or our students may post various articles or other third-party content on class discussion boards. Third parties may raise claims against us for the unauthorized duplication of material posted online for class discussions. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. Our general liability insurance may not cover potential claims of this type adequately or at all, and we may be required to alter the content of our courses or pay monetary damages, which may be significant.

Risks Related to Owning our Common Stock

Provisions in our charter documents and the Delaware General Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect existing stockholders.

Anti-takeover provisions of our certificate of incorporation, bylaws, the Delaware General Corporation Law, or DGCL, and regulations of state and federal education agencies could diminish the opportunity for stockholders to participate in acquisition proposals at a price above the then-current market price of our common stock. For example, while we have no present plans to issue any preferred stock, our Board of Directors, without further stockholder approval, may issue shares of undesignated preferred stock and fix the powers, preferences, rights, and limitations of such class or series, which could adversely affect the voting power of your shares. In addition, our bylaws provide for an advance notice procedure for nomination of candidates to our Board of Directors that could have the effect of delaying, deterring, or preventing a change in control. Further, as a Delaware corporation, we are subject to provisions of the DGCL regarding business combinations, which can deter attempted takeovers in certain situations. The approval requirements of the Department of Education, our regional accrediting commission, and state education agencies for a change in control transaction could also delay, deter, or prevent a transaction that would result in a change in control. We may, in the future, consider adopting additional anti-takeover measures. The authority of our Board of Directors to issue undesignated preferred or other capital stock and the anti-takeover provisions of the DGCL, as well as other current and any future anti-takeover measures adopted by us, may, in certain circumstances, delay, deter, or prevent takeover attempts and other changes in control of the company not approved by our Board of Directors.

If securities analysts do not publish research or reports about our business or industry or if they downgrade their evaluations of our stock, the price of our stock could decline.

The activity within the trading market for our common stock depends in part on the research and reports that industry or financial analysts publish about us, our business and the for-profit education sector. In recent periods, a number of analysts have dropped coverage of the sector. If analysts cease coverage of us or additional analysts cease coverage of our sector, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline. If one or more of the analysts covering us downgrade their estimates or evaluations of our stock, the price of our stock could decline.

Item 1B. ***Unresolved Staff Comments***

None.

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Item 2. ***Properties***

We own our ground campus, which is located on over 260 acres in the center of the Phoenix, Arizona metropolitan area, near downtown Phoenix. Our on-campus facilities currently consist of classroom buildings, lecture halls, a 300-seat theater, a 155,000-volume newly renovated library, a media arts complex that provides communications students with audio and video equipment, a 55,000 square foot recreation center that has state of the art training facilities for our 400 student-athletes plus practice space and locker rooms for men s and women s basketball, a 140,000 square foot/ 7,500 seat basketball and entertainment arena, a stadium that hosts NCAA men s and women s soccer as well as several club sports programs, a basketball practice facility, on-campus tennis courts, beach volleyball courts, and a competition/practice gymnasium, an activity center that contains a food court, a bowling alley and other student services, a student union which was recently remodeled and expanded, residence halls, apartments, campus pools, athletic facilities and parking garages. In order to accommodate the continued growth of our traditional ground population, we completed four additional dormitories, a classroom building for our College of Science, Engineering and Technology and a third parking structure prior to the 2015/2016 school year and prior to the 2016/2017 school year we completed construction on three apartment style residence halls, a 170,000 square foot classroom building for our College of Science, Engineering and Technology, a student service center and a fourth parking structure. In late 2015, we revitalized the Maryvale Golf Course under a partnership agreement with the City of Phoenix and in 2016 the Grand Canyon University Championship Golf Course was opened to the public. Additionally, we have several office buildings used for administration and we recently completed a large student services center and parking garage in close proximity to our ground campus. Employees that worked in two leased office buildings in the Phoenix area were consolidated into this new building upon completion in late 2016.

We lease four facilities in Arizona and one in New Mexico for classroom and labs for our nursing professional studies students. Additionally, we lease five office locations in California and one in Colorado. We may add additional space in Arizona and in other states in the southwest U.S. to accommodate our growth plans in 2017 and beyond.

Item 3. ***Legal Proceedings***

From time to time, we are subject to ordinary and routine litigation incidental to our business. While the outcomes of these matters are uncertain, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. ***Mine Safety Disclosures***

None.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our common stock trades on the Nasdaq Global Market under the symbol LOPE. The holders of our common stock are entitled to one vote per share on any matter to be voted upon by stockholders. All shares of common stock rank equally as to voting and all other matters. The shares of common stock have no preemptive or conversion rights, no redemption or sinking fund provisions, are not liable for further call or assessment and are not entitled to cumulative voting rights.

The table below sets forth the high and low sales prices for our common stock, as reported by the Nasdaq Global Market.

	High	Low
2016		
First Quarter	$ 43.37	$ 31.12
Second Quarter	$ 45.02	$ 37.94
Third Quarter	$ 44.98	$ 38.81
Fourth Quarter	$ 61.80	$ 39.68
2015		
First Quarter	$ 48.29	$ 42.63
Second Quarter	$ 45.82	$ 41.30
Third Quarter	$ 45.17	$ 35.38
Fourth Quarter	$ 42.81	$ 36.18

Holders

As of December 31, 2016, there were approximately 214 registered holders of record of common stock. A substantially greater number of holders of common stock are street name or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

We currently intend to retain all future earnings for the operation and expansion of our business and do not anticipate paying cash dividends on our common stock in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is provided under Item 12, *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*, Equity Compensation Plan Information, which is incorporated herein by reference.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors has authorized the University to repurchase up to $175.0 million in aggregate of common stock, from time to time, depending on market conditions and other considerations. The current expiration date on the repurchase authorization by our Board of Directors is December 31, 2017. Repurchases occur at our 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 the approval of our share repurchase plan, we have purchased 3.5 million shares of common stock at an aggregate cost of $75.8 million, which are recorded at cost in the accompanying December 31, 2016 consolidated balance sheet and statement of stockholders equity. At December 31, 2016, there remained $99.2 million available under our current share repurchase authorization. During the year ended December 31, 2016, we repurchased 415,555 shares of common stock at an aggregate cost of $15.4 million.

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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 fourth quarter of fiscal 2016:

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				
October 1, 2016 October 31, 2016		$		$ 99,200,000
November 1, 2016 November 30, 2016		$		$ 99,200,000
December 1, 2016 December 31, 2016		$		$ 99,200,000
Total		$		$ 99,200,000
Tax Withholdings				
October 1, 2016 October 31, 2016	1,271	$ 41.70		$
November 1, 2016 November 30, 2016		$		$
December 1, 2016 December 31, 2016		$		$
Total	1,271	$ 41.70		$

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University Stock Performance

The following graph compares the cumulative total return of our common stock with the cumulative total returns of the S&P 500 Index and our selected peer group of five companies that includes: Capella Education Company, American Public Education, Inc., Apollo Education Group Inc., Strayer Education Inc. and Bridgepoint Education, Inc. This chart assumes that an investment of $100 was made in our common stock, in the index, and in the peer group on December 31, 2011 and that all dividends paid by us and such companies were reinvested, and tracks the relative performance of such investments through December 31, 2016.

	12/11	12/12	12/13	12/14	12/15	12/16
Grand Canyon Education, Inc.	**100.00**	**147.06**	**273.18**	**292.36**	**251.38**	**366.23**
S&P 500	**100.00**	**116.00**	**153.58**	**174.60**	**177.01**	**198.18**
Peer Group	**100.00**	**47.28**	**62.63**	**72.82**	**30.21**	**43.69**

The information contained in the performance graph shall not be deemed soliciting material or to be filed with the SEC nor shall such information be deemed incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Item 6. ***Selected Consolidated Financial and Other Data***

The following selected consolidated financial and other data should be read in conjunction with Item 8, *Consolidated Financial Statements and Supplementary Data*, and Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, to fully understand the information presented below. The selected consolidated income statement data and other data, excluding period end enrollment, for the years ended December 31, 2016, 2015, and 2014, and the selected consolidated balance sheet data as of December 31, 2016, and 2015, have been derived from our audited consolidated financial statements for such years, which are included herein. The selected consolidated income statement data and other data, excluding period end enrollment, for the years ended December 31, 2013 and 2012, and the selected consolidated balance sheet data as of December 31, 2014, 2013, and 2012, have been derived from our audited consolidated financial statements for such years, which are not included herein. Our historical results are not necessarily indicative of our results for any future period.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except per share data)				
Income Statement Data:					
Net revenue	$ 873,344	$ 778,200	$ 691,055	$ 598,335	$ 511,257
Costs and expenses:					
Instructional costs and services	373,101	329,651	288,791	254,419	220,403
Admissions advisory and related[1]	119,286	112,572	108,567	97,077	85,917
Advertising[1]	88,152	76,229	65,808	60,985	51,023
Marketing and promotional[1]	8,860	7,287	7,439	5,644	4,360
General and administrative	43,219	42,100	39,635	36,934	35,502
Lease termination costs	3,523				
Total costs and expenses	636,141	567,839	510,240	455,059	397,205
Operating income	237,203	210,361	180,815	143,276	114,052
Interest expense	(1,328)	(1,248)	(1,801)	(2,244)	(699)
Interest income and other	249	(106)	684	3,863	71
Income before income taxes	236,124	209,007	179,698	144,895	113,424
Income tax expense	87,610	77,596	68,232	56,184	43,977
Net income	$ 148,514	$ 131,411	$ 111,466	$ 88,711	$ 69,447
Earnings per common share					
Basic	$ 3.22	$ 2.86	$ 2.45	$ 1.98	$ 1.57
Diluted	$ 3.15	$ 2.78	$ 2.37	$ 1.92	$ 1.53
Shares used in computing earnings per common share					
Basic	46,083	45,975	45,538	44,731	44,332
Diluted	47,121	47,281	47,006	46,131	45,251
Other Data:					
Capital expenditures	$ 239,019	$ 218,301	$ 168,646	$ 93,490	$ 104,876
Depreciation and amortization	$ 45,387	$ 35,379	$ 29,177	$ 25,141	$ 21,627

Adjusted EBITDA[2]	$ 304,071	$ 264,988	$ 227,812	$ 185,086	$ 149,593
Period end enrollment[3]					
Online	64,646	59,311	55,060	49,580	44,690
Ground	17,262	15,195	12,746	10,078	7,602
Balance Sheet Data:					
Cash and cash equivalents, marketable securities and investments	$ 108,572	$ 106,400	$ 166,022	$ 164,244	$ 105,111
Restricted cash, cash equivalents and investments	$ 84,931	$ 75,384	$ 67,840	$ 64,368	$ 56,189
Total assets[4]	$ 1,092,493	$ 891,982	$ 749,564	$ 610,941	$ 489,442
Notes payable (including short-term)	$ 98,252	$ 79,877	$ 86,493	$ 93,100	$ 99,701
Total stockholders equity	$ 773,686	$ 610,251	$ 476,232	$ 344,844	$ 234,059

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(1) During the first quarter of 2013, the University made changes in its presentation of operating expenses and revised prior periods to conform to the current presentation. All years presented in the five year table were reclassified to conform to the current presentation.
(2) Adjusted EBITDA is defined as net income plus interest expense, less interest income and other gain (loss) recognized on investments, plus income tax expense, plus depreciation and amortization (EBITDA), as adjusted for (i) the amortization of prepaid royalty payments recorded in conjunction with a settlement of a dispute with our former owner; (ii) contributions to Arizona school tuition organizations in lieu of the payment of state income taxes; (iii) share-based compensation; and (iv) one-time, unusual charges or gains, such as litigation and regulatory reserves, impairment charges and asset write-offs, and exit or lease termination costs.
(3) Enrollment represents individual students who attended a course during the last two months of the calendar quarter.
(4) During the first quarter of 2016, the University made changes in its presentation of deferred tax assets and liabilities to comply with a new accounting standard. Accordingly, we reclassified the current deferred taxes to net against noncurrent deferred tax liabilities for all prior periods to conform to the current presentation.

We present Adjusted EBITDA because we consider it to be an important supplemental measure of our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA, and our credit agreement requires us to comply with covenants that include performance metrics substantially similar to Adjusted EBITDA. All of the adjustments made in our calculation of Adjusted EBITDA are adjustments to items that management does not consider to be reflective of our core operating performance. Management considers our core operating performance to be that which can be affected by our managers in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period. Royalty expenses paid to our former owner, contributions to Arizona school tuition organizations in lieu of the payment of state income taxes, share-based compensation, one time unusual charges or gains, such as estimated litigation and regulatory reserves, impairment charges, exit costs, and lease termination fees are not considered reflective of our core performance. We believe Adjusted EBITDA allows us to compare our current operating results with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by variations in capital structures (affecting relative interest expense, including the impact of write-offs of deferred financing costs when companies refinance their indebtedness), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the book amortization of intangibles (affecting relative amortization expense), and other items that we do not consider reflective of underlying operating performance. We also present Adjusted EBITDA because we believe it is frequently used by securities analysts, investors, and other interested parties as a measure of performance.

