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

Form 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2021

OR

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

For the transition period from [ ] to [ ]

Commission file number: 001-34211

GRAND CANYON EDUCATION, INC.
(Exact name of registrant as specified in its charter)

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

2600 W. Camelback Road, Phoenix, Arizona 85017
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (602) 247-4400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	LOPE	Nasdaq Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The total number of shares of common stock outstanding as of February 14, 2022 was 35,326,730.

As of June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the registrant's common stock was listed on the NASDAQ Global Market. As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $4.0 billion.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement for its 2022 Annual Meeting of Stockholders (which is expected to be filed with the Commission within 120 days after the end of the registrant's 2021 fiscal year) are incorporated by reference into Part III of this Report.

GRAND CANYON EDUCATION, INC.

FORM 10-K

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Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including Item 1, *Business*; Item 1A, *Risk Factors*; and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, contains certain "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include, without limitation, statements regarding: proposed new programs; statements as to whether regulatory developments or other matters may or may not have a material adverse effect on our financial position, results of operations, or liquidity; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in future tense, identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions of management.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the continuing, and potential future, adverse effects of the COVID-19 pandemic, and federal, state and/or local regulatory guidelines and private business actions to control it, on the global economy and the financial markets, the higher education industry in which we operate, our university partners, and, ultimately, on our financial condition, operating results and cash flows. The extent to which the COVID-19 pandemic will continue to impact us and our university partners will depend on future developments, including the scope, severity and duration of the pandemic, and the resulting economic impacts and potential changes in behavior, among others, all of which are highly uncertain and cannot be predicted with confidence. Important factors that could cause our actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements, and which may be further heightened by the COVID-19 pandemic, include, but are not limited to:

- the harm to our business, results of operations, and financial condition, and harm to our university partners resulting from epidemics, pandemics, including the COVID-19 outbreak, or public health crises;
- the occurrence of any event, change or other circumstance that could give rise to the termination of any of the key university partner agreements;
- our ability to properly manage risks and challenges associated with strategic initiatives, including potential acquisitions or divestitures of, or investments in, new businesses, acquisitions of new properties and new university partners, and expansion of services provided to our existing university partners;
- our failure to comply with the extensive regulatory framework applicable to us either directly as a third-party service provider or indirectly through our university partners, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements;
- the ability of our university partners' students to obtain federal Title IV funds, state financial aid, and private financing;
- potential damage to our reputation or other adverse effects as a result of negative publicity in the media, in the industry or in connection with governmental reports or investigations or otherwise, affecting us or other companies in the education services sector;
- risks associated with changes in applicable federal and state laws and regulations and accrediting commission standards, including pending rulemaking by the Department of Education applicable to us directly or indirectly through our university partners;
- competition from other education service companies in our geographic region and market sector, including competition for students, qualified executives and other personnel;

- our expected tax payments and tax rate;
- our ability to hire and train new, and develop and train existing employees;
- the pace of growth of our university partners' enrollment and its effect on the pace of our own growth;
- fluctuations in our revenues due to seasonality;
- our ability to, on behalf of our university partners, convert prospective students to enrolled students and to retain active students to graduation;
- our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis for our university partners;
- risks associated with the competitive environment for marketing the programs of our university partners;
- failure on our part to keep up with advances in technology that could enhance the experience for our university partners' students;
- our ability to manage future growth effectively;
- the impact of any natural disasters or public health emergencies;
- general adverse economic conditions or other developments that affect the job prospects of our university partners' students; and
- other factors discussed under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and "Regulation."

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Part I

Item 1. *Business*

Overview

Grand Canyon Education, Inc., a Delaware corporation ("GCE") is a publicly traded education services company dedicated to serving colleges and universities. GCE has developed significant technological solutions, infrastructure and operational processes to provide services to these institutions on a large scale. GCE's most significant university partner is Grand Canyon University ("GCU"), an Arizona non-profit corporation that operates a comprehensive regionally accredited university that offers graduate and undergraduate degree programs, emphases and certificates across nine colleges both online and on ground at its campus in Phoenix, Arizona. As of December 31, 2021, GCE provided education services and support to more than 108,100 students enrolled in GCU's programs, emphases and certificates.

In January 2019, GCE began providing education services to numerous university partners across the United States through our wholly owned subsidiary, Orbis Education Services LLC ("Orbis Education"), which we acquired on January 22, 2019 (the "Acquisition"). See *Note 3 – Acquisition* to consolidated financial statements for a full description of the Acquisition. Since the Acquisition, GCE, together with Orbis Education, has continued to add additional university partners. In the healthcare field, we work in partnership with a growing number of top universities and healthcare networks across the country, offering healthcare-related academic programs at off-campus classroom and laboratory sites located near healthcare providers and developing high-quality, career-ready graduates who enter the workforce ready to meet the demands of the healthcare industry. In addition, we have begun providing certain services to a university partner to assist them in expanding their online graduate programs. As of December 31, 2021, GCE provided education services to 27 university partners across the United States.

We plan to continue to add additional university partners and to roll out additional programs with both our existing partners and with new partners. We may engage with both new and existing university partners to offer healthcare programs, online only or hybrid programs, or as is the case for our most significant partner, GCU, both healthcare and other programs. In addition, we have centralized a number of services that historically were provided separately to university partners of Orbis Education; therefore, we refer to all university partners as "GCE partners" or "our partners". We do disclose significant information for GCU, such as enrollments, due to its size in comparison to our other university partners.

Our Business

GCE is an education services company with 27 university partners as of December 31, 2021. We have invested over $265 million in the last 13 years to develop systems that automate key processes and enable us to scale these processes to hundreds of thousands of students. GCE is capable of supporting not just core academic functions, technology and marketing but many additional key processes that surround those functions, such as faculty recruiting and training, admissions, financial aid, accounting, and technical support. We provide these services to our university partners pursuant to master services agreements that define the scope of our engagement, the types of services provided and other key terms of the engagement.

Suite of Services

The following describes the various services that we are capable of providing to university partners. Services actually provided to a given university partner depend upon the nature of programs supported by GCE, existing university infrastructure, and university partner preferences.

Technology and Academic Services

We provide technology and academic services that relate to the ongoing maintenance of our university partners' educational infrastructure, including online course delivery and management, student records, assessment, customer relations management and other internal administrative systems. These services also include curriculum conversion, support for content development, support for faculty and related training and development, technical support, rent and occupancy costs for university partners' simulation and skills labs, and assistance with state regulatory compliance. We have established secure, reliable and scalable technology systems that provide a high-quality educational environment and that give us the capability to grow our university partners' programs and enrollment.

Technology Services may include the following:

- Learning Management System ("LMS") - GCE designed and offers to its university partners a new LMS, called Halo. GCU started utilizing Halo in the Fall of 2021 and is continuing to transition its students to the new LMS from the prior LMS, LoudCloud, with a goal to complete transition by the Fall of 2022. The basic functionality includes an interactive course syllabus, discussion questions and forums, instruction interaction, class quizzes, group assignments, written assignment submission and rubrics, grading, participation, attendance and integration with our student information system. The functions in Halo have been reimagined to work more intuitively with new user interface design and more seamless ways of accomplishing the same tasks. Halo was designed as a "cloud native" application taking advantage of all the performance and reliability features of the cloud. Halo supports small classes that are instructor led, highly interactive and collaborative. Rich content that originates from a myriad of sources, including direct advisement from industry, is coupled with a robust discussion environment. Students most often respond to the content and discussion through written work. The writing assignments are designed to promote critical thinking which is often connected to solving real world problems. This platform can easily and reliably scale as student populations increase. The platform provides in-depth analytics that allow us to closely monitor student success and the quality of instructional resources. GCE also designed its previous learning management system, LoudCloud which GCU used since 2011.
- 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. We have done significant internal software development around these systems to increase the productivity of our employees and provide students an exceptional educational experience.
- Infrastructure - We operate two data centers, one at GCU's 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 optimal performance. Real-time monitoring provides current system status across network, server, and storage components. We provide cybersecurity services, support and incident response for all infrastructure and software that we utilize.
- Support - We provide 18/7 technical support for students and faculty. There are two systems utilized by GCE to provide these services.

Academic Services may include the following:

- Program and Curriculum – GCE has a curriculum content department that provides design and conversion services to our university partners. In collaboration with our university partners, we assist with the program and course design by providing curricular assistance and recommendations with respect to content and techniques that make use of the available technologies and methods embodied in the learning management system. GCE developed a proprietary system to support these services.
- Faculty and Related Training and Development – GCE provides faculty support including recruitment, training and oversight services to its university partners. Under the direction of our university partners and their academic leadership, we recruit and screen candidates, and schedule faculty based on university partner-created requirements. We evaluate all faculty according to university partner standards and provide evaluation results, if requested. Many of the health sciences

specific faculty development resources are accredited by the International Association for Continuing Education and Training ("IACET") and the American Nurses Credentialing Center ("ANCC") allowing faculty to earn continuing education credits.

- Class Scheduling – GCE has a class scheduling department and has developed a proprietary system to provide these services to our university partners. Our scheduling software provides students the ability to set their class schedule and flexibility to make changes and create opportunities to complete courses in a myriad of online or onsite options. We optimize class size prior to course starts based on university partner standards, in order to maximize class resources and faculty utilization.
- Skills and Simulation Lab Sites – GCE secures, develops and finances off-campus classroom and laboratory sites for use in various programs offered by our university partners, including the accelerated Bachelor of Science in Nursing (ABSN). Off-campus classroom and laboratory sites are branded for specific university partners and all classrooms, faculty, counselors, staff and specialized equipment are centralized and made accessible to every university partner student. The laboratories contain the latest in skills and simulation learning technology; including computer-based scenarios, hands-on work with physical simulators and internally developed Mixed Reality ("MR") with state-of-the-art technology, which help students gain unique experiences in an alternative clinical setting.

Counseling Services and Support

We provide counseling services and support including one-on-one admissions, schedule and financial counseling and other support for prospective and current students of our university partners. We offer financial aid processing as well.

Counseling Services and Support may include the following:

- Admissions Services – GCE provides prospective students with transparent information on program requirements, finance options, degree time to completion and net price calculator results in alignment with university partners' standards. GCE has developed a robust proprietary system to efficiently evaluate transcripts and build schedules for prospective students. GCE processes applications in alignment with university partners' admission standards and provides reports on those students selected for admission.
- Financial Aid – GCE provides financial aid services, including awarding, certifying, originating and disbursing Title IV program funds to students. We deliver Title IV program credit balance refunds to students, process return of Title IV program funds to the federal government when appropriate and provide financial aid counseling and entrance and exit loan counseling to students. Additionally, we prepare required reports, including but not limited to enrollment reporting to the National Student Loan Data system and the Integrated Postsecondary Education Data System. Additionally, GCE has built a proprietary system called the Financial Transparent Degree Plan Calculator, which provides students the cost of their entire program.
- Counseling Services – GCE provides proactive services to our university partners' students throughout their matriculation such as schedule building, and financial aid counseling. We provide students an assigned advisor who proactively works with students throughout their matriculation process. We assist students with program changes and communicate with those students throughout their program to help with retention. We provide students with the ability to access a variety of administrative services both telephonically and via the Internet. For example, students can apply for financial aid, pay their tuition, order their transcripts, and apply for graduation online. We believe this online accessibility provides the convenience and self-service capabilities that students value. GCE assesses levels of satisfaction using student surveys.
- Field Experience Counseling – For university partner students pursuing programs that lead to external credentials (e.g., teaching, nursing, counseling, theology, etc.), GCE leverages a growing nationwide network of approved healthcare facilities, schools, preceptors, and supervisors to ensure that all students are able to meet program-specific requirements. Each student is assigned a counselor before or during their first course, and several prescribed appointments with their counselor are scheduled throughout the student's program to ensure that all state-specific progression

requirements are met well in advance of deadlines. GCE assists in gathering all required documentation, verifying it as official, and storing it as part of the student's record.

Marketing and Communication

We provide marketing and communication services that include lead acquisition, digital communication strategies, brand identity advertising, media planning and strategy, video, data science and analysis, marketing to potential students and other promotional and communication services.

GCE's marketing leadership team approaches the marketplace with an outlook that applies the latest advancements in integrated marketing strategy and new and emerging technologies while leveraging GCE's buying power. This methodology embraces proven traditional and online solutions that are developed in conjunction with our university partners.

Marketing and Communication services may include the following:

- Lead Acquisition – GCE's marketing team employs experts across a wide breadth of digital marketing channels. These include Search Engine Optimization, Search Engine Marketing, Social Media Optimization, organic content and strategic acquisition funnels across a variety of mobile markets.
- Digital Communications Strategy – GCE's subject matter experts utilize best-in-class technologies through marketing automation, integrated email, SMS text messaging and social media. GCE develops effective communication strategies that encompass the entire student lifecycle from prospect through alumni.
- Brand Identity – GCE's award-winning team of specialists have proven track records of developing strong brands and ensuring the right image is exposed to the consumer. GCE specializes in storytelling shaped by logo creation, positioning taglines, campaign and content development, custom music, and sonic branding.
- Media Planning and Strategy –GCE offers full-service media planning and strategies that are built to grow sophisticated brands through traditional and digital media platforms. GCE understands today's culture and how content is consumed in the everchanging world of media. GCE creates robust strategies that build long lasting connections with proven results.
- Video – GCE's team of in-house video experts specialize in high-quality content expanding across a wide variety of marketing channels. Capabilities include broadcast-quality commercials, explainer videos, mini- and full-length documentaries, original programming, animations, motion graphics, and short, stackable video content for a variety of social media channels. GCE enhances its internal team with preferred partners to help offset workload and provide scalability of production requirements.
- Business Intelligence and Data Science – GCE employs a team of in-house data analysis professionals who apply descriptive and prescriptive analytics to help understand the marketplace and facilitate important business decisions. GCE specializes in all aspects of data analytics and science, including predictive modeling, data mining and visualization to enrich today's technology and data-driven marketplace, while providing the information required for success.
- Market Research – GCE's market research professionals survey market, population and job data for various locations across the country in order to make data-driven recommendations for new sites, partnerships, and educational offerings that will maximize reach and impact and provide education and career training to the areas where it will be most impactful.

Back-Office Services

In addition, we currently provide certain requested back-office services to GCU that include finance, human resources, audit, and other corporate functions.

- *Finance and accounting* - Finance and accounting services include administration of payroll, accounts payable, general ledger, student accounting, financial reporting, budgeting and taxes at the direction of GCU.
- *Human Resources* - Human resources services include administration of performance management, personnel policies, recruitment and onboarding of new personnel, and benefit plan design and procurement, among others.
- *Audit* - Audit services include development and administration of a GCU approved annual internal audit plan and execution of the audit plan for the service period.
- *Procurement* - Procurement services include management of purchasing and vendor relationships, including travel services, review of vendor contracts, and maintenance of contracts in the procurement system.

Social Responsibility and Human Capital Development

Social responsibility and human capital development are significant focuses of the Company. Our efforts are led by our Chief Executive Officer and a portion of his compensation is tied to our success in these areas. To this end, our business was created and continues to evolve to meet the needs of the local community in which we operate as well as those outside our community. We started by identifying what we believe to be the educational challenges that our country is facing and then worked to find solutions to these challenges. We believe these challenges include:

- University education is too expensive;
- Students are taking on too much debt;
- Bachelor degrees are taking too long to complete;
- Programs are not targeted enough toward careers. Recent surveys show that a large percentage of college students would change majors if starting over, and a significant number of recent graduates are under employed or are in jobs that don't required degrees;
- As tuition increases, diversity decreases;
- Universities have inadequate counseling and support services, especially for distanced learners;
- Most university professors have no formal training in teaching, learning or course design;
- Universities are under significant financial pressure, which has only been enhanced during 2020 and 2021 due to the pandemic and a declining number of high school graduates attending college.

We provide the capital, technology and expertise to our university partners to lessen the challenges in each of the areas listed above (see *Item 1. Business – Suite of Services*). We work with these university partners to develop hybrid educational models that allow them the ability to decrease tuition or increase scholarships to their students which will often lower the debt their students incur. We work with our university partners and thousands of high schools across the country on dual credit, online prerequisite courses and other programs that shorten the time to completion thereby lowering cost and debt levels. We focus with our university partners and their local communities to develop programs where there are skills shortages such as health care, teacher education, science, technology, engineering and math. GCE provides expanded academic counseling services and support to the students of our university partners which has proven to increase retention and completion. Our faculty services and curriculum development teams assist not only our university partners but other universities and K12 schools in improving their online education pedagogy. And our business model has helped our university partners as changes in the educational landscape and the pandemic has put pressure on their financial condition.

Community Involvement by GCE and its Employees. Examples of activities in which we and our employees participate include:

- *Improving Our Neighborhood and Increased Home Values* - Together with Habitat for Humanity and in concert with our largest university partner, we are participating in the largest home renovation project in the country in the West Phoenix area surrounding GCU's campus. As of December 31, 2021, 392 homes have been completed in which 27,900 hours have been logged by volunteers. These efforts, combined with GCE and GCU's expanded presence in the community, have contributed to a significant increase in home values of 527% since 2011 in the 85017 zip code.

- *Furthering Job Creation* - We, along with GCU have launched a number of new business enterprises that have reduced costs, provided management opportunities for recent graduates and employment opportunities for students and neighborhood residents, while spurring economic growth in the area.

- *Special Olympics* - We participate in the annual Plane Pull Challenge, which benefits Special Olympics Indiana (SOIN) athletes. The "Orbeasts" go head-to-head in a tug of war with a Boeing FedEx 757 jetliner in SOIN's largest single-day fundraiser. This event offers a unique opportunity for organizations to team build and work together to raise important funds for SOIN athletes. The vision of Special Olympics Indiana is that sport will open hearts and minds towards people with intellectual disabilities and create inclusive communities across the state and throughout the world.

- *Youth Opportunity Foundation* - Our employees volunteer and donate time and funds to the Youth Opportunity Foundation which provides advocacy, clinical treatment, education and workforce development for at-risk young people in underprivileged areas.

- *Covid-19 Response*: Our employees and the students of our university partners volunteered at COVID Point of Distribution sites ("POD"), including the GCU POD, which was being jointly operated by GCU and GCE at no cost to the state of Arizona, and other PODs including those run by our hospital partners. The students of our university partners assisted the clinical staff at the PODs in clinical positions including vaccine dilution, vaccine administration and patient observation or in non-clinical positions such as checking in vaccine recipients, documenting vaccinations, traffic flow and sitting with recipients after administration. Our employees also performed these non-clinical roles. These volunteers, especially the students of our university partners, allowed other direct caregivers to be reassigned from vaccine administration back to the bedside to care for the influx of COVID patients.

GCE also invests in the following activities that benefit the community.

- *Funding of Student Tuition Organizations* - GCE contributes to private school tuition organizations, which are entities that allocate financial contributions toward tuition assistance and scholarships for disadvantaged students to attend Arizona private schools. In each of 2021 and 2020, we contributed $5.0 million to these organizations.

- *Encouraging Employee Giving* - We participate in Donate to Elevate, a program that encourages employees to participate in the Arizona individual tax credit program, which allows individual taxpayers to contribute money in lieu of state income tax payments to benefit private schools and other non-profit entities in Arizona, as well as local public schools and public charter schools. Employees are encouraged to designate tax dollars to the school or program of their choice.

- *Students Inspiring Students* - GCE continues to support GCU's free tutoring/mentoring program that serves Phoenix-area K-12 schools. Students who seek academic assistance in the GCU Learning Lounge may become eligible to receive the Students Inspiring Students full-tuition scholarship. To serve our clients and community, we seek donations to fund this neighborhood scholarship program.

- *Sponsoring K-12 Educational Development* - GCE supports GCU's K-12 Educational Development Department through sponsorship of GCU's Canyon Professional Development and K-12 Targeted School Assistance programs. Canyon Professional Development offers professional development opportunities for educators and administrators, and their student/parent engagement programs aim to help students become college ready. K-12 Targeted School Assistance programs also offer tutoring and mentorship and more to community schools to improve learning environments and outcomes. Both initiatives elevate public, private, charter and home schools in the form of scholarships, program discounts, professional development, events, and more.

- *Continuing Community Involvement* - GCE and our employees partner in countless other community events and projects throughout the year. We offer our full-time employees a maximum of 16 hours of PTO annually for community service. This time is used to volunteer at an approved charitable organization. Over 40 organizations are approved for employee volunteerism, including Habitat for Humanity.

In addition, GCE has historically partnered in countless community events and projects throughout the year, helping organizations such as the Phoenix Rescue Mission, Feed My Starving Children, Arizona Foster Care, Boy/Girl Scouts, Goodwill Arizona, St. Vincent de Paul, Young Life, Elevate Phoenix, Back to School Clothing Drive and St. Mary's Food Bank. Our employees also went out into our surrounding neighborhoods to participate in programs such as Serve the City, Canyon Kids, Salute Our Troops, Colter Commons senior home visits and the Run to Fight Children's Cancer.

We believe that we must have the best talent, including employees who possess a diverse range of experiences, backgrounds and skills, in order to anticipate and meet the needs of our business and those of our university partners. Over time, we have hired, developed and retained a diverse management and workforce that reflects our surrounding community and that is a key component in GCE's success and an important part of our culture. We provide employees with training, development, and educational resources that promote learning and lead to real career advancement opportunities. We believe that our success in attracting, retaining, and developing human capital is directly correlated to our ability to provide employees both an interesting and engaging work experience as well as opportunities for meaningful involvement in the surrounding community. Our employees take advantage of these opportunities and share our commitment to and enthusiasm for community service projects, as well as charitable organizations throughout the Phoenix area. Through these activities, our employees have the opportunity to volunteer and provide servant leadership that benefits the surrounding neighborhoods and West Phoenix community.

Our Commitment to Diversity. A growing body of evidence suggests that diverse teams improve financial outcomes and support innovation, resiliency, and productivity. GCE's commitment to fostering diversity in its community is evident in the following:

- *Our Diversity Statement* - Grand Canyon Education is a faith-friendly shared services provider that embraces a world-view which outlines a responsibility to both charity and stewardship which simply stated is, 'to love others as yourself'. We are a community of people who value the pursuit of truth and find great understanding in the convergence of differing viewpoints, backgrounds and ideas. We welcome employees from all walks of life which has contributed to a growing diversity within our population. Our diversity encompasses a multitude of dimensions, including age, disability, national origin, race, color, religion, gender, veteran status and more. Our Christian perspective compels us to treat every individual equally with respect and compassion. All community members deserve a comfortable space to express their feelings, so that every voice is heard. All members of the Company will be welcomed, valued, and provided safety in this community. Finally, diversity not only enriches the workplace and the educational endeavors of our partners, it is critical to it. Maintaining a diverse environment requires a measure of tolerance and understanding commensurate with the dignity and value of all human life. In sum, GCE values diversity because it values every employee and university partners' students entrusted to its care.

- *Our Diverse Leadership* - Our ability to attract and retain diverse talent is reflected at both the Board and management levels. Three of our six directors are women and two directors identify with an underrepresented diverse ethnicity. In addition, for all of our employees at the level of manager and above totaling 556 persons, 67.6% are held by women and other diverse persons, collectively, an increase of 2.6% over 2020.

- *Our Diverse Workforce* - As of December 31, 2021, for all of our employees totaling 4,955, 78.3% are women and other diverse persons, collectively, an increase of 2.9% over 2020. As of December 31, 2021, GCE employed approximately 3,675 professional and administrative personnel, including technical and academic advisors, counseling advisors, marketing and communication professionals, and personnel that handle financial aid processing, information technology, human resources, corporate accounting, finance, and other administrative functions. In addition, at December 31, 2021, GCE employed approximately 1,275 part-time employees most of whom are student workers. None of our employees are a party to any collective bargaining or similar agreement with us. We consider our relations with our employees to be strong.

- *Our Hiring Practices and Policies* - GCE ensures company diversity through hiring policies and practices that support diversity such as the Equal Employment Opportunity Policy, Nondiscrimination and Anti-Harassment Policy and Complaint Procedure, and the Disability Accommodation Policy. We post all open positions to a variety of diversity-related job boards to ensure we attract diverse candidates. We also collect and analyze employee demographic data to identify current trends and areas of opportunity in regard to our diversity efforts.

- *Diversity Training* - We provide employees and management with regular diversity training. New hires all complete anti-discrimination and harassment training within 3 months of starting at GCE. Thereafter, all employees complete the training every other year, while management undertakes it annually. We have also provided Implicit Bias Training to all employees.

Employee Learning and Development (ELD) Services. We provide learning and development support to our employees through numerous ELD initiatives. Onboarding Programs provide new employees a foundation from which one can progress in his or her career at GCE. Leadership Development, Team Development, Advanced Skills, and Self-Development Programs help employees improve their skills, assist management in identifying potential talent for leadership roles, and support those employees already in leadership roles. Finally, our Compliance Curriculum ensures that employee stays current with regulatory and other compliance requirements. These programs and curricula are offered virtually as both synchronous and self-paced.

Employee Tuition Benefit – GCE promotes the concept of lifelong learning and supports this concept by offering its employees a generous Tuition Benefit program through its university partner, GCU. After 3 months of continuous service, fulltime employees admitted to GCU receive a 100% tuition reduction on undergraduate and graduate programs Additionally, the tuition benefit is available for an eligible employee's spouse or up to two children with no more than two participants receiving the benefits at any one time. An eligible employee's spouse or child admitted to GCU receives a 100% tuition reduction on undergraduate programs and a 50% tuition reduction on graduate programs.

Working to Mitigate COVID-19. During 2020 and 2021, GCE has taken numerous steps to protect our employees and mitigate the spread of the virus, including implementation of remote work arrangements, restrictions on employee travel, and guidance to those employees experiencing symptoms. We are continuing to communicate with government and health officials, and to adapt our efforts and responses as needed.

Environmental Awareness

Online education is inherently more environmentally friendly than traditional campus education with a reduction in greenhouse gas ("GHG") production caused by traveling to and from a brick-and-mortar campus. It also increases student capacity while eliminating the need for construction of a physical campus. A majority of our university partners' students are enrolled in hybrid or online educational models. In addition, a significant number of our university partners' students utilize an ebook format versus paper textbooks.

GCE owns a four-story 325,000 square foot administrative building, which includes office space for approximately 2,700 employees, and a parking garage at our headquarters in Phoenix, Arizona. We constructed these facilities in 2016 and, as with every one of our projects over the past 12 years, we designed them to maximize energy efficiency and minimize electricity usage and environmental impact, which ultimately lowers our operating costs. Our headquarters building includes the following design features:

- *North/South Building Orientation* - GCE's office building is orientated with north/south exposure in order to minimize direct sun and thereby reduce power usage. Exterior courtyards were arranged to ensure summer shade thus creating outdoor areas that can be used by our employees throughout the year.

- *Use of Window Glazing* - Our building utilizes significant window glazing to allow for daylighting thus reducing the need for supplemental electrical lighting. As a result, the building is designed to use just .41 watts per square foot of electrical energy for lighting, which is half of what a typical environmentally efficient building uses.

- *Reducing Water Consumption* - Water usage is another environmental factor for office space that is magnified by the Arizona weather. GCE's office building utilizes numerous water conservation methods including push-tap faucets, waterless urinals, and a rooftop rainwater collection system for irrigating the landscaping below, which significantly reduces our water consumption.

- *Other Design Features* - Additional environment-friendly design features include low VOC paints, use of recycled building materials, interior and exterior LED light bulbs, motion sensor lighting and implementation of an energy-efficient VRF mechanical system.

In addition to our efficient facilities, we have undertaken other measures to minimize our environmental impact, including, among others:

- implementing a Trip Reduction Program, which provides incentives to employees who participate in carpooling or take public transportation to work;

- providing a telecommute option for a significant number of positions; and

- participating in a recycling program aimed at minimizing the volume of waste products generated by GCE.

Due to our significant investment in infrastructure, since March 2020, when the World Health Organization declared the COVID-19 a global pandemic, approximately 90% of our diverse workforce is continuing to work remotely and is expected to continue doing so for the foreseeable future. This has not only allowed our employees to remain physically safe but has also resulted in savings in the areas of waste, janitorial costs, and travel costs related to business travel and commuting.

Our off-campus classroom and laboratory sites are all designed with the same efficient footprint in the 31 sites opened as of December 31, 2021.

Climate Disclosures

We do not operate in a high-risk industry for climate risks. We believe that we have low climate risk with respect to our physical environment (e.g., fires, drought, hailstorms, increasing weather pattern changes). Approximately 90% of our workforce is continuing to work remotely for the foreseeable future. We have insurance policies in place to cover any damage for our property, plant and equipment.

We are evaluating emissions reduction requirements with key suppliers for costs such as information security systems, communication and marketing costs, travel costs, and continued expansion of our off-campus classroom and laboratory sites. We currently do not have any regulatory emissions reporting obligations.

We do not have significant risk from a transition to a low-carbon economy, which could result in changing customer behavior. Our customers are university partners located in the United States.

Corporate Governance

We believe that effective corporate governance is critical to our ability to create long term value for our stockholders. The following highlights certain key aspects of our corporate governance framework:

- *We Have an Independent and Diverse Board* - Five of our six directors are independent. Three of our six directors are diverse persons, and two of our directors identify with an under-represented diverse ethnicity.

- *We Have Majority Voting for Directors* - We have adopted majority voting for directors pursuant to which nominees who fail to achieve an affirmative majority of votes cast must submit their resignation.

- *We Hold Annual Elections for Directors* - We do not have a staggered board.

- *We Assess Board Performance* - We conduct regular evaluations of our Board and Committees.

- *Our Independent Directors Meet Without Management* - Our independent directors meet regularly in executive sessions without management present.

- *We Have a Stock Ownership Policy* - We require both our named executive officers and our directors to maintain a meaningful ownership stake at levels specified in our stock ownership policy.

- *Our Key Committees are Independent* - We have fully independent Audit, Compensation and Nominating and Corporate Governance Committees.

- *We Do Not Have a "Poison Pill"* - We do not maintain a stockholder rights plan.

Cybersecurity Controls

- Our Audit Committee is tasked with oversight of the cybersecurity controls in place at the Company.

- The Company employs a dedicated Chief Information Security Officer ("CISO"), with an experienced and competent security team, and works closely with the Chief Risk Officer to provide risk reporting and ensure security and compliance. The Company regularly engages third party experts to perform cybersecurity assessments. These assessments are normally performed on an annual basis. Reports are sent to the Audit Committee monthly, and Security, Risk and Compliance updates are provided quarterly.

- The Company has implemented policies and procedures for all employees including:

    - Information security/cybersecurity policies, which are internally available for all employees;

    - Information security/cybersecurity awareness training;

    - A clear escalation process which employees can follow in the event an employee notices something suspicious; and

- o Information security/cybersecurity is part of the employee performance evaluations and/or disciplinary actions.

- The Company maintains a cyber insurance policy. The Company has not had a security breach and has not incurred any expenses for a security breach in the past three years.

Seasonality

Our service revenue normally fluctuates due to changes in our university partners' enrollment which tends to be higher in the Spring and Fall periods and lower in the Summer. Our expenses do not normally fluctuate significantly during the year which results in fluctuations in operating income between quarters. See "Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations – Seasonality*."

Competition

There are dozens of companies that seek to partner with non-profit schools and state universities to assist in the development and operation of their educational programs. These companies provide various services that traditional institutions historically have not had the experience or organizational capability to fully support. These services include marketing and recruitment, enrollment management, curriculum development, online course design, student retention support, technology infrastructure, and student and faculty call center support. Among the largest companies in this sector are Pearson Online Learning Services, Wiley Education Services, and 2U.

The education services market, particularly with regard to those companies that help traditional universities develop new degree programs often delivered online, has historically been characterized by a full-service, revenue-sharing model, based on the premise that most traditional institutions are not only operationally unprepared to offer these programs at scale but also are not equipped to make the significant upfront investments necessary to develop these programs organically. In recent years, an alternative unbundled fee-for-service model has emerged, in which the companies offer the same services, or some subset of services, for the market price of those services. Finally, other industry providers affiliate with university partners to offer massive open online courses, which are aimed at unlimited participation and open access via the web at little or no cost to the student.

The education services market is changing and expanding. It is highly fragmented and subject to evolving technology, shifting needs of students and educators and introductions of new delivery modalities. We believe that the competitive factors in the education services market include:

- reputation and brand awareness;
- quality of university partner base and performance track record;
- the effectiveness of marketing and sales efforts;
- robustness and evolution of technology solutions;
- breadth and depth of services offerings;
- convenient, flexible and dependable access to programs and classes;
- level of student support services;
- quality of student and faculty experience;
- cost of programs; and
- the time necessary to earn a degree.

Proprietary Rights

We have developed and own, or are licensed to use, intellectual property 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 technology, courseware materials and business know-how and internal processes and procedures developed to respond to the requirements of operating a post-secondary educational institution with a significant online campus 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 protect our intellectual property by signing agreements with employees, independent contractors, consultants, companies, and any other third party that creates intellectual property for us that assign any intellectual property rights to us. In addition, we seek to maintain the confidentiality of our proprietary information through the use of confidentiality agreements with employees, independent contractors, consultants and companies with which we conduct business. While our 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

We were incorporated as a Delaware corporation in 2008 and completed our initial public offering in November 2008. Our principal executive offices are located at 2600 West Camelback Road, Phoenix, Arizona 85017, our telephone number is (602) 247-4400 and our Internet address is www.gce.com.

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 obtain any document we file with the SEC at www.sec.gov. The contents of these websites are not incorporated into this filing and our references to the URLs for these websites are intended to be inactive textual references only.

REGULATION OF OUR EDUCATION SERVICES BUSINESS

Institutions of higher education in America are subject to extensive regulation by state post-secondary, licensure and certification agencies, accrediting commissions, and the federal government through the United States Department of Education (“ED”) under the Higher Education Act (“HEA”). The regulations, standards, and policies of these agencies cover the vast majority of operations of colleges and universities, including educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, athletics and financial condition.

The HEA and the regulations promulgated thereunder are frequently revised, repealed or expanded. Congress historically has reauthorized and amended the HEA in regular intervals, approximately every five to seven years. The re-authorization process is currently under way. The re-authorization of the HEA could alter the regulatory landscape of the higher education industry, and thereby impact the manner in which we conduct business and serve our university partners. In addition, ED is independently conducting an ongoing series of rulemakings intended to assure the integrity of the Title IV programs. ED also frequently issues formal and informal guidance instructing institutions of higher education and other covered entities how to comply with various federal laws and regulations. ED guidance is subject to frequent change and may impact our business model.

Prior to July 1, 2018, GCE, operated GCU. On July 1, 2018, GCE sold GCU to an independent, Arizona non-profit corporation (the “Transaction”). See *Note 2 – The Transaction* to consolidated financial statements for a full description of the Transaction. As a result of the Transaction, we no longer own and operate an institution of higher education, nor do we directly participate in Title IV programs. Instead, we operate as an education service company to institutions of higher education that do participate in Title IV programs. Nevertheless, we are required to comply with certain regulations promulgated by ED for the following reasons:

- Our operations are subject to regulation by ED due to our university partners’ participation in the federal student financial aid programs under Title IV of the HEA. 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 agency or agencies, be accredited by an accrediting commission recognized by ED, and be certified as an eligible institution by ED.

- As a third-party servicer under the HEA and the related regulations, we also have a direct relationship with ED. ED regulates our operations insofar as we are performing certain functions classified as third-party servicer functions under relevant regulations and sub-regulatory guidance. A "Third-party servicer" is any person or entity used by "any eligible institution of higher education to administer, through either manual or automated processing, any aspect of such institution's student assistance programs." Third-party servicers must comply with a number of regulatory requirements. For example, they must conduct and submit to ED compliance audits under 34 C.F.R. § 668.23. In addition, they must comply with the requirements of 34 C.F.R. § 668.25, which among other things, requires third-party servicers, in their contracts with institutions, to be contractually obligated to, among other things:

    - Comply with all statutory provisions of or applicable to Title IV of the HEA, including the requirement to use any funds that the servicer administers under any Title IV, HEA program and any interest or other earnings thereon solely for the purposes specified in and in accordance with that program;

    - Refer to the Office of Inspector General of ED for investigation any information indicating there is reasonable cause to believe that the institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program or an applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application; and

    - Be jointly and severally liable with the institution to the Secretary for any violation by the servicer of any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, and any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA.

We are also subject to a number of data security and privacy regulations given our role as a third-party service provider, the compliance with which can materially impact our business model. In addition, as more fully described below, we are subject to some of the regulations imposed on our university partners by virtue of the nature of the services we provide.

This area is evolving, however, and the scope of services covered by regulations may change.

REGULATION OF OUR UNIVERSITY PARTNERS

Our current university partners and all likely future university partners are required to be authorized by appropriate state post-secondary, licensure, and certification authorities. In addition, in order to participate in the federal student financial aid programs, our university partners will need to be accredited by an accrediting commission recognized by ED. 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 HEA requires accrediting commissions recognized by ED 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.

While we no longer own and operate an institution of higher education, nor do we directly participate in Title IV programs, regulatory matters that materially affect GCU and our other university partners will, necessarily, have a material impact on us. The following section describes regulatory matters that affect our university partners and that may affect us as an education service company to institutions of higher education generally.

State Post-Secondary Education Regulation

Our university partners are authorized to offer education by the relevant state authorizing agencies for the state in which the client is located. For example, GCU, our most significant university partner, is authorized to offer programs by the Arizona State Board for Private Postsecondary Education, the regulatory agency governing private post-secondary educational institutions in the State of Arizona, where it is located. This authorization is very important to our university partners and, as a result, to our business. To maintain their state authorization, our university partners 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 university partners' failure to comply with the requirements of a state regulatory agency could result in our university partners' losing their ability to offer educational programs, which would cause our university partners to lose their eligibility to participate in the Title IV programs and could force them, and us, to cease operations. Alternatively, a state regulatory body could restrict our university partners' ability to offer new or certain degree and non-degree programs, which may impair our ability to grow.

State regulatory requirements for online education have historically varied among the states. To address this issue and to meet new ED requirements many schools have applied and sought to become 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 post-secondary distance education courses and programs. It is intended to make it easier for students to take online courses offered by post-secondary institutions based in another state. SARA is overseen by a national council (NC-SARA) and administered by four regional education compacts. GCU has been granted membership in SARA in Arizona (AZ-SARA), which is administered by the Western Interstate Commission for Higher Education (referred to as W-SARA). 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, 2021, all states other than California are members of SARA.

Any state that does not participate in SARA may impose regulatory requirements on out-of-state higher education institutions operating within their boundaries, such as those having a physical facility or conducting certain academic activities within the state. GCU, for example, currently enrolls students in all 50 states and the District of Columbia. Although it is currently licensed, authorized, in-process, or exempt in all non-SARA jurisdictions in which it operates, if it fails to comply with state licensing or authorization requirements for a state, or fails to obtain licenses or authorizations when required, it could lose its 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 ED. The loss of licensure or authorization by a university partner in any non-SARA state could prohibit us from recruiting prospective students or offering services to current students in that state on behalf of such university partner, which could significantly affect our business.

Individual state laws establish standards in areas such as instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters. To the extent required with respect to an educational service category covered by our contractual relationship, we expect to assist our university partners in meeting these requirements. 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 ED and may require the posting of surety bonds. While we are not directly subject to those laws, those laws may inhibit our university partners from expanding or operating in those states, limiting our ability to serve our university partners, which could significantly affect our business. In addition, state laws can indirectly regulate how GCE provides its services to its university partners. For example, some states have considered new requirements that would dictate what information GCE must convey to students and prospective students and impose reporting requirements related to the nature of our services. To the extent such requirements were ultimately enacted into law, they could significantly affect our business.

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 healthcare, education, 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 nursing and teaching. Many states will certify individuals if they have already been certified in another state.

Prior to opening a new off-campus classroom and laboratory site, university partners often require approval from the applicable state board to offer its programs at that location. This can delay the site opening and timing can vary based on the state and the university partner.

Although not directly regulated by these entities, we must be mindful of the requirements placed by state professional licensure bodies on our university partner institutions to ensure those institutions maintain that licensure.

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 ED, 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.

Our most significant university partner, GCU has been regionally accredited by the HLC and its predecessor since 1968, most recently obtaining reaccreditation in 2017 for the ten-year period through 2027. The HLC is an accrediting agency recognized by the Secretary of Education and accredits entire institutions of higher education. The HLC has historically been categorized as a regional accreditor. Institutional accreditation by a recognized accreditation agency is one of the prerequisites for an institution of higher education to be eligible to disburse Title IV aid to students. In addition, GCU holds a number of programmatic accreditations related to the conduct of specific programs of the college. Other colleges and universities depend, in part, on an institution's accreditation (institutional, and, in some cases, programmatic) 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.

University partners other than GCU may be accredited by different accrediting bodies that are likely to have standards that are different from those of the HLC. Moreover, other university partners may also hold various programmatic accreditations that set additional requirements related to specific programs. As we work with university partners in different regions we will need to work with those accrediting bodies and tailor our services to meet the requirements of those accreditors.

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 HEA and the regulations issued thereunder by ED. An institution must, among other things, be licensed or authorized to offer its educational programs by the state in which it is physically located and maintain institutional accreditation by an accrediting commission recognized by ED.

The substantial amount of federal funds disbursed to schools through the Title IV programs and the large number of students and institutions participating in these programs have caused Congress to require ED to exercise considerable regulatory oversight over educational institutions. As a result, our university partners are subject to extensive oversight and review. Because ED 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 to our university partners or to us directly.

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 HEA on a periodic basis, usually every five to six years, and the most recent reauthorization through September 30, 2013, occurred in August 2008. The reauthorized HEA reauthorized all of the Title IV programs in which institutions 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 the higher education industry generally. Because a significant percentage of our revenue is indirectly derived from the Title IV programs, any action by Congress that significantly reduces Title IV program funding or the ability of our university partners to participate in the Title IV programs could reduce the ability of some students to finance their education at our university partner institutions and materially decrease their student enrollment.

Eligibility and certification procedures. Each institution must apply periodically to ED 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. To the extent ED suspends, limits, modifies, conditions, or terminates any client institution's eligibility to participate in the Title IV programs, that action is likely to have a negative impact on our business. Indeed, this could range from disallowing the institution from adding new programs or terminating the institution from Title IV eligibility.

The Transaction resulted in a change in control of our most significant university partner, GCU, following which it began operating as a non-profit university and necessitating the application by GCU to ED for approval of the change in control and for a new program participation agreement. In November 2019, GCU received a new provisional program participation agreement, which granted GCU the ability to participate in the Title IV programs on a provisional basis through September 30, 2022. ED also informed GCU at that time, however, that GCU does not satisfy ED's definition of a nonprofit institution and, as a result, that ED will continue to treat GCU as a proprietary institution for purposes of its continued participation in Title IV programs.

Administrative capability. ED 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 ED'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.

As an education services company, we assist our university partners with some facets of these criteria. As such, we must be mindful of, and compliant with, the administrative capability requirements. If an institution fails to satisfy any of these criteria, ED 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.

Imposition of these sanctions could have a negative impact on our ability to conduct our business.

Financial responsibility. The HEA and ED regulations establish extensive standards of financial responsibility that institutions must satisfy in order to participate in the Title IV programs. ED 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 ED 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 ED 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.

ED 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. ED 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 ED oversight. 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.

As an education service company, we are not directly subject to this regulation. However, if ED were to determine that a university partner institution did not meet the financial responsibility standards due to a failure to meet the composite score or other financial responsibility factors, ED could impose a range of sanctions on the institution, such as requiring the institution to post a letter of credit, accept provisional certification (which would hamper the ability of the institution to add new programs), comply with additional ED monitoring requirements, agree to receive Title IV program funds under an arrangement other than ED's standard advance funding arrangement, such as the reimbursement system of payment or heightened cash monitoring, and comply with or accept other limitations on the ability to increase the number of programs it offers or the number of students it enrolls, any of which sanctions on our university partners could also adversely affect our business. In addition, because other regulators may use the composite score for their purposes, a poor composite score could have additional effects. For example, NC-SARA utilizes the composite score in determining whether an institution is eligible to participate in SARA.

Our most significant university partner, GCU, calculated its composite score following the Transaction with respect to its fiscal years ending June 30, 2021 and June 30, 2020. As of June 30, 2021 and 2020, GCU's composite score was 1.9 and 1.5, respectively, using the proprietary school calculation methodology. If GCU's future composite scores do not exceed 1.5, ED could impose sanctions. If any such sanctions were imposed, it could have a negative impact on our ability to conduct our business.

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 ED 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 ED 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 ED 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 ED program review. To the extent our services for a university partner include conducting returns to Title IV, as they do with GCU, we would likely be jointly and severally liable to ED, along with the relevant university partner, for return of those funds.

The "90/10 Rule." A requirement of the HEA, commonly referred to as the "90/10 Rule," that is applicable only to proprietary, post-secondary educational institutions, 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 ED. 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 ED's cash-basis, regulatory formula under the 90/10 Rule as currently in effect, GCU, our most significant client, derived approximately 69.7% and 71.8% of its 90/10 Rule revenue from Title IV program funds for the fiscal years ended June 30, 2021 and 2020, respectively. Accordingly, even if ED continues to treat GCU as a proprietary institution for Title IV purposes, we do not expect this rule to have any material impact on GCU.

In March 2021, the $1.9 trillion American Rescue Plan Act of 2021 ("ARPA") was signed into law. Among other things, the ARPA also includes a provision that amends the 90/10 rule. The ARPA amends the 90/10 rule by treating other "Federal funds that are disbursed or delivered to or on behalf of a student to be used to attend such institution" in the same way as Title IV funds are currently treated in the 90/10 rule calculation. This means that institutions subject to the 90/10 Rule will be required to limit the combined amount of Title IV funds and applicable "Federal funds" revenue in a fiscal year to no more than 90% in a fiscal year as calculated under the rule. Consequently, the ARPA change to the 90/10 rule is expected to increase the 90/10 rule calculations at GCU. The ARPA does not identify the specific Federal funding programs that will be covered by this provision, but it is expected to include funding from federal student aid programs such as the veterans' benefits programs. GCU has informed us that it does not believe any change to the 90/10 rule calculation being currently discussed will have a material impact on its calculation.

The ARPA states that the amendments to the 90/10 rule apply to institutional fiscal years beginning on or after January 1, 2023 and are subject to the HEA's negotiated rulemaking process which may not commence earlier than October 1, 2021. The ED has started the negotiated rulemaking process and completed the first round of negotiations on January 21, 2022. We cannot predict the additional changes to the 90/10 rule or other regulations that might occur as a result of negotiated rulemaking to be conducted during 2021 and 2022 as required by the ARPA.

Student loan defaults. Under the HEA, 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, ED calculates a rate of student defaults for each institution (known as a “cohort default rate”). 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 (known as the “three-year method”).

ED applies legal thresholds to measure an institution’s compliance. If ED 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 ED 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%, ED may place the institution on provisional certification status.

While we cannot directly influence a university partner’s cohort default rates, and do not provide default rate management services, in the course of performing services for a university partner we would work to assist such university partner in ensuring that its cohort default rates do not present a compliance risk under this regulation. Nonetheless, if a university partner institution exceeded the threshold under the three-year method, the sanction imposed could have a negative impact on our ability to conduct our business. While GCU’s cohort default rates have historically been significantly below these levels, we cannot assure you that this will continue to be the case.

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. In its program participation agreement with ED, each higher education institution agrees that it will not “provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of Title IV, HEA program funds.” Pursuant to this rule, we are prohibited from offering our covered employees, who are those employees involved with or responsible for recruiting or admissions activities, any bonus or incentive-based compensation based on the successful recruitment, admission or enrollment of students into a postsecondary institution. We are also precluded from offering our covered employees who work on financial aid matters (if any), any bonus or incentive-based compensation based on the award of financial aid to students enrolled in a postsecondary institution.

In addition, the incentive compensation rule raises a question as to whether companies like ours, as an entity, are prohibited from entering into tuition revenue-sharing arrangements with university partners. On March 17, 2011, ED issued official agency guidance, known as a “Dear Colleague Letter,” or a DCL, providing guidance on this point. The DCL states that “[t]he Department generally views payment based on the amount of tuition generated as an indirect payment of incentive compensation based on success in recruitment and therefore a prohibited basis upon which to measure the value of the services provided” and that “[t]his is true regardless of the manner in which the entity compensates its employees.” But the DCL also provides an important exception to the ban on tuition revenue-sharing arrangements between institutions and third parties. According to the DCL, ED does not consider payment based on the amount of tuition generated by an institution to violate the incentive compensation ban if the payment compensates an “unaffiliated third party” that provides a set of “bundled services” that includes recruitment services, such as those we provide. Example 2-B in the DCL is described as a “possible business model” developed “with the statutory mandate in mind.” Example 2-B describes the following as a possible business model:

> “A third-party that is not affiliated with the institution it serves and is not affiliated with any other institution that provides educational services, provides bundled services to the institution including marketing, enrollment application assistance, recruitment services, course support for online delivery of courses, the provision of

technology, placement services for internships, and student career counseling. The institution may pay the entity an amount based on tuition generated for the institution by the entity's activities for all the bundled services that are offered and provided collectively, as long as the entity does not make prohibited compensation payments to its employees, and the institution does not pay the entity separately for student recruitment services provided by the entity."

The DCL guidance indicates that an arrangement that complies with Example 2-B will be deemed to be in compliance with the incentive compensation provisions of the HEA and ED's regulations. Our business model and contractual arrangements with our university partners closely follow Example 2-B in the DCL. In addition, we assure that none of our "covered employees" is paid any bonus or other incentive compensation in violation of the rule.

Because the bundled services rule was promulgated in the form of agency guidance issued by ED in the form of a DCL and is not codified by statute or regulation, the rule could be altered or removed without prior notice, public comment period or other administrative procedural requirements that accompany formal agency rulemaking. Similarly, a court could invalidate the rule in an action involving our company or our university partners, or in action that does not involve us at all. The revision, removal or invalidation of the bundled services rule by Congress, ED or a court could require us to change our business model.

In addition, we have requested guidance from ED that our specific model is proper under the incentive compensation rule and that our company is not an "affiliate" of GCU for purposes of the DCL. We are awaiting a response to this guidance request. See "Risk Factors – Risks Related to Our Business - If we are determined to have paid improper incentive compensation to our covered employees, or tuition sharing arrangements are deemed to violate the incentive compensation regulations, our business will be impaired."

Borrower Defense to Repayment regulations. ED has long had a regulation that establishes standards for borrowers that govern their ability to raise defenses to their obligation to repay certain Title IV loans, which defenses were based on certain acts or omissions of the institution that relate to the making of the loan for enrollment at the school or the provision of educational services for which the loan was provided and that gave rise to a cause of action under state law against the school. This regulation currently applies to all loans first disbursed prior to July 1, 2017.

In 2016, ED published a regulatory package related to "Borrower Defense to Repayment." This was a highly consequential rule that, among other things, would make it easier for borrowers – individually or in groups – to extinguish, in whole or in part, their student loans based on whether:

- The borrower or a governmental agency, has obtained against the school a nondefault, favorable contested judgment based on state or federal law in a court of administrative tribunal;

- The institution failed to perform its obligations under the terms of a contract with the student; or

- The school or any of its representatives (including contractors) or any institution, organization, or person with whom the school has an agreement to provide educational programs, or to provide marketing, advertising, recruiting or admissions services, made a substantial misrepresentation (as defined by ED regulations) that the borrower reasonably relied on to the borrower's detriment when the borrower decided to attend, or to continue attending, the school or decided to take out a Direct Loan.

These regulations also established separate procedures for claims initiated for individual borrowers and claims initiated for groups of borrowers as well as separate procedures in the event that the institution is open or closed. The rules established varying, borrower-favorable statutes of limitations for the initiation of claims and, in some cases, imposed an unlimited statute of limitations. If the ED official or hearing official approves the borrower's defense to repayment through the applicable administrative process established in the proposed regulations, ED may discharge the borrower's obligation to repay some or all of the borrower's student loans, may return to the borrower amounts already paid by the borrower toward the discharged portion of the loan, and may initiate a separate proceeding to collect the discharged and returned amounts from the institution.

Although ED attempted to prevent the effectiveness of these regulations, an October 2018 court decision mandated that the Borrower Defense to Repayment regulations that were originally published by ED in 2016 are now in effect and apply to loans first disbursed after July 1, 2017, and (because of recent regulatory developments) prior to July 1, 2020.

On September 23, 2019, ED published new regulations related to the "Borrower Defense to Repayment" regulations. These regulations, which were effective July 1, 2020 modify the existing regulations to now permit borrowers to raise as a defense to repayment on a student loan any statement, act, or omission to a borrower that is false, misleading, or deceptive; made with knowledge of its false, misleading, or deceptive nature or with a reckless disregard for the truth; and directly and clearly related to the making of a Direct Loan for enrollment at the school or the provision of educational services for which the loan was made. Among other things, the new regulations modify the procedures and standards for borrowers to assert through an ED-administered process a defense to the borrowers' obligation to repay certain Title IV loans first disbursed on or after July 1, 2020, based on certain acts or omissions by the institution or a covered party. The procedures establish a process for students to obtain a loan discharge by establishing by a preponderance of the evidence that the institution made a misrepresentation of material fact, upon which the borrower reasonably relied in deciding to obtain a covered loan, where such misrepresentation directly and clearly relates to enrollment or continuing enrollment at the institution or to the provision of educational services for which the loan was made, and where the borrower was financially harmed by the misrepresentation. The regulations establish revised definitions for misrepresentation and financial harm, identify a nonexclusive list of items that may be evidence that a misrepresentation occurred, identify a list of items that do not constitute a basis for a defense to repayment. The regulations also set forth rules on a limitations period for submitting claims and circumstances for extending this period, on the requirements for submitting an application for a discharge, on the consideration of the application by ED, on the opportunities for the institution to respond and submit evidence, and on the process for discharging the borrower's loan and for ED to seek recovery of the discharged amounts from the institution.

In addition to revising the claims for defenses to repayment, the 2019 Borrower Defense to Repayment regulations that became effective on July 1, 2020, revises the financial responsibility regulations that were a part of the 2016 version of those regulations. The 2019 regulation shortens and reduces the scope of the list of events that could result in ED determining that an institution has failed ED's financial responsibility standards and requiring a letter of credit or other form of acceptable financial protection and the acceptance of other conditions or requirements. Specifically, the regulations establish revised lists of mandatory triggering events and discretionary triggering events. The regulation also establishes discretionary triggering events for which ED may determine that an institution is not able to meet its financial or administrative obligations if the events are likely to have a material adverse effect on the financial condition of the institution. The regulations require the institution to notify ED of the occurrence of a mandatory or discretionary event in accordance with procedures established by ED, typically within 10 days of the occurrence of the event with certain exceptions. ED may make a determination that an institution fails to meet the financial responsibility standards based on the occurrence of one or more mandatory or discretionary triggers and impose a letter of credit and/or other conditions upon the institution. As with the 2016 version of this rule, the 2019 version of the regulations could require institutions we service – like GCU – to submit a letter of credit or other form of acceptable financial protection and accept other conditions or requirements. This could put financial strain on our university partners and negatively affect our business.

Note, the borrower defense to repayment regulations discussed herein were and are extensive and this does not attempt to discuss all the facets of any of the versions of these regulations. Moreover, as discussed below, the ED is currently undergoing a regulatory process designed to revise these regulations. While we are watching this process closely, we cannot determine what the outcome will be or the effect of these regulations on out university partners or on GCE.

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

As a third-party servicer, not only are our university partners subject to reviews and audits that may require our involvement, but we are also subject to program reviews from ED and the Office of the Inspector General. Further, we also have an obligation to annually submit to ED a Title IV compliance audit conducted by an independent certified public accountant in accordance with applicable federal and ED audit standards.

Gainful employment rules. Under the HEA, 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. ED attempted to define this in a series of regulations from 2010 to 2016. On July 1, 2019, ED rescinded the previously enacted gainful employment regulations. While this change was effective July 1, 2020, ED also permitted institutions to enact this change as early as July 1, 2019, so long as any such institution made manifest its intention to be subject to the rescinded regulations. It is our understanding that GCU had made manifest that intention and, as of July 1, 2019, is no longer subject to the gainful employment rules. While GCU largely complied with the previously published gainful employment rules, the previously published draft rates did indicate that four current degree programs were in the "Zone" – that is, potentially faced sanctions in the future if GCU could not reform the program to comply with the regulations – including three undergraduate education programs and the Masters in Theology.

As discussed below, the Department is currently engaged in a negotiated rulemaking on the gainful employment rule. While we are watching this process closely, we cannot determine what the outcome will be or the effect of these regulations on out university partners or on GCE.

Substantial misrepresentation. The HEA 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. ED 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.

The regulation also covers statements made by any representative of an institution, including agents, employees and subcontractors, and statements made directly or indirectly to any third party, including state agencies, government officials or the public, and not just to students or prospective students. Therefore, we are subject to this regulation.

Considering the breadth of the definition of "substantial misrepresentation," it is possible that despite our efforts to prevent such misrepresentations, our employees or contractors may make statements that could be construed as substantial misrepresentations for which our university partners would be held responsible by ED. We and our employees and subcontractors, as agents of our university partners, must use a high degree of care to comply with such rules and are prohibited by contract from making any false, erroneous or misleading statements about our university partners. To avoid an issue under the misrepresentation rule and similar rules, we assure that all marketing materials are approved in advance by our university partners before they are used by our employees and we carefully monitor our subcontractors.

Additionally, matters regarding substantial misrepresentation, and defining what constitutes "aggressive recruiting," are currently the subject of negotiated rulemaking. While we are watching this process closely, we cannot determine what the outcome will be or the effect of these regulations on out university partners or on GCE.

Despite our best efforts, we may face complaints from students and prospective students of our university partners over statements made by us and our agents throughout the conduct of our services which would expose our university partners, and derivatively 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. Also, if ED determines that an institution (including its contractors) has engaged in substantial misrepresentation, ED 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. Similar rules apply under state laws or are incorporated in institutional accreditation standards and the Federal Trade Commission, or FTC, applies similar rules prohibiting any unfair or deceptive marketing practices to the education sector. If ED or another regulator 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.

Negotiated Rulemaking. The ED periodically issues new regulations and guidance that can have an adverse effect on our partner institutions. The ED has changed its regulations, and may make other changes in the future, in a manner which could require us to incur additional costs in connection with providing the services that we provide our partners affect their ability to remain eligible to participate in the Title IV programs, impose restrictions on their participation in the Title IV programs, affect the rate at which students enroll in our partners' programs, or otherwise have a significant impact on our business and results of operations. We cannot predict the timing and content of any new regulations or guidance that the ED may seek to impose or whether and to what extent the ED under the new administration may issue new regulations and guidance that could adversely impact our partner institutions.

In May 2021, the ED announced its intention to establish negotiated rulemaking committees to prepare proposed regulations on an extensive range of topics including without limitation changes of ownership and change in control of institutions of higher education, certification procedures for participation in the Title IV programs, standards of administrative capability, ability to benefit standards, borrower defense to repayment, discharges for borrowers with a total and permanent disability, closed school loan discharges, discharges for false certification of student eligibility, loan repayment plans, the public service loan forgiveness program, mandatory pre-dispute arbitration and prohibition of class action lawsuits provisions in institutional enrollment agreements, financial responsibility standards including events that indicate heightened financial risk, gainful employment, and Pell Grant eligibility for prison education programs. The ED also could consider additional topics for proposed regulations during the negotiated rulemaking process. The negotiated rulemaking process could lead to future ED regulations that could adversely impact our partner institutions.

The negotiated rulemaking sessions began on October 4, 2021. The topics have included total and permanent disability discharges, closed school discharges, public student loan forgiveness, borrower defense to repayment, aggressive recruiting, pre-dispute arbitration and class action waivers, income driven repayment, interest capitalization, false certification discharges, and prison exchange programs and could include other issues that the ED might add to the agenda. The remaining sessions are scheduled to occur periodically through March 2022. The ED is expected to publish proposed regulations in the *Federal Register* for public comment during the period after the conclusion of the negotiated rulemaking sessions. If the final regulations are published by or before November 1, 2022, then the regulations typically would not take effect until July 1, 2023. However, we cannot predict the ultimate timing and content of any final regulations following the conclusion of the rulemaking process.

Additionally, on October 4, 2021, the ED published a notice in the *Federal Register* announcing its intention to establish a negotiated rulemaking committee to prepare proposed regulations affecting institutional and programmatic eligibility, including the gainful employment rule and the 90/10 rule changes made by the ARPA.

We also cannot predict with certainty the ultimate combined impact of the regulatory changes which have occurred in recent years and that may occur as a result of the upcoming negotiated rulemaking, nor can we predict the effect of future legislative or regulatory action by federal, state or other agencies regulating our education programs or other aspects of our operations, how any resulting regulations will be interpreted or whether we and our partner institutions will be able to comply with these requirements in the future. Any such actions by legislative or regulatory bodies that affect our programs and operations could have a material adverse effect on our student population and our partner institutions, including the need to cease offering a number of programs.

Regulatory Standards that May Restrict Institutional Expansion or Other Changes

Many actions that our university partners may wish to take in connection with expanding their operations or other changes are subject to review or approval by the applicable regulatory agencies. For example, requirements and standards of state post-secondary agencies, accrediting commissions, and ED limit an institution's 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 many states limit the number of pre-licensure professional students (such as nursing) colleges may enroll. Similarly, accrediting agencies (institutional and programmatic) 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 ED, if an institution participating in the Title IV programs plans to add a new location or educational program, the institution must generally apply to ED to have the additional location or educational program designated as within the scope of the institution's Title IV eligibility. Institutions that are fully certified to participate in the Title IV programs are not required to obtain ED'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 ED, 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 ED as an eligible program at that institution if it meets certain minimum-length requirements. GCU, because it is currently certified to participate in the Title IV programs through September 30, 2022, is required to obtain ED approval for new programs, which requirement could impede GCU's ability to introduce new programs and slow its growth.

Item 1A. *Risk Factors*

There are many factors that affect our business, financial condition, operating results, cash flows and distributions, as well as the market price for our securities. The following is a description of important factors that may cause our actual results of operations in future periods to differ materially from those currently expected or discussed in forward-looking statements set forth in this Annual Report. Additional risks and uncertainties not presently known to us or that we may currently deem immaterial also may impair our business operations. Forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except to the extent otherwise required by law. See "Forward-Looking Statements." 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.

In January 2019, we began providing education services to numerous university partners across the United States, through our wholly owned subsidiary, Orbis Education, which we acquired on January 22, 2019. Since the Acquisition, GCE, together with Orbis Education, has continued to add additional university partners. In the healthcare field, we work in partnership with a growing number of top universities and healthcare networks across the country, offering healthcare-related academic programs at off-campus classroom and laboratory sites located near healthcare providers and developing high-quality, career-ready graduates who enter the workforce ready to meet the demands of the healthcare industry. In addition, we have begun providing certain services to a university partner to assist them in expanding their online graduate programs. While we currently provide services to 27 university partners across the United States, GCU is, and will for the foreseeable future remain, our most significant university partner. Accordingly, the risk factors set forth below include risks attributable to GCU's operations, which could materially affect us.

Risks Related to Our Relationship with GCU

A large percentage of our revenue is attributable to our contractual relationship as a service provider to GCU, and the loss of, or a decline in enrollment in, GCU programs could significantly reduce our revenue and impact our overall financial performance.

We expect the revenue derived from our Master Services Agreement with GCU to account for a large percentage of our revenue for the foreseeable future. Any decline in reputation or changes in policies of GCU could adversely affect its student enrollment and its overall financial and operating results, which could materially impact us.

Furthermore, GCU has the right to terminate the Master Services Agreement early after the later of seven (7) years or the payment in full of the Secured Note (defined below) and, upon the termination or expiration of the Master Services Agreement, GCU is not required to continue using us as the provider of the services set forth thereunder. If GCU were to terminate or not renew its relationship with us, or if certain of the programs offered by GCU pursuant to the Master Services Agreement were to materially underperform for any reason, it could negatively affect our reputation, revenue and future operating results.

GCU's board of trustees and management have fiduciary and other duties that require them to focus on the best interests of GCU and, over time, those interests could diverge from those of GCE.

GCU is a separate Arizona non-profit corporation under the control of an independent board of trustees, none of whose members have ever served in a management or corporate board role at GCE. Accordingly, GCE's relationship with GCU, both pursuant to the Master Services Agreement and operationally, is no longer as owner and operator, but as a third-party service provider to an independent customer. While GCE believes that its relationship with GCU will remain strong, GCU's board of trustees and management have fiduciary and other duties that require them to focus on the best interests of GCU and, over time, those interests could diverge from those of GCE.

Our Chief Executive Officer's role as President of GCU may adversely affect his ability to run GCE.

Mr. Brian E. Mueller has served as the Chief Executive Officer of GCE since 2008, the Chairman of the Board of GCE since 2017 and the President of GCU since 2012. In connection with the Transaction, the Board of Directors of GCE and the board of trustees of GCU each determined that Mr. Mueller should retain those roles. Accordingly, Mr. Mueller serves as the Chairman of the Board and Chief Executive Officer of GCE and as the President of GCU, although he is prohibited from serving on the board of trustees of GCU. Our Board and the board of trustees of GCU each recognized that Mr. Mueller's dual role could raise conflict of interest issues. Accordingly, at the time of the Transaction, GCU adopted governance provisions that prohibit Mr. Mueller from serving on the board of trustees of GCU. We also jointly imposed a structure, through GCU's governance documents and through express provisions of the Master Services Agreement, that prevent Mr. Mueller from participating in day-to-day management of, or negotiations between GCE and GCU relating to, the Master Services Agreement. In addition, Mr. Mueller's dual capacity may at times adversely affect his ability to devote time, attention, and effort to GCE.

Other Risks Related to Our Business

The recent global coronavirus outbreak could harm our business, results of operations, and financial condition, and has harmed our most significant university partner.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious outbreak, which has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated non-essential business closures, have adversely affected workforces, organizations, customers, economies and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours, and those of our university partners.

This outbreak, as well as measures taken to contain the spread of COVID-19, has impacted GCU's students and its business in a number of ways. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* – Impact of COVID-19.

The COVID-19 outbreak could cause future disruptions to our university partners, including, but not limited to:

- decreasing the student enrollments at our university partners as students might delay their education including those that relocate to attend class;
- decreasing the number of residential students at GCU;
- impacting current and prospective university partners' desire to launch new locations with us;
- negatively impacting collections of accounts receivable from university partners;

- negatively impacting our ability to facilitate placements for students in clinical graduate programs which could delay their path to graduation; and
- harming our business, results of operations and financial condition.

The outbreak also presents challenges as approximately 90% of our entire workforce is currently, and is expected to continue for the foreseeable future, working remotely and this could cause increased risks in the areas of internal control, cyber security and the use of remote technology, which could result in interruptions or disruptions in normal operational processes.

The COVID-19 pandemic continues to present material uncertainty and risk with respect to our financial condition, results of operations, cash flows and performance and it is not possible for us to completely predict the duration or magnitude of the adverse results of the outbreak and its effects on us. The COVID-19 pandemic may also have the effect of heightening many of the risk factors identified in this Annual Report on Form 10-K, such as those related to disruption or failures of our learning platform.

If we are determined to have paid improper incentive compensation to our covered employees, or tuition sharing arrangements are deemed to violate the incentive compensation regulations, our business will be impaired.

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. Current regulations provide that higher education institutions agree that it will not "provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of title IV, HEA program funds." Pursuant to this regulation, we are prohibited from offering our covered employees, which are those involved with or responsible for recruiting or admissions activities, any bonus or incentive-based compensation based on the successful recruitment, admission or enrollment of students into a postsecondary institution. We are also precluded from offering our covered employees that work on financial aid matters (if any), any bonus or incentive-based compensation based on the award of financial aid to students enrolled in a postsecondary institution.

In addition, the regulation raises a question as to whether companies like ours, as an entity, are prohibited from entering into tuition revenue-sharing arrangements with university partners. On March 17, 2011, ED issued official agency guidance, known as a "Dear Colleague Letter," or the DCL, providing guidance on this point. The DCL states that "[t]he Department generally views payment based on the amount of tuition generated as an indirect payment of incentive compensation based on success in recruitment and therefore a prohibited basis upon which to measure the value of the services provided" and that "[t]his is true regardless of the manner in which the entity compensates its employees." But the DCL also provides an important exception to the ban on tuition revenue-sharing arrangements between institutions and third parties. According to the DCL, ED does not consider payment based on the amount of tuition generated by an institution to violate the incentive compensation ban if the payment compensates an "unaffiliated third party" that provides a set of "bundled services" that includes recruitment services, such as those we provide. Example 2-B in the DCL is described as a "possible business model" developed "with the statutory mandate in mind." Example 2-B describes the following as a possible business model:

> "A third party that is not affiliated with the institution it serves and is not affiliated with any other institution that provides educational services, provides bundled services to the institution including marketing, enrollment application assistance, recruitment services, course support for online delivery of courses, the provision of technology, placement services for internships, and student career counseling. The institution may pay the entity an amount based on tuition generated for the institution by the entity's activities for all the bundled services that are offered and provided collectively, as long as the entity does not make prohibited compensation payments to its employees, and the institution does not pay the entity separately for student recruitment services provided by the entity."

The DCL guidance indicates that an arrangement that complies with Example 2-B will be deemed to be in compliance with the incentive compensation provisions of the HEA and ED's regulations. Our business model and contractual arrangements with our university partners closely follow Example 2-B in the DCL. In addition, we assure that none of our “covered employees” is paid any bonus or other incentive compensation in violation of the rule.

Because the bundled services rule was promulgated in the form of agency guidance issued by ED in the form of a DCL and is not codified by statute or regulation, the rule could be altered or removed without prior notice, public comment period or other administrative procedural requirements that accompany formal agency rulemaking. Similarly, a court could invalidate the rule in an action involving our company or our university partners, or in action that does not involve us at all. The revision, removal or invalidation of the bundled services rule by Congress, ED or a court could require us to change our business model.

We may have difficulty integrating future acquisitions, which would reduce the anticipated benefits of those transactions and the Acquisition.

In addition to the Acquisition in January 2019, we intend to continually evaluate potential acquisitions of complementary businesses, products, services and technologies, including those that are significant in size and scope. The risks we may encounter in acquisitions include:

- if we incur significant debt to finance a future acquisition and our business does not perform as expected, we may have difficulty complying with debt covenants;
- we may be unable to make a future acquisition which is in our best interest due to our existing indebtedness;
- if we use our stock to make a future acquisition, it will dilute existing stockholders;
- we may have difficulty assimilating the operations and personnel of any acquired company;
- the challenge and additional investment involved with integrating new products, services and technologies into our sales and marketing process;
- our ongoing business may be disrupted by transition and integration issues;
- the costs and complexity of integrating the internal information technology infrastructure of each acquired business with ours may be greater than expected and may require additional capital investments;
- we may be unable to achieve the financial and strategic goals for any acquired businesses;
- we may have difficulty in maintaining controls, procedures and policies during the transition and integration period following a future acquisition;
- our relationships with existing clients could be adversely affected; and
- as successor we may be subject to certain liabilities of our acquisition targets.

Our failure to effectively integrate any future acquisition would adversely affect the benefit of such transaction, including potential synergies or sales growth opportunities, in the time frame anticipated.

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

Building awareness of our university partner institutions, and the programs they 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 the programs of our client institutions. Some of the factors that could prevent us from successfully recruiting, enrolling, and retaining students in those programs include:

- with respect to GCU, ED’s determination to treat GCU as a proprietary institution for Title IV purposes, which could impact our ability to recruit students to GCU;
- 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 of our client institutions to maintain institutional and specialized accreditations;
- the requirements of the education agencies that regulate our client institutions which could restrict their initiation of new programs and modification of existing programs;
- the requirements of the education agencies that regulate our university partner institutions which restrict the ways schools can compensate their recruitment personnel;
- increased regulation of online education, including in states in which our university partner institutions 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 post-secondary 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 the programs offered by any university partner institution.

If we are unable to continue to develop awareness of the programs of our university partners, and to recruit, enroll, and retain students, 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 meet the needs of our client institutions.

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 as well as technology to meet the back-office support needs of our client institutions' students. 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.

A decline in the overall growth of enrollment in post-secondary institutions, or in the number of students seeking degrees online, could cause our university partner institutions to experience lower enrollment, which could negatively impact our future growth.

Based on industry analyses, enrollment growth in degree-granting, post-secondary institutions is slowing and that the number of high school graduates that are eligible to enroll in degree-granting, post-secondary institutions is expected to continue 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 to our client institutions and work with university partner institutions to create new academic programs. In addition, if job growth in the fields related to our university partners' 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 our clients offer. Our failure to attract new students for our university partners, or the decisions by prospective students to seek degrees in other disciplines, would have an adverse impact on our future growth.

We face competition from established and other emerging companies, which could divert university partners to our competitors, result in pricing pressure and significantly reduce our revenue.

We expect existing competitors and new entrants to the educational services market to revise and improve their business models constantly in response to challenges from competing businesses, including ours.

Our primary competitors include EmbanetCompass (owned by Pearson), Wiley Education Services, and 2U. There are also several new and existing vendors providing some or all of the services we provide to other segments of the education market, and these vendors may pursue the institutions we target. In addition, colleges and universities may choose to continue using or to develop their own solutions in-house, rather than pay for our solutions.

Increased competition may result in changes in the revenue share percentage we are able to negotiate to receive from a university partner. The competitive landscape may also result in longer and more complex sales cycles with a prospective university partner, which would negatively affect our ability to add additional university partners and thus our ability to grow our business.

A number of competitive factors could cause us to lose potential university partner opportunities or force us to offer our solutions on less favorable economic terms, including

- competitors may develop service offerings that our potential university partners find to be more compelling than ours;
- competitors may adopt more aggressive pricing policies and offer more attractive sales terms, adapt more quickly to new technologies and changes in university partner and student requirements, and devote greater resources to the acquisition of qualified students than we can; and
- current and potential competitors may establish cooperative relationships among themselves or with third parties to enhance their products and expand their markets, and our industry is likely to see an increasing number of new entrants and increased consolidation. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share.

We may not be able to compete successfully against current and future competitors. In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully against our competitors, our ability to grow our business could be impaired.

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 primary university partner's applicants and students, 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 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 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. Similarly, California passed the California Consumer Privacy Act (CCPA) in 2018 (which went into effect in 2020), and Massachusetts recently proposed MA Bill SD 341, "An Act relative to consumer data privacy." There are similar bills pending in a number of other states, as well. CCPA and MA Bill SD 341 each represent a trend toward stronger privacy protections and greater data transparency in the U.S. Currently, federal law legislates privacy on an industry by industry basis. Without an overarching federal law driving privacy compliance, the risk is high of a patchwork of privacy legislation formed by individual state laws, similar to the states' approach to breach notification obligations. This could not only increase costs for compliance but also raise the risk of enforcement by individual state Attorneys General. 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 university partner's 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.

We are required to comply with The Family Educational Rights and Privacy Act, or FERPA, and failure to do so could harm our reputation and negatively affect our business.

FERPA generally prohibits an institution of higher education participating in Title IV programs from disclosing personally identifiable information from a student's education records without the student's consent. Our university partners and their students disclose to us certain information that originates from or comprises a student education record under FERPA. As an entity that provides services to institutions participating in Title IV programs, we are indirectly subject to FERPA, and we may not transfer or otherwise disclose any personally identifiable information from a student record to another party other than in a manner permitted under the statute. If we violate FERPA, it could result in a material breach of contract with one or more of our university partners and could harm our reputation. Further, in the event that we disclose student information in violation of FERPA, the ED could require a university partner to suspend our access to their student information for at least five years.

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 the online programs of our university partners, is critical to our operations, reputation and to our ability to attract and retain students on our university partners' behalf. 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 the 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 operations. Individual, sustained, or repeated occurrences could significantly damage the reputation of our technology/services and result in a loss of potential or existing students of our university partner institutions. Additionally, our 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 operations could have a material adverse effect on our ability to attract students to our university partner's programs and to retain those students.

Risks Related to the Extensive Regulation of The Higher Education Industry

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

To participate in the Title IV programs, a school must be authorized by the appropriate state post-secondary agency or agencies, be accredited by an accrediting commission recognized by ED, and be certified as an eligible institution by ED. In addition, the operations and programs of our primary university partner, and any future university partners, are regulated by other state education agencies and additional accrediting commissions. As a result of these requirements, we are subject to extensive regulation from state entities, institutional accrediting commissions, specialized accrediting commissions, and ED. These regulatory requirements cover many of our operations, as well as the operations of our university partners. These include regulations related to educational programs, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, and financial condition of any university partner. These regulatory requirements also affect our ability to assist university partner institutions with adding new educational programs and changing existing educational programs. The agencies that regulate higher education 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 (or any university partner has) interpreted or applied these requirements. Any misinterpretation of regulatory requirements could materially adversely affect us. If we fail, or any university partner institution fails, to comply with any of these regulatory requirements, we or any university partner could suffer financial penalties, limitations on our operations, or other sanctions, each of which could materially adversely affect us. In addition, if we or any university partner are charged with regulatory violations, our reputation could be damaged, which could have a negative impact on our stock price and enrollments at university partner institutions. ED and other regulators have increased the frequency and severity of their enforcement actions against post-secondary schools. In some cases, these enforcement actions have resulted in material sanctions, 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 ED could materially and adversely affect our business.

Over the past few years, the ED has regularly promulgated new regulations and guidance that impact our university partners and our business directly. These and other regulations and guidance documents, including those discussed above under "Business – Regulation," can increase our operating costs and, in some cases, 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 third-party servicers, could further negatively impact our business.

If ED does not recertify a university partner institution to continue participating in the Title IV programs, the students we assist would lose their access to Title IV program funds, or a university partner institution could be recertified but required to accept significant limitations as a condition of its continued participation in the Title IV programs.

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

As an example, on November 6, 2019, ED informed GCU that it had approved the Transaction and granted to GCU a provisional Program Participation Agreement ("PPA"), permitting GCU to participate in Title IV, HEA programs on a provisional basis for the period through September 30, 2022. This PPA, which was automatically granted on a provisional basis due to the fact that the Transaction constituted a change of control of GCU, was granted without any requirement to post a letter of credit or any growth restrictions. Accordingly, GCU is authorized to participate in Title

IV, HEA programs for the stated period. GCU will need to reapply for certification on or before June 30, 2022 to continue its participation in the Title IV HEA programs and, at that time, a determination will be made whether GCU meets the requirements for full certification.

There can be no assurance that ED will recertify any university partner institution at that time or that it will not impose conditions or other restrictions on any university partner institution as a condition of approving any future recertification. If ED does not renew or withdraws certification to participate in the Title IV programs from any university partners, students at that institution would no longer be able to receive Title IV program funds. Alternatively, ED could renew a university partner institution's certification, but restrict or delay students' receipt of Title IV funds, limit the number of students to whom it can disburse such funds, place other restrictions on the institution, or it could delay recertification after any university partners' program participation agreement expires, in which case our university partner's certification would continue on a month-to-month basis. Any of these outcomes could have a material adverse effect on our university partners' enrollments and us.

A university partner institution could lose the ability to participate in the Title IV programs if it fails to maintain its institutional accreditation, and our university partners' student enrollments could decline if a client institution fails to maintain any of its accreditations or approvals.

An institution must be accredited by an accrediting commission recognized by ED in order to participate in the Title IV programs. Our primary university partner, GCU has been regionally accredited by the HLC and its predecessor since 1968, most recently obtaining reaccreditation in 2017 for the ten-year period through 2027, and the HLC approved the Transaction in February 2018. Some of our other partners are accredited by HLC while the others are accredited by different accrediting bodies that are likely to have standards that are different from those of the HLC. Accrediting bodies review the accredited status of institutions periodically (for example, the HLC reviews institutions every ten years, along with a mid-term report in year four).

If any client institution fails to satisfy the relevant accrediting standards, it could lose accreditation, which would cause a revocation of its eligibility to participate in the Title IV programs. This could cause a significant decline in student enrollments and could have a material adverse effect on us. In addition, many university partner institutions will have educational programs that are also accredited by specialized accrediting commissions or approved by specialized state agencies. If our university partner institutions fail to satisfy the standards of any of those specialized accrediting commissions or state agencies, the institution 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.

A university partner institution may lose eligibility to participate in the Title IV programs if its 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 GCU's cohort default rates, for example, 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 students could contribute to higher default rates on student loans. In addition, while we will conduct appropriate diligence on new university partner institutions, we cannot guarantee that all university partner institutions will have a cohort default rate as low as GCU. Having a university partner exceed the student loan default rate thresholds and losing 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 default rates to increase, could materially adversely affect us.

If our university partner institutions do not meet specific financial responsibility standards established by ED, they may be required to post a letter of credit or accept other limitations in order to continue participating in the Title IV programs, or could lose 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 ED or post a letter of credit in favor of ED 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. As a service provider, we are not directly subject to this regulation. However, if ED were to determine that a university partner institution did not meet the financial responsibility standards due to a failure to meet the composite score or other financial responsibility factors, ED could impose a range of sanctions on the institution, such as requiring the institution to post a letter of credit, accept provisional certification (which would hamper the ability of the institution to add new programs), comply with additional ED monitoring requirements, agree to receive Title IV program funds under an arrangement other than ED's standard advance funding arrangement, such as the reimbursement system of payment or heightened cash monitoring, and to comply with or accept other limitations on the ability to increase the number of programs offered by our client institutions or the number of students they enroll, any of which sanctions could have an adverse impact on our business. For example, GCU, calculated its composite score with respect to its fiscal years ending June 30, 2021 and 2020. As of June 30, 2021 and 2020, GCU's composite score was 1.9 and 1.5, respectively, using the proprietary school calculation. If GCU's future composite scores do not exceed 1.5, ED could impose sanctions. If any such sanctions were imposed on GCU or one of our other partners, it could have a negative impact on our ability to conduct our business. In addition, if its composite score dropped low enough, it could cause GCU to be ineligible for participation in NC-SARA, which would require GCU to become authorized in numerous states in which it operates or has students.

If our university partner institutions do not comply with ED's administrative capability standards, we could suffer harm.

To continue participating in the Title IV programs, an institution must demonstrate to ED that the institution is capable of adequately administering the Title IV programs under specific standards prescribed by ED. 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. As a service provider, we assist our university partners with some facets of these areas. As such, we must be mindful of, and compliant with, the administrative capability requirements. If our university partner institutions fail to satisfy any of these criteria, ED may assess financial penalties against such institutions, restrict the manner in which those institutions receive Title IV funds, require them to post a letter of credit, place them on provisional certification status, or limit or terminate participation in the Title IV programs, any of which could materially adversely affect us. As a third-party servicer, if we are the cause of the administrative deficiency, we may also face monetary sanctions and actions to limit, suspend, or terminate our ability to offer those and other services to institutions of higher education.

A finding that our university partner institutions violated ED's substantial misrepresentation regulation could materially and adversely affect our business.

The HEA 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.

The regulation also covers statements made by any representative of an institution, including agents, employees and subcontractors, and statements made directly or indirectly to any third party, including state agencies, government officials or the public, and not just to students or prospective students. Considering the breadth of the definition of "substantial misrepresentation," it is possible that despite our efforts to prevent such misrepresentations, our employees or contractors may make statements that could be construed as substantial misrepresentations for which our current and any future university partners would be held responsible by ED. We and our employees and subcontractors, as agents of our university partners, must use a high degree of care to comply with such rules and are prohibited by contract from making any false, erroneous or misleading statements about our university partners. To avoid an issue under the misrepresentation rule and similar rules, we assure that all marketing materials are approved in advance by our university partners before they are used by our employees and we carefully monitor our employees and subcontractors conversations with students and prospective students.

Despite our best efforts, we may face complaints from our university partners' students and prospective students over statements made by us and our agents throughout the conduct of all our services which would expose our university partners, and derivatively 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. Also, if ED determines that an institution (including its contractors) has engaged in substantial misrepresentation, ED 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. Similar rules apply under state laws or are incorporated in institutional accreditation standards and the FTC applies similar rules prohibiting any unfair or deceptive marketing practices to the education sector. If ED or other regulator determines that statements made by us or on our university partner's 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.

To the extent we are performing return to Title IV calculations for our university partner institutions, 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 ED in a timely manner, generally within 45 days of the date the school determines that the student has withdrawn. To the extent our services for a university partner include conducting returns to Title IV, as they do with our primary university partner, GCU, we would likely be jointly and severally liable to ED, along with the relevant client, for return of those funds. Further, we could be fined or otherwise sanctioned by ED, 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 continue providing these services to other university partner institutions, which would materially affect us.

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 university partner institutions, which could negatively impact our university partner institutions' enrollments, revenue and results of operations.

The U.S. Congress must periodically reauthorize the HEA and annually determine the funding level for each Title IV program. In 2008, the HEA was reauthorized through September 30, 2013 by the Higher Education Opportunity Act. Changes to the HEA, 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.

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 client institutions or students to participate in Title IV programs would have a material adverse effect on our client institutions 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.

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

Our expansion efforts include developing new educational programs for our university partners. If our university partner institutions are unable to obtain the necessary approvals for such new programs or operations, or if our university partner institutions are unable to obtain such approvals in a timely manner, our ability to consummate the planned actions and the ability of our university partner institutions to provide Title IV funds to any affected students would be impaired, which could have a material adverse effect on our expansion plans. For example, GCU, because it is currently certified to participate in the Title IV programs through September 30, 2022 on a provisional basis, is required to obtain ED approval for new programs, which requirement could impede GCU’s ability to introduce new programs and slow its growth.

If our university partner institutions do not maintain state authorization, they 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. State authorization is also required for their students to be eligible to receive funding under the Title IV programs. To maintain their state authorization, our university partner institutions 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 our client institutions fail to satisfy any of these standards, they could lose state authorization to offer educational programs, which would also cause them to lose eligibility to participate in the Title IV programs and have a material adverse effect on us.

In addition, 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 other regulators. 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 ED requirements many schools have 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 post-secondary distance education courses and programs. It is intended to make it easier for students to take online courses offered by post-secondary institutions based in another state. SARA is overseen by a national council (NC-SARA) and administered by four regional education compacts. GCU, for example, has been granted membership in SARA in Arizona (AZ-SARA), which is administered by the Western Interstate Commission for Higher Education (referred to as W-SARA). 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 June 30, 2018, all states other than California are members of SARA.

Any state that does not participate in SARA may impose regulatory requirements on out-of-state post-secondary institutions operating within their boundaries, such as those having a physical facility or conducting certain academic activities within the state. GCU, for example, enrolls students in all 50 states and the District of Columbia. Although it is currently licensed, authorized, in-process, or exempt in all non-SARA jurisdictions in which it operates, if GCU fails to comply with state licensing or authorization requirements for a state, or fails to obtain licenses or authorizations when required, it could lose its state license or authorization by that state or be subject to other sanctions, including restrictions on its activities in, and fines and penalties imposed by, that state, as well as fines, penalties, and sanctions imposed by ED. The loss of licensure or authorization in any non-SARA state by a client institution could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our university partner's 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.

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 a university partner institution fails to comply with state licensing or authorization requirements for a state in which it operates, or fails to obtain licenses or authorizations when required, it could lose its state licensure or authorization by that state or be subject to other sanctions, including restrictions on its activities in, and fines and penalties imposed by, that state, as well as fines, penalties, and sanctions imposed by ED. The loss of licensure or authorization in a state other than a state in which a university partner institution is physically located could prohibit us from recruiting prospective students or assisting with offering educational services to current students in that state, which could significantly reduce enrollments.

Furthermore, our university partners must typically maintain a composite score of at least 1.5 to maintain their membership in a State Authorization Reciprocity Agreement, or SARA. Failure to maintain that score, and loss of eligibility for SARA, could result in the loss of the ability to offer online programs in various states unless the university partner is otherwise eligible to do so. This could greatly affect our ability to market our university partners' online programs.

Government agencies, regulatory agencies, and third parties may conduct compliance reviews, bring claims, or initiate litigation against us or our university partners based on alleged violations of the extensive regulatory requirements applicable to us and our university partners, which could cause the imposition of sanctions against us or our university partners.

Because our university partner institutions operate in a highly regulated industry, they 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. Similarly, we could be subject to those same reviews. If the result of any such proceeding is unfavorable to our university partners, they may lose or have limitations imposed on their 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 their business, prospects, financial condition, and results of operations. Similarly, reviews of us directly could also impose a host of limitations and monetary penalties and fines for wrongful actions on our part. Claims and lawsuits brought against us or our university partners, 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 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.

The regulatory guidance governing third-party servicers imposes a number of requirements on our business and may expose us to liability for certain regulatory violations that are coextensive with our university partner institutions.

A "Third-party servicer" is any person or entity used by "any eligible institution of higher education to administer, through either manual or automated processing, any aspect of such institution's student assistance programs." Third party servicers have a number of requirements. For example, they must conduct and submit to ED compliance audits under 34 C.F.R. § 668.23. In addition, they must comply with the requirements of 34 C.F.R. § 668.25, which requires third-party servicers, in their contracts with institutions, to be contractually obligated to, among other things:

- Comply with all statutory provisions of or applicable to Title IV of the HEA, including the requirement to use any funds that the servicer administers under any Title IV, HEA program and any interest or other earnings thereon solely for the purposes specified in and in accordance with that program;
- Refer to the Office of Inspector General of ED for investigation any information indicating there is reasonable cause to believe that the institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program or an applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application; and
- Be jointly and severally liable with the institution to the Secretary for any violation by the servicer of any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, and any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA.

We are also subject to a number of data security and privacy regulations given our role as a third-party servicer and these standards are evolving. To the extent we continue to provide third party servicer functions, we will be subject to these requirements, the compliance with which can materially impact our business model.

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.

The process of re-authorization of the HEA began in 2014 and is ongoing. Congressional hearings began in 2013 and will continue to be scheduled by the U.S. Senate Committee on Health, Education, Labor and Pensions, the U.S. House of Representatives Committee on Education and the Workforce and other Congressional committees regarding various aspects of the education industry, including accreditation matters, student debt, student recruiting, cost of tuition, distance learning, competency-based learning, student success and outcomes and other matters.

Criticisms of the overall student lending and post-secondary education sectors may impact general public perceptions of educational institutions, including our university partner institutions and us, in a negative manner. Adverse media coverage regarding educational institutions – whether or not a university partner – or regarding third party services such as 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, could reduce student demand for educational programs which would adversely impact our revenues and operating profit or result in increased regulatory scrutiny.

The increased scrutiny and results-based accountability initiatives in the education sector, as well as ongoing policy differences in Congress regarding spending levels, could lead to significant changes in connection with the reauthorization of the HEA or otherwise. These changes may place additional regulatory burdens on postsecondary schools generally, and specific initiatives may be targeted at or have an impact upon companies like us that provide services to institutions of higher education. The adoption of any laws or regulations that limit our ability to provide our bundled services to our university partners could compromise our ability to drive revenue through their programs or make our platform less attractive to them. Congress could also enact laws or regulations that require us to modify our practices in ways that could increase our costs.

Changing requirements related to data privacy may create increased costs and operational difficulties for university partner institutions and, potential for GCE.

On December 18, 2020, the ED announced that it was finalizing a new Campus Cybersecurity Program framework. This proposed multi-year phased implementation would begin with a self-assessment of the National Institute of Standards and Technology Special Publication 800–171 Rev. 2, Controlled Unclassified Information in Nonfederal Systems (NIST 800–171 Rev. 2) readiness and outreach activities. The ED specifically said it was "committed to fully advancing and encouraging all postsecondary institutions implementation of NIST 800-171 controls." This announcement was addressed both to institutions of higher education and their third-party servicers.

While details related to this announcement are few, it does suggest that the ED will be taking a greater role in ensuring universities and their service providers meet NIST standards and are protecting the students and Department data received. Although management is reviewing this letter and the issues it raises, compliance with NIST will likely increase operational cost if required to come into compliance.

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 ED, our regional accrediting commission, and state post-secondary, licensure, and certification 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.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act and the rules and regulations of The Nasdaq Global Select Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting in our Form 10-K filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. This may require us to incur substantial additional professional fees and internal costs to further expand our accounting and finance functions and expend significant management efforts. If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC, or other regulatory authorities.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gains and you may never receive a return on your investment.

You should not rely on an investment in our common stock to provide dividend income. We have not declared or paid cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business or to repurchase shares of our common stock. In addition, the terms of our existing credit facility preclude, and the terms of any future debt agreements is likely to similarly preclude, us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Investors seeking cash dividends should not purchase our common stock.

Other General Risks

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 business and the education industry, and we may have difficulties in locating and hiring qualified personnel and in retaining such personnel once hired. In addition, 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 personnel on acceptable terms, could cause our business to suffer.

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 HEA, 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.

Occurrence of natural or man-made catastrophes could materially and adversely affect our business, financial condition, results of operations and prospects.

Natural events, health epidemics (including the outbreak of the COVID-19 pandemic), acts of God, terrorist attacks and other acts of violence, computer cyber-terrorism or other catastrophes could result in significant worker absenteeism, increased student attrition rates for our university partners, lower asset utilization rates, voluntary or mandatory closure of facilities, our inability to meet dynamic employee health and safety requirements, our inability to meet contractual service levels, our inability to procure essential supplies, travel restrictions on our employees and other disruptions to our business. In addition, these events could adversely affect the economy, financial markets and activity levels of our university partners. Any of these events, their consequences or the costs related to mitigation or remediation could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

None.

Item 2. ***Properties***

GCE owns a four story 325,000 square foot administrative building, which includes office space for approximately 2,700 employees, and a parking garage in close proximity to GCU's ground campus. We constructed this space in 2016 and every aspect of the design was intended to maximize energy efficiency and minimize environmental impact. Lighting load and related electricity usage is a major environmental drain for most office buildings, and this is especially true in Arizona. GCE's office building is orientated with north/south exposure in order to minimize direct sun, and exterior courtyards were arranged to ensure summer shade thus creating outdoor areas that can be used throughout the year. The design also utilized significant window glazing to allow for daylighting thus reducing the need for supplemental electrical lighting. As a result, the building is designed to use just .41 watts per square foot of electrical energy for lighting, which is half of what a typical environmentally efficient building uses. Water usage is another environmental factor for office space that is magnified by the Arizona weather. GCE's office building utilizes a rooftop rainwater collection system for irrigating the landscaping below, which reduces water consumption. Additional environment-friendly design features include low VOC paints, use of recycled building materials, interior and exterior LED light bulbs, and implementation of an energy-efficient VRF mechanical system. Overall, GCE's office building is 60% more energy efficient than a standard office building.

In addition to its owned facilities, GCE leases 26 off-campus classroom and laboratory sites for use in serving its university partners, four office locations in California, one office location in Colorado, and office space in Indianapolis, Indiana. GCE has commitments to add more off-campus classroom and laboratory sites as of December 31, 2021 that have not yet commenced and may add additional space in Arizona and in other states in the U.S. to accommodate our growth plans in 2022 and beyond. GCE works to maximize energy efficiency and minimize environmental impact in operating its leased facilities just as it does with its owned properties.

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***

Not applicable.

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.

Holders

As of December 31, 2021, there were approximately 148 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 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

In January 2021, July 2021, and January 2022 our Board of Directors increased the authorization under its existing stock repurchase program by $100.0 million, $970.0 million and $175.0 million respectively, reflecting an aggregate authorization for share repurchases since the initiation of the program of $1,645.0 million. The current expiration date on the repurchase authorization by our Board of Directors is December 31, 2022. Repurchases occur at the Company's discretion and the Company may modify, suspend or discontinue the repurchase authorization at any time. 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.

On March 10, 2021, the Company entered into an accelerated share repurchase ("ASR") agreement with Morgan Stanley & Co. LLC ("Morgan Stanley") to repurchase up to $35.0 million of its outstanding shares of common stock as part of the Company's share repurchase program. Under the ASR agreement, the Company received initial delivery of approximately 275,889 shares of common stock, representing approximately 80% of the number of shares of common stock initially underlying the ASR agreement based on the closing price of the common stock of $101.49, on March 9, 2021. The total number of shares that the Company repurchased under the ASR program was based on the volume-weighted average price of the common stock during the term of the ASR agreement, less a discount, and was subject to potential adjustments pursuant to the terms and conditions of the ASR agreement. The final settlement of the share repurchases under the ASR agreement was completed on May 4, 2021 with additional delivery of 45,914 shares of common stock. The ASR agreement resulted in a total of 321,803 shares repurchased at an average cost of $108.76.

On May 14, 2021, the Company entered into an ASR agreement with Morgan Stanley to repurchase up to $50.0 million of its outstanding shares of common stock as part of the Company's share repurchase program. Under the ASR agreement, the Company received initial delivery on May 17, 2021 of approximately 418,279 shares of common stock, representing approximately 80% of the number of shares of common stock initially underlying the ASR agreement based on the closing price of the common stock of $95.63, on May 14, 2021. The total number of shares that the Company repurchased under the ASR program was based on the volume-weighted average price of the common stock during the term of the ASR agreement, less a discount, and subject to potential adjustments pursuant to the terms and conditions of the ASR agreement. The final settlement of the share repurchases under the ASR agreement was completed on August 13, 2021 with additional delivery of 139,270 shares of common stock. The ASR agreement resulted in a total of 557,549 shares repurchased at an average cost of $89.68.

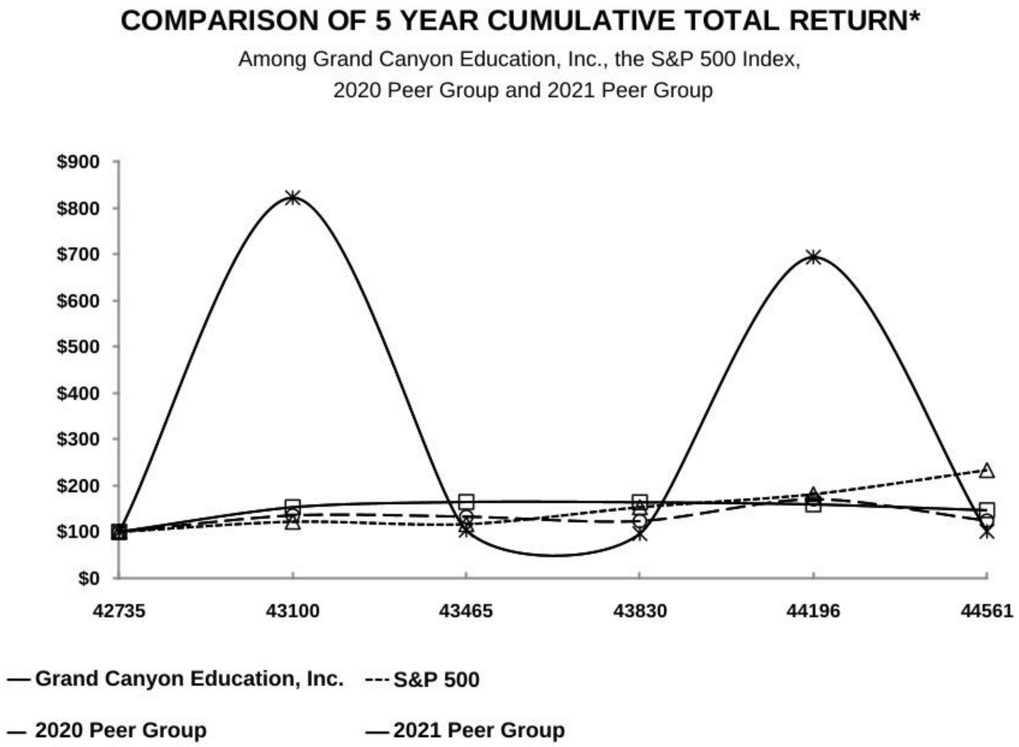
Since the initial approval of our share repurchase plan, we have purchased 14,777,590 shares of common stock at an aggregate cost of $1.05 billion, which includes the shares delivered from the ASR agreements and which purchases are recorded at cost in the accompanying December 31, 2021 consolidated balance sheet and statement of stockholders' equity. At December 31, 2021, there remained $420.4 million available under our current share repurchase authorization (which authorization was increased to $595.4 million in January 2022). During the fourth quarter and the year ended December 31, 2021, GCE repurchased 5,326,447 and 9,199,449 shares of common stock, respectively, at an aggregate cost of $443.7 million and $797.8 million, respectively.

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 2021:

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, 2021 – October 31, 2021	1,059,294	$ 87.04	1,059,294	$ 771,900,000
November 1, 2021 – November 30, 2021	3,028,212	$ 83.36	3,028,212	$ 519,500,000
December 1, 2021 – December 31, 2021	1,238,941	$ 79.93	1,238,941	$ 420,400,000
Total	5,326,447	$ 83.29	5,326,447	$ 420,400,000
Tax Withholdings				
October 1, 2021 – October 31, 2021	—	$ —	—	$ —
November 1, 2021 – November 30, 2021	—	$ —	—	$ —
December 1, 2021 – December 31, 2021	—	$ —	—	$ —
Total	—	$ —	—	$ —

GCE 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 education services peer group of eight companies that includes: Wiley Education Services, Pearson plc, CHEGG, Inc., Laureate Education, Inc., Strategic Education, Inc., Adtalum Global Education, Inc., 2U, Inc. and Coursera. The graph also includes for the required transition year, our 2020 selected education peer group of seven companies that includes: Wiley Education Services, Pearson plc, CHEGG, Inc., Laureate Education, Inc., Strategic Education, Inc., Adtalum Global Education, Inc., and 2U, 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, 2016 and that all dividends paid by us and such companies were reinvested, and tracks the relative performance of such investments through December 31, 2021.



	12/16	12/17	12/18	12/19	12/20	12/21
Grand Canyon Education, Inc.	**100.00**	**153.17**	**164.48**	**163.88**	**159.30**	**146.64**
S&P 500	**100.00**	**121.83**	**116.49**	**153.17**	**181.35**	**233.41**
2020 Peer Group	**100.00**	**135.40**	**132.74**	**123.22**	**170.56**	**124.20**
2021 Peer Group	**100.00**	**822.42**	**103.61**	**96.18**	**693.94**	**101.02**

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.

Item 6. [Reserved]

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, 2021 and 2020 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 *Special Note Regarding Forward-Looking Statements* and in Item 1A, *Risk Factors*.

Executive Overview

GCE is a publicly traded education services company dedicated to serving colleges and universities. GCE has developed significant technological solutions, infrastructure and operational processes to provide services to these institutions on a large scale. GCE's most significant university partner is GCU, a comprehensive regionally accredited university that offers graduate and undergraduate degree programs, emphases and certificates across nine colleges both online, on ground at its campus in Phoenix, Arizona and at two off-campus classroom and laboratory sites.

In January 2019, GCE began providing education services to numerous university partners across the United States, through our wholly-owned subsidiary, Orbis Education, which we acquired on January 22, 2019. See *Note 3 - Acquisition* to consolidated financial statements for a full description of the Acquisition. Since the Acquisition, GCE, together with Orbis Education, has continued to add additional university partners. In the healthcare field, we work in partnership with a growing number of top universities and healthcare networks across the country, offering healthcare-related academic programs at off-campus classroom and laboratory sites located near healthcare providers and developing high-quality, career-ready graduates, who enter the workforce ready to meet the demands of the healthcare industry. In addition, we have begun providing certain services to a university partner to assist them in expanding their online graduate programs. As of December 31, 2021, GCE provides education services to 27 university partners across the United States.

We plan to continue to add additional university partners and to introduce additional programs with both our existing partners and with new partners. We may engage with both new and existing university partners to offer healthcare programs, online only or hybrid programs, or, as is the case for our most significant partner, GCU, both healthcare and other programs. In addition, we have centralized a number of services that historically were provided separately to university partners of Orbis Education; therefore, we refer to all university partners as "GCE partners" or "our partners". We do disclose significant information for GCU, such as enrollments, due to its size in comparison to our other university partners.

Impact of COVID-19

Since March 2020, the world has been, and continues to be, impacted by the COVID-19 pandemic. This contagious outbreak, which has continued to spread, and the related adverse public health developments that have occurred at various times since March 2020, including orders to shelter-in-place, travel restrictions and mandated non-essential business closures, have adversely affected workforces, organizations, customers, economies and financial markets globally. It has also disrupted the normal operations of many businesses, including ours, and that of our university partners.

GCE has a long-term master services agreement with GCU (the "Master Services Agreement") pursuant to which GCE provides education services to GCU in return for 60% of GCU's tuition and fee revenues, which includes fee revenues from room, board, and other ancillary businesses including a student-run golf course and hotel. GCU has four types of students: traditional ground university students, who attend class on its campus in Phoenix, Arizona and of which approximately 70% have historically lived on campus in university owned residence halls; professional studies students, who are working adult students who attend class one night a week on the Phoenix campus; online students who attend class fully online; and students who are studying in hybrid programs in which the ground component takes place at off-campus classroom and laboratory sites.

The COVID-19 outbreak, as well as measures taken to contain its spread, has impacted GCU's students and its business in a number of ways. Beginning in March 2020, GCU's programs for its professional studies students and its traditional ground university students were immediately converted to an online learning environment and residential students were strongly encouraged to move off campus. Summer 2020 semester classes were moved to an online environment as well and most students were given the choice of attending the Fall 2020 semester in person or completely online. Given GCE's historical experience delivering online education services and the fact that all of GCU's students and faculty use the university's online learning management system for at least some of the coursework, the transition was seamless and thus, the university did not incur a significant decrease in tuition revenue or significant increase in costs associated with this transition in March 2020. The following impacts from the COVID-19 pandemic, however, did serve to reduce GCU's non-tuition revenue during 2020 and reduced GCU's revenue during 2021 and, consequently, the service revenues we earned under the Master Services Agreement:

- Traditional ground university students who elected to move off campus near the end of the Spring 2020 semester received partial refunds for dormitory and meal payments, which reduced GCU's revenue and thus the service revenues earned by GCE in the last nine days of March 2020 and the month of April 2020;

- Ancillary businesses operated by GCU such as its hotel and merchandise shops were closed in late March 2020. Most of these businesses re-opened with scaled back operations in mid-September 2020. Some of these ancillary businesses have fully reopened while others still have not, which has reduced GCU's revenues and thus the service revenues earned by GCE. Until these businesses return to full capacity, it will continue to reduce GCU's revenues and thus the service revenues earned by GCE;

- Limited residential students remained on campus during the Summer 2020 semester, which reduced GCU's dormitory and ancillary revenues and thus the service revenues earned by GCE in 2020. The number of residential students that remained on campus during the Summer 2021 semester, however, was higher than in the Summer of 2019;

- GCU's doctoral students are required to attend two residencies on the university's campus and at its hotel in Phoenix, Arizona as part of their dissertation. On an annual basis approximately 3,000 learners attend the week-long residencies, most of whom have historically attended in the Summer. Most of the residencies which were scheduled for the last week of March 2020 through the end of July 2020 were cancelled, and the residencies scheduled for August 2020 through December 2020 were held at another location with lower than normal attendance. This reduced GCU's revenues including at its hotel, and thus reduced service revenues earned by GCE until residencies returned to normal attendance. In the first quarter of 2021, doctoral residencies returned to the university's campus and its hotel, although at lower than normal attendance rates. Attendance at doctoral residencies beginning in the second quarter of 2021 returned to 2019 levels; however, the residencies were held at an off-site location during the Fall semester;

- GCU shifted its start date for the Fall 2020 semester for its traditional ground students from August 24, 2020 to September 8, 2020, which had the effect of shifting tuition revenue for all GCU traditional students and certain ancillary revenue for residential students, from the third quarter of 2020 to the fourth quarter of 2020. This later start date for the Fall semester was retained in 2021 as the semester began on September 7, 2021;

- GCU shifted its move-in date for its residential students in the Fall 2020 semester to the week of September 21, 2020, which reduced housing revenue and certain ancillary revenue for residential students by three weeks. In addition, approximately 4,900 of GCU's traditional campus students elected to attend the Fall 2020 semester entirely in the online modality. Residential enrollment for the Fall 2020 semester was 11,441 whereas residential bed capacity is approximately 14,500. This reduction in residential students caused a reduction in GCU's revenue and thus the service revenues earned by GCE. The number of residential students for the Fall semester of 2021 was 15,570, an increase of 36.1% over Fall semester of 2020;

- The first week of the Spring 2021 semester was completed in an online modality for GCU's traditional students to provide greater flexibility for students returning to campus after the holidays. Face-to-face instruction for the semester commenced on January 11, 2021 and ended April 1, 2021 for approximately 80% of classes, followed by two weeks of online instruction. Approximately 3,500 traditional ground students elected to complete the Spring 2021 semester entirely in the online modality. These changes had the effect of reducing GCU's dormitory and ancillary revenues in the Spring of 2021 and thus the service revenues earned by GCE;

- During the second quarter of 2020, GCU's online enrollment growth accelerated significantly into the high single digits. The increased level of online enrollment at that time resulted from a combination of factors including an acceleration of new students starting programs, a higher-than-expected number of students returning to the university that had taken a break from their program ("re-enters") and a lower-than-expected number of students deciding to drop out of or take a break from their program. We believe these trends were primarily caused by the shutdowns precipitated by the COVID-19 outbreak as greater numbers of working adults decided to return to school to finish undergraduate degree programs that they had previously started or to start new graduate degree programs during this time. These trends generally continued through the first quarter of 2021. Beginning in the second quarter of 2021, online enrollment growth rates as compared to the prior year period began to slow as both new enrollments and re-enters were down year over year, the numbers of students dropping out of school or taking periodic breaks in their program returned to historical levels and students completing their programs increased significantly on a year over year basis. These trends continued through the rest of 2021 and thus the year over year online growth rate continued to decline. The decline in new enrollments as compared to the prior year beginning in the second quarter of 2021 and continuing through the end of 2021 were also the result of recruitment challenges caused by the reduced access to schools, hospitals, and businesses where our potential students work. We believe that as the year over year comparables return to historical levels and schools, hospitals and businesses fully reopen, our online enrollment growth rate will begin to re-accelerate; and

- Professional studies students have declined significantly since the onset of the COVID-19 outbreak. Professional studies students at that time were converted to the online learning environment; since then, most have completed their programs while no new cohorts have been started until very recently. Now that the university has approved the recruitment of new professional studies cohorts, we anticipate that the number of these students will begin to grow.

The changes described above at GCU have impacted or will impact GCE's service revenue under the Master Services Agreement. In addition, due to the limited operating expenses that we incur to deliver those services, there has been or will be a direct reduction in our operating profit and operating margin.

GCE also provides services to numerous university partners across the United States, including GCU at off-campus classroom and laboratory sites. The majority of these university partners' students are studying in the Accelerated Bachelor of Science in Nursing ("ABSN") program which is offered in a 12-16-month format in three or four academic semesters. The Spring, Summer and Fall 2020 and Spring, Summer and Fall 2021 semesters were completed without interruption and each university partner has started its Spring 2022 semester. Some students who were scheduled to start their programs in the Summer 2020 semester delayed their start until the Fall 2020 semester, which resulted in lower enrollments and revenues in the Summer 2020 semester than was planned. In a number of locations, the demand to start in the Fall 2020 semester was greater than initially planned but a number of our university or healthcare partners chose not to increase the Fall 2020 cohort size to compensate for the Summer 2020 start shortfall due to concerns about clinical availability. The Fall 2020 enrollment was only slightly lower than our original expectations as the Summer 2020 new start shortfall was offset by higher retention rates and slightly higher than expected Fall 2020 new starts. Beginning with the Summer 2021 semester and continuing into the Fall 2021 semester, we have experienced a decline in revenue per student from students in these programs caused primarily by some students delaying their scheduled clinical courses due to vaccine mandates at hospital partners and we are starting to see a reduction in our off-site classroom and laboratory student enrollment growth rate due primarily to delays in the opening of scheduled new sites and requests by some of our university or hospital partners or their state regulatory boards to reduce cohort sizes due to concerns over potential clinical faculty availability caused by nursing and other healthcare employee shortages. This is especially true with our university partner's Occupational Therapy Assistants ("OTA") program in which enrollment declined 45.7% between December 31, 2020 and 2021 as the university partner stopped admitting new students for most of 2021 due to clinical placement backlog. None of our ABSN partners have stopped admitting new students but some locations that were scheduled to open in 2021 and 2022 have been pushed back and some existing partners have reduced incoming cohort sizes due to the concern that there are not enough nurses to serve as clinical faculty.

No other changes are currently anticipated with our other university partners related to the Spring 2022 semester that would have a material impact on GCE's service revenue, operating profit and operating margins. However, if one of our university partners were to close an off-campus classroom and laboratory site prior to the end of the Spring 2022 semester or take some other action that adversely impacted program enrollment, such an event would reduce the service revenues earned by GCE.

The COVID-19 outbreak also presents operational challenges to GCE as a large percentage of our workforce is currently working remotely and is expected to continue doing so for the foreseeable future. This degree of remote working could increase risks in the areas of internal control, cyber security and the use of remote technology, and thereby result in interruptions or disruptions in normal operational processes.

It is not possible for us to completely predict the duration or magnitude of the adverse results of the COVID-19 pandemic and its effects on our business, results of operations or financial condition at this time, but such effects may be material in future quarters.

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. GCE generates all of its revenue through services agreements with its university partners ("Services Agreements"), pursuant to which GCE provides integrated technology and academic services, marketing and communication services, and as applicable, certain back office services to its university partners in return for a percentage of tuition and fee revenue.

GCE's Services Agreements have a single performance obligation, as the promises to provide the identified services are not distinct within the context of these agreements. The single performance obligation is delivered as our partners receive and consume benefits, which occurs ratably over a series of distinct service periods (daily or semester). Service revenue is recognized over time using the output method of measuring progress towards complete satisfaction of the single performance obligation. The output method provides a faithful depiction of the performance toward complete satisfaction of the performance obligation and can be tied to the time elapsed which is consumed evenly over the service period and is a direct measurement of the value provided to our partners. The service fees received from our partners over the term of the agreement are variable in nature in that they are dependent upon the number of students attending the university partner's program and revenues generated from those students during the service period. Due to the variable nature of the consideration over the life of the service arrangement, GCE considered forming an expectation of the variable consideration to be received over the service life of this one performance obligation. However, since the performance obligation represents a series of distinct services, GCE recognizes the variable consideration that becomes known and billable because these fees relate to the distinct service period in which the fees are earned. GCE meets the criteria in ASC 606 *Revenue from Contracts with Customers* and exercises the practical expedient to not disclose the aggregate amount of the transaction price allocated to the single performance obligation that is unsatisfied as of the end of the reporting period. GCE does not disclose the value of unsatisfied performance obligations because the directly allocable variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a service that forms part of a single performance obligation. The service fees are calculated and settled per the terms of the Services Agreements and result in a settlement duration of less than one year for all partners. There are no refunds or return rights under the Services Agreements.

Business Combinations, Intangible Assets, and Goodwill. We apply the purchase accounting standards for *"Business Combinations,"* to acquisitions. The purchase price of an acquisition is allocated to individual tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. Any excess purchase price over the assigned values of net assets acquired is recorded as goodwill. On January 22, 2019, GCE acquired, by merger, all of the outstanding equity interests of Orbis Education for $361.2 million, net of cash acquired. As a result of this acquisition, GCE recorded $210.3 million of intangible assets, primarily customer relationships, and $157.8 million of goodwill. Refer to *Note 3 – Acquisition* within the footnotes to the consolidated financial statements for additional information. The acquired goodwill was allocated to the entity level reporting unit. The determination of the fair value and useful lives of the intangible assets acquired involves certain judgements and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

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 expected 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, 2021 and 2020, GCE has reserved approximately $14,108 and $11,318, respectively, for uncertain tax positions, including interest and penalties.

Results of Operations

In July 2019, the FASB issued *Accounting Standards Update 2019-07, "Codification Updates to SEC Sections-Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification"*, which makes a number of changes meant to simplify certain disclosures in financial condition and results of operations, particularly by eliminating year-to-year comparisons between prior periods previously disclosed. In complying with the relevant aspects of the rule covering the current year annual report, we now include disclosures on results of operations for fiscal year 2021 versus 2020 only. For a discussion of the results of operations for fiscal year 2020 vs 2019, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2020 incorporated herein by reference.

The following table sets forth certain income statement data as a percentage of net revenue for each of the periods indicated. Amortization of intangible assets and the loss on transaction have been excluded from the table below:

	Year Ended December 31,	
	2021	2020
Costs and expenses		
Technology and academic services	14.7 %	13.7 %
Counseling services and support	27.8	27.8
Marketing and communication	20.4	19.5
General and administrative	4.7	5.1

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Service revenue. Our service revenue for the year ended December 31, 2021 was $896.6 million, an increase of $52.5 million, or 6.2%, as compared to service revenue of $844.1 million for the year ended December 31, 2020. The increase year over year in service revenue was primarily due to an increase in revenue per student year over year, partially offset by a slight decrease in university partner enrollments between years of 3.0%. The increase in revenue per student is primarily due to the service revenue impact of the higher room, board, fee and ancillary revenues at GCU in 2021 as compared to the same period in 2020 as a result of an increase in GCU residential student enrollment between periods due to the growth in traditional campus enrollment and the revenue impact of some residential students staying home and taking all of their courses online in 2020 (see - *Impact of COVID-19* above). In addition, our services agreements with our other university partners generally generate a higher revenue per student than our agreement with GCU. This higher revenue is due to our service agreements with other partners generally provide us with a higher revenue share percentage, the partners have higher tuition rates than GCU and the majority of their students are studying in the ABSN program so these students take more credits on average per semester. In addition, we continue to open new off-campus classroom and laboratory sites increasing the total number of these sites to 31 as of December 31, 2021. Partner enrollments totaled 112,554 at December 31, 2021 as compared to 115,997 at December 31, 2020. University partner enrollments at our off-campus classroom and laboratory sites were 4,684, an increase of 5.9% over enrollments at December 31, 2020, which includes 269 GCU students at December 31, 2021. This growth rate has slowed over the past year primarily due to a 45.7% decline in OTA students. Year over year ABSN student growth has slowed to 13.8% at December 31, 2021 (see – *Impact of COVID-19* above). Enrollments at GCU declined to 108,139 at December 31, 2021, a decrease of 3.1% over enrollments at December 31, 2020. Enrollments for GCU ground traditional students were 23,629 at December 31, 2021 up from 22,185 at December 31, 2020 primarily due to a 9.9% increase in traditional ground students between years. GCU's ground traditional students residing on campus in GCU's residence halls increased from 11,441 in the Fall of 2020 to 15,570 in the Fall of 2021, an increase of 36.1%, representing approximately 65.9% of GCU's ground traditional students. GCU had a decline in its working adult students (online and professional studies) between December 31, 2020 to December 31, 2021 (see – *Impact of COVID-19* above). Last, we generated slightly more revenues in 2020 as compared to the same period in 2021 due to 2020 being a Leap Year and thus providing an extra day of revenue in 2020 as compared to 2021.

Technology and academic services. Our technology and academic services expenses for the year ended December 31, 2021 were $132.1 million, an increase of $16.1 million, or 13.8%, as compared to technology and academic services expenses of $116.0 million for the year ended December 31, 2020. This increase was primarily due to increases in employee compensation and related expenses including share-based compensation, in occupancy and depreciation including lease expenses, and in other technology and academic supply costs of $17.0 million, $3.3 million and $0.8 million, respectively. These increases were partially offset by the $5.0 million reversal of the credit loss reserve as a result of the repayment by GCU for the Secured Note and capital expenditure loans in the fourth quarter of 2021. The increases, in turn, were primarily due to increased headcount to support our 27 university partners, and their increased enrollment growth, tenure-based salary adjustments, an increase in benefit costs and the increased number of off-campus classroom and laboratory sites open between years. Our technology and academic services expenses as a percentage of net revenue increased 1.0% to 14.7% for the year ended December 31, 2021, from 13.7% for the year ended December 31, 2020 primarily due to our services agreements with university partners that provide for off-campus classroom and laboratory sites, which necessitate a higher level of technology and academic services than does our agreement with GCU, partially offset by the service revenue impact of the higher room, board, fee and ancillary revenues at GCU in 2021 as compared to the same period in 2020 (see - *Impact of COVID-19* above). We anticipate that technology and academic services expenses as a percentage of revenue will continue to increase in the future as we open more off-site classroom and laboratory sites.

Counseling services and support. Our counseling services and support expenses for the year ended December 31, 2021 were $249.2 million, an increase of $14.7 million, or 6.2%, as compared to counseling services and support expenses of $234.5 million for the year ended December 31, 2020. This increase was primarily attributable to increases in employee compensation and related expenses including share-based compensation, increases in other counseling services and support expenses and in depreciation, amortization and occupancy costs of $8.9 million, $5.7 million and $0.1 million, respectively. The increases in employee compensation and related expenses were primarily due to increased headcount to support our 27 university partners, and their increased enrollment growth, tenure-based salary adjustments, and an increase in benefit costs. The increase in other counseling services and support expenses is primarily the result of increased travel costs to service our 27 university partners as compared to the COVID-19 impacted 2020, during which all non-essential travel ceased in mid-March and only a small amount of travel occurred for the remainder of 2020. Occupancy and depreciation costs increased slightly due to the increased number of off-campus classroom and laboratory sites open year over year, partially offset by a large percentage of our workforce continuing to work remotely. Our counseling services and support expenses as a percentage of net revenue stayed flat at 27.8% for the years ended December 31, 2021 and 2020 primarily due to our ability to leverage our other counseling services and support expenses across an increasing revenue base, increases in service revenue from the higher room, board and ancillary revenues at GCU in 2021 (see – *Impact of COVID-19* above), partially offset by increased travel costs. We anticipate that counseling services and support expense as a percentage of revenue will increase in 2022 as we grow our employee base and their compensation to meet our university partners' growth expectations and retain our employees.

Marketing and communication. Our marketing and communication expenses for the year ended December 31, 2021 were $182.9 million, an increase of $18.6 million, or 11.3%, as compared to marketing and communication expenses of $164.3 million for the year ended December 31, 2020. This increase was primarily attributable to the increased cost to market our university partners' programs and due to the marketing of new university partners and new off-campus classroom and laboratory sites which resulted in increased advertising of $16.4 million, increased employee compensation expenses and related expenses including share-based compensation of $1.2 million and increased other marketing supplies of $1.0 million. Our marketing and communication expenses as a percentage of net revenue increased by 0.9% to 20.4% for the year ended December 31, 2021, from 19.5% for the year ended December 31, 2020, primarily due to the increase in the number of new university partners and their growth expectations and increased off-campus classroom and laboratory sites open between years, partially offset by increases in service revenue from the higher room, board and ancillary revenues at GCU in 2021 (see – *Impact of COVID-19* above).

General and administrative. Our general and administrative expenses for the year ended December 31, 2021 were $41.8 million, a decrease of $1.6 million, or 3.5%, as compared to general and administrative expenses of $43.4 million for the year ended December 31, 2020. This decrease was primarily due to decreases in other general and administrative expenses of $2.0 million, decreases in employee compensation and related expenses including share-based compensation of $1.8 million and a slight decrease in occupancy and depreciation of $0.1 million, partially offset by an increase in professional fees of $2.3 million. The decrease in other general and administrative expenses is primarily due to continued decreases in travel costs over the prior year. The decrease in employee compensation and related expenses is primarily related to lower headcount at our office in Indiana as we have transitioned a number of back office functions to Arizona. The increase in professional fees is primarily related to increased legal, audit and insurance costs. Our decrease in occupancy and depreciation are primarily related to a significant portion of our workforce continuing to work remotely in 2021. Our general and administrative expenses as a percentage of net revenue decreased by 0.4% to 4.7% for the year ended December 31, 2021, from 5.1% for the year ended December 31, 2020 due to the lower other general and administrative expenses, lower employee compensation costs, increases in service revenue from the higher room, board and ancillary revenue at GCU in 2021 (see – *Impact of COVID-19* above), partially offset by increased professional fees.

Amortization of intangible assets. Amortization of intangible assets for the years ended December 31, 2021 and 2020 were $8.4 million for both periods. As a result of the Acquisition, certain identifiable intangible assets were created (primarily customer relationships) that will be amortized over their expected lives.

Interest income on Secured Note. Interest income on the Secured Note for the year ended December 31, 2021 was $52.1 million, a decrease of $7.1 million, or 12.0%, as compared to $59.2 million for the year ended December 31, 2020. GCE recognized interest income on its Secured Note with GCU including borrowings made for capital expenditures, at an interest rate of 6%. The decrease over the prior year was primarily due to GCU repaying $500.0 million of the outstanding balance of the Secured Note receivable on October 29, 2021 and the remaining balance of the Secured Note receivable of $469.9 million on December 9, 2021. As the Secured Note receivable is paid off we do not anticipate any interest income to be earned in the future.

Interest expense. Interest expense was $3.6 million for the year ended December 31, 2021, a decrease of $0.8 million, as compared to interest expense of $4.4 million for the year ended December 31, 2020. The decrease in interest expense is primarily due to the repayment and termination of the credit facility in early November, partially offset by the write-off of the remaining deferred loan costs of $1.0 million in 2021 at the time of the termination of the credit facility.

Investment interest and other. Investment interest and other for the year ended December 31, 2021 was $0.6 million, a decrease of $0.3 million, as compared to $0.9 million for the year ended December 31, 2020. This decrease was primarily attributable to a decline in interest income on excess cash primarily due to significantly lower interest rates.

Income tax expense. Income tax expense for the year ended December 31, 2021 was $70.9 million, a decrease of $5.0 million, or 6.6%, as compared to income tax expense of $75.9 million for the year ended December 31, 2020. This decrease is the result of a decrease in our effective tax rate and a slight decline in taxable income between years. Our effective tax rate was 21.4% during the year ended December 31, 2021 as compared to 22.8% during the year ended December 31, 2020. The effective tax rate in 2021 was favorably impacted by higher excess tax benefits of $4.4 million compared to excess tax benefits of $1.4 million for the year ended December 31, 2020. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense increases the 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. We anticipate our excess tax benefits in future years will be more similar to 2020 than 2021 as all stock options issued in prior years have been exercised.

Net income. Our net income for the year months ended December 31, 2021 was $260.3 million, an increase of $3.01 million, or 1.2% as compared to $257.2 million for the year ended December 31, 2020, 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 our university partners' enrollment. Our partners' enrollment varies as a result of new enrollments, graduations, and student attrition. Revenues in the summer months (May through August) are lower primarily due to the majority of GCU's traditional ground students not attending courses during the summer months, which affects our results for our second and third fiscal quarters. Since a significant amount of our costs are fixed, the lower revenue resulting from the decreased summer enrollment has historically contributed to lower operating margins during those periods. Partially offsetting this summer effect 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. Thus, we experience higher net revenue in the fourth quarter due to its overlap with the semester encompassing the traditional fall school start and in the first quarter due to its overlap with the first semester of the calendar year. A portion of our expenses do not vary proportionately with these fluctuations in net revenue, resulting in higher operating income in the first and fourth quarters relative to other quarters. We expect quarterly fluctuation in operating results to continue as a result of these seasonal patterns.

Liquidity and Capital Resources

(In thousands)	As of December 31, 2021	2020
Cash, cash equivalents and investments	$ 600,941	$ 256,609
Notes payable	—	107,774
Unused revolving line of credit	—	150,000

Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability increased by $86.6 million during fiscal 2021, which was largely attributable to the Secured Note receivable payoff of $1.0 billion by GCU and net cash provided by operating activities of $313.1 million. These large inflows were partially offset by the principal payments and the payoff of our credit facility as well as the termination of our unused revolving line of credit of $107.8 million and $150.0 million, respectively, and share repurchases during fiscal year 2021 of $803.8 million.

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.

Cash Flows from Operating Activities

(In thousands)	Year Ended December 31, 2021	2020
Net cash provided by operating activities	$ 313,119	$ 308,823

The slight increase in cash generated from operating activities between the years ended December 31, 2020 and 2021 was primarily due to an increase in net income and changes in other working capital balances. We define working capital as the assets and liabilities, other than cash, generated through GCE's primary operating activities. Changes in these balances are included in the changes in assets and liabilities presented in the statement of cash flows.

Cash Flows from Investing Activities

(In thousands)	Year Ended December 31, 2021	2020
Net cash provided by (used in) investing activities	$ 950,979	$ (19,351)

Investing activities provided $951.0 million of cash in fiscal 2021 primarily due to the repayment of the Secured Note receivable by GCU for $969.9 million. Investing activities consumed $19.4 million of cash in fiscal 2020. Funding to GCU for fiscal 2020 net of repayments totaled nil.

In 2021 and 2020 cash used in investing activities was primarily related to capital expenditures of $28.9 million and $29.4 million, respectively. Capital expenditures for both fiscal years primarily consisted of leasehold improvements and equipment for new off-campus classroom and laboratory sites, as well as purchases of computer equipment, internal use software projects and furniture and equipment to support our increasing employee headcount. The Company intends to continue to spend approximately $30.0 million to $35.0 million per year for capital expenditures.

Proceeds from investments, net of purchases of short-term investments was $10.5 million in fiscal 2021. Proceeds from investments was $10.6 million in fiscal 2020. In 2021, the Company elected to utilize its excess cash balances from both operating cash flows and the payoff of the Secured Note to repurchase its shares.

Cash Flows from Financing Activities

	Year Ended December 31,	
(In thousands)	**2021**	**2020**
Net cash used in financing activities	$ (908,926)	$ (166,275)

Financing activities consumed $908.9 million of cash in fiscal 2021 compared to $166.3 in fiscal 2020. During 2021 and 2020, principal and revolver payments were $107.8 million and $33.1 million, respectively. 2020 payments represented quarterly term loan repayments and 2021 payments represented quarterly term loan repayments through the third quarter with the remaining balance of the credit facility paid and the credit facility terminated in October 2021, when the Secured Note receivable began to be repaid by GCU.

Proceeds received from option exercises totaled $2.7 million in fiscal 2021 and $0.9 million in fiscal 2020.

During fiscal 2021 and 2020, $797.8 million and $129.0 million, respectively, was used to purchase treasury stock in accordance with GCE's share repurchase program. In 2021 and 2020, $6.0 million and $5.0 million, respectively, of cash was utilized to purchase common shares withheld in lieu of income taxes resulting from the vesting of restricted share awards. The Company intends to continue using a portion of its cash flows from operations and the remaining proceeds from the repayment of the Secured Note receivable to repurchase its shares.

Share Repurchase Program

In January 2021, July 2021, and January 2022 our Board of Directors increased the authorization under its existing stock repurchase program by $100.0 million, $970.0 million and $175.0 million respectively, reflecting an aggregate authorization for share repurchases since the initiation of the program of $1,645.0 million. The current expiration date on the repurchase authorization by our Board of Directors is December 31, 2022. Repurchases occur at the Company's discretion and the Company may modify, suspend or discontinue the repurchase authorization at any time.

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

On March 10, 2021, the Company entered into an accelerated share repurchase ("ASR") agreement with Morgan Stanley & Co. LLC ("Morgan Stanley") to repurchase up to $35.0 million of its outstanding shares of common stock as part of the Company's share repurchase program. Under the ASR agreement, the Company received initial delivery of approximately 275,889 shares of common stock, representing approximately 80% of the number of shares of common stock initially underlying the ASR agreement based on the closing price of the common stock of $101.49, on March 9, 2021. The total number of shares that the Company repurchased under the ASR program was based on the volume-weighted average price of the common stock during the term of the ASR agreement, less a discount, and was subject to potential adjustments pursuant to the terms and conditions of the ASR agreement. The final settlement of the share repurchases under the ASR agreement was completed on May 4, 2021 with additional delivery of 45,914 shares of common stock. The ASR agreement resulted in a total of 321,803 shares repurchased at an average cost of $108.76.

On May 14, 2021, the Company entered into an ASR agreement with Morgan Stanley to repurchase up to $50.0 million of its outstanding shares of common stock as part of the Company's share repurchase program. Under the ASR agreement, the Company received initial delivery on May 17, 2021 of approximately 418,279 shares of common stock, representing approximately 80% of the number of shares of common stock initially underlying the ASR agreement based on the closing price of the common stock of $95.63, on May 14, 2021. The total number of shares that the Company repurchased under the ASR program was based on the volume-weighted average price of the common stock during the term of the ASR agreement, less a discount, and was subject to potential adjustments pursuant to the terms and conditions of the ASR agreement. The final settlement of the share repurchases under the ASR agreement was completed on August 13, 2021 with additional delivery of 139,270 shares of common stock. The ASR agreement resulted in a total of 557,549 shares repurchased at an average cost of $89.68.

Since 2011, we have purchased 14.8 million shares of common stock at an aggregate cost of $1,049.6 million, which includes 9,199,449 shares of common stock at an aggregate cost of $797.8 million during the year ended December 31, 2021.

Contractual Obligations

Our contractual obligations primarily consist of capital expenditures primarily for new off-campus classroom and laboratory sites opening and continued spend on computer equipment, software licenses, internal software development and furniture and equipment to support our increasing employee headcount. See *Note 9 - Leases*, in Item 8, *Consolidated Financial Statements and Supplementary Data.* There are no other material contractual obligations or commitments for the Company.

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.

Adjusted EBITDA (Non-GAAP Financial Measure)

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.

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) contributions to private Arizona school tuition organizations in lieu of the payment of state income taxes; (ii) loss on transaction; (iii) share-based compensation, and (iv) unusual charges or gains, such as litigation and regulatory reserves, impairment charges and asset write-offs, and exit or lease termination costs. We present Adjusted EBITDA, a non-GAAP financial measure, 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. 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 and does not consider the items for which we make adjustments (as listed above) to be 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 in that, among other things, 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 consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

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

	Year Ended December 31,	
	2021	**2020**
Net income	$ 260,344	$ 257,196
Plus: interest expense	3,601	4,402
Less: interest income on Secured Note	(52,090)	(59,190)
Less: investment interest and other	(610)	(915)
Plus: income tax expense	70,945	75,944
Plus: amortization of intangible assets	8,419	8,419
Plus: depreciation and amortization	21,994	21,233
EBITDA	312,603	307,089
Plus: contributions in lieu of state income taxes[(a)]	5,000	5,000
Less: reversal of credit loss reserve[(b)]	(5,000)	—
Plus: share-based compensation[(c)]	11,526	10,663
Plus: estimated litigation and regulatory reserves[(d)]	3,225	1,078
Adjusted EBITDA	$ 327,354	$ 323,830

(a) Represents contributions to various private 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 21.4% and 22.8% for the years ended December 31, 2021 and 2020, respectively. Had these contributions not been made, our effective tax rate would have been 22.6% and 23.9% for 2021 and 2020, 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.

(b) Represents the reversal of the credit loss reserve on the Secured Note receivable due to repayment in full by GCU in the fourth quarter of 2021.

(c) Reflects share-based compensation expense related to GCE employees.

(d) Reflects primarily regulatory litigation as GCE retained responsibility for all liabilities of GCU arising prior to the closing date of the Transaction. *See Note 2 – The Transaction* in our consolidated financial statements for a full description of the Transaction.

Recent Accounting Pronouncements

See *Note 4 - Summary of Significant Accounting Policies*, in Item 8, *Consolidated Financial Statements and Supplementary Data.*

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk. As of December 31, 2021, 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 by investing excess funds in cash equivalents, BBB or higher rated municipal bonds, municipal mutual funds and commercial paper 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, 2021, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows.

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

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Grand Canyon Education, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Grand Canyon Education, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, 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, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, 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, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the sufficiency of audit evidence over service revenue

As discussed in Note 4 to the consolidated financial statements, service revenue is recognized from the delivery of support services to institutions in the post-secondary education sector of the United States (University Partners). The transaction price for support services is based on the Company receiving a contracted percentage of the University Partner's tuition and fee revenue. The tuition and fee information received varies depending on the respective University Partner's reporting processes and the services provided. The Company recorded $897 million of service revenue for the year ended December 31, 2021.

We identified the evaluation of the sufficiency of audit evidence over service revenue as a critical audit matter. This required especially subjective auditor judgment because service revenue recorded by the Company is dependent on the tuition and fee information of the University Partners. This included determining the nature and extent of procedures to be performed and evaluating the evidence obtained over the tuition and fee information.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over tuition and fee information of the University Partners. We evaluated the design and tested the operating effectiveness of certain internal controls related to service revenue. This included controls related to the accurate recording of amounts dependent on University Partners' tuition and fee revenue information. For a sample of transactions, we compared the amounts recognized as service revenue for consistency with underlying documentation, including contracts with University Partners and student enrollment documentation.

We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the nature of such evidence.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Phoenix, Arizona
February 16, 2022

Grand Canyon Education, Inc.
Consolidated Balance Sheets

(In thousands, except par value)	As of December 31, 2021	As of December 31, 2020
ASSETS:		
Current assets		
Cash and cash equivalents	$ 600,941	$ 245,769
Investments	—	10,840
Accounts receivable, net	70,063	62,189
Interest receivable on Secured Note	—	5,011
Income tax receivable	1,275	1,294
Other current assets	8,766	8,639
Total current assets	681,045	333,742
Property and equipment, net	136,120	128,657
Right-of-use assets	57,652	61,020
Secured Note receivable, net	—	964,912
Amortizable intangible assets, net	185,219	193,638
Goodwill	160,766	160,766
Other assets	1,943	1,844
Total assets	$ 1,222,745	$ 1,844,579
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Accounts payable	$ 24,306	$ 16,583
Accrued compensation and benefits	32,714	34,248
Accrued liabilities	27,593	21,945
Income taxes payable	5,895	5,405
Deferred revenue	10	—
Current portion of lease liability	7,426	7,393
Current portion of notes payable	—	33,144
Total current liabilities	97,944	118,718
Deferred income taxes, noncurrent	25,962	20,288
Other long term liability	37	3
Lease liability, less current portion	53,755	56,611
Notes payable, less current portion	—	74,630
Total liabilities	177,698	270,250
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at December 31, 2021 and December 31, 2020	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 53,637 and 53,277 shares issued and 37,722 and 46,649 shares outstanding at December 31, 2021 and December 31, 2020, respectively	536	533
Treasury stock, at cost, 15,915 and 6,628 shares of common stock at December 31, 2021 and December 31, 2020, respectively	(1,107,211)	(303,379)
Additional paid-in capital	296,670	282,467
Retained earnings	1,855,052	1,594,708
Total stockholders' equity	1,045,047	1,574,329
Total liabilities and stockholders' equity	$ 1,222,745	$ 1,844,579

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

Grand Canyon Education, Inc.
Consolidated Income Statements

	Year Ended December 31,		
(In thousands, except per share data)	**2021**	**2020**	**2019**
Service revenue	$ 896,564	$ 844,096	$ 778,643
Costs and expenses:			
Technology and academic services	132,078	116,012	90,512
Counseling services and support	249,179	234,534	223,598
Marketing and communication	182,872	164,334	142,896
General and administrative	41,826	43,360	44,317
Amortization of intangible assets	8,419	8,419	8,223
Loss on transaction	—	—	3,966
Total costs and expenses	614,374	566,659	513,512
Operating income	282,190	277,437	265,131
Interest income on Secured Note	52,090	59,190	59,297
Interest expense	(3,601)	(4,402)	(11,311)
Investment interest and other	610	915	4,385
Income before income taxes	331,289	333,140	317,502
Income tax expense	70,945	75,944	58,327
Net income	$ 260,344	$ 257,196	$ 259,175
Earnings per share:			
Basic income per share	$ 5.94	$ 5.49	$ 5.42
Diluted income per share	$ 5.92	$ 5.45	$ 5.37
Basic weighted average shares outstanding	43,835	46,880	47,814
Diluted weighted average shares outstanding	43,958	47,165	48,266

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

Grand Canyon Education, Inc.
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
(In thousands)	**2021**	**2020**	**2019**
Net income	$ 260,344	$ 257,196	$ 259,175
Other comprehensive income, net of tax:			
Unrealized losses on hedging derivatives, net of taxes of $107 for the year ended December 31, 2019	—	—	(390)
Reclassification of expired interest rate corridor to interest expense, net of taxes of $257 for the year ended December 31, 2019	—	—	843
Comprehensive income	$ 260,344	$ 257,196	$ 259,628

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

Grand Canyon Education, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)

Year Ended December 31, 2021

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Par Value	Shares	Cost				
Balance at December 31, 2018	52,690	$ 527	4,489	$ (125,452)	$ 256,806	$ (453)	$ 1,082,169	$ 1,213,597
Comprehensive income	—	—	—	—	—	453	259,175	259,628
Common stock purchased for treasury	—	—	376	(35,786)	—	—	—	(35,786)
Restricted shares forfeited	—	—	16	—	—	—	—	—
Share-based compensation	152	2	68	(8,127)	10,298	—	—	2,173
Exercise of stock options	212	2	—	—	3,819	—	—	3,821
Balance at December 31, 2019	53,054	$ 531	4,949	$ (169,365)	$ 270,923	$ —	$ 1,341,344	$ 1,443,433
Cumulative effect from the adoption of accounting pronouncements, net of taxes of $1,168	—	—	—	—	—	—	(3,832)	(3,832)
Comprehensive income	—	—	—	—	—	—	257,196	257,196
Common stock purchased for treasury	—	—	1,602	(129,045)	—	—	—	(129,045)
Restricted shares forfeited	—	—	15	—	—	—	—	—
Share-based compensation	167	1	62	(4,969)	10,662	—	—	5,694
Exercise of stock options	56	1	—	—	882	—	—	883
Balance at December 31, 2020	53,277	$ 533	6,628	$ (303,379)	$ 282,467	$ —	$ 1,594,708	$ 1,574,329
Comprehensive income	—	—	—	—	—	—	260,344	260,344
Common stock purchased for treasury	—	—	9,199	(797,838)	—	—	—	(797,838)
Restricted shares forfeited	—	—	32	—	—	—	—	—
Share-based compensation	184	1	56	(5,994)	11,525	—	—	5,532
Exercise of stock options	176	2	—	—	2,678	—	—	2,680
Balance at December 31, 2021	53,637	$ 536	15,915	$ (1,107,211)	$ 296,670	$ —	$ 1,855,052	$ 1,045,047

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

Grand Canyon Education, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
(In thousands)	**2021**	**2020**	**2019**
Cash flows provided by operating activities:			
Net income	$ 260,344	$ 257,196	$ 259,175
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	11,526	10,663	10,300
Reversal of credit loss reserve	(5,000)	—	—
Depreciation and amortization	21,994	21,233	18,696
Amortization of intangible assets	8,419	8,419	8,223
Deferred income taxes	5,674	3,136	1,670
Loss on transaction	—	—	3,966
Other, including fixed asset impairments	677	571	(335)
Changes in assets and liabilities:			
Accounts receivable and interest receivable from university partners	(2,863)	(13,250)	766
Other assets	(256)	(621)	2,136
Right-of-use assets and lease liabilities	545	2,151	833
Accounts payable	7,392	1,012	(3,095)
Accrued liabilities	4,148	18,612	5,078
Income taxes receivable/payable	509	(279)	(1,044)
Student deposits	—	—	(25)
Deferred rent	10	(20)	—
Net cash provided by operating activities	313,119	308,823	306,344
Cash flows provided by (used in) investing activities:			
Capital expenditures	(28,875)	(29,418)	(22,391)
Additions of amortizable content	(515)	(524)	(260)
Acquisition, net of cash acquired	—	—	(361,184)
Funding to GCU	(190,000)	(75,000)	(169,819)
Repayment by GCU	1,159,912	75,000	100,000
Purchases of investments	(56,335)	—	(9,384)
Proceeds from sale or maturity of investments	66,792	10,591	57,163
Net cash provided by (used in) investing activities	950,979	(19,351)	(405,875)
Cash flows (used in) provided by financing activities:			
Principal payments on notes payable	(107,774)	(33,144)	(92,433)
Debt issuance costs	—	—	(2,385)
Proceeds from notes payable	—	—	243,750
Net borrowings from revolving line of credit	—	—	(68,750)
Repurchase of common shares including shares withheld in lieu of income taxes	(803,832)	(134,014)	(43,913)
Net proceeds from exercise of stock options	2,680	883	3,821
Net cash (used in) provided by financing activities	(908,926)	(166,275)	40,090
Net increase (decrease) in cash and cash equivalents and restricted cash	355,172	123,197	(59,441)
Cash and cash equivalents and restricted cash, beginning of period	245,769	122,572	182,013
Cash and cash equivalents and restricted cash, end of period	$ 600,941	$ 245,769	$ 122,572
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 3,697	$ 4,306	$ 11,516
Cash paid for income taxes	$ 61,900	$ 68,381	$ 59,903
Supplemental disclosure of non-cash investing and financing activities			
Purchases of property and equipment included in accounts payable	$ 1,536	$ 1,206	$ 469
Allowance for credit losses of $5,000, net of taxes of $1,168 from adoption of ASU 2016-13	$ —	$ 3,832	$ —
Lease adoption - recognition of right of use assets and lease liabilities	$ —	$ —	$ 498
ROU Asset and Liability recognition	$ 3,368	$ 33,250	$ 14,203
Reclassification of interest rate corridor due to expiration	$ —	$ —	$ 1,100

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

Grand Canyon Education, Inc.
Notes to Consolidated Financial Statements
(In thousands, except per share data)

1. Nature of Business

Grand Canyon Education, Inc. (together with its subsidiaries, the "Company" or "GCE") is a publicly traded education services company dedicated to serving colleges and universities. GCE has developed significant technological solutions, infrastructure and operational processes to provide services to these institutions on a large scale. GCE's most significant university partner is Grand Canyon University ("GCU"), an Arizona non-profit corporation that operates a comprehensive regionally accredited university that offers graduate and undergraduate degree programs, emphases and certificates across nine colleges both online, on ground at its campus in Phoenix, Arizona and at two off-site classroom and laboratory sites.

Prior to July 1, 2018, GCE owned and operated Grand Canyon University (the "University"). On July 1, 2018, the Company sold the University to GCU. As a result of this transaction (the "Transaction"), GCE became an education services company focused on providing a full array of support services to institutions in the post-secondary education sector. GCE provides education services that include technology and academic services, counseling services and support, marketing and communication services, and for its largest university partner several back-office services such as accounting, reporting, tax, human resources, and procurement services. See Note 2 to our consolidated financial statements for a full description of the Transaction.

In January 2019, GCE began providing education services to numerous university partners across the United States, through our wholly owned subsidiary, Orbis Education, which we acquired, by merger on January 22, 2019 for $361,184, net of cash acquired (the "Acquisition"). Therefore, the results of operations for the year ended December 31, 2019 include Orbis Education's financial results for the period from January 22, 2019 to December 31, 2019. The Company financed a portion of the purchase price through a credit facility provided by a consortium of banks led by our existing bank group. See Note 3 to our consolidated financial statement for a full description of the Acquisition.

Since the Acquisition, GCE, together with Orbis Education, has continued to add additional university partners. In the healthcare field, we work in partnership with a growing number of top universities and healthcare networks across the country, offering healthcare-related academic programs at off-campus classroom and laboratory sites located near healthcare providers and developing high-quality, career-ready graduates who enter the workforce ready to meet the demands of the healthcare industry. In addition, we have begun providing certain services to a university partner to assist them in expanding their online graduate programs. As of December 31, 2021, GCE provides education services to 27 university partners across the Unites States.

GCE was formed in Delaware in November 2003 as a limited liability company, under the name Significant Education, LLC, for the purchase of acquiring the assets of the University from a non-profit foundation on February 2, 2004. On August 24, 2005, the Company converted from a limited liability company to a corporation and changed its name to Significant Education, Inc. On May 9, 2008, the Company changed its name to Grand Canyon Education, Inc. The Company's wholly owned subsidiaries were historically used to facilitate expansion of the university campus prior to the Transaction.

2. The Transaction

On July 1, 2018, the Company consummated an Asset Purchase Agreement (the "Asset Purchase Agreement") with GCU. In conjunction with the Asset Purchase Agreement, we received a secured note from GCU as consideration for the transferred assets (the "Transferred Assets") in the initial principal amount of $870,097 (the "Secured Note"). The Secured Note contained customary commercial credit terms, including affirmative and negative covenants applicable to GCU, and provided that the Secured Note bore interest at an annual rate of 6.0%, had a maturity date of June 30, 2025, and was secured by all of the assets of GCU. The Secured Note provided for GCU to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity and also provides that we may loan additional amounts to GCU to fund approved capital expenditures. As of December 31, 2021, the Secured Note receivable had been fully paid including loans for capital expenditures and all pledged assets from GCU have been released.

Grand Canyon Education, Inc.
Notes to Consolidated Financial Statements
(In thousands, except per share data)

In connection with the closing of the Asset Purchase Agreement, the Company and GCU entered into a long-term master services agreement pursuant to which the Company provides identified technology and academic services, counseling services and support, marketing and communication services, and several back-office services to GCU in return for 60% of GCU's tuition and fee revenue. Except for identified liabilities assumed by GCU, GCE retained responsibility for all liabilities of the business arising from pre-closing operations.

3. Acquisition

On January 22, 2019, GCE acquired Orbis Education for $361,184 (inclusive of closing date adjustments and net of cash acquired). Orbis Education is an education services company that supports healthcare education programs for university partners across the United States. Concurrent with the closing of the Acquisition, GCE entered into an amended and restated credit agreement and used $191,000 from the amended and restated credit agreement and $171,034 of operating cash on hand to complete the purchase. See Note 10 of our consolidated financial statements for a description of the amended and restated credit agreement. The fair value of the assets acquired, less the liabilities assumed exceeded the purchase price by $157,825 which was recorded as goodwill. Transaction costs for the Acquisition for the year ended December 31, 2019 were $3,966, which are included in the loss on transaction in our consolidated income statement.

The Acquisition was accounted for in accordance with the acquisition method of accounting. Under this method the cost of the target is allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The following table provides a tabular depiction of the Company's allocation of the total purchase price to each of the assets acquired and liabilities assumed based on the Company's fair value estimates.

Assets acquired		
Cash, including $300 of pledged collateral	$	4,793
Accounts receivable, net of allowance of $0	$	3,236
Property and equipment	$	5,392
Right-of-use assets	$	13,069
Intangible assets	$	210,280
Other assets	$	2,793
Liabilities assumed		
Accounts payable	$	4,308
Accrued and other liabilities	$	4,451
Lease liability	$	13,069
Deferred tax liability	$	9,538
Deferred revenue	$	45
Total net asset or liability purchased and assumed	$	208,152
Purchase price	$	365,977
Excess of fair value of net assets acquired over consideration given	$	157,825

The estimated fair values of current assets and liabilities were based upon their historical costs on the date of acquisition due to their short-term nature. The majority of property and equipment were also estimated based upon historical costs as they approximated fair value. Identified intangible assets of $210,280 consisted primarily of university partner relationships that were valued at $210,000. The fair value of university partner relationships was determined using the multiple-period excess earnings method.

Subsequent to the closing of the Acquisition, the Company revised its allocation of the purchase price by $9,538 during the year ended December 31, 2019, primarily as the result of the tax effect of a lower tax basis in the acquired assets. The Company has completed the allocation of the purchase price of the Acquisition as of December 31, 2019.

(In thousands, except per share data)

The Company has consolidated the results of operations for Orbis Education since its Acquisition on January 22, 2019. Consolidated net revenue and consolidated net income for the year ended December 31, 2019 include $85,869 of service revenue and a loss, net of taxes, of $2,588 from Orbis Education, which includes $8,223 of amortization of intangible assets. The following table reports pro forma information as if the Acquisition of Orbis Education had been completed at the beginning of the earliest period presented:

	Three Months Ended December 31, 2019	Year Ended December 31, 2019
Net revenue		
As Reported	$ 213,247	$ 778,643
Pro forma	$ 213,247	$ 781,893
Net income		
As Reported	$ 76,669	$ 259,175
Pro forma	$ 76,669	$ 247,930

The pro forma information above for the three months ended and the year ended December 31, 2019 includes acquisition related costs in both periods, amortization of intangible assets as a result of the Acquisition, additional interest expense on the debt issued to finance the Acquisition, depreciation expense based on the estimated fair value of the assets acquired, and warrant expense and related tax effects. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the transactions been consummated on January 1, 2019.

4. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes, including the collection of accounts receivables and reserves associated with uncertain tax positions. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

As of December 31, 2021, the Company had no investments. As of December 31, 2020, the Company considers its investments in municipal bonds, mutual funds, municipal securities, corporate bonds, collateralized mortgage obligations, certificates of deposit and commercial paper as trading securities based on the Company's intent for the respective security. Trading 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 and unrealized holding gains and losses are included in earnings. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of other comprehensive income. Comprehensive income and 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.

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. 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.

Internally Developed Technology

The Company capitalizes certain costs related to internal-use software, primarily consisting of direct labor associated with creating the software. Software development projects generally include three stages: the preliminary project stage (all costs are expensed as incurred), the application development stage (certain costs are capitalized and certain costs are expensed as incurred) and the post-implementation or operation stage (all costs are expensed as incurred). Costs capitalized in the application development stage include costs of design, coding, integration, and testing of the software developed. Capitalization of costs requires judgment in determining when a project has reached the application development stage and the period over which we expect to benefit from the use of that software. Once the software is placed in service, these costs are amortized over the estimated useful life of the software, which is generally three years. These assets are a component of our property and equipment, net in our consolidated balance sheets.

Capitalized Content Development

The Company capitalizes certain costs to fulfill a contract related to the development and digital creation of content on a course-by-course basis for each university partner, many times in conjunction with faculty and subject matter experts. The Company is responsible for the conversion of instructional materials to an on-line format, including outlines, quizzes, lectures, and articles in accordance with the educational guidelines provided to us by our university partners, prior to the respective course commencing. We also capitalize the creation of learning objects which are digital assets such as online demonstrations, simulations, and case studies used to obtain learning objectives.

Costs that are capitalized include payroll and payroll-related costs for employees who are directly associated and spend time producing content and payments to faculty and subject matter experts involved in the process. The Company starts capitalizing content costs when it begins to develop or to convert a particular course, resources have been assigned and a timeline has been set. The content asset is placed in service when all work is complete and the curriculum could be used for instruction. Capitalized content development assets are included in other assets in our consolidated balance sheets. The Company has concluded that the most appropriate method to amortize the deferred content assets is on a straight-line basis over the estimated life of the course, which is generally four years which corresponds with course's review and major revision cycle. As of December 31, 2021 and 2020, $1,168 and $1,198, respectively, net of amortization, of deferred content assets are included in other assets in the Company's consolidated balance sheets and amortization is included in technical and academic services where the costs originated.

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Long-Lived Assets

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

Leases

The Company determines if an arrangement is a lease at inception and evaluates the lease agreement to determine whether the lease is a finance or operating lease. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement to determine the present value of lease payments over the lease term. At lease inception, the Company determines the lease term by assuming no exercises of renewal options, due to the Company's constantly changing geographical needs for its university partners. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheets and are recognized as lease expense on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, and the non-lease components are accounted for separately and not included in our ROU assets and lease liabilities. Leases primarily consist of off-campus classroom and laboratory site locations and office space.

Business Combinations

The purchase price of an acquisition is allocated to the assets acquired, including tangible and intangible assets, and liabilities assumed, based on their respective fair values at the acquisition date. The excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred and are recorded in the loss on transaction in the consolidated financial statements. The determination of the value and useful lives of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital. The net assets and result of operations of an acquired entity are included on the Company's consolidated financial statements from the acquisition date.

Goodwill and Amortizable Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the tangible and intangible assets acquired and liabilities assumed. Goodwill is assessed at least annually for impairment during the fourth quarter, or more frequently if circumstances indicate potential impairment. Goodwill is allocated to our reporting unit at the education services segment, which is the same as the entity as a whole (entity level reporting unit). The Company has concluded there is one operating segment and one reporting unit for goodwill impairment consideration. 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 quantitative goodwill impairment test. The Company reviews goodwill at least annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Following this assessment, the Company determined that it is more likely than not that its fair value exceeds its carrying amount.

Finite-lived intangible assets that are acquired in a business combination are recorded at fair value on their acquisition dates and are amortized using a method that reflects the pattern in which the economic benefits of the intangible assets are consumed or on a straight-line basis over the estimated useful life of the intangible asset if the pattern of economic benefit cannot be reliability determined. Finite-lived intangible assets consist of university partner relationships and trade names. The Company reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. There were no indicators that the carrying amount of the finite-lived intangible assets were impaired as of December 31, 2021. 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 intangible assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amounts of the assets exceeds the fair value of the assets.

Share-Based Compensation

The Company measures and recognizes compensation expense for share-based payment awards made to employees and directors. The fair value of the Company's restricted stock awards is based on the market price of its common stock on the date of grant. Stock-based compensation expense related to restricted stock grants is expensed over the vesting period using the straight-line method for Company employees and the Company's board of directors. The Company recognizes forfeitures as they occur.

Derivatives and Hedging

Derivative financial instruments are recorded on the consolidated 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.

Although the Company currently does not have any derivative financial instruments, derivative financial instruments have been used in the past to manage its exposure to interest rate risk. The Company does not engage in any derivative instrument trading activity.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts 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. As of December 31, 2020 the carrying value and fair value of the Company's Secured Note was $964,912 and $1,049,458, respectively. Fair value of the Secured Note was estimated based upon average yields of similar debt arrangements in the marketplace. As of December 31, 2020 the carrying value of notes payable approximate fair value based on its variable rate index.

The fair value of investments was determined using Level 1 and Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the assets. The unit of account used for valuation is the individual underlying security. The municipal securities are comprised of city and county bonds related to schools, water and sewer, utilities, transportation, healthcare and housing and corporate securities consisting of bank and financial institution bonds and securities.

Income Taxes

The Company accounts for income taxes payable or refundable for the current year and deferred tax assets and liabilities for future tax consequences of events that have been recognized in the Company's 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.

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The Company 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 Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2021 and 2020, the Company has reserved approximately $14,108 and $11,318, respectively, for uncertain tax positions, including interest and penalties, which is classified within accrued liabilities on the accompanying consolidated balance sheet.

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

Revenue Recognition

The Company generates all of its revenue through services agreements with its university partners (“Services Agreements”), pursuant to which the Company provides integrated technology and academic services, marketing and communication services, and back-office services to its university partners in return for a percentage of tuition and fee revenue.

The Company’s Services Agreements have initial terms ranging from 7-15 years, subject to renewal options, although certain agreements may give the university partners the right to terminate early if certain conditions are met. The Company’s Services Agreements have a single performance obligation, as the promises to provide the identified services are not distinct within the context of these agreements. The single performance obligation is delivered as our partners receive and consume benefits, which occurs ratably over a series of distinct service periods (daily or semester). Service revenue is recognized over time using the output method of measuring progress towards complete satisfaction of the single performance obligation. The output method provides a faithful depiction of the performance toward complete satisfaction of the performance obligation and can be tied to the time elapsed which is consumed evenly over the service period and is a direct measurement of the value provided to our partners. The service fees received from our partners over the term of the agreement are variable in nature in that they are dependent upon the number of students attending the university partner’s program and revenues generated from those students during the service period. Due to the variable nature of the consideration over the life of the service arrangement, the Company considered forming an expectation of the variable consideration to be received over the service life of this one performance obligation. However, since the performance obligation represents a series of distinct services, the Company recognizes the variable consideration that becomes known and billable because these fees relate to the distinct service period in which the fees are earned. The Company meets the criteria in the standard and exercises the practical expedient to not disclose the aggregate amount of the transaction price allocated to the single performance obligation that is unsatisfied as of the end of the reporting period. The Company does not disclose the value of unsatisfied performance obligations because the directly allocable variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a service that forms part of a single performance obligation. The service fees are calculated and settled per the terms of the Services Agreements and result in a settlement duration of less than one year for all partners. There are no refunds or return rights under the Services Agreements.

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The Company's receivables represent unconditional rights to consideration from our Services Agreements with our university partners. Accounts receivable, net is stated at net realizable value and contains billed and unbilled revenue. The Company utilizes the allowance method to provide for doubtful accounts based on its evaluation of the collectability of the amounts due. There have been no amounts written off and no reserves established as of December 31, 2021 given historical collection experience. The Company will continue to review and revise its allowance methodology based on its collection experience with its partners.

For our partners with unbilled revenue, revenue recognition occurs in advance of billings. Billings for some university partners do not occur until after the service period has commenced and final enrollment information is available. Our unbilled revenue of $3,841 and $294 as of December 31, 2021 and 2020, respectively, are included in accounts receivable in our consolidated balance sheets. Deferred revenue represents the excess of amounts received as compared to amounts recognized in revenue on our consolidated statements of income as of the end of the reporting period, and such amounts are reflected as a current liability on our consolidated balance sheets. We generally receive payments for our services billed within 30 days of invoice. These payments are recorded as deferred revenue until the services are delivered and revenue is recognized.

Allowance for Credit Losses

The Company records its accounts receivable and previously had recorded its Secured Note receivable at the net amount expected to be collected. Our accounts receivable are derived through education services provided to university partners. Our Secured Note receivable was derived through the sale of university-related assets to our most significant university partner, GCU. The Company maintains an allowance for credit losses resulting from our university partners not making payments. The Company determines the adequacy of the allowance by periodically evaluating each university partner's balance, considering their financial condition and credit history, and considering current and forecasted economic conditions. In the first quarter of 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* using a modified retrospective approach. This model requires consideration of a broader range of reasonable and supportable information and requires the Company to estimate expected credit losses including a measure of the expected risk of credit loss even if that risk is remote over the lifetime of the asset. Upon adoption, the Company recorded a reserve of $5,000 on its long-term Secured Note receivable. The cumulative effect for the Company upon adoption of this new standard was $3,832, net of taxes of $1,168. Bad debt expense is recorded as a technology and academic services expense in the consolidated income statement. In the fourth quarter of 2021, the Secured Note receivable was paid off and the credit loss reserve of $5,000 was reversed. The Company will continue to actively monitor the impact of the COVID-19 pandemic as well as other factors on expected credit losses.

Technology and Academic Services

Technology and academic services consist primarily of costs related to ongoing maintenance of educational infrastructure, including online course delivery and management, student records, assessment, customer relations management and other internal administrative systems. This also includes costs to provide support for content development, faculty training, development and other faculty support, technology support, rent and occupancy costs for university partners' off-campus locations, and assistance with state compliance. This expense category includes salaries, benefits and share-based compensation, information technology costs, amortization of content development costs and other costs associated with these support services. This category also includes an allocation of depreciation, amortization, and occupancy costs attributable to the provision of these services, primarily at the Company's Phoenix, Arizona and Indianapolis, Indiana locations.

Counseling Services and Support

Counseling services and support consist primarily of costs including team-based counseling and other support to prospective and current students as well as financial aid processing. This expense category includes salaries, benefits and share-based compensation, and other costs such as dues, fees and subscriptions and travel costs. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of these services, primarily at the Company's Phoenix, Arizona and Indianapolis, Indiana locations.

Marketing and Communication

Marketing and communication includes lead acquisition, digital communication strategies, brand identity advertising, media planning and strategy, video, data science and analysis, marketing to potential students and other promotional and communication services. This expense category includes salaries, benefits and share-based compensation for marketing and communication personnel, brand advertising, marketing leads and other promotional and communication expenses. This category also includes an allocation of depreciation, amortization, lease expense, and occupancy costs attributable to the provision of these services, primarily at the Company's Phoenix, Arizona and Indianapolis, Indiana locations. Advertising costs are expensed as incurred.

General and Administrative

General and administrative expenses include salaries, benefits and share-based compensation of employees engaged in corporate management, finance, human resources, compliance, and other corporate functions. This category also includes an allocation of depreciation, amortization, lease expense, and occupancy costs attributable to the provision of these services, primarily at the Company's Phoenix, Arizona and Indianapolis, Indiana locations.

Insurance/Self-Insurance

The Company 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 Company's loss exposure related to self-insurance is limited by stop loss coverage on a per occurrence and aggregate basis. The Company 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 Company 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 Company 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 Company's cash equivalents and investments as of December 31, 2021 and 2020 consist of investments rated BBB or higher by at least one rating agency. Additionally, the Company 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. Our cash balances are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. These deposits are typically in excess of insured limits. The Company is also subject to credit risk for its accounts receivable balance. The Company has not experienced any losses on accounts receivables since July 1, 2018, the date the Company transitioned to an education service company. To manage accounts receivable risk, the Company maintains an allowance for doubtful accounts, if needed. Our dependence on our largest university partner, with 85.9% and 86.8% of total service revenue for the years ended December 31, 2021 and 2020, respectively, subjects us to the risk that declines in our customer's operations would result in a sustained reduction in service revenue for the Company.

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Segment Information

The Company operates as a single education services company using a core infrastructure that serves the curriculum and educational delivery needs of its university partners. The Company's Chief Executive Officer manages the Company's operations as a whole and no expense or operating income information is generated or evaluated on any component level.

Accounting Pronouncements Adopted in 2021

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. Accordingly, the standard was adopted by the Company as of January 1, 2021. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The adoption of this guidance did not have a material impact on the Company's financial condition, results of operations or statements of cash flows.

Recent Accounting Pronouncements

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

5. Investments

As of December 31, 2020, the Company had investments of $10,840 classified as trading. The trading investments were held in municipal and corporate securities. The cash flows of municipal securities were backed by the issuing municipality's creditworthiness.

As of December 31, 2021, there were no unrealized gains or losses for available-for sale debt securities as all matured or were sold by December 31, 2021. Available-for-sale debt securities are carried at fair value on the consolidated balance sheets. The Company estimates the lifetime expected credit losses for all available-for sale debt securities in an unrealized loss position. If our assessment indicates that an expected credit loss exists, we determine the portion of the unrealized loss attributable to credit deterioration and record a reserve for the expected credit loss in the allowance for credit losses in technology and academic services in our consolidated income statements. The Company had no investments as of December 31, 2021.

6. Allowance for Credit Losses

	Balance at Beginning of Period (1)	Charged to Expense	Deductions/ Transfers (2)	Balance at End of Period
Allowance for credit losses				
Year ended December 31, 2021	$ 5,000	(5,000)	—	$ —
Year ended December 31, 2020	$ 5,000	—	—	$ 5,000
Year ended December 31, 2019	$ —	—	—	$ —

(1) Amount in the year ended December 31, 2020 represents the cumulative effect of the adoption of ASU No. 2016-13 on the Secured Note receivable.
(2) Deductions represent accounts written off, net of recoveries.

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7. Property and Equipment

Property and equipment consist of the following:

	As of December 31, 2021	As of December 31, 2020
Land	$ 5,579	$ 5,579
Land improvements	2,242	2,242
Buildings	51,399	51,399
Buildings and leasehold improvements	17,161	14,352
Computer equipment	113,680	100,575
Furniture, fixtures and equipment	17,921	15,439
Internally developed software	55,083	46,981
Construction in progress	3,381	5,043
	266,446	241,610
Less accumulated depreciation and amortization	(130,326)	(112,953)
Property and equipment, net	$ 136,120	$ 128,657

Depreciation expense associated with property and equipment totaled $21,441, $20,830 and $18,393 for the years ended December 31, 2021, 2020 and 2019, respectively.

8. Intangible Assets

Amortizable intangible assets consist of the following as of:

	December 31, 2021			
	Estimated Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
University partner relationships	25	$ 210,000	$ (24,781)	$ 185,219
Trade names	1	280	(280)	—
Total amortizable intangible assets, net		$ 210,280	$ (25,061)	$ 185,219

Amortization expense for university partner relationships and trade names for the years ending December 31:

2022	$ 8,419
2023	8,419
2024	8,419
2025	8,419
2026	8,419
Thereafter	143,124
	$ 185,219

9. Leases

The Company has operating leases for off-campus classroom and laboratory site locations, office space, office equipment, and optical fiber communication lines. These leases have terms that range from 4 months to 10.75 years. At lease inception, we determine the lease term by assuming no exercises of renewal options, due to the Company's constantly changing geographical needs for its university partners. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheets and we recognize lease expense for these leases on a straight-line basis over the lease term. The Company has operating lease costs of $9,723, $7,594 and $4,084 for the years ended December 31, 2021, 2020 and 2019, respectively.

(In thousands, except per share data)

As of December 31, 2021, the Company had $5,672 of non-cancelable operating lease commitments for two off-campus classroom and laboratory sites that had not yet commenced. The Company's weighted-average remaining lease term relating to its operating leases is 7.95 years, with a weighted-average discount rate of 3.06%. As of December 31, 2021, the Company had no financing leases.

Future payment obligations with respect to the Company's operating leases, which were existing at December 31, 2021, by year and in the aggregate, are as follows:

Year Ending December 31,		Amount
2022	$	9,085
2023		8,931
2024		8,439
2025		8,128
2026		8,012
Thereafter		26,294
Total lease payments	$	68,889
Less interest		7,708
Present value of lease liabilities	$	61,181

10. Notes Payable and Other Noncurrent Liabilities

We entered into an amended and restated credit agreement dated January 22, 2019 and two related amendments dated January 31, 2019 and dated February 1, 2019, respectively, that together provided a credit facility of $325,000 comprised of a term loan facility of $243,750 and a revolving credit facility of $81,250, both with a five-year maturity date. The proceeds of the term loan, together with $6,250 drawn under the revolver and operating cash on hand were used to complete the Acquisition. Concurrent with the amendment of the credit agreement and Acquisition, we repaid our existing term loan of $59,850 and our cash collateral of $61,667 was released. The Company concluded that the amended and restated credit agreement was considered a loan modification. Accordingly, the Company allocated the costs paid to the bank consortium based on the borrowing dollars and recorded an asset of $596 and a contra liability of $1,639, which was related to a revolver and term loan, respectively, that was being amortized to interest expense over the five-year maturity date. Additionally, the Company expensed $150 of third-party costs in the first quarter 2019 related to this loan modification.

The Company entered into a further amendment for the credit facility on October 31, 2019. This amendment increased the revolving commitment by $68,750 to $150,000, while reducing the term loan by the same $68,750 to $150,625. The Company concluded that this amendment was a loan modification.

The Company upon its receipt of the proceeds from GCU of $500 million in October 2021 repaid all amounts due under the outstanding term loan and revolving credit facilities, terminated the credit agreement and expensed all remaining capitalized loan costs of $1,028 to interest expense.

11. Commitments and Contingencies

Legal Matters

From time to time, the Company 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 Company 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 Company records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company 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 Company'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 Company 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 Company's financial condition, results of operations or cash flows.

COVID-19 Considerations

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious outbreak and the related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated non-essential business closures, have adversely affected our business in a number of ways. The pandemic continues to result in reductions in education service revenue, operating income and margins in the Spring of 2022. At this time there remains considerable uncertainty around the duration of the COVID-19 pandemic. These factors, and/or material changes in the fair value of our accounts receivable, could also materially impact the allowance for expected credit losses on our accounts receivable. However, the related financial impact and duration of the COVID-19 pandemic cannot be reasonably estimated at this time.

Tax, Income Tax Related

During the first quarter of 2019, the Company reached an agreement with the Arizona Department of Revenue regarding previously filed refund claims related to income tax obligations for calendar year 2008 through calendar year 2013. As a result of the agreement, the Company received a refund of $7,500, inclusive of both tax and interest. Net of the federal tax benefit, the refund has a favorable tax impact of $5,925. The Company recorded the impact of this discrete tax item in its first quarter 2019 financials.

Tax Reserves, Non-Income Tax Related

From time to time the Company has exposure to various non-income tax related matters that arise in the ordinary course of business. At both December 31, 2021 and 2020, the Company has no reserve for tax matters where its ultimate exposure is considered probable and the potential loss can be reasonably estimated.

12. Derivative Instruments

In 2013, the Company entered into an interest rate corridor to manage its 30-day LIBOR interest exposure related to its variable rate debt. In December 2019 this cash flow hedge expired, and $1,100 was reclassified from accumulated other comprehensive income into interest expense in the consolidated income statement. The fair value of the derivative instrument was determined using a hypothetical derivative transaction and Level 2 of the hierarchy of valuation inputs. The adjustments of $497 for the year ended December 31, 2019, for the effective portion of the gain/loss on the derivative are included as a component of other comprehensive income, net of taxes.

The interest rate corridor instrument reduced variable interest rate risk starting March 1, 2013 through December 20, 2019. The corridor instrument's terms permitted the Company to hedge its interest rate risk at several thresholds; the Company paid variable interest monthly based on the 30-day LIBOR rates until that index reached 1.5%. If 30-day LIBOR was equal to 1.5% through 3.0%, the Company paid 1.5%. If 30-day LIBOR exceeded 3.0%, the Company paid actual 30-day LIBOR less 1.5%. Therefore, the Company hedged its exposure to future variable rate cash flows through December 20, 2019.

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13. 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 and restricted stock awards, for which the estimated fair value exceeds the exercise price, less shares which could have been purchased with the related proceeds, unless anti-dilutive. For employee equity awards, repurchased shares are also included for any unearned compensation adjusted for tax. The table below reflects the calculation of the weighted average number of common shares outstanding, on an as if converted basis, used in computing basic and diluted earnings per common share.

	Year Ended December 31,		
	2021	2020	2019
Denominator:			
Basic weighted average shares outstanding	43,835	46,880	47,814
Effect of dilutive stock options and restricted stock	123	285	452
Diluted weighted average shares outstanding	43,958	47,165	48,266

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, 2021, 2020 and 2019, approximately 79, 142, and 1, respectively, of the Company’s 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.

14. Equity Transactions

Preferred Stock

As of December 31, 2021 and 2020, the Company had 10,000 shares of authorized but unissued and undesignated preferred stock. The Company’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

In January 2021, July 2021, and January 2022 the Board of Directors increased the authorization under its existing stock repurchase program by $100,000, $970,000 and $175,000, respectively, reflecting an aggregate authorization for share repurchases since the initiation of our program of $1,645,000. The expiration date on the repurchase authorization is December 31, 2022. Repurchases occur at the Company’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.

On March 10, 2021, the Company entered into an accelerated share repurchase (“ASR”) agreement with Morgan Stanley & Co. LLC (“Morgan Stanley”) to repurchase up to $35,000 of its outstanding shares of common stock as part of the Company’s share repurchase program. Under the ASR agreement, the Company received initial delivery of approximately 276 shares of common stock, representing approximately 80% of the number of shares of common stock initially underlying the ASR agreement based on the closing price of the common stock of $101.49, on March 9, 2021. At inception of the ASR agreement, the Company recognized the initial delivery of shares as treasury stock of $28,000, and recognized the remaining amount underlying the ASR agreement as a reduction of additional paid in capital of $7,000. The total number of shares that the Company repurchased under the ASR program was based on the volume-weighted average price of the common stock during the term of the ASR agreement, less a discount, and subject to potential adjustments pursuant to the terms and conditions of the ASR agreement. The final settlement of the share repurchases under the ASR agreement was completed on May 4, 2021 with additional delivery of 46 shares of common stock. At settlement of the ASR agreement, the Company recognized an increase to additional paid in capital and a decrease in treasury stock of $7,000 related to the remaining delivery of shares. The ASR agreement resulted in a total of 322 shares repurchased at an average cost of $108.76.

On May 14, 2021, the Company entered into an ASR agreement with Morgan Stanley to repurchase up to $50,000 of its outstanding shares of common stock as part of the Company's share repurchase program. Under the ASR agreement, the Company received initial delivery on May 17, 2021 of approximately 418 shares of common stock, representing approximately 80% of the number of shares of common stock initially underlying the ASR agreement based on the closing price of the common stock of $95.63, on May 14, 2021. At inception of the ASR agreement, the Company recognized the initial delivery of shares as treasury stock of $40,000, and recognized the remaining amount underlying the ASR agreement as a reduction to additional paid in capital of $10,000. The total number of shares that the Company repurchased under the ASR program was based on the volume-weighted average price of the common stock during the term of the ASR agreement, less a discount, and subject to potential adjustments pursuant to the terms and conditions of the ASR agreement. The final settlement of the share repurchases under the ASR agreement was completed on August 13, 2021 with additional delivery of 139 shares of common stock. At settlement of the ASR agreement, the Company recognized an increase to additional paid in capital and a decrease in treasury stock of $10,000 related to the remaining delivery of shares. The ASR agreement resulted in a total of 558 shares repurchased at an average cost of $89.68.

During the year ended December 31, 2021 the Company repurchased 9,199 shares of common stock, which includes shares received as of December 31, 2021 under the ASR on March 10, 2021 and shares received under the ASR on May 17, 2021, at an aggregate cost of $797,838. As of December 31, 2021, there remained $420,433 available under its current share repurchase authorization (which authorization was increased to $595,433 in January 2022) . Shares repurchased in lieu of taxes are not included in the repurchase plan totals as they were approved in conjunction with the restricted share awards.

15. Income Taxes

The Company 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 Company will realize the benefits of these deductible differences. The Company has no valuation allowance at December 31, 2021 and 2020.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted though income tax expense.

Grand Canyon Education, Inc.
Notes to Consolidated Financial Statements
(In thousands, except per share data)

The components of income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	$ 59,450	$ 63,932	$ 57,354
State	5,822	8,875	(1,344)
	65,272	72,807	56,010
Deferred:			
Federal	5,050	2,842	2,804
State	623	295	(487)
	5,673	3,137	2,317
Tax expense recorded as an increase of paid-in capital	—	—	—
	$ 70,945	$ 75,944	$ 58,327

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,		
	2021	2020	2019
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	2.4	2.4	2.4
State tax credits, net of federal effect	(1.2)	(1.2)	(1.0)
Excess tax benefits	(1.3)	(0.4)	(2.3)
Nondeductible expenses	0.1	—	0.1
Other	0.4	1.0	(1.8)
Effective income tax rate	21.4 %	22.8 %	18.4 %

Significant components of the Company'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, 2021	As of December 31, 2020
Deferred tax assets:		
Share-based compensation	$ 2,422	$ 2,535
Employee compensation	802	832
Allowance for credit losses	—	1,200
Intangibles	17,598	20,633
State taxes	3,508	2,787
Other	1,046	964
Deferred tax assets	25,376	28,951
Deferred tax liability:		
Property and equipment	(14,905)	(12,764)
Goodwill	(36,295)	(36,295)
Other	(138)	(180)
Deferred tax liability	(51,338)	(49,239)
Net deferred tax liability	$ (25,962)	$ (20,288)

Grand Canyon Education, Inc.
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The net deferred tax liability on the accompanying consolidated balance sheet is comprised of the following:

	As of December 31, 2021	As of December 31, 2020
Deferred income taxes, current	$ 4,172	$ 4,639
Deferred income taxes, non-current	(30,134)	(24,927)
Net deferred tax liability	$ (25,962)	$ (20,288)

The Company 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 Company 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 Company recognizes interest and penalties related to uncertain tax positions in income tax expense. Unrecognized tax benefits as of December 31, 2021 and 2020 were $14,108 and $11,318, respectively.

The reconciliation of the beginning and ending balance of unrecognized tax benefits at December 31, is as follows:

	2021	2020
Unrecognized tax benefits, beginning of year	$ 11,318	$ 6,773
Tax positions taken during the current year		
Increases	3,973	4,521
Decreases	—	—
Tax positions taken during a prior year		
Increases	262	962
Decreases	(1,064)	—
Decreases for settlements during the period	(74)	(235)
Reductions for lapses of applicable statute of limitations	(307)	(703)
Unrecognized tax benefits, end of year	$ 14,108	$ 11,318

As of December 31, 2021 and 2020, the unrecognized tax benefit recorded of $14,108 and $11,318, respectively, if reversed, would impact the effective tax rate. At December 31, 2021 and 2020, the Company had accrued $0 and $46, respectively, in interest and $0, in penalties. It is reasonably possible that the amount of the unrecognized tax benefit will change during the next 12 months, however management does not expect the potential change to have a material effect on the results of operations or financial position.

The Company’s uncertain tax positions were related to tax years that remained subject to examination by tax authorities. As of December 31, 2021, the earliest tax year still subject to examination for federal and state purposes is 2018 and 2017, respectively.

16. Share-Based Compensation Plans

Incentive Plans

The Company makes equity incentive grants pursuant to our 2017 Equity Incentive Plan (the “2017 Plan”) under which a maximum of 3,000 shares may be granted. As of December 31, 2021, 1,414 shares were available for grants under the 2017 Plan.

Restricted Stock

During fiscal years 2021, 2020, and 2019, the Company granted 180, 164, and 149 shares of common stock, respectively, with a service vesting condition to certain of its executives, officers, and employees. The restricted shares

Grand Canyon Education, Inc.
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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 statutory tax withholding required to be paid when the restricted stock vests. During the years ended December 31, 2021, 2020 and 2019, the Company withheld 56, 62, and 68 shares of common stock in lieu of taxes at a cost of $5,994, $4,969, and $8,127, on the restricted stock vesting dates, respectively. During 2021, 2020 and 2019, following the annual stockholders meeting, the Company granted 4, 3 and 3 shares of common stock to the non-employee members of the Company's Board of Directors. The restricted shares granted to these directors have voting rights and vest on the earlier of (a) the one year anniversary of the date of grant or (b) immediately prior to the following year's annual stockholders' meeting. Included in the 2021 amount is an initial award of shares that was granted to a newly appointed non-employee director pursuant to the Company's compensation program. The 2021 newly appointed non-employee director also received an annual grant of restricted shares. The initial award of shares that were granted in 2021 to the newly appointed non-employee director have voting rights and vest on the one year anniversary of the date of grant. Included in the 2019 amount are shares of common stock granted in August 2019 to two new non-employee members of the Company's Board of Directors. The restricted shares granted to these directors have voting rights and vest on the one year anniversary of the date of grant.

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

	Total Shares		Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2018	460	$	63.28
Granted	152	$	93.62
Vested	(174)	$	56.14
Forfeited, canceled or expired	(16)	$	82.11
Outstanding as of December 31, 2019	422	$	76.43
Granted	167	$	84.31
Vested	(155)	$	65.19
Forfeited, canceled or expired	(15)	$	84.64
Outstanding as of December 31, 2020	419	$	83.43
Granted	184	$	86.05
Vested	(144)	$	74.90
Forfeited, canceled or expired	(32)	$	87.00
Outstanding as of December 31, 2021	427	$	86.24

As of December 31, 2021, there was approximately $26,974 of total unrecognized share-based compensation cost related to unvested restricted stock awards. These costs are expected to be recognized over a weighted average period of 2.08 years.

Stock Options

No options were granted in 2021, 2020 and 2019. Prior to 2012, the Company 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.

Grand Canyon Education, Inc.
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These time vested options vested 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 Company's Incentive Plan is as follows:

	Summary of Stock Options Outstanding			
	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)
Outstanding as of December 31, 2018	444	$ 16.66		
Granted	—	$ —		
Exercised	(212)	$ 18.01		
Forfeited, canceled or expired	—	$ —		
Outstanding as of December 31, 2019	232	$ 15.42		
Granted	—	$ —		
Exercised	(56)	$ 15.66		
Forfeited, canceled or expired	—	$ —		
Outstanding as of December 31, 2020	176	$ 15.34		
Granted	—	$ —		
Exercised	(176)	$ 15.34		
Forfeited, canceled or expired	—	$ —		
Outstanding as of December 31, 2021	—	$ —	—	$ —
Exercisable as of December 31, 2021	—	$ —	—	$ —

Share-based Compensation

Share-based Compensation Expense Assumptions – Restricted Stock Awards

The Company measures and recognizes compensation expense for share-based payment awards made to employees and directors. The fair value of the Company's restricted stock awards is based on the market price of its common stock on the date of grant. Stock-based compensation expense related to restricted stock grants is expensed over the vesting period using the straight-line method for Company employees and the Company's board of directors. The Company recognizes forfeitures as they occur. The restricted shares have voting rights.

The table below outlines share-based compensation expense for the fiscal years ended December 31, 2021, 2020 and 2019 related to restricted stock and stock options granted:

	2021	2020	2019
Technology and academic services	$ 2,112	$ 2,049	$ 1,721
Counseling services and support	5,749	5,364	5,297
Marketing and communication	101	100	87
General and administrative	3,564	3,150	3,195
Share-based compensation expense included in operating expenses	11,526	10,663	10,300
Tax effect of share-based compensation	(2,882)	(2,666)	(2,575)
Share-based compensation expense, net of tax	$ 8,644	$ 7,997	$ 7,725

401(k) Plan

The Company 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 Company to make discretionary matching contributions. The Company plans to make a matching contribution to the Plan of approximately $2,389 for the year ended December 31, 2021. The Company made discretionary matching contributions to the Plan of $2,225 and $2,529 for the years ended December 31, 2020 and 2019, respectively.

17. Related Party Transactions

Related party transactions include transactions between the Company 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, 2021, 2020 and 2019, related party transactions consisted of the following:

Affiliates

GCE Community Fund ("GCECF") - GCECF was initially formed in 2014. GCECF makes grants for charitable, educational, literary, religious or scientific purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code, including for such purposes as the making of distributions to organizations that qualify as exempt organizations under Section 501 (c) (3) of the Code. The Company's CEO and Director serves as the president of GCECF. All of the board seats are taken by Company executives. The Company is not the primary beneficiary of GCECF, and accordingly, the Company does not consolidate GCECF's statement of activities with its financial results. The Company contributed $1,100 for the year ended December 31, 2020, of which no amounts were owed as of December 31, 2020.

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, 2021.

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, 2021, 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, 2021. Based on its assessment, management believes that, as of December 31, 2021, the Company’s internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Grand Canyon Education, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Grand Canyon Education, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, 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, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 16, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and 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.

Definition and Limitations of Internal Control Over Financial Reporting

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 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 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.

/s/ KPMG LLP

Phoenix, Arizona
February 16, 2022

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2021 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 transaction 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. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

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 2022 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2021) 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.gce.com/ 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.gce.com/Investor Relations/Corporate Governance.

Item 11. ***Executive Compensation***

Information relating to this item appears in the section entitled “Executive Compensation” in our 2022 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2021) 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 2022 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2021) 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 2022 proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2021) and such information is incorporated herein by reference.

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 2022 our proxy statement, to be filed within 120 days of our fiscal year end (December 31, 2021) 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.

3. Exhibits

Number	Description	Method of Filing
2.1	Asset Purchase Agreement, dated July 1, 2018, by and between Grand Canyon Education, Inc. and Grand Canyon University (formerly known as Gazelle University)#	Incorporated by reference to Exhibit 2.1 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018.
2.2	Agreement and Plan of Merger, dated December 17, 2018, by and among Grand Canyon Education, Inc., GCE Cosmos Merger Sub, LLC and Orbis Education Services, LLC#	Incorporated by reference to Exhibit 2.2 to GCE's Annual Report on Form 10-K filed with the SEC on February 20, 2019.
3.1	Amended and Restated Certificate of Incorporation (as amended)	Incorporated by reference to Exhibit 3.1 to GCE's Annual Report on Form 10-K filed with the SEC on February 20, 2019.

Number	Description	Method of Filing
3.2	Third Amended and Restated Bylaws	Incorporated by reference to Exhibit 3.1 to GCE'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 GCE's Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
4.2	Description of Common Stock	Incorporated by reference to Exhibit 4.2 to GCE's Annual Report on Form 10-K filed with the SEC on February 20, 2020.
10.1	2008 Equity Incentive Plan, as amended†	Incorporated by reference to Exhibit 10.1 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2011.
10.2	2017 Equity Incentive Plan, as amended†	Incorporated by reference to Exhibit 10.1 to GCE's Current Report on Form 8-K filed with the SEC on June 14, 2017.
10.3	Form of Restricted Stock Agreement under the 2017 Equity Incentive Plan, as amended†	Incorporated by reference to Exhibit 10.3 to GCE's Annual Report on Form 10-K filed with the SEC on February 21, 2018.
10.4	Second Amended and Restated Executive Employment Agreement, dated July 1, 2018, by and between Grand Canyon Education, Inc. and Brian E. Mueller†	Incorporated by reference to Exhibit 10.1 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018.
10.5	Second Amended and Restated Executive Employment Agreement, dated July 1, 2018, by and between Grand Canyon Education, Inc. and W. Stan Meyer†	Incorporated by reference to Exhibit 10.2 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018.
10.6	Second Amended and Restated Executive Employment Agreement, dated July 1, 2018, by and between Grand Canyon Education, Inc. and Daniel E. Bachus†	Incorporated by reference to Exhibit 10.3 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018.
10.7	First Amended and Restated Executive Employment Agreement, dated July 1, 2018, by and between Grand Canyon Education, Inc. and Dilek Marsh†	Incorporated by reference to Exhibit 10.5 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018.
10.8	Second Amended and Restated Executive Employment Agreement, dated April 29, 2020, by and between Grand Canyon Education, Inc. and Daniel J. Briggs	Incorporated by reference to Exhibit 10.1 to GCE's Quarterly Report on Form 10-Q filed with the SEC on August 4, 2020.

Number	Description	Method of Filing
10.9	Form of Director and Officer Indemnity Agreement	Incorporated by reference to Exhibit 10.21 to Amendment No. 2 to GCE's Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.10	Credit Agreement dated July 1, 2018, by and between Grand Canyon Education, Inc. and Grand Canyon University (formerly known as Gazelle University).	Incorporated by reference to Exhibit 10.7 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2018.
10.11	Master Services Agreement, dated July 1, 2018, by and between Grand Canyon Education, Inc. and Grand Canyon University (formerly known as Gazelle University).##	Incorporated by reference to Exhibit 10.8 to GCE's Quarterly Report on Form 10-Q/A filed with the SEC on April 23, 2019.
10.12	Amended and Restated Credit Agreement, dated January 22, 2019, by and among Grand Canyon Education, Inc., Bank of America, N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.14 to GCE's Annual Report on Form 10-K filed with the SEC on February 20, 2019.
10.13	Amended and Restated Security and Pledge Agreement, dated January 22, 2019, by and among Grand Canyon Education, Inc., Bank of America, N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.15 to GCE's Annual Report on Form 10-K filed with the SEC on February 20, 2019.
10.14	First Amendment, dated January 31, 2019 to Amended and Restated Credit Agreement, dated January 22, 2019 by and among Grand Canyon Education, Inc., Bank of America, N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.16 to GCE's Annual Report on Form 10-K filed with the SEC on February 20, 2019.
10.15	First Incremental Facility Amendment, dated February 1, 2019 to Amended and Restated Credit Agreement, dated January 22, 2019 by and among Grand Canyon Education, Inc., Bank of America, N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.17 to GCE's Quarterly Report on Form 10-Q filed with the SEC on February 20, 2019.
10.16	Second Amendment, dated October 31, 2019 to Amended and Restated Credit Agreement, dated January 22, 2019 by and among Grand Canyon Education, Inc., Bank of America N.A., and the other parties named therein.	Incorporated by reference to Exhibit 10.18 to GCE's Annual Report on Form 10-K filed with the SEC on November 6, 2019.
10.17	Modification of Credit Agreement, Dated October 29, 2021, by and between Grand Canyon Education, Inc. and Grand Canyon University.	Incorporated by reference to Exhibit 10.1 to GCE's Quarterly Report on Form 10-Q filed with the SEC on November 2, 2021.
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)

Number	Description	Method of Filing
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	The following financial statements from GCE's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL: (i) Consolidated Income Statements, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Consolidated Financial Statements tagged as blocks of text and including detailed tags.	Filed herewith.
104	The cover page from GCE's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL (included as Exhibit 101).	Filed herewith.

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

Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. GCE will furnish supplementally a copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

Certain portions of this document have been redacted pursuant to Regulation S-K, Item 601(b)(10)(iv).

†† 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 GCE, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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: Chief Executive Officer
Dated: February 16, 2022

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Brian E. Mueller, Daniel E. Bachus, and Dan Steimel, 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	Chief Executive Officer and Chairman (Principal Executive Officer)	February 16, 2022
/s/ Daniel E. Bachus Daniel E. Bachus	Chief Financial Officer (Principal Financial Officer)	February 16, 2022
/s/ Lori Browning Lori Browning	SVP, Controller –Chief Accounting Officer (Principal Accounting Officer)	February 16, 2022
/s/ Sara R. Dial Sara R. Dial	Director	February 16, 2022
/s/ Jack A. Henry Jack A. Henry	Director	February 16, 2022
/s/ Lisa Graham Keegan Lisa Graham Keegan	Director	February 16, 2022
/s/ Chevy Humphrey Chevy Humphrey	Director	February 16, 2022
/s/ David Adame David Adame	Director	February 16, 2022

Exhibit 21.0

Subsidiaries of Registrant	Jurisdiction of Incorporation
Orbis Education Services, LLC	DE
Orbis Education Management Company, LLC	IN
Orbis Education II, LLC	DE
GC Education, Inc.	AZ
Tierra Vista Inversiones, LLC	DE
Nueva Ventura, LLC	AZ
Casa de Amistad, LLC	AZ
Amigos de Torrejon, LLC	AZ
Piedras Bonitas Inversiones, LLC	AZ
La Sonrisa de Siena, LLC	AZ
Nuevo Comienzo, LLC	AZ
El Vecino de Amigos, LLC	AZ
La Fuente de la Comunidad, LLC	AZ
Rentwise Properties, LLC	AZ
Mid-State Rental Properties, LLC	AZ
REG 5160, LLC	AZ

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Grand Canyon Education, Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-155973, 333-165019, 333-179611, and 333-218740) on Form S-8 of our reports dated February 16, 2022, with respect to the consolidated financial statements of Grand Canyon Education, Inc. and subsidiaries and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Phoenix, Arizona
February 16, 2022

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian E. Mueller, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2021 of Grand Canyon Education, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 16, 2022	/s/ Brian E. Mueller
	Brian E. Mueller
	Chief Executive Officer
	(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel E. Bachus, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2021 of Grand Canyon Education, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 16, 2022

/s/ Daniel E. Bachus
Daniel E. Bachus
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Grand Canyon Education, Inc. (the “Company”) for the year ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian E. Mueller, Chief Executive Officer, of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002,18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o); and

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

Date: February 16, 2022

/s/ Brian E. Mueller

Brian E. Mueller
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Grand Canyon Education, Inc. (the “Company”) for the year ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel E. Bachus, Chief Financial Officer, of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002,18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o); and

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

Date: February 16, 2022

/s/ Daniel E. Bachus
Daniel E. Bachus
Chief Financial Officer (Principal Financial Officer)