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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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.)**

3300 W. Camelback Road
Phoenix, Arizona 85017
(Address, including zip code, of principal executive offices)

(602) 639-7500
(Registrant's telephone number, including area code)

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

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

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

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

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

The total number of shares of common stock outstanding as of July 25, 2014, was 46,697,959.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

GRAND CANYON EDUCATION, INC.
Consolidated Income Statements
(Unaudited)

(In thousands, except per share data)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net revenue	$158,594	$141,463	$326,026	$283,493
Costs and expenses:				
Instructional costs and services	67,847	61,747	138,525	121,744
Admissions advisory and related, including $806 and $867 for the three months ended June 30, 2014 and 2013, respectively, and $1,611 and $1,621 for the six months ended June 30, 2014 and 2013, respectively, to related parties	26,208	23,346	52,469	46,339
Advertising	15,751	14,520	32,463	30,449
Marketing and promotional	1,907	1,383	3,698	2,818
General and administrative	8,994	8,978	17,548	17,029
Total costs and expenses	120,707	109,974	244,703	218,379
Operating income	37,887	31,489	81,323	65,114
Interest expense	(356)	(439)	(879)	(1,107)
Interest and other income	197	62	334	2,257
Income before income taxes	37,728	31,112	80,778	66,264
Income tax expense	14,659	12,048	31,421	26,255
Net income	$ 23,069	$ 19,064	$ 49,357	$ 40,009
Earnings per share:				
Basic income per share	$ 0.51	$ 0.43	$ 1.09	$ 0.90
Diluted income per share	$ 0.49	$ 0.42	$ 1.05	$ 0.88
Basic weighted average shares outstanding	45,598	44,681	45,403	44,463
Diluted weighted average shares outstanding	46,990	45,929	46,917	45,690

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

GRAND CANYON EDUCATION, INC.
Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income	$23,069	$19,064	$49,357	$40,009
Other comprehensive income, net of tax:				
Unrealized losses on available-for-sale securities, net of taxes of $8 and $0 for the three months ended June 30, 2014 and 2013, respectively, and $18 and $0 for the six months ended June 30, 2014 and 2013, respectively	(12)	(3)	(28)	(11)
Unrealized (losses) gains on hedging derivatives, net of taxes of $95 and $335 for the three months ended June 30, 2014 and 2013, respectively, and $113 and $366 for the six months ended June 30, 2014 and 2013, respectively	(148)	483	(174)	523
Comprehensive income	$22,909	$19,544	$49,155	$40,521

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

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GRAND CANYON EDUCATION, INC.
Consolidated Balance Sheets

(In thousands, except par value)	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS:		
Current assets		
Cash and cash equivalents	$ 20,214	$ 55,824
Restricted cash and cash equivalents	53,233	64,368
Investments	156,492	108,420
Accounts receivable, net	8,515	7,217
Income taxes receivable	—	3,599
Deferred income taxes	5,472	5,159
Other current assets	17,208	19,116
Total current assets	261,134	263,703
Property and equipment, net	416,242	339,596
Prepaid royalties	3,799	4,641
Goodwill	2,941	2,941
Other assets	4,428	5,219
Total assets	$ 688,544	$ 616,100
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Accounts payable	$ 33,290	$ 24,231
Accrued compensation and benefits	21,059	20,093
Accrued liabilities	15,604	14,554
Income taxes payable	6,163	7
Student deposits	54,867	66,772
Deferred revenue	41,686	32,816
Due to related parties	500	454
Current portion of capital lease obligations	90	89
Current portion of notes payable	6,611	6,607
Total current liabilities	179,870	165,623
Capital lease obligations, less current portion	452	497
Other noncurrent liabilities	6,146	6,811
Deferred income taxes, noncurrent	11,596	11,832
Notes payable, less current portion	83,187	86,493
Total liabilities	281,251	271,256
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at June 30, 2014 and December 31, 2013	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 49,666 and 48,890 shares issued and 46,691 and 46,045 shares outstanding at June 30, 2014 and December 31, 2013, respectively	497	489
Treasury stock, at cost, 2,975 and 2,845 shares of common stock at June 30, 2014 and December 31, 2013, respectively	(53,770)	(48,432)
Additional paid-in capital	151,528	132,904
Accumulated other comprehensive income	156	358
Retained earnings	308,882	259,525
Total stockholders' equity	407,293	344,844
Total liabilities and stockholders' equity	$ 688,544	$ 616,100

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

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GRAND CANYON EDUCATION, INC.
Consolidated Statement of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Par Value	Shares	Cost				
Balance at December 31, 2013	48,890	$ 489	2,845	$(48,432)	$132,904	$ 358	$259,525	$344,844
Comprehensive income	—	—	—	—	—	(202)	49,357	49,155
Common stock purchased for treasury	—	—	38	(1,676)	—	—	—	(1,676)
Restricted shares forfeited	—	—	15	—	—	—	—	—
Exercise of stock options	470	5	—	—	6,629	—	—	6,634
Excess tax benefits	—	—	—	—	7,201	—	—	7,201
Share-based compensation	306	3	77	(3,662)	4,794	—	—	1,135
Balance at June 30, 2014	49,666	$ 497	2,975	$(53,770)	$151,528	$ 156	$308,882	$407,293

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

GRAND CANYON EDUCATION, INC.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Six Months Ended June 30, 2014	2013
Cash flows provided by operating activities:		
Net income	$ 49,357	$ 40,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	4,837	4,905
Excess tax benefits from share-based compensation	(7,085)	(3,465)
Provision for bad debts	7,061	9,485
Depreciation and amortization	14,000	12,141
Prepaid royalty impairment	966	—
Gain on proceeds received from note receivable	—	(2,187)
Deferred income taxes	(862)	1,050
Other including fixed asset impairments	2,090	—
Changes in assets and liabilities:		
Restricted cash and cash equivalents	11,135	4,508
Accounts receivable	(8,359)	(10,179)
Prepaid expenses and other	2,062	(4,123)
Due to/from related parties	46	(66)
Accounts payable	(1,151)	119
Accrued liabilities and employee related liabilities	2,087	2,180
Income taxes receivable/payable	16,956	(7,842)
Deferred rent	(665)	(446)
Deferred revenue	8,870	2,971
Student deposits	(11,905)	(5,024)
Net cash provided by operating activities	89,440	44,036
Cash flows used in investing activities:		
Capital expenditures	(82,013)	(38,008)
Purchase of land and building related to off-site development	—	(6,936)
Purchases of investments	(87,217)	(55,219)
Proceeds from sale or maturity of investments	39,145	6,780
Restricted funds held for derivative collateral	—	140
Proceeds received from note receivable	—	29,187
Net cash used in investing activities	(130,085)	(64,056)
Cash flows provided by financing activities:		
Principal payments on notes payable and capital lease obligations	(3,346)	(3,336)
Repurchase of common shares including shares withheld in lieu of income taxes	(5,338)	(8,491)
Excess tax benefits from share-based compensation	7,085	3,465
Net proceeds from exercise of stock options	6,634	14,072
Net cash provided by financing activities	5,035	5,710
Net decrease in cash and cash equivalents	(35,610)	(14,310)
Cash and cash equivalents, beginning of period	55,824	105,111
Cash and cash equivalents, end of period	$ 20,214	$ 90,801
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 916	$ 1,059
Cash paid for income taxes	$ 14,885	$ 33,096
Cash received for income tax refunds	$ 2	$ 4
Supplemental disclosure of non-cash investing and financing activities		
Purchases of property and equipment included in accounts payable	$ 10,210	$ 2,033
Tax benefit of Spirit warrant intangible	$ 130	$ 134
Shortfall tax expense from share-based compensation	$ 14	$ 205

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

GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

1. Nature of Business

Grand Canyon Education, Inc. (together with its subsidiaries, the "University") is a regionally accredited provider of postsecondary education services focused on offering graduate and undergraduate degree programs in its core disciplines of education, healthcare, business, and liberal arts. The University offers courses online, on ground at its approximately 179 acre traditional ground campus in Phoenix, Arizona and onsite at facilities it leases and at facilities owned by third party employers. The University is accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools. The University's wholly-owned subsidiaries are primarily used to facilitate expansion of the University campus.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Unaudited Interim Financial Information

The accompanying unaudited interim consolidated financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles, consistent in all material respects with those applied in its financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. Such interim financial information is unaudited but reflects all adjustments that in the opinion of management are necessary for the fair presentation of the interim periods presented. Interim results are not necessarily indicative of results for a full year. These consolidated financial statements should be read in conjunction with the University's audited financial statements and footnotes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 from which the December 31, 2013 balance sheet information was derived.

Restricted Cash and Cash Equivalents

A significant portion of the University's revenue is received from students who participate in government financial aid and assistance programs. Restricted cash and cash equivalents primarily represent amounts received from the federal and state governments under various student aid grant and loan programs, such as Title IV. The University receives these funds subsequent to the completion of the authorization and disbursement process and holds them for the benefit of the student. The U.S. Department of Education ("Department of Education") requires Title IV funds collected in advance of student billings to be segregated in a separate cash or cash equivalent account until the course begins. The University records all of these amounts as a current asset in restricted cash and cash equivalents until the cash is no longer restricted, at which time such amounts are reclassified as cash and cash equivalents. The majority of these funds remain as restricted cash and cash equivalents for an average of 60 to 90 days from the date of receipt.

Investments

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

GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

Note Receivable

The University purchased a note receivable from a financial institution at fair market value in the fourth quarter of 2012 for $27,000. The note bore interest at 11%, which represented the 6% rate of the loan plus the 5% default rate. The principal and most of the interest due on the note was paid in March 2013 resulting in the full return on investment of the note receivable and an additional gain in interest income and other income of $2,187 on the loan. However, the borrower has disputed certain amounts remaining due under the note agreement, including default interest in the amount of $432, a late payment penalty in the amount of $1,392, and a statutory trustee's fee in the amount of $139. The funds disputed by the borrower, plus interest thereon, were deposited into an escrow account with the clerk of the Maricopa County Superior Court pending resolution of the disputed issues. In the third quarter of 2013, the court ruled in favor of the University with respect to the late penalty and default interest accrued thereon. Accordingly, the University recorded an other asset and interest and other income of $1,459 for the three months ended September 30, 2013. The court ordered the late penalty funds and interest thereon to be released to the University on October 28, 2013 unless prior to said date, borrower filed with the court a formal notice of appeal and simultaneously deposited an additional $344 into escrow with the clerk of the court representing continued interest accruing on the late penalty pending an appeal. On October 28, 2013 borrower deposited with the clerk of the court the required cash bond in the amount of $344 and filed its formal notice of appeal. The briefing phase of the appeal has been completed and the matter will be scheduled for oral argument at a date and time to be determined by the appellate court. The remaining default interest and statutory trustee's fee components of the original disputed amount, plus interest accruing thereon at 11%, continue a resolution process through the court, have been treated as a gain contingency and will not be recorded as a receivable or income until the court makes its ruling.

Derivatives and Hedging

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

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

On February 27, 2013 the University entered into an interest rate corridor to manage its 30 Day LIBOR interest exposure related to its variable rate debt. The fair value of the interest rate corridor instrument as of June 30, 2014 was $1,523, which is included in other assets. The fair value of the derivative instrument was determined using a hypothetical derivative transaction and Level 2 of the hierarchy of valuation inputs. This derivative instrument was originally designated as a cash flow hedge of variable rate debt obligations. The adjustment of $174 for the six months ended June 30, 2014 for the effective portion of the loss on the derivatives is included as a component of other comprehensive income, net of taxes.

The interest rate corridor instrument reduces variable interest rate risk starting March 1, 2013 through December 20, 2019 with a notional amount of $90,000 as of June 30, 2014. The corridor instrument's terms permits the University to hedge its interest rate risk at several thresholds; the University pays variable interest monthly based on the 30 Day LIBOR rates until that index reaches 1.5%. If 30 Day LIBOR is equal to 1.5% through 3.0%, the University pays 1.5%. If 30 Day LIBOR exceeds 3.0%, the University pays actual 30 Day LIBOR less 1.5%.

As of June 30, 2014 no derivative ineffectiveness was identified. Any ineffectiveness in the University's derivative instrument designated as a hedge is reported in interest expense in the income statement. For the six months ended June 30, 2014, $5 of credit risk was recorded in interest expense for the interest rate corridor. At June 30, 2014, the University does not expect to reclassify gains or losses on derivative instruments from accumulated other comprehensive income (loss) into earnings during the next 12 months.

Fair Value of Financial Instruments

As of June 30, 2014, the carrying value of cash and cash equivalents, investments, accounts receivable, account payable and accrued compensation and benefits and accrued liabilities expenses approximate their fair value based on the liquidity or the short-term maturities of these instruments. The carrying value of notes payable approximates fair value as it is based on variable rate index. The carrying value of capital lease obligations approximate fair value based upon market interest rates available to the University for debt of similar risk and maturities. Derivative financial instruments are carried at fair value, determined using Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the asset.

GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

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

Revenue Recognition

Net revenues consist primarily of tuition and fees derived from courses taught by the University online, on ground at its traditional campus in Phoenix, Arizona, and onsite at facilities it leases and at facilities owned by third party employers, as well as from related educational resources that the University provides to its students, such as access to online materials. Tuition revenue and most fees from related educational resources are recognized pro-rata over the applicable period of instruction, net of scholarships provided by the University. For the six months ended June 30, 2014 and 2013, the University's revenue was reduced by approximately $63,632 and $49,559, respectively, as a result of scholarships that the University offered to students. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the University's policy to the extent in conflict. If a student withdraws at a time when only a portion, or none, of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. Since the University recognizes revenue pro-rata over the term of the course and because, under its institutional refund policy, the amount subject to refund is never greater than the amount of the revenue that has been deferred, under the University's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded. Sales tax collected from students is excluded from net revenues. Collected but unremitted sales tax is included as an accrued liability in the consolidated balance sheets. The University also charges online students an upfront learning management fee, which is deferred and recognized over the average expected term of a student. Costs that are direct and incremental to new online students are also deferred and recognized ratably over the average expected term of a student. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the income statement and are reflected as current liabilities in the accompanying consolidated balance sheet. The University's educational programs have starting and ending dates that differ from its fiscal quarters. Therefore, at the end of each fiscal quarter, a portion of revenue from these programs is not yet earned. Other revenues may be recognized as sales occur or services are performed.

Allowance for Doubtful Accounts

All students are required to select both a primary and secondary payment option with respect to amounts due to the University for tuition, fees and other expenses. The most common payment option for the University's students is financial aid. In instances where a student selects financial aid as the primary payment option, he or she often selects personal cash as the secondary option. If a student who has selected financial aid as his or her primary payment option withdraws prior to the end of a course but after the date that the University's institutional refund period has expired, the student will have incurred the obligation to pay the full cost of the course. If the withdrawal occurs before the date at which the student has earned 100% of his or her financial aid, the University will have a return to Title IV requirement and the student will owe the University all amounts incurred that are in excess of the amount of financial aid that the student earned and that the University is entitled to retain. In this case, the University must collect the receivable using the student's second payment option. In instances in which the students chose to receive living expense funds as part of their financial aid disbursements, the University is required to return the unearned portion of these funds as well and then collect these amounts from the students.

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

GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

Long-Lived Assets (other than goodwill)

The University evaluates the recoverability of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Instructional Costs and Services

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

Admissions Advisory and Related

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

Advertising

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

Marketing and Promotional

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

General and Administrative

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

Commitments and Contingencies

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

Use of Estimates

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

GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

Segment Information

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued, "*Revenue from Contracts with Customers*." The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. Accordingly, the standard is effective for us on January 1, 2017. The University is currently evaluating the impact that the standard will have on our financial condition, results of operations and disclosures.

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

3. Investments

The following is a summary of amounts included in investments as of June 30, 2014 and December 31, 2013. The University considered all investments as available for sale.

	As of June 30, 2014			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Municipal securities	$156,512	$ 12	$ (32)	$156,492

	As of December 31, 2013			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Municipal securities	$108,393	$ 35	$ (8)	$108,420

The cash flows of municipal securities are backed by the issuing municipality's credit worthiness. All municipal securities are due in one year or less as of June 30, 2014. For the six months ended June 30, 2014, the net unrealized loss on available-for-sale securities was $28, net of taxes.

4. Net Income Per Common Share

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Denominator:				
Basic weighted average shares outstanding	45,598	44,681	45,403	44,463
Effect of dilutive stock options and restricted stock	1,392	1,248	1,514	1,227
Diluted weighted average shares outstanding	46,990	45,929	46,917	45,690

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GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

Diluted weighted average shares outstanding exclude the incremental effect of shares that would be issued upon the assumed exercise of stock options. For the six months ended June 30, 2014 and 2013, approximately 117 and 264, respectively, of the University's stock options and restricted stock awards outstanding were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive. These options could be dilutive in the future.

5. Allowance for Doubtful Accounts

	Balance at Beginning of Period	Charged to Expense	Deductions(1)	Balance at End of Period
Six months ended June 30, 2014	$ 9,678	7,061	(8,970)	$ 7,769
Six months ended June 30, 2013	$ 8,657	9,485	(9,050)	$ 9,092

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

6. Property and Equipment, net

Property and equipment, net consist of the following:

	June 30, 2014	December 31, 2013
Land	$ 37,599	$ 21,820
Land improvements	5,176	5,176
Buildings	232,382	222,402
Equipment under capital leases	5,310	5,310
Leasehold improvements	35,274	32,243
Computer equipment	69,431	64,773
Furniture, fixtures and equipment	34,207	32,583
Internally developed software	18,143	15,606
Other	1,099	1,099
Construction in progress	75,825	23,467
	514,446	424,479
Less accumulated depreciation and amortization	(98,204)	(84,883)
Property and equipment, net	$416,242	$ 339,596

7. Commitments and Contingencies

Leases

The University leases certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2022. Future minimum lease payments under operating leases due each year are as follows at June 30, 2014:

2014 (remaining six months)	$ 3,718
2015	6,893
2016	5,826
2017	4,985
2018	4,504
Thereafter	8,316
Total minimum payments	$34,242

Total rent expense and related taxes and operating expenses under operating leases for the six months ended June 30, 2014 and 2013 were $3,910 and $3,464, respectively.

Legal Matters

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

(In thousands, except per share data)

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

Tax Reserves, Non-Income Tax Related

From time to time the University has exposure to various non-income tax related matters that arise in the ordinary course of business. At June 30, 2014 and December 31, 2013, the University reserved approximately $712 and $729, respectively, for tax matters where its ultimate exposure is considered probable and the potential loss can be reasonably estimated.

Income Taxes

During the second quarter ended June 30, 2014, the Internal Revenue Service ("IRS") commenced an examination of the University's 2011 income tax return.

8. Share-Based Compensation

Incentive Plan

Restricted Stock

During the six months ended June 30, 2014, the University granted 298 shares of common stock with a service vesting condition to certain of its executives, officers, faculty and employees. The restricted shares have voting rights and vest in five annual installments of 20% starting on March 1, 2015 and each of the four anniversaries of the vesting date following the date of grant. Upon vesting, shares will be held in lieu of taxes equivalent to the minimum statutory tax withholding required to be paid when the restricted stock vests. During the six months ended June 30, 2014, the University withheld 77 shares of common stock in lieu of taxes at a cost of $3,662 on the restricted stock vesting dates. In May 2014, the University granted 8 shares of common stock to certain of the non-employee members of the University's board of directors. The restricted shares granted to these directors have voting rights and vest on the earlier of (a) the one year anniversary of the date of grant or (b) immediately prior to the following year's annual meeting of stockholders, subject to acceleration in the event of a change in control.

A summary of the activity related to restricted stock granted under the University's Incentive Plan since December 31, 2013 is as follows:

	Total Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2013	983	$ 21.34
Granted	306	$ 46.18
Vested	(219)	$ 21.20
Forfeited, canceled or expired	(15)	$ 28.37
Outstanding as of June 30, 2014	1,055	$ 28.48

GRAND CANYON EDUCATION, INC.
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)

Stock Options

During the six months ended June 30, 2014, no options were granted. A summary of the activity related to stock options granted under the University's Incentive Plan since December 31, 2013 is as follows:

	Summary of Stock Options Outstanding			
	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)(1)
Outstanding as of December 31, 2013	3,023	$ 14.80		
Granted	—	$ —		
Exercised	(470)	$ 14.12		
Forfeited, canceled or expired	(13)	$ 17.25		
Outstanding as of June 30, 2014	2,540	$ 14.91	5.39	$ 78,903
Exercisable as of June 30, 2014	1,940	$ 14.23	5.05	$ 61,563
Available for issuance as of June 30, 2014	2,108			

(1) Aggregate intrinsic value represents the value of the University's closing stock price on June 30, 2014 ($45.97) in excess of the exercise price multiplied by the number of shares underlying options outstanding or exercisable, as applicable.

Share-based Compensation Expense