In evaluating Adjusted EBITDA, investors should be aware that in the future we may incur expenses similar to the adjustments described above. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by expenses that are unusual, non-routine, or non-recurring. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for net income, operating income, or any other performance measure derived in accordance with and reported under GAAP or as an alternative to cash flow from operating activities or as a measure of our liquidity. Some of these limitations are that it does not reflect:

cash expenditures for capital expenditures or contractual commitments;

- changes in, or cash requirements for, our working capital requirements;
- interest expense, or the cash required to replace assets that are being depreciated or amortized; and
- the impact on our reported results of earnings or charges resulting from the items for which we make adjustments to our EBITDA, as described above and set forth in the table below.

In addition, other companies, including other companies in our industry, may calculate these measures differently than we do, limiting the usefulness of Adjusted EBITDA as a comparative measure. Because of these limitations, Adjusted EBITDA should not be considered as a substitute for net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. We compensate for these limitations by relying primarily on our GAAP results and use Adjusted EBITDA only as a supplemental performance measure. For more information, see our consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K.

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The following table reconciles Adjusted EBITDA to net income for the periods indicated:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Net income	$ 148,514	$ 131,411	$ 111,466
Plus: interest expense	1,328	1,248	1,801
Less: interest income and other[a]	(249)	106	(684)
Plus: income tax expense	87,610	77,596	68,232
Plus: depreciation and amortization	45,387	35,379	29,177
EBITDA	282,590	245,740	209,992
Plus: royalty to former owner[b]	296	296	296
Plus: prepaid royalty impairment and other fixed asset impairments[c]	250	2,755	3,441
Plus: contributions made in lieu of state income taxes[d]	4,000	2,750	2,750
Plus: transaction expenses[e]	1,136	1,861	
Plus: estimated litigation and regulatory reserves[f]		328	870
Plus: lease termination costs[g]	3,523		518
Plus: share-based compensation[h]	12,276	11,257	9,945
Adjusted EBITDA	$ 304,071	$ 264,987	$ 227,812

(a) Represents a loss of $0.9 million in 2015 on a note receivable purchased in December 2012, net of interest income.

(b) Represents the amortization of prepaid royalty payments, as discussed in Note 2 to our consolidated financial statements that are included in Item 8, *Consolidated Financial Statements and Supplementary Data*.

(c) Represents prepaid royalty impairment and other fixed asset impairments. The 2016 and 2015 amounts represents the write-off of the remaining book value of on campus buildings removed to make way for new dormitories and a classroom building as well as internal use software write offs. The 2014 amount relates to the termination during 2014 of our use of the Ken Blanchard name for our College of Business.

(d) Reflects contributions to various Arizona school tuition organizations to assist with funding for education. In connection with such contributions made we received a dollar-for-dollar state income tax credit, which resulted in a reduction in our effective income tax rate to 37.1%, 37.1% and 38.0% for the years ended December 31, 2016, 2015 and 2014, respectively. Had these contributions not been made, our effective tax rate would have been 38.2%, 37.9% and 38.9%, for 2016, 2015 and 2014, respectively. Such contributions are viewed by our management to be made in lieu of payments of state income taxes and are therefore excluded from evaluation of our core operating performance.

(e) Reflects $1.1 million and $1.9 million for expenses incurred in 2016 and 2015, respectively, related to a proposed transaction under which Grand Canyon University would have become a non-profit entity.

(f) Reflects $0.3 million and $0.9 million for estimated litigation reserves in 2015 and 2014, respectively.

(g) Represents lease termination costs incurred related to the early termination of leased space.

(h) Reflects share-based compensation expense relating to restricted stock awards and option grants made to employees and directors.

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Item 7. ***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 for the years ended December 31, 2016 and 2015 should be read in conjunction with our consolidated financial statements and related notes that appear in Item 8, *Consolidated Financial Statements and Supplementary Data*. In addition to historical information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Item 1A, *Risk Factors* and *Forward-Looking Statements*.

Executive Overview

We are a comprehensive regionally accredited university that offers over 200 graduate and undergraduate degree programs and certificates across nine colleges both online and on ground at our over 260 acre campus in Phoenix, Arizona, and onsite at facilities we lease and at facilities owned by third party employers. We are committed to providing an academically rigorous educational experience with a focus on professionally relevant programs that meet the objectives 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, liberal arts foundation. We offer master s 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. We believe the growing brand of the University and the value proposition for both traditional aged students attending on our campus in Phoenix, Arizona and working adult students attending on our campus or at off-site locations in cohorts (referred to by us as professional studies student) or online, has enabled us to increase enrollment to approximately 81,900 students at December 31, 2016. At December 31, 2016, 78.9% of our students were enrolled in our online programs, and, of our working adult students (online and professional studies students), 49.5% were pursuing master s or doctoral degrees.

Key Trends, Developments and Challenges

The following circumstances and trends present opportunities, challenges and risks.

Evolving Postsecondary Education Market. We believe that there is a large number of traditional-aged students looking for a residential experience at an affordable, private, Christian university. As a result of state funding challenges, most state universities are receiving less state subsidies and therefore have been forced to increase tuition, decrease the number of students they can accept and/or make other changes that impact the student experience. Some private universities also are facing enrollment challenges as a result of their high tuition costs. We also believe the number of non-traditional students who work, are raising a family, or are doing both while trying to earn a college degree continues to grow. The continued economic environment in the U.S., however, has caused an increased number of potential students and/or their parents to consider the cost of education as a primary factor in choosing the school that they will attend. Given these trends, we believe that many individuals will be attracted to our high quality academic programs at affordable tuition rates. We also believe that competition for students continues to increase. We compete primarily with traditional public and four-year degree-granting regionally accredited colleges and universities and other proprietary degree-granting regionally accredited schools. An increasing number of traditional colleges, universities and community colleges are offering distance learning and other online education programs, including programs that are geared towards the needs of working adult students. This trend has been accelerated by private companies that provide and/or manage online learning platforms for traditional colleges and universities. As the proportion of traditional colleges and universities providing alternative learning modalities increases, we face increasing competition for students from such institutions, including those with well-established reputations for excellence.

Regulation and Oversight. We are subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act of 1965, as amended (the Higher Education Act), and the regulations promulgated thereunder by the Department of Education subject us to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Higher Education Act. Recent regulations have imposed new reporting and disclosure requirements that have caused increased administrative burden and costs and may have a negative effect on our growth and enrollments. In addition, in recent years, there has been increased focus by Congress on the role that proprietary educational institutions play in higher education and various proposals to modify the laws to which proprietary educational institutions are subject. We cannot predict what legislation, if any, may result from these Congressional proposals or what impact any such legislation might have on the proprietary education sector generally or our business in particular. To the extent that any laws or regulations are adopted, or other administrative actions are taken, that limit our participation in Title IV programs or the amount of student financial aid for which the students at our institutions are eligible, our enrollments, revenues and results of operation could be materially and adversely affected.

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Fiscal Year 2016 Highlights

We achieved the following in 2016:

Enrollment, Net Revenue, Operating Income Growth with No Increase in Ground Tuition Rates. We achieved enrollment growth of 9.9% during the fiscal year ended December 31, 2016, as ground enrollment increased 13.6% and online enrollment increased 9.0% 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 a public university. 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 $1,132 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. We did not raise tuition in any of our programs for our 2016-2017 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 eight years. Net revenues increased 12.2% over 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.). Operating income was $237.2 million for the fiscal year ended December 31, 2016, an increase of 12.8% over the $210.4 million in operating income for 2015.

Continued Program Expansion. In the Fall of 2014, the University launched the College of Science, Engineering and Technology, rolling out programs in computer science and information technology. In the Fall of 2015, three engineering programs, Electrical Engineering, Bio-medical Engineering and Mechanical Engineering began. In total the University now offers over 200 graduate and undergraduate degree programs and certificates across nine colleges with over 33 new programs or emphases rolled out in 2016 and another 34 are planned for 2017.

Capital Expenditures. Our capital expenditures in 2016 of $178.3 million were primarily related to the expansion of our over 260 acre physical campus in Phoenix, Arizona and significant investments in technology innovation to support our students and staff. In order to accommodate the continued growth of the traditional ground population, the University completed three more apartment style residence halls, a 170,000 square foot classroom building for its College of Science, Engineering and Technology, a student service center and a fourth parking structure. Included in off-site development during 2016 is $60.7 million primarily related to an off-site student services center and parking garage that is in close proximity to our ground traditional campus. Employees that work in two leased office buildings in the Phoenix area were consolidated into this new building in late 2016.

Revenue and Enrollment

Net revenue consists principally of tuition, room and board charges attributable to students residing on our ground campus, application and graduation fees, and fees from educational resources such as access to online materials, less scholarships. Factors affecting our net revenue include: (i) the number of students who are enrolled and who remain enrolled in our courses; (ii) the number of credit hours per student; (iii) our degree and program mix; (iv) changes in our tuition rates; (v) the timing of our ground traditional campus semesters; (vi) the amount of the scholarships that we offer; and (vii) the number of students housed in, and the rent charged for, our on-campus student apartments and dormitories.

We define enrollment as individual students who attended a course during the last two months of the calendar quarter. We offer three 15-week semesters in a calendar year with one start available per semester for our traditional ground students. Online and professional studies students have more frequent class starts in courses that generally range from five to sixteen weeks through the calendar year. Enrollments are a function of the number of continuing students at the beginning of each period and new enrollments during the period, which are offset by graduations, withdrawals, and inactive students during the period. Inactive students for a particular period include students who are not registered in a class and, therefore, are not generating net revenue for that period, but who have not withdrawn from Grand Canyon University.

We believe that the principal factors that affect our enrollments and net revenue are the number and breadth of the programs we offer; the attractiveness of our program offerings and learning experience, particularly for career-oriented adults who are seeking pay increases or job opportunities that are directly tied to higher educational attainment; the effectiveness of our marketing, recruiting and retention efforts, which is affected by our brand strength and price point; the quality of our academic programs and student services; the convenience and flexibility of our online delivery platform; the availability and cost of federal and other funding for student financial aid; the seasonality of our net revenue, which is enrollment driven and is typically lowest in our second fiscal quarter and highest in our fourth fiscal quarter; and general economic conditions, particularly as they might affect job prospects in our core disciplines.

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The following is a summary of our student enrollment at December 31, 2016, 2015, and 2014 by degree type and by instructional delivery method:

	December 31,					
	2016(1)		2015(1)		2014(1)	
	# of Students	% of Total	# of Students	% of Total	# of Students	% of Total
Graduate degree(2)	33,215	40.6%	29,237	39.2%	26,319	38.8%
Undergraduate degree	48,693	59.4%	45,269	60.8%	41,487	61.2%
Total	81,908	100.0%	74,506	100.0%	67,806	100.0%

	December 31,					
	2016(1)		2015(1)		2014	
	# of Students	% of Total	# of Students	% of Total	# of Students	% of Total
Online(3)	64,646	78.9%	59,311	79.6%	55,060	81.2%
Ground(4)	17,262	21.1%	15,195	20.4%	12,746	18.8%
Total	81,908	100.0%	74,506	100.0%	67,806	100.0%

(1) Enrollment represents individual students who attended a course during the last two months of the calendar quarter. Included in enrollment at December 31, 2016, 2015 and 2014 are students pursuing non-degree certificates of 847, 679, and 585, respectively.

(2) Includes 7,084, 6,302 and 5,570 students pursuing doctoral degrees at December 31, 2016, 2015 and 2014, respectively.

(3) As of December 31, 2016, 2015 and 2014, 49.5%, 47.8% and 46.0%, respectively, of our working adult students (online and professional studies students) were pursuing graduate or doctoral degrees.

(4) Includes our traditional on-campus students, as well as our professional studies students.

For the 2016-17 academic year (the academic year begins in May), our prices per credit hour range from $355 to $470 for undergraduate online and professional studies courses, $330 to $630 for graduate online courses, $640 for doctoral online programs, and $688 for undergraduate courses for ground students. For our active duty and active reserve online and professional studies students, our prices per credit hour are $250 for undergraduate, $400 for graduate courses and $608 for doctoral courses. The overall price of each course varies based upon the number of credit hours per course (with most courses representing four credit hours), the degree level of the program, and the discipline. In addition, we charge a fixed $8,250 block tuition for undergraduate ground students taking between 12 and 18 credit hours per semester, with an additional $688 per credit hour for credits in excess of 18. A traditional undergraduate degree typically requires a minimum of 120 credit hours. The minimum number of credit hours required for a master s degree and overall cost for such a degree varies by program, although such programs typically require approximately 36 credit hours. The doctoral program requires approximately 60 credit hours and on average, doctoral students who graduated during the 2014-2015 academic year required 5.25 dissertation continuation courses to complete their degree.

Based on current tuition rates, tuition for a full program would generally equate to between $15,450 and $37,000 for an online master s program, between $42,600 and $56,400 for a full four-year online bachelor s program, approximately $66,000 for a full four-year bachelor s program taken on our ground campus, and $48,000 for a full doctoral program including five dissertation continuation courses. Students requiring dissertation continuation courses in excess of five are only charged $500 per course. The tuition amounts referred to above assume no reductions for transfer credits or scholarships, which many of our students utilize to reduce their total program costs. For example, the average student on our ground traditional campus will pay approximately $8,600 in tuition in the 2016-17 school year after scholarships. Thus, based on the number of transfer credits and the scholarships they receive it is likely that a student will pay less than $35,000 in tuition for a bachelor s degree on our ground campus. For the years ended December 31, 2016, 2015 and 2014, our revenue was reduced by approximately $179.2 million, $163.9 million and $140.0 million, respectively, as a result of scholarships that we offered to our students. The increase in scholarships reflects our increased revenues and our resulting increased use of scholarships (especially academic scholarships), to attract high performing students to our ground traditional campus.

Revenue per student for the year ended December 31, 2016 increased over 2015 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. We did not raise tuition in any of our programs for our 2016-2017 academic year and have not raised our tuition for our traditional ground program in eight years. A tuition increase of approximately 1% was implemented for the majority of online programs in September 2015. This reflects a concerted effort to control tuition pricing for students so that debt levels assumed by our students are reasonable. Tuition increases have not historically been, and may not in the future be, consistent across our programs due to market conditions and differences in operating costs of individual programs.

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We derive a majority of our net revenues from tuition financed by the Title IV programs. For the years ended December 31, 2016, 2015 and 2014, we derived cash receipts equal to approximately 72.3%, 74.8%, and 76.5%, respectively, of our net revenues from Title IV programs. Our students also may rely on scholarships, personal savings, private loans, and employer tuition reimbursements to pay a portion of their tuition and related expenses.

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. During the preparation of these consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements.

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

Revenue recognition. Net revenues consist primarily of tuition and fees derived from courses taught by us online, at our over 260 acre campus in Phoenix, Arizona, and at facilities we lease or those of employers, as well as from related educational resources such as access to online materials. Tuition revenue and most fees and related educational resources are recognized pro-rata over the applicable period of instruction, net of scholarships awarded by us. Generally, we will refund all or a portion of tuition already paid pursuant to our refund policy, dependent upon length of course and modality and subject to certain state specific refund requirements. 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 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. We also charge 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 statement of operations and are reflected as current liabilities in the accompanying balance sheet. Our educational programs have starting and ending dates that differ from our 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. We record an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student s cost of tuition and related fees that we may have to return under Title IV after a student drops. We determine the adequacy of our allowance for doubtful accounts based on an analysis of our historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. We apply a reserve to our receivables based upon an estimate of the risk presented by the age of the receivables and student status. We write off accounts receivable balances of active students at the earlier of the time the balance is deemed uncollectible, or one year after the revenue is generated. We reserve for receivables due from inactive students on a more accelerated basis than those due from active students and write off inactive student accounts at 150 days, as amounts due from inactive students are much more difficult to collect than amounts due from active students. We monitor our collections and write-off experience to assess whether adjustments to the estimated reserve are necessary.

Long-Lived Assets (other than goodwill). We evaluate 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.

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Income taxes. We recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expect to be realized. Our deferred tax assets are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of the deferred tax assets is principally dependent upon achievement of projected future taxable income offset by deferred tax liabilities. We evaluate the realizability of the deferred tax assets annually. Since becoming a taxable corporation in August 2005, we have not recorded any valuation allowances to date on our deferred income tax assets. We evaluate and account for uncertain tax positions using a two-step approach. Recognition occurs when we conclude that a tax position based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement determines the amount of benefit that is greater than 50% likely to be realized upon the ultimate settlement with a taxing authority that has full knowledge of the facts. Derecognition of a tax position that was previously recognized occurs when we determine that a tax position no longer meets the more-likely-than-not threshold of being sustained upon examination. As of December 31, 2016 and 2015, the University has reserved approximately $1,981 and $1,706, respectively, for uncertain tax positions, including interest and penalties. The increase in the reserve in 2015 was attributable to apportionment positions taken on state income tax returns related to the sourcing of receipts from services.

Results of Operations

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

	Year Ended December 31,		
	2016	**2015**	**2014**
Net revenue	100.0%	100.0%	100.0%
Costs and expenses			
Instructional costs and services	42.7	42.4	41.8
Admissions advisory and related	13.7	14.5	15.7
Advertising	10.1	9.8	9.5
Marketing and promotional	1.0	0.9	1.1
General and administrative	4.9	5.4	5.7
Lease termination costs	0.4	0.0	0.0
Total costs and expenses	72.8	73.0	73.8
Operating income	27.2	27.0	26.2
Interest expense	(0.2)	(0.2)	(0.3)
Interest income and other	0.0	0.0	0.1
Income before income taxes	27.0	26.9	26.0
Income tax expense	10.0	10.0	9.9
Net income	17.0	16.9	16.1

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net revenue. Our net revenue for the year ended December 31, 2016 was $873.3 million, an increase of $95.1 million, or 12.2%, as compared to net revenue of $778.2 million for the year ended December 31, 2015. This increase was primarily due to an increase in ground and online 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 2016-17 academic year. A tuition increase of approximately 1% was implemented for the majority of our online programs in September 2015. We have not raised our tuition for our traditional ground program in eight years. End-of-period enrollment increased 9.9% between December 31, 2016 and 2015, as ground enrollment increased 13.6% and online enrollment increased 9.0% over the prior year. The majority of the ground enrollment growth between years was residential students at our ground traditional campus in Phoenix, Arizona. 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 for tuition, room, board, and fees, 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 a public university. 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. 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 year ended December 31, 2016 were $373.1 million, an increase of $43.4 million, or 13.2%, as compared to instructional costs and services expenses of $329.7 million for the year ended December 31, 2015. This increase was primarily due to increases in instructional compensation and related expenses including share-based compensation, faculty compensation, occupancy and depreciation and amortization, dues, fees, subscriptions and other instructional supplies, bad debt expense and other miscellaneous instructional costs and services of $10.9 million, $8.9 million, $14.2 million, $5.6 million, $2.0 million and $1.8 million, respectively. The increase in employee compensation and related expenses and faculty compensation are primarily due to the increase in the number of staff to support the increasing number of students attending the University, tenure adjustments, and increased benefit costs between years. In addition, we continue to increase our full-time faculty between years. The increase in occupancy, depreciation and amortization is the result of us placing into service additional buildings 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 revenue increased by 0.3% to 42.7% for the year ended December 31, 2016, as compared to 42.4% for the year ended December 31, 2015 due to an increase in dues, fees, subscriptions and other instructional supplies as a percentage of revenue due to the low profit margin derived on food sales, and occupancy, depreciation and amortization increasing as a percentage of revenue. Bad debt expense stayed flat year over year at 2.1% of net revenue. We anticipate that instructional costs and services will continue to increase as a percentage of revenue due to these factors.

Admissions advisory and related expenses. Our admissions advisory and related expenses for the year ended December 31, 2016 were $119.3 million, an increase of $6.7 million, or 6.0%, as compared to admissions advisory and related expenses of $112.6 million for the year ended December 31, 2015. This increase was primarily due to increases in employee compensation and related expenses, partially offset by decreases in other admissions advisory expenses of $7.0 million and $0.3 million, respectively. Employee compensation and related expenses increased as a result of increasing the number of admissions advisors, tenure adjustments, and increasing benefit costs between years. Our admissions advisory and related expenses as a percentage of net revenue decreased by 0.8% to 13.7% for the year ended December 31, 2016, from 14.5% for the year ended December 31, 2015 primarily due to our ability to leverage our admissions advisory personnel across an increasing revenue base. Although we are hopeful that we will continue to see leverage of our admissions advisory personnel, we do not anticipate the leverage in future years will be as significant as in 2016.

Advertising expenses. Our advertising expenses for the year ended December 31, 2016 were $88.2 million, an increase of $12.0 million, or 15.6%, as compared to advertising expenses of $76.2 million for the year ended December 31, 2015. This increase was primarily due to increased digital media and branding advertising. Our advertising expenses as a percentage of net revenue increased by 0.3% to 10.1% for the year ended December 31, 2016, from 9.8% for the year ended December 31, 2015 as we have increased our advertising spend to increase brand awareness. We plan to continue to increase our advertising spend on brand awareness in 2017 to counter the increased advertising of our competitors.

Marketing and promotional expenses. Our marketing and promotional expenses for the year ended December 31, 2016 were $8.9 million, an increase of $1.6 million, or 21.6%, as compared to marketing and promotional expenses of $7.3 million for the year ended December 31, 2015. Our marketing and promotional expenses as a percentage of net revenue increased slightly by 0.1% to 1.0% for the year ended December 31, 2016, from 0.9% for the year ended December 31, 2015.

General and administrative expenses. Our general and administrative expenses for the year ended December 31, 2016 were $43.2 million, an increase of $1.1 million, or 2.7%, as compared to general and administrative expenses of $42.1

million for the year ended December 31, 2015. This increase was primarily due to increases in employee compensation and related expenses including share-based compensation, and contributions to private school tuition organizations in lieu of state income taxes, partially offset by lower legal, audit and insurance costs and other general administrative expenses of $1.0 million, $1.2 million and $1.2 million respectively. During 2016 and 2015 our contributions to private school tuition organizations in lieu of state income taxes were $4.0 million and $2.8 million, respectively. Our general and administrative expenses as a percentage of net revenue decreased by 0.5% to 4.9% for the year ended December 31, 2016, from 5.4% for the year ended December 31, 2015 due to decreased legal costs and our ability to leverage our general and administrative expenses across an increasing revenue base.

Lease termination costs. In July 2016, we notified a current landlord of our intent to vacate leased space by the fourth quarter of 2016. As a result, we were required to pay a termination fee to terminate the lease resulting in $3.4 million of expense in the third quarter of 2016. Additionally in the fourth quarter of 2016, we completed our relocation of our employees to the new buildings and as a result expensed $0.1 million related to impaired assets from lease space no longer occupied by our employees.

Interest expense. Our interest expense for the year ended December 31, 2016 was $1.3 million, an increase of $0.1 million, as compared to interest expense of $1.2 million for the year ended December 31, 2015. Our interest expense stayed flat as a percentage of net revenue at 0.2% for the years ended December 31, 2016 and 2015.

Interest income and other. Our interest income and other for the year ended December 31, 2016 was a gain of $0.2 million, an increase of $0.3 million, as compared to interest income and other loss of $0.1 million for the year ended December 31, 2015. The increase was primarily due to higher investment returns.

Income tax expense. Income tax expense for the year ended December 31, 2016 was $87.6 million, an increase of $10.0 million from $77.6 million for the year ended December 31, 2015. This increase was primarily attributable to increased income before income taxes. Our effective tax rate was 37.1% for both of the years ended December 31, 2016 and 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 year ended December 31, 2016 was $148.5 million, an increase of $17.1 million, as compared to $131.4 million for the year ended December 31, 2015, due to the factors discussed above.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net revenue. Our net revenue for the year ended December 31, 2015 was $778.2 million, an increase of $87.1 million, or 12.6%, as compared to net revenue of $691.1 million for the year ended December 31, 2014. This increase was primarily due to an increase in ground and online 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 2014-15 academic year. A tuition increase of approximately 1% was implemented for the majority of our online programs in September 2015. We have not raised our tuition for our traditional ground program in seven years. End-of-period enrollment increased 9.9% between December 31, 2015 and 2014, as ground enrollment increased 19.2% and online enrollment increased 7.7% over the prior year. The majority of the ground enrollment growth between years was residential students at our ground traditional campus in Phoenix, Arizona. 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 for tuition, room, board, and fees, 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 a public university. 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. 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 year ended December 31, 2015 were $329.7 million, an increase of $40.9 million, or 14.1%, as compared to instructional costs and services expenses of $288.8 million for the year ended December 31, 2014. This increase was primarily due to increases in instructional compensation and related expenses including share-based compensation, faculty compensation, occupancy and depreciation and amortization, dues, fees, subscriptions and other instructional supplies, bad debt expense and other miscellaneous instructional costs and services of $15.3 million, $7.3 million, $8.0 million, $7.6 million, $1.6 million and $1.1 million, respectively. The increase in employee compensation and related expenses and faculty compensation are primarily due to the increase in the number of staff to support the increasing number of students attending the University and increased benefit costs between years. In addition, we continue to increase our full-time faculty between years. The increase in occupancy, depreciation and amortization is the result of us placing into service additional buildings 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 revenue increased by 0.6% to 42.4% for the year ended December 31, 2015, as compared to 41.8% for the year ended December 31, 2014 due to an increase in dues, fees, subscriptions and other instructional supplies as a percentage of revenue due to the low profit margin derived on food sales, and occupancy, depreciation and amortization increasing as a percentage of revenue, partially offset by a decrease in bad debt expense from 2.2% of net revenue for the year ended December 31, 2014 to 2.1% of net revenues for the year ended December 31, 2015.

Admissions advisory and related expenses. Our admissions advisory and related expenses for the year ended December 31, 2015 were $112.6 million, an increase of $4.0 million, or 3.7%, as compared to admissions advisory and related expenses of $108.6 million for the year ended December 31, 2014. This increase was primarily due to increases in employee compensation and related expenses, partially offset by decreases in other admissions advisory expenses of $5.1 million and $1.2 million, respectively. Employee compensation and related expenses increased as a result of increasing the number of enrollment counselors and increasing benefit costs between years. Our admissions advisory and related expenses as a percentage of net revenue decreased by 1.2% to 14.5% for the year ended December 31, 2015, from 15.7% for the year ended December 31, 2014 primarily due to our ability to leverage our admissions advisory personnel across an increasing revenue base.

Advertising expenses. Our advertising expenses for the year ended December 31, 2015 were $76.2 million, an increase of $10.4 million, or 15.8%, as compared to advertising expenses of $65.8 million for the year ended December 31, 2014. This increase was primarily due to increased digital media and branding advertising focused on the southwestern United States region. Our advertising expenses as a percentage of net revenue increased by 0.3% to 9.8% for the year ended December 31, 2015, from 9.5% for the year ended December 31, 2014 as we have intentionally increased our advertising spend to increase brand awareness.

Marketing and promotional expenses. Our marketing and promotional expenses for the year ended December 31, 2015 were $7.3 million, a decrease of $0.1 million, or 2.0%, as compared to marketing and promotional expenses of $7.4 million for the year ended December 31, 2014. Our marketing and promotional expenses as a percentage of net revenue decreased slightly by 0.2% to 0.9% for the year ended December 31, 2015, from 1.1% for the year ended December 31, 2014.

General and administrative expenses. Our general and administrative expenses for the year ended December 31, 2015 were $42.1 million, an increase of $2.5 million, or 6.2%, as compared to general and administrative expenses of $39.6 million for the year ended December 31, 2014. This increase was primarily due to increases in legal, audit and insurance costs and employee compensation and related expenses including share-based compensation of $1.7 million and $0.4 million respectively, and our continued increases in contributions to charities, our community and city and state public-private partnerships. During 2015 and 2014 our contributions to private school tuition organizations in lieu of state income taxes were $2.8 million for both years. Our general and administrative expenses as a percentage of net revenue decreased by 0.3% to 5.4% for the year ended December 31, 2015, from 5.7% for the year ended December 31, 2014 due to our ability to leverage our general and administrative expenses across an increasing revenue base.

Interest expense. Our interest expense for the year ended December 31, 2015 was $1.2 million, a decrease of $0.6 million, as compared to interest expense of $1.8 million for the year ended December 31, 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 year ended December 31, 2015, from 0.3% for the year ended December 31, 2014.

Interest income and other. Our interest income and other for the year ended December 31, 2015 was a loss of $0.1 million, a decrease of $0.8 million, as compared to interest income and other of $0.7 million for the year ended December 31, 2014. The decrease was primarily due to the Arizona Court of Appeals reversing an earlier award of late penalty income of $1.0 million from the settlement of a note receivable.

Income tax expense. Income tax expense for the year ended December 31, 2015 was $77.6 million, an increase of $9.4 million from $68.2 million for the year ended December 31, 2014. This increase was primarily attributable to increased income before income taxes. Our effective tax rate was 37.1% and 38.0% for the year ended December 31, 2015 and 2014, respectively. Our effective tax rate in 2015 is lower than the prior year due to state tax apportionment and rate changes. 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 year ended December 31, 2015 was $131.4 million, an increase of $19.9 million, as compared to $111.5 million for the year ended December 31, 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. 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, Capital Resources, and Financial Position

Liquidity. During 2016, we financed our operating activities and capital expenditures primarily through cash provided by operating activities. Our unrestricted cash, cash equivalents and investments were $108.6 million at December 31, 2016 and our restricted cash, cash equivalents and investments were $84.9 million. In December 2012, we entered into a new credit agreement, which increased our term loan to $100 million with a maturity date of December 2019. Additionally, this facility, as amended in January 2016, provides a revolving line of credit in the amount of $150 million through December 2017 to be utilized for working capital, capital expenditures and other general corporate purposes. Indebtedness under the credit facility is secured by our assets and is guaranteed by certain of our subsidiaries. As of December 31, 2016, $25.0 million was drawn on the revolver.

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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, will provide adequate funds for ongoing operations, planned capital expenditures, and working capital requirements for at least the next 24 months.

Share Repurchase Program

Our Board of Directors has authorized the University to repurchase up to $175.0 million in aggregate of common stock, from time to time, depending on market conditions and other considerations. The current expiration date on the repurchase authorization by our Board of Directors is December 31, 2017. 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 approval of the initial share repurchase plan, the University has purchased 3.5 million shares of common stock at an aggregate cost of $75.8 million, which includes 415,555 shares of common stock at an aggregate cost of $15.4 million during the year ended December 31, 2016. At December 31, 2016, there remains $99.2 million available under our current share repurchase authorization.

Accounting Pronouncement to be Adopted in 2017

In March 2016, the FASB issued *Compensation Stock Compensation: Improvement to Employee Share-Based Payment Accounting*. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and early adoption is permitted. The University will adopt this standard as of January 1, 2017 using the prospective method.

As part of the new guidance, we will be required to record the income tax impact of the difference between the share-based compensation expense for book purposes and the amount deducted on the income tax return when awards vest or are settled within the income statement as part of income tax expense rather than current practice to record the difference as part of additional paid-in-capital (APIC) and will eliminate the requirement that excess tax benefits be realized on an income tax return prior to recognition in the financial statements. The University will have excess tax benefits after adoption, which will be reflected as a discrete item in the period the award vests or the options are exercised. However, the inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within our provision for income taxes as the amount of excess tax benefits or deficiencies from share-based compensation awards are dependent on our stock price at the date the restricted awards vest, our stock price on the date an option is exercised, and the quantity of options exercised. Our restricted stock vests in March each year so the favorable benefit will primarily impact the first quarter each year. Additionally, the guidance requires entities to present excess tax benefits as an operating activity on the statement of cash flows rather than current practice as a financing activity. Accordingly, in the first quarter of 2017, based on the current stock price, we anticipate our operating cash flows will increase and our financing cash flows will decrease upon our adoption of the standard. We will restate our prior period cash flows to be comparable to the required presentation. The University will make an accounting policy election to recognize forfeitures as they occur with no estimate of forfeitures applied to expense recognition. The new standard also simplifies the minimum statutory tax withholding requirements for employers who withhold shares upon settlement of an award on behalf of an employee to cover tax obligations by allowing an entity to withhold an amount up to the employees maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award. As a result, the University expects some employees will elect a higher tax withholding and this may slightly increase our shares repurchased in lieu of income taxes in future period.

Finally, as a result of the excess tax benefit changes in the computation of our treasury stock method dilution computations, we are anticipating a higher diluted weighted average shares outstanding subsequent to adoption.

Cash Flows

Operating Activities. Net cash provided by operating activities for the years ended December 31, 2016, 2015 and 2014 was $218.3 million, $173.9 million and $167.0 million, respectively. Cash provided by operations in 2016, 2015 and 2014 resulted from our net income plus non-cash charges for provision for bad debts, depreciation and amortization, timing of income tax and employee related payments and student deposits and changes in other working capital.

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Investing Activities. Net cash used in investing activities was $216.0 million, $200.9 million, and $161.0 million for the years ended December 31, 2016, 2015, and 2014, respectively. Our cash used in investing activities is primarily related to the purchase of short-term investments and capital expenditures, partially offset by proceeds from the sale or maturity of short-term investments. Proceeds from investment, net of purchases of short-term investments, was $20.8 million, $17.4 million, and $7.6 million during the years ended December 31, 2016, 2015 and 2014, respectively. Capital expenditures were $178.3 million, $204.7 million and $168.7 million for the years ended December 31, 2016, 2015, and 2014, respectively. In 2016, capital expenditures primarily consisted of ground campus building projects that started in late 2015 such as three more apartment style residence halls, a 170,000 square foot classroom building for our College of Science, Engineering and Technology, a student service center, and a fourth parking structure, as well as land purchases adjacent to or near our Phoenix campus, and purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. Included in off-site development during 2016 is $60.7 million primarily related to an off-site student services center and parking garage that is in close proximity to our ground traditional campus. Employees that worked in two leased office buildings in the Phoenix area were relocated to this new building by the end of 2016. In 2015, in order to accommodate the continued growth of our traditional ground population, we completed four additional dormitories, a classroom building for our College of Science, Engineering and Technology, and a third parking structure prior to the 2015/2016 school year and started construction on all the construction projects completed in 2016, as well as land purchases adjacent to or near our Phoenix campus, and purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. Included in off-site development during 2015 is $10.0 million we spent to revitalize what was formerly known as the Maryvale Golf Course under a partnership agreement with the City of Phoenix. The golf course is now known as Grand Canyon University Championship golf course. Also, in late 2015, we commenced construction on the off-site office building and parking garage that is in close proximity to our ground traditional campus. In 2014, capital expenditures primarily consisted of ground campus building projects such as the construction of an additional classroom building and parking garage, additional residence halls that accommodate another 1,600 students 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.

Financing Activities . Net cash provided by financing activities was $20.7 million for the year ended December 31, 2016. Net cash used in financing activities was $15.2 million for the year ended December 31, 2015. Net cash provided by financing activities was $3.4 million for the year ended December 31, 2014. During 2016, net cash provided by financing activities consisted of net proceeds received from the revolving line of credit of $25.0 million, proceeds from the exercise of stock options of $13.2 million and excess tax benefits from share-based compensation of $9.9 million, partially offset by $15.4 million used to purchase treasury stock in accordance with the University s share repurchase program and $4.7 million used to purchase common shares withheld in lieu of income taxes resulting from restricted share awards and principal payments on notes payable, repayments on our notes payable and capital lease payments totaled $7.2 million. During 2015, $11.3 million was used to purchase treasury stock in accordance with the University s share repurchase program and $4.3 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 $6.8 million, partially offset by proceeds from the exercise of stock options of $3.5 million and excess tax benefits from share-based compensation of $3.6 million. During 2014, proceeds from the exercise of stock options of $7.8 million and excess tax benefits from share-based compensation of $7.6 million were partially offset by $3.7 million used to purchase common shares withheld in lieu of income taxes resulting from restricted share awards and $1.6 million used to purchase treasury stock in accordance with the University s share repurchase program and principal payments on notes payable and capital leases totaling $6.7 million.

Contractual Obligations

The following table sets forth, as of December 31, 2016, 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	2-3 Years	4-5 Years	More than 5 Years
Long term notes payable[1]	$ 98.2	$ 31.6	$ 66.6	$ 0.0	$ 0.0
Capital lease obligations	0.4	0.2	0.2	0.0	0.0
Purchase obligations[2]	39.0	29.6	6.1	2.8	0.5
Operating lease obligations[3]	3.7	1.5	1.3	0.8	0.1
Total contractual obligations	$ 141.3	$ 62.9	$ 74.2	$ 3.6	$ 0.6

(1) See Note 6, Notes Payable and Other Noncurrent Liabilities, to our consolidated financial statements, included in Item 8, *Consolidated Financial Statements and Supplementary Data*, for a discussion of our long term notes payable and other obligations.

(2) Represents unconditional purchase obligations and other obligations. Amount consists primarily of construction agreements for construction in progress on our ground traditional campus and an off-site office building and parking garage.

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(3) See Note 7, Commitments and Contingencies, to our consolidated financial statements, included in Item 8, *Consolidated Financial Statements and Supplementary Data*, for a discussion of our operating lease obligations.

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.

Non-GAAP Discussion

In addition to our GAAP results, we use Adjusted EBITDA as a supplemental measure of our operating performance and as part of our compensation determinations. Adjusted EBITDA is not required by or presented in accordance with GAAP and should not be considered as an alternative to net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. See Item 6, *Selected Consolidated Financial and Other Data,* for a discussion of our Adjusted EBITDA computation and reconciliation.

Recent Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies, in Item 8, Consolidated Financial Statements and Supplementary Data

Item 7A. ***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 years ended December 31, 2016, 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 variable rate debt, which 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 $73.3 million as of December 31, 2016, 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 rates based on the 30-day LIBOR rates monthly 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 the 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, municipal bond portfolios, or municipal mutual funds at multiple financial institutions.

Interest rate risk. We manage interest rate risk through the instruments noted above and by investing excess funds in cash equivalents, BBB or higher 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 before their maturity date that have declined in market value due to changes in interest rates. At December 31, 2016, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows.

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Item 8. ***Consolidated Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Grand Canyon Education, Inc.:

We have audited the accompanying consolidated balance sheets of Grand Canyon Education, Inc. and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grand Canyon Education, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Grand Canyon Education, Inc. s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 16, 2017 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Phoenix, Arizona

February 16, 2017

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Grand Canyon Education, Inc.

Consolidated Balance Sheets

(In thousands, except par value)	**As of December 31, 2016**	**2015**
ASSETS:		
Current assets		
Cash and cash equivalents	$ 45,976	$ 23,036
Restricted cash, cash equivalents and investments	84,931	75,384
Investments	62,596	83,364
Accounts receivable, net	9,999	8,298
Income taxes receivable	4,686	3,952
Other current assets	21,880	20,863
Total current assets	230,068	214,897
Property and equipment, net	855,528	667,483
Prepaid royalties	3,059	3,355
Goodwill	2,941	2,941
Other assets	897	3,306
Total assets	$ 1,092,493	$ 891,982
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current liabilities		
Accounts payable	$ 24,824	$ 34,149
Accrued compensation and benefits	19,697	17,895
Accrued liabilities	21,163	13,846
Income taxes payable	2,734	29
Student deposits	85,881	76,742
Deferred revenue	40,739	37,876
Due to related parties	120	675
Current portion of capital lease obligations		697
Current portion of notes payable	31,636	6,625
Total current liabilities	226,794	188,534
Capital lease obligations, less current portion		788
Other noncurrent liabilities	1,689	4,302
Deferred income taxes, non-current	23,708	14,855
Notes payable, less current portion	66,616	73,252
Total liabilities	318,807	281,731
Commitments and contingencies		
Stockholders equity		

Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at December 31, 2016 and 2015		
Common stock, $0.01 par value, 100,000 shares authorized; 51,509 and 50,288 shares issued and 47,559 and 46,877 shares outstanding at December 31, 2016 and 2015, respectively	515	503
Treasury stock, at cost, 3,950 and 3,411 shares of common stock at December 31, 2016 and 2015, respectively	(89,394)	(69,332)
Additional paid-in capital	212,559	177,167
Accumulated other comprehensive loss	(910)	(489)
Retained earnings	650,916	502,402
Total stockholders equity	773,686	610,251
Total liabilities and stockholders equity	$ 1,092,493	$ 891,982

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

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Grand Canyon Education, Inc.

Consolidated Income Statements

(In thousands, except per share amounts)	Year Ended December 31, 2016	2015	2014
Net revenue	$ 873,344	$ 778,200	$ 691,055
Costs and expenses:			
Instructional costs and services	373,101	329,651	288,791
Admissions advisory and related, including $980 in 2016; $1,575 in 2015; and $2,974 in 2014, respectively, to related parties	119,286	112,572	108,567
Advertising	88,152	76,229	65,808
Marketing and promotional	8,860	7,287	7,439
General and administrative	43,219	42,100	39,635
Lease termination costs	3,523		
Total costs and expenses	636,141	567,839	510,240
Operating income	237,203	210,361	180,815
Interest expense	(1,328)	(1,248)	(1,801)
Interest income and other	249	(106)	684
Income before income taxes	236,124	209,007	179,698
Income tax expense	87,610	77,596	68,232
Net income	$ 148,514	$ 131,411	$ 111,466
Earnings per share:			
Basic income per share	$ 3.22	$ 2.86	$ 2.45
Diluted income per share	$ 3.15	$ 2.78	$ 2.37
Basic weighted average shares outstanding	46,083	45,975	45,538
Diluted weighted average shares outstanding	47,121	47,281	47,006

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

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Grand Canyon Education, Inc.

Consolidated Statements of Comprehensive Income

(In thousands)	Year Ended December 31, 2016	2015	2014
Net income	$ 148,514	$ 131,411	$ 111,466
Other comprehensive income (loss), net of tax:			
Unrealized losses on hedging derivatives, net of taxes of $94, $230, and $186 for the years ended December 31, 2016, 2015 and 2014, respectively	(151)	(372)	(300)
Unrealized losses on available for sale securities, net of taxes of $168, $50 and $60 for the years ended December 31, 2016, 2015 and 2014, respectively	(270)	(82)	(93)
Comprehensive income	$ 148,093	$ 130,957	$ 111,073

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

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Grand Canyon Education, Inc.

Consolidated Statements of Stockholders Equity

(In thousands)

	Common Stock		Treasury Stock		Additional Paid-in	Accumulated Other Comprehensive Income (Loss)	Retained	
	Shares	Amount	Shares	Amount	Capital		Earnings	Total
Balance at December 31, 2013	48,890	$ 489	2,845	$ (48,432)	$ 132,904	$ 358	$ 259,525	$ 344,844
Comprehensive income						(393)	111,466	111,073
Common stock purchased for treasury			38	(1,676)				(1,676)
Share-based compensation	317	3	77	(3,662)	9,941			6,282
Restricted shares forfeited			42					
Exercise of stock options	539	5			7,820			7,825
Excess tax benefits					7,884			7,884
Balance at December 31, 2014	49,746	497	3,002	(53,770)	158,549	(35)	370,991	476,232
Comprehensive income						(454)	131,411	130,957
Common stock purchased for treasury			288	(11,279)				(11,279)
Share-based compensation	324	3	94	(4,283)	11,269			6,989
Restricted shares forfeited			27					
Exercise of stock options	218	3			3,486			3,489
Excess tax benefits					3,863			3,863
Balance at December 31, 2015	50,288	503	3,411	(69,332)	177,167	(489)	502,402	610,251
Comprehensive income						(421)	148,514	148,093
Common stock purchased for treasury			416	(15,367)				(15,367)
Share-based compensation	275	3	114	(4,695)	12,273			7,581

Restricted shares forfeited			9					
Exercise of stock options	946	9			13,198			13,207
Excess tax benefits					9,921			9,921
Balance at December 31, 2016	51,509	$ 515	3,950	$ (89,394)	$ 212,559	$ (910)	$ 650,916	$ 773,686

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

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Grand Canyon Education, Inc.

Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31, 2016	2015	2014
Cash flows provided by operating activities:			
Net income	$ 148,514	$ 131,411	$ 111,466
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	12,276	11,257	9,945
Excess tax benefits from share-based compensation	(9,928)	(3,636)	(7,637)
Provision for bad debts	18,639	16,620	15,045
Depreciation and amortization	45,683	35,675	29,473
Deferred income taxes	8,432	4,576	2,651
Other, including fixed asset impairments	1,161	3,713	3,441
Changes in assets and liabilities:			
Restricted cash, cash equivalents and investments	(9,547)	(7,544)	(3,472)
Accounts receivable	(20,340)	(17,313)	(15,433)
Prepaid expenses and other	(1,973)	(2,351)	81
Due to/from related parties	(555)	272	(51)
Accounts payable	(4,793)	5,002	(2,448)
Accrued liabilities	7,298	(5,772)	2,991
Income taxes receivable/payable	11,892	(4,965)	16,378
Deferred rent	(475)	(1,211)	(2,298)
Deferred revenue	2,863	1,008	4,052
Student deposits	9,139	7,158	2,812
Net cash provided by operating activities	218,286	173,900	166,996
Cash flows used in investing activities:			
Capital expenditures	(178,292)	(204,718)	(168,646)
Purchases of land, building and golf course improvements related to off-site development	(60,727)	(13,583)	
Proceeds received from note receivable	501		
Return of equity method investment	1,749		
Purchases of investments	(49,157)	(48,122)	(114,919)
Proceeds from sale or maturity of investments	69,925	65,542	122,555
Net cash used in investing activities	(216,001)	(200,881)	(161,010)
Cash flows provided by (used in) financing activities:			
Principal payments on notes payable and capital lease obligations	(7,224)	(6,784)	(6,696)
Debt issuance costs	(194)		
Net borrowings from revolving line of credit	25,000		
	(20,062)	(15,562)	(5,338)

Repurchase of common shares including shares withheld in lieu of income taxes			
Net proceeds from exercise of stock options	13,207	3,489	7,825
Excess tax benefits from share-based compensation	9,928	3,636	7,637
Net cash provided by (used in) financing activities	20,655	(15,221)	3,428
Net increase (decrease) in cash and cash equivalents	22,940	(42,202)	9,414
Cash and cash equivalents, beginning of year	23,036	65,238	55,824
Cash and cash equivalents, end of year	$ 45,976	$ 23,036	$ 65,238
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$ 1,220	$ 1,244	$ 1,793
Cash paid during the year for income taxes	$ 66,206	$ 75,587	$ 48,835
Cash received for income tax refunds	$ 9	$ 4	$ 385
Supplemental disclosure of non-cash investing and financing activities			
Purchases of property and equipment included in accounts payable	$ 7,746	$ 13,277	$ 5,845
Purchases of equipment though capital lease obligations	$	$ 1,156	$
Shortfall tax expense from share-based compensation	$ 260	$ 26	$ 16
Tax benefit of Spirit warrant intangible	$ 253	$ 253	$ 260

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

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Grand Canyon Education, Inc.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

1. Nature of Business

Grand Canyon Education, Inc. (together with its subsidiaries, the University) was formed in Delaware in November 2003 as a limited liability company, under the name Significant Education, LLC, for the purpose of acquiring the assets of Grand Canyon University from a non-profit foundation on February 2, 2004. On August 24, 2005, the University converted from a limited liability company to a corporation and changed its name to Significant Education, Inc. On May 9, 2008, the University changed its name to Grand Canyon Education, Inc.

The University is a comprehensive regionally accredited university that offers over 200 graduate and undergraduate degree programs and certificates across nine colleges both online and on ground at our over 260 acre campus in Phoenix, Arizona, and at facilities we lease and at facilities owned by third party employers. 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 s 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 Grand Canyon Education, Inc. and its wholly owned subsidiaries. Intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of 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.

Cash and Cash Equivalents

The University invests a portion of its cash in excess of current operating requirements in short term certificates of deposit and money market instruments. The University considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash, Cash Equivalents and Investments

A significant portion of the University s revenue is received from students who participate in government financial aid 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. 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 remain 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 1 and Level 2 of the hierarchy of valuation inputs, with the use of quoted market prices and 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.

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Grand Canyon Education, Inc.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Normal repairs and maintenance are expensed as incurred. Expenditures that materially extend the useful life of an asset are capitalized. Construction in progress represents items not yet placed in service and are not depreciated. Internally developed software represents qualifying salary and consulting costs for time spent on developing internal use software and is included in construction in progress until its completion. The University capitalizes interest using its interest rates on the specific borrowings used to finance the improvements, which approximated 2.2% in 2016, and 1.9% in 2015 and 2014. Interest cost capitalized and incurred in the years ended December 31, 2016, 2015, and 2014 are as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Interest incurred	$ 2,538	$ 1,962	$ 2,180
Interest capitalized	1,210	714	379
Interest expense	$ 1,328	$ 1,248	$ 1,801

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures, computer equipment, and vehicles generally have estimated useful lives of ten, four, and five years, respectively. Leasehold improvements are depreciated over the shorter of their lease term or their useful life. Land improvements and buildings are depreciated over lives ranging from 10 to 40 years.

Leases

The University enters into various lease agreements in conducting its business. At the inception of each lease, the University evaluates the lease agreement to determine whether the lease is an operating or capital lease. In addition, many of the lease agreements contain renewal options and tenant improvement allowances. When such items are included in a lease agreement, the University records a deferred liability on the balance sheet and records the rent expense evenly over the term of the lease. Leasehold improvements are included as investing activities and are included as additions to property, plant and equipment. For leases with renewal options, the University records rent expense and amortizes the leasehold improvement on a straight-line basis over the initial non-cancelable lease term unless it intends to exercise the renewal option. Once it extends the renewal option, the University amortizes any tenant improvement allowances over the extended lease period as well as the leasehold improvement asset (unless the extended lease term is longer than the economic life of the asset). The University expenses any additional payments under its operating leases for taxes, insurance or other operating expenses as incurred.

Other Assets

The University developed our online delivery platform with an affiliated entity and put this platform into full production in 2011. The University has prepaid perpetual license fees and source code rights for the software developed, and has prepaid maintenance and service fees. Included in current other assets is the amount that will be amortized in the next twelve month cycle for maintenance and service fees and included in property and equipment is the amount that will be amortized over fifteen years for the perpetual licenses.

Long-Lived Assets

The University evaluates the recoverability of its long-lived assets for impairment, other than goodwill, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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.

Prepaid Royalties

In connection with the February 2004 acquisition of the assets of Grand Canyon University from a non-profit foundation, the University entered into a royalty fee arrangement with the former owner in which the University agreed to pay a stated percentage of cash revenue generated by its online programs. The University settled all future royalty obligations with the former owner in April 2008 when it finalized an agreement to pay $22,500 to the former owner. Of this payment $5,920 was considered as settlement of the future royalty payment obligation and is included in the accompanying balance sheet as a component of Prepaid Royalty and is being amortized over a period of 20 years.

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Grand Canyon Education, Inc.

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(In thousands, except per share data)

Goodwill

Goodwill represents the excess of the cost over the fair market value of net assets acquired, including identified intangible assets. Goodwill is tested annually or more frequently if circumstances indicate potential impairment. The Financial Accounting Standards Board (FASB) has issued guidance that permits an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The University performed its annual goodwill impairment test, by performing a qualitative assessment. Following this assessment, the University determined that it is more likely than not that its fair value exceeds its carrying amount.

Share-Based Compensation

The University measures and recognizes compensation expense for share-based payment awards made to employees and directors, including employee stock options and restricted stock awards. The University calculates the fair value of share-based awards on the date of grant. The University amortizes the share-based compensation expense over the period that the awards are expected to vest, net of estimated forfeiture rates. If the actual forfeitures differ from management estimates, adjustments to compensation expense are recorded. The University reports cash flows resulting from tax deductions in excess of the compensation cost realized for those options (excess tax benefits) as financing cash flows. The University reports cash flows resulting from tax deductions that are less than the compensation cost realized for those options (tax shortfalls) as a noncash transaction in the consolidated statement of cash flows. The fair value of the University s restricted stock awards is based on the market price of its common stock on the date of grant.

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 period 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 Aa or higher credit ratings, and they are expected to perform fully under the terms of the agreements.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, note receivable, accounts payable, 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 approximate fair value based on its variable rate index. The carrying value of other notes payable and 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 as defined in the FASB Accounting Standards Codification (Codification), with the use of inputs other than quoted prices that are observable for the asset or liability. See Note 8, Derivative Instruments.

The fair value of investments, primarily municipal securities, including municipal bond portfolios and a mutual fund holding municipal securities, were determined using Level 1 and Level 2 of the hierarchy of valuation inputs, with the use of quoted market prices and 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. The fair value of the prepaid royalty asset relating to the settlement of future royalty payment obligations to the former owner was determined using an income approach, based on management s forecasts of revenue to be generated through its online education program using Level 3 of the hierarchy of valuation inputs. The rate utilized to discount net cash flows to their present values was 35%. This discount rate was determined after consideration of the University s weighted average cost of capital giving effect to estimates of the University s risk-free rate, beta coefficient, equity risk premium, small size risk premium, and company-specific risk premium.

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Grand Canyon Education, Inc.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

Income Taxes

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

The University applies a more-likely-than-not threshold for financial statement recognition and measurement of an uncertain tax position taken or expected to be taken in a tax return. The University recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2016 and 2015, the University has reserved approximately $1,981 and $1,706, respectively, for uncertain tax positions, including interest and penalties, which is classified within accrued liabilities on the accompanying consolidated balance sheet.

The University has deferred tax assets, which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of the deferred tax assets is principally dependent upon achievement of projected future taxable income.

Commitments and Contingencies

The University accrues for a contingent obligation 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.

Revenue Recognition

Net revenues consist primarily of tuition and fees derived from courses taught by the University online, at its over 260 acre campus in Phoenix, Arizona, and at facilities it leases or those of employers, 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 years ended December 31, 2016, 2015 and 2014, the University s revenue was reduced by approximately $179,230, $163,893 and $139,962, respectively, as a result of scholarships that the University offered to students. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the 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 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 our consolidated balance sheet. 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 consolidated income statement and are reflected as current liabilities in the accompanying consolidated balance sheets. 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.

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Grand Canyon Education, Inc.

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(In thousands, except per share data)

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 that we may have to return under Title IV after a student drops. The University determines the adequacy of its allowance for doubtful accounts based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. The 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 of active students 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 continues to reflect 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.

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 as well as 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, and 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.

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Grand Canyon Education, Inc.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

Lease termination costs

In July 2016, the University notified a current landlord of its intent to vacate leased space by the end of the fourth quarter of 2016. As part of that notification, the University was required to pay a termination fee to its landlord of $3,363 which was recorded as an expense in the third quarter of 2016. As of December 31, 2016, the University had vacated the space, and expensed an additional $160 in the fourth quarter of 2016 related to the remaining amounts due under the lease net of remaining deferred rent.

Related party expenses

The University is a party to a revenue sharing arrangement (the Collaboration Agreement) with Mind Streams L.L.C. (Mind Streams), a related party until January 2017, under which the University, in accordance with applicable Department of Education guidance, pays a percentage of net revenue that it receives from applicants recruited by Mind Streams that matriculate at the University. The University terminated the agreement in 2014 and the University is not accepting any new applicants recruited by Mind Streams. The expenses incurred in conjunction with the Collaboration Agreement are included in admissions advisory and related expenses on our consolidated income statement.

Insurance/Self-Insurance

The University uses a combination of insurance and self-insurance for a number of risks, including claims related to employee health care, workers compensation, general liability, and business interruption. Liabilities associated with these risks are estimated based on, among other things, historical claims experience, severity factors, and other actuarial assumptions. The University s loss exposure related to self-insurance is limited by stop loss coverage on a per occurrence and aggregate basis. The University regularly analyzes its reserves for incurred but not reported claims, and for reported but not paid claims related to self-funded insurance programs. While the University believes reserves are adequate, significant judgment is involved in assessing these reserves such as assessing historical paid claims, average lags between the claims incurred date, reported dates and paid dates, and the frequency and severity of claims. There may be differences between actual settlement amounts and recorded reserves and any resulting adjustments are included in expense once a probable amount is known.

Concentration of Credit Risk

The University believes the credit risk related to cash equivalents and investments is limited due to its adherence to an investment policy that required investments to have a minimum BBB rating, depending on the type of security, by one major rating agency at the time of purchase. All of the University s cash equivalents and investments as of December 31, 2016 and 2015 consist of investments rated BBB or higher by at least one rating agency. Additionally, the University utilizes more than one financial institution to conduct initial and ongoing credit analysis on its investment portfolio to monitor and lower the potential impact of market risk associated with its cash equivalents and investment portfolio.

A majority of the University s revenues are derived from tuition financed under the Title IV programs of the Higher Education Act of 1965, as amended (the Higher Education Act). The financial aid and assistance programs are subject to political and budgetary considerations and are subject to extensive and complex regulations. The University s administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potentially adverse actions including a suspension, limitation, or termination proceeding, which could have a material adverse effect on the University.

Students obtain access to federal student financial aid through a Department of Education prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs first to pay their tuition and fees. Any remaining funds are distributed directly to the student.

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.

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Grand Canyon Education, Inc.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

Accounting Pronouncements Recently Adopted

In April 2015, the Financial Accounting Standards Board (FASB) issued, *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. As the guidance permits, the University has elected to have debt issuance costs related to lines of credit to be reported as an asset and amortized over the term of the line. The guidance is effective for the University s annual reporting period beginning January 1, 2016. The University adopted this new standard on January 1, 2016 on a retrospective basis, and the adoption of this guidance did not have a material impact on its financial condition, results of operations, or disclosures. The University did not have to restate or adjust any of our previously issued consolidated financial statements as our current accounting policy for the presentation of debt issuance costs is in compliance with the new guidance.

In April 2015, the FASB issued, *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 University adopted this standard on January 1, 2016 on a prospective basis, and the adoption of this guidance did not have a material impact on its financial condition, results of operations, or disclosures. Our current accounting policy for cloud computing arrangements is in compliance with the new guidance.

In November 2015, the FASB issued, *Income Taxes: Balance Sheet Classification of Deferred Taxes*. The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. The University early adopted this standard on January 1, 2016 on a retrospective basis. Accordingly, we reclassified the current deferred taxes to noncurrent on our December 31, 2015 consolidated balance sheet, which decreased current deferred tax assets by $6,448 and decreased noncurrent deferred tax liabilities from $21,303 to $14,855.

Recent Accounting Pronouncements

In May 2014, the FASB issued *Revenue from Contracts with Customers*, as amended. 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. The accounting guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. In July

2015, the FASB approved a one-year delay in the effective date. The University will adopt this new standard January 1, 2018 using either of two acceptable adoption methods: (i) retrospective adoption to each prior reporting period presented with the option to elect certain practical expedients as defined with the standard; or (ii) adoption with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosure as defined within the standard. Management is in the diagnostic phase of assessing the financial and business impacts of implementing, *Revenue from Contracts with Customers*, including identifying revenue sources within the University and developing a preliminary assessment. The majority of our revenues are related to tuition due from our students. Tuition revenues are recognized pro-rata over the applicable period of instruction which the University believes is consistent with the revenue recognition method required by the new standard. Thus, we anticipate the adoption of this standard will not have a material impact on our consolidated financial statements or results of operations. The University is continuing to evaluate the impact the adoption of this standard will have on our other revenues and fees in our consolidated financial statements and the method of adoption to be used. Management expects that there may be some changes as a result of implementing the new standard.

In January 2016, the FASB issued *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in the fair value of equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income (OCI). This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is not permitted. Accordingly, the standard is effective for us on January 1, 2018. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

Grand Canyon Education, Inc.

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In February 2016, the FASB issued *Leases*. The standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and a lease liability on the balance sheet for all leases with lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. Accordingly, the standard is effective for us on January 1, 2019 using a modified retrospective transition approach. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The University has begun evaluating the impact that the future adoption of this standard will have on our consolidated financial statements and we believe the adoption will slightly increase our assets and liabilities, and will increase our financial statement disclosures.

In March 2016, the FASB issued *Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to significantly impact net income, earnings per share and the statement of cash flows as discussed further in Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations,* of this Form 10-K. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. Accordingly, the University will adopt this update as of January 1, 2017 using the prospective method.

In June 2016, the FASB issued *Financial Instruments Credit Losses: Measurement of Credit Losses on Financial Instruments* . The new guidance revises the accounting requirements related to the measurement of credit losses on financial instruments and the timing of when such losses are recorded. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted for fiscal years and interim periods within those years, beginning after December 15, 2018. Accordingly, the standard is effective for us on January 1, 2020 using a modified retrospective approach, and we are currently evaluating the impact that the standard will have on our consolidated financial statements.

In August 2016, the FASB issued a new standard that clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. Accordingly, the new standard is effective for us on January 1, 2018 using a retrospective approach. We are currently evaluating the impact that the standard will have on our consolidated financial statements**.**

In November 2016, the FASB issued a new standard that requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement of cash flows. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. Accordingly, the new standard is effective for us on January 1, 2018 using a retrospective approach. Based on the significant restricted cash balances on our consolidated balance sheets, we anticipate the adoption of this standard will have a significant impact on the presentation of our consolidated statement of cash flows by removing the changes in restricted cash balances from our cash flows from operations.

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

3. Investments

The following is a summary of investments as of December 31, 2016 and 2015, which includes $75,646 and $55,605 of restricted investments as of December 31, 2016 and 2015, respectively. The University considered all investments as available for sale.

	As of December 31, 2016			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Municipal securities	$ 62,769	$ 12	$ (185)	$ 62,596
Municipal bond mutual fund	76,168		(522)	75,646
Total restricted and unrestricted investments	$ 138,937	$ 12	$ (707)	$ 138,242

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Grand Canyon Education, Inc.

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(In thousands, except per share data)

	As of December 31, 2015			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Municipal securities	$ 83,507	$ 26	$ (169)	$ 83,364
Municipal bond mutual fund	55,720		(115)	55,605
Total restricted and unrestricted investments	$ 139,227	$ 26	$ (284)	$ 138,969

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 December 31, 2016. For the years ended December 31, 2016 and 2015, the net unrealized losses on available-for-sale securities were $430 and $159, net of taxes, respectively.

4. Valuation and Qualifying Accounts

	Balance at Beginning of Year	Charged to Expense	Deductions (1)	Balance at End of Year
Allowance for doubtful accounts receivable:				
Year ended December 31, 2016	$ 5,137	18,639	(17,858)	$ 5,918
Year ended December 31, 2015	$ 6,472	16,620	(17,955)	$ 5,137
Year ended December 31, 2014	$ 9,678	15,045	(18,251)	$ 6,472

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

5. Property and Equipment

Property and equipment consist of the following:

	As of December 31,	
	2016	2015
Land	$ 127,769	$ 103,280
Land improvements	23,158	13,389
Buildings	559,791	392,754
Building and leasehold improvements	105,168	72,494
Equipment under capital leases	5,943	6,467

Computer equipment	108,551	91,225
Furniture, fixtures and equipment	59,300	51,352
Internally developed software	30,407	25,996
Other	1,176	1,099
Construction in progress	19,112	54,506
	1,040,375	812,562
Less accumulated depreciation and amortization	(184,847)	(145,079)
Property and equipment, net	$ 855,528	$ 667,483

Depreciation and amortization expense associated with property and equipment, including assets under capital lease, totaled $44,829, $34,821, and $28,529 for the years ended December 31, 2016, 2015, and 2014, respectively.

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6. Notes Payable and Other Noncurrent Liabilities

In 2012, we entered into a new credit agreement, which increased our term loan to $100,000 with a maturity date of December 2019. Additionally, this facility, as amended in January 2016, provides a revolving line of credit in the amount of $150,000 through December 2017 to be utilized for working capital, capital expenditures, share repurchases and other general corporate purposes. The amendment to this facility increased the revolving line of credit from $50,000 to $150,000. Indebtedness under the credit facility is secured by our assets and is guaranteed by certain of our subsidiaries. The Agreement contains standard covenants that, among other things, restrict the University s ability to incur additional debt or make certain investments, require the University to maintain compliance with certain applicable regulatory standards, and require the University to achieve certain financial ratios and maintain certain financial condition. As of December 31, 2016, the University is in compliance with its debt covenants. As of December 31, 2016, $25,000 was drawn on the revolver with $125,000 available to be drawn.

	As of December 31, 2016	As of December 31, 2015
Notes Payable		
Note payable, monthly payment of $556; interest at 30 day LIBOR plus 1.75% (2.4% at December 31, 2016) through December 31, 2019	$ 73,001	$ 79,525
Revolving line of credit; interest at 30 day LIBOR plus 1.75% (2.3% at December 31, 2016)	25,000	
Annuities; quarterly payments of $34; extending through 2019; interest at 10%	251	352
	98,252	79,877
Less: Current portion	31,636	6,625
	$ 66,616	$ 73,252

Payments due under the notes payable obligations are as follows as of December 31, 2016:

2017	$ 31,636
2018	6,691
2019	59,925
	$ 98,252

Long-term deferred rent included in other noncurrent liabilities as of December 31, 2016 and 2015 was $729 and $3,502, respectively.

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 December 31, 2016:

2017	$ 1,547
2018	884
2019	422
2020	412
2021	425
Thereafter	35
Total minimum payments	$ 3,725

Total rent expense and related taxes and operating expenses under operating leases for the years ended December 31, 2016, 2015 and 2014 was $6,694, $7,759, and $8,409, respectively.

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Legal Matters

From time to time, the University is 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 is 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 both December 31, 2016 and 2015, the University has no reserve for tax matters where its ultimate exposure is considered probable and the potential loss can be reasonably estimated.

8. Derivative Instruments

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. This instrument did not contain financing elements. The contractual terms of the University s derivative instrument have not been structured such that net payments made by one party in the earlier periods are to be subsequently returned by the counterparty in later periods of the derivative s term. The University s derivative instrument has not been amended or modified since inception. The fair value of the interest rate corridor instrument as of December 31, 2016 and 2015 was $490 and $728, respectively, which is included in other assets. The fair value of the 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 adjustments of $245, $602, and $486 for the years ended December 31, 2016, 2015 and 2014, respectively, for the effective portion of the gain/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 $73,333 as of December 31, 2016. The corridor instrument s terms permit 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%.

Therefore, the University has hedged its exposure to future variable rate cash flows through December 20, 2019.

As of December 31, 2016 no derivative ineffectiveness was identified. Any ineffectiveness in the University s derivative instrument designated as a hedge would be reported in interest expense in the income statement. As of December 31, 2016, $2 of credit default risk interest expense was recorded in interest expense in the income statement. At December 31, 2016, the University does not expect to reclassify any gains or losses on derivative instruments from accumulated other comprehensive income (loss) into earnings during the next 12 months.

9. Earnings Per Share

Basic earnings 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, 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.

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(In thousands, except per share data)

	Year Ended December 31,		
	2016	**2015**	**2014**
Denominator:			
Basic common shares outstanding	46,083	45,975	45,538
Effect of dilutive stock options and restricted stock	1,038	1,306	1,468
Diluted common shares outstanding	47,121	47,281	47,006

Diluted weighted average shares outstanding excludes the incremental effect of unvested restricted stock and shares that would be issued upon the assumed exercise of stock options in accordance with the treasury stock method. For each of the years ended December 31, 2016, 2015 and 2014, approximately 344, 385 and 174, respectively, of the University s stock options and restricted stock awards 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.

10. Equity Transactions

Preferred Stock

As of December 31, 2016 and 2015, the University had 10,000 shares of authorized but unissued and undesignated preferred stock. The University s charter provides that the board of directors has authority to issue preferred stock, with voting powers, designations, preferences, and special rights, qualifications, limitation, or restrictions as permitted by law as determined by the board of directors, without stockholder approval. The board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock.

Treasury Stock

The Board of Directors has authorized the University to repurchase up to $175,000 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 December 31, 2017. 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 3,491 shares of common stock at an aggregate cost of $75,782, which includes 416 shares of common stock at an aggregate cost of $15,367 during the year ended December 31, 2016, which are recorded at cost in the accompanying December 31, 2016 consolidated balance sheet and statement of stockholders equity. At December 31, 2016, there remained $99,218 available under its current share repurchase authorization.

11. Income Taxes

The University has deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are subject to periodic recoverability assessments. Realization of the deferred tax assets, net of deferred tax liabilities is principally dependent upon achievement of projected future taxable income. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not that the University will realize the benefits of these deductible differences. The University has no valuation allowance at December 31, 2016 and 2015.
The components of income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Current:			
Federal	$ 64,006	$ 63,481	$ 50,980
State	4,831	5,222	6,216
	68,837	68,703	57,196
Deferred:			
Federal	7,961	4,473	2,734
State	891	557	418
	8,852	5,030	3,152
Tax expense recorded as an increase of paid-in capital	9,921	3,863	7,884
	$ 87,610	$ 77,596	$ 68,232

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(In thousands, except per share data)

A reconciliation of income tax computed at the U.S. statutory rate to the effective income tax rate is as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.2	3.3	4.3
State tax credits, net of federal effect	(1.5)	(1.2)	(1.5)
Nondeductible expenses	0.2	0.1	0.1
Other	0.2	(0.1)	0.1
Effective income tax rate	37.1%	37.1%	38.0%

Significant components of the University s deferred income tax assets and liabilities, included in Deferred income taxes, non-current on the consolidated balance sheets are as follows:

	As of December 31,	
	2016	**2015**
Deferred tax assets:		
Allowance for doubtful accounts	$ 2,362	$ 2,051
Share-based compensation	7,681	9,330
Deferred tuition revenue	1,539	1,336
Deferred scholarship	1,198	1,091
Deferred rent	122	1,078
Intangibles	1,048	1,778
State taxes	1,228	768
Other	2,731	2,714
Deferred tax assets	17,909	20,146
Deferred tax liability:		
Property and equipment	(40,358)	(33,710)
Other	(1,259)	(1,291)
Deferred tax liability	(41,617)	(35,001)
Net deferred tax liability	$ (23,708)	$ (14,855)

The net deferred tax liability on the accompanying consolidated balance sheet is comprised of the following:

	As of December 31,	
	2016	**2015**
Deferred income taxes, current	$ 7,814	$ 6,448
Deferred income taxes, non-current	(31,522)	(21,303)
Net deferred tax liability	$ (23,708)	$ (14,855)

The University recognizes the impact of a tax position in its financial statements if that position is more-likely-than-not to be sustained on audit, based on the technical merits of the position. The University discloses all unrecognized tax benefits, which includes the reserves recorded for uncertain tax positions on filed tax returns and the unrecognized portion of affirmative claims. The University recognizes interest and penalties related to uncertain tax positions in income tax expense. Unrecognized tax benefits as of December 31, 2016 and 2015 were not significant.

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(In thousands, except per share data)

The University is subject to taxation in the United States, in states with an income tax and in several local jurisdictions. The University is currently under audit by various state taxing authorities. The University does not anticipate any material adjustments as a result of these audits. As of December 31, 2016, the earliest tax year still subject to examination for federal and state purposes is 2013 and 2012, respectively.

12. 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 the 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 the 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 December 31, 2016, management believes the University is in compliance with the applicable regulations in all material respects. The University has a program participation agreement with full certification from the Department of Education, which gives the University the ability to participate in the Title IV programs through September 30, 2017.

Because the University operates in a highly regulated industry, it, like other industry participants, 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.

A program review, focused on the University s administration of the Title IV programs in which it participates, its administration of the Clery Act and related regulations, and its compliance with the requirements of the Drug-Free Schools and Communities Act for the 2012-2013 and 2013-2014 award years, was initiated in April 2014. The final program review determination letter received in June 2014 sets forth three findings, each of which involved individual student-specific information gathering and/or reporting errors and all of which the University promptly corrected to the Department of Education s satisfaction. Accordingly, the final program review determination letter concluded that the University had taken all corrective actions necessary to resolve the findings and that the program review had been closed with no further action required.

90/10 Disclosure

The University derives a substantial portion of its revenues from student financial aid received by its students under the Title IV programs administered by the Department of Education pursuant to the Higher Education Act. To continue to participate in the student financial aid programs the University must comply with the regulations promulgated under the Higher Education Act. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from Title IV programs (the 90/10 revenue test). If an institution fails to satisfy the test for one year, its participation status becomes provisional for two consecutive fiscal years. If the test is not satisfied for two consecutive years, eligibility to participate in Title IV programs is lost for at least two fiscal years. Using the Department of Education s cash-basis, regulatory formula under the 90/10 Rule as currently in effect, for its 2016, 2015, and 2014 fiscal years, the University derived 72.3%, 74.8%, and 76.5%, respectively, for its 90/10 revenue from Title IV program funds.

13. Share-Based Compensation Plans

Adoption of Equity Plans

On September 27, 2008 the University s shareholders approved the adoption of the 2008 Equity Incentive Plan (Incentive Plan) and the 2008 Employee Stock Purchase (ESPP). A total of 4,200 shares of the University s common stock was originally authorized for issuance under the Incentive Plan. On January 1 of each subsequent year in accordance with the terms of the Incentive Plan, the number of shares authorized for issuance under the Incentive Plan automatically increases by 2.5% of the number of shares of common stock issued and outstanding on the applicable December 31, unless the Compensation Committee of our Board of Directors elects to decline the increase or chooses a lower increase. The Compensation Committee elected to decline the increase that would have gone into effect as of January 1, 2016 and 2017, leaving the number of shares of common stock authorized for issuance under the Incentive Plan at 12,167. The University has only registered 8,729 of the shares authorized for issuance under the Incentive Plan and of the registered shares 1,804 are available for grant as of December 31, 2016. Although the ESPP has not yet been implemented, a total of 1,050 shares of the University s common stock have been authorized for sale under the ESPP.

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Incentive Plan

Restricted Stock

During fiscal year 2016, 2015, and 2014, the University granted 264, 315 and 308 shares of common stock, respectively, with a service vesting condition to certain of its executives, officers, faculty and employees. The restricted shares have voting rights and vest evenly at 20% over each of the next five years. 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. In 2016, 2015, and 2014, the University granted 11, 9, and 9 shares of common stock, respectively, to certain of the non-employee members of the University s board of directors. The restricted shares have voting rights and vest within one year of the date of grant.

A summary of the activity related to restricted stock granted under the University s Incentive Plan is as follows:

	Total Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2013	983	$ 21.34
Granted	317	$ 46.02
Vested	(225)	$ 21.27
Forfeited, canceled or expired	(42)	$ 27.36
Outstanding as of December 31, 2014	1,033	$ 28.75
Granted	324	$ 45.66
Vested	(274)	$ 27.18
Forfeited, canceled or expired	(27)	$ 30.27
Outstanding as of December 31, 2015	1,056	$ 34.30
Granted	275	$ 44.46
Vested	(329)	$ 30.56
Forfeited, canceled or expired	(9)	$ 37.94
Outstanding as of December 31, 2016	993	$ 38.32

As of December 31, 2016, there was approximately $27,447 of total unrecognized share-based compensation cost, net of estimated forfeitures, related to unvested restricted stock awards. These costs are expected to be recognized over a weighted average period of 2.0 years.

Stock Options

No options were granted in 2016, 2015 and 2014. Prior to 2012, the University granted time vested options to purchase shares of common stock with an exercise price equal to the fair market value on the date of grant to employees. These time vested options vest ratably over a period of five years and expire ten years from the date of grant. A summary of the activity related to stock options granted under the University s Incentive Plan is as follows:

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	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, 2013	3,023	$ 14.80		
Granted		$		
Exercised	(539)	$ 14.51		
Forfeited, canceled or expired	(32)	$ 16.93		
Outstanding as of December 31, 2014	2,452	$ 14.83		
Granted		$		
Exercised	(218)	$ 15.97		
Forfeited, canceled or expired	(14)	$ 16.08		
Outstanding as of December 31, 2015	2,220	$ 14.71		
Granted		$		
Exercised	(946)	$ 13.97		
Forfeited, canceled or expired	(2)	$ 19.23		
Outstanding as of December 31, 2016	1,272	$ 15.26	3.02	$ 54,931
Exercisable as of December 31, 2016	1,266	$ 15.22	3.00	$ 54,722

(1) Aggregate intrinsic value represents the value of the University s closing stock price on December 30, 2016 ($58.45) in excess of the exercise price multiplied by the number of options outstanding or exercisable.

The following table summarizes information related to stock options exercised for years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Amounts related to options exercised:			
Intrinsic value realized by optionee	$ 41,283	$ 18,069	$ 27,499

Actual tax benefit realized by the University for tax deductions	$ 16,513	$ 7,228	$ 11,000

Share-based Compensation

Share-based Compensation Expense Assumptions Restricted Stock Awards

The University measures and recognizes compensation expense for share-based payment awards made to employees, consultants and directors. The University calculates the fair value of share-based awards on the date of grant for employees and directors. The University calculates the fair value of share-based awards to consultants on the date of vesting. Stock-based compensation expense related to restricted stock grants is expensed over the vesting period using the straight-line method for University employees, the University s board of directors and the consultant, net of estimated forfeitures. The restricted shares have voting rights.

Share-based Compensation Expense Assumptions Stock Options

No stock options were granted in 2016, 2015 or 2014.

The table below outlines share-based compensation expense for the fiscal years ended December 31, 2016, 2015 and 2014 related to restricted stock and stock options granted:

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	2016	2015	2014
Instructional costs and services	$ 7,398	$ 6,779	$ 5,921
Admissions advisory and related	232	192	166
Marketing and promotional	125	130	220
General and administrative	4,521	4,156	3,638
Share-based compensation expense included in operating expenses	12,276	11,257	9,945
Tax effect of share-based compensation	(4,910)	(4,503)	(3,978)
Share-based compensation expense, net of tax	$ 7,366	$ 6,754	$ 5,967

401(k) Plan

The University has established a 401(k) Defined Contribution Benefit Plan (the Plan). The Plan provides eligible employees, upon date of hire, with an opportunity to make tax-deferred contributions into a long-term investment and savings program. All employees over the age of 21 are eligible to participate in the plan. The Plan allows eligible employees to contribute to the Plan subject to Internal Revenue Code restrictions and the Plan allows the University to make discretionary matching contributions. The University plans to make a matching contribution to the Plan of approximately $1,920 for the year ended December 31, 2016. The University made discretionary matching contributions to the Plan of $1,769 and $1,508 for the years ended December 31, 2015 and 2014, respectively.

14. Related Party Transactions

Related party transactions include transactions between the University and certain of its affiliates. The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

As of and for the years ended December 31, 2016, 2015, and 2014, related party transactions consisted of the following:

Affiliates

Mind Streams, LLC (Mind Streams) Mind Streams is owned and operated, in part, by the father of Mr. Brent Richardson, the University s Board Chairman until January 2017. Mr. Richardson is no longer on the University s Board. See further discussion in Note 2, Summary of Significant Accounting Policies Related party expenses.

LOPE Kingdom Fund renamed *GCU Community Fund (GCUCF)* GCUCF was formed in 2014 to provide seed funding for entrepreneurial ventures initiated by the University s students. The University s President, CEO and Chairman serves as the president of GCUCF. All of the board seats are taken by University executives. The University is not the primary beneficiary of GCUCF, and accordingly, the University does not consolidate GCUCF s statement of activities with its financial results. The University contributed $0, $500 and $500 for the years ended December 31, 2016, 2015 and 2014, of which $0 and $500 amounts were owed at December 31, 2016 and 2015, respectively.

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15. Quarterly Results of Operations (Unaudited)

The following table summarizes the unaudited quarterly results of operations for 2016 and 2015 and should be read in conjunction with other information included in the accompanying consolidated financial statements.

	2016			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net revenue	$ 226,958	$ 191,279	$ 210,444	$ 244,663
Costs and expenses:				
Instructional costs and services	94,654	84,599	91,748	102,100
Admissions advisory and related	29,544	28,866	28,814	32,062
Advertising	21,107	22,149	23,896	21,000
Marketing and promotional	2,242	2,108	2,127	2,383
General and administrative	10,720	8,809	13,430	10,260
Lease termination costs			3,363	160
Total costs and expenses	158,267	146,531	163,378	167,965
Operating income	68,691	44,748	47,066	76,698
Interest expense	(329)	(158)	(344)	(497)
Interest income and other	2,048	293	(2,291)	199
Income before income taxes	70,410	44,883	44,431	76,400
Income tax expense	26,745	17,257	15,187	28,421
Net income	$ 43,665	$ 27,626	$ 29,244	$ 47,979
Earnings per share:				
Basic income per share[(1)]	$ 0.96	$ 0.60	$ 0.63	$ 1.03
Diluted income per share[(1)]	$ 0.93	$ 0.59	$ 0.62	$ 1.01
Basic weighted average shares outstanding	45,622	46,004	46,231	46,470
Diluted weighted average shares outstanding	46,860	46,990	47,175	47,452

(1) The sum of quarterly income per share may not equal annual income per share due to rounding.

	2015			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net revenue	$ 194,127	$ 174,726	$ 193,393	$ 215,954
Costs and expenses:				
Instructional costs and services	78,687	75,357	83,180	92,427
Admissions advisory and related	28,333	27,372	27,506	29,361
Advertising	20,031	18,419	19,360	18,419
Marketing and promotional	1,694	1,788	1,827	1,978
General and administrative	9,396	9,534	12,536	10,634
Total costs and expenses	138,141	132,470	144,409	152,819
Operating income	55,986	42,256	48,984	63,135
Interest expense	(375)	(146)	(313)	(414)
Interest income and other	257	127	201	(691)
Income before income taxes	55,868	42,237	48,872	62,030
Income tax expense	21,689	16,461	15,530	23,916
Net income	$ 34,179	$ 25,776	$ 33,342	$ 38,114
Earnings per share:				
Basic income per share(1)	$ 0.75	$ 0.56	$ 0.72	$ 0.83
Diluted income per share(1)	$ 0.72	$ 0.55	$ 0.70	$ 0.81
Basic weighted average shares outstanding	45,789	46,012	46,063	46,035
Diluted weighted average shares outstanding	47,201	47,263	47,320	47,337

(1) The sum of quarterly income per share may not equal annual income per share due to rounding.

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Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***
None.

Item 9A. ***Controls and Procedures***
Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. Our Disclosure Committee meets on a quarterly basis and more often if necessary.

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act), as of the end of the period covered by this annual report. Based on that evaluation, our management, including the Principal Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2016.

Attached as exhibits to this Annual Report on Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Exchange Act. This Disclosure Controls and Procedures section includes information concerning management s evaluation of disclosure controls and procedures referred to in those certifications and, as such, should be read in conjunction with the certifications of our Chief Executive Officer and Chief Financial Officer.

Management s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles (GAAP).

Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitation, our internal control systems and procedures may not prevent or detect misstatements. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies and procedures may deteriorate.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016, utilizing the criteria described in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective as of December 31, 2016. Based on its assessment, management believes that, as of December 31, 2016, the Company s internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of and for the year ended December 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Grand Canyon Education, Inc.:

We have audited Grand Canyon Education, Inc. s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Grand Canyon Education, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Grand Canyon Education, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Grand Canyon Education, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 16, 2017, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Phoenix, Arizona

February 16, 2017

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Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

We have a policy governing transactions in our securities by directors, officers, employees and others which permits these individuals to enter into trading plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. We have been advised that Brian Mueller, our President, Chief Executive Officer and Chairman; Dr. W. Stan Meyer, our Chief Operating Officer; and Dan Bachus, our Chief Financial Officer and Principal Accounting Officer, each entered into trading plans on December 14, 2016, each of which was in accordance with Rule 10b5-1 and our policy governing transactions in our securities. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place.

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our directors, officers and employees may establish or terminate trading plans in the future. We intend to disclose the names of executive officers and directors who establish or terminate a trading plan in compliance with Rule 10b5-1 and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission. We undertake no obligation, however, to update or review the information provided herein, including for revision or termination of an established trading plan, other than in such quarterly and annual reports.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information relating to our Board of Directors, Executive Officers, and Corporate Governance required by this item appears in the sections entitled Corporate Governance and Board Matters and Proposal No. 1: Election of Directors in our 2017 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2016) and such information is incorporated herein by reference.

Our employees must act ethically at all times and in accordance with the policies in our Code of Business Conduct and Ethics. We require full compliance with this policy from all designated employees including our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. We publish the policy, and any amendments or waivers to the policy, in the Corporate Governance section of our website located at www.gcu.edu/ Investor Relations/Corporate Governance.

The charters of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee are also available in the Corporate Governance section of our website located at www.gcu.edu/Investor Relations/Corporate Governance.

Item 11. *Executive Compensation*

Information relating to this item appears in the section entitled Executive Compensation in our 2017 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2016) and such information is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information relating to this item appears in the sections entitled Executive Compensation and Beneficial Ownership of Common Stock in our 2017 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2016) and such information is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information relating to this item appears in the sections entitled Corporate Governance and Board Matters Director Independence and Certain Relationships and Related Party Transactions in our 2017 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2016) and such information is incorporated herein by reference.

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Item 14. ***Principal Accounting Fees and Services***

Information relating to this item appears in the section entitled Ratification of Independent Registered Public Accounting Firm Fees in our 2017 our proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2016) and such information is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Consolidated Financial Statement Schedules***

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. *Consolidated Financial Statements filed as part of this report*

2. *Consolidated Financial Statement Schedules*:

Schedules are omitted because they are not required, or because the information required is included in the Consolidated Financial Statements and Notes thereto.

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3. *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.
10.1	Amended and Restated Executive Employment Agreement, dated September 10, 2008, by and between Grand Canyon Education, Inc. and Brent Richardson	Incorporated by reference to Exhibit 10.1 to Amendment No. 2 to the University s Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.2	2008 Equity Incentive Plan, as amended	Incorporated by reference to Exhibit 10.1 to the University s Quarterly Report on Form 10-Q filed with the SEC on November 14, 2011.
10.3	2008 Employee Stock Purchase Plan	Incorporated by reference to Exhibit 10.5 to Amendment No. 2 to the University s Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.4	Amended and Restated Executive Employment Agreement, dated July 30, 2012, by and between Grand Canyon Education, Inc. and Brian E. Mueller	Incorporated by reference to Exhibit 10.1 to the University s Quarterly Report on Form 10-Q filed with the SEC on August 6, 2012.
10.4.1	Amended Executive Employment Agreement, dated February 9, 2016, by and between Grand Canyon Education, Inc. and Brian E. Mueller	Incorporated by reference to Exhibit 10.4.1 to the University Annual Report on Form 10-K filed with the SEC on February 17, 2016.
10.5	Amended and Restated Executive Employment Agreement, dated July 30, 2012, by and between Grand Canyon Education, Inc. and W. Stan Meyer	Incorporated by reference to Exhibit 10.2 to the University s Quarterly Report on Form 10-Q filed with the SEC on August 6, 2012.
10.5.1	Amended Executive Employment Agreement, dated February 9, 2016, by and between Grand Canyon Education, Inc. and W. Stan Meyer	Incorporated by reference to Exhibit 10.5.1 to the University Annual Report on Form 10-K filed with the SEC on February 17, 2016.
10.6	Amended and Restated Executive Employment Agreement, dated July 30, 2012, by and between Grand Canyon Education, Inc. and Daniel E. Bachus	Incorporated by reference to Exhibit 10.3 to the University s Quarterly Report on Form 10-Q filed with the SEC on August 6, 2012.

10.6.1	Amended Executive Employment Agreement, dated February 9, 2016, by and between Grand Canyon Education, Inc. and Daniel E. Bachus	Incorporated by reference to Exhibit 10.6.1 to the University Annual Report on Form 10-K filed with the SEC on February 17, 2016.
10.7	Amended and Restated Executive Employment Agreement, dated July 30, 2012, by and between Grand Canyon Education, Inc. and Joseph N. Mildenhall	Incorporated by reference to Exhibit 10.4 to the University s Quarterly Report on Form 10-Q filed with the SEC on August 6, 2012.
10.7.1	Amended Executive Employment Agreement, dated February 9, 2016, by and between Grand Canyon Education, Inc. and Joseph N. Mildenhall	Incorporated by reference to Exhibit 10.7.1 to the University Annual Report on Form 10-K filed with the SEC on February 17, 2016.
10.8	Executive Employment Agreement, dated September 7, 2012, by and between Grand Canyon Education, Inc. and Brian M. Roberts	Incorporated by reference to Exhibit 10.1 to the University s Quarterly Report on Form 10-Q filed with the SEC on May 7, 2013.

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Number	Description	Method of Filing
10.8.1	Amended Executive Employment Agreement, dated February 9, 2016, by and between Grand Canyon Education, Inc. and Brian M. Roberts	Incorporated by reference to Exhibit 10.8.1 to the University Annual Report on Form 10-K filed with the SEC on February 17, 2016.
10.9	Form of Director and Officer Indemnity Agreement	Incorporated by reference to Exhibit 10.21 to Amendment No. 2 to the University s Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.10	Credit Agreement, dated December 21, 2012, by and among Grand Canyon Education, Inc., Bank of America, N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.10 to the University s Annual Report on Form 10-K filed with the SEC on February 19, 2013.
10.10.1	Amendment No. 1 to Credit Agreement, dated January 15, 2016, by and among Grand Canyon Education, Inc., Bank of America, N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.10.1 to the University Annual Report on Form 10-K filed with the SEC on February 17, 2016.
21.0	Subsidiaries of Grand Canyon Education, Inc.	Filed herewith.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm	Filed herewith.
24.1	Power of Attorney	Filed herewith (on signature page)
31.1	Certification of Principal Executive Officer Pursuant to Rule 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 Rule 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.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith.

Indicates a management contract or any compensatory plan, contract or arrangement.
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.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Brian E. Mueller
Name: Brian E. Mueller
Title: President and Chief Executive Officer
Dated: February 16, 2017

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Brian E. Mueller, Daniel E. Bachus, and Brian M. Roberts, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Brian E. Mueller Brian E. Mueller	President, Chief Executive Officer and Chairman (Principal Executive Officer)	February 16, 2017
/s/ Daniel E. Bachus Daniel E. Bachus	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 16, 2017
/s/ Sara R. Dial Sara R. Dial	Director	February 16, 2017
/s/ David J. Johnson David J. Johnson	Director	February 16, 2017
/s/ Jack A. Henry	Director	February 16,

		2017
Jack A. Henry		
/s/ Kevin F. Warren	Director	February 16, 2017
Kevin F. Warren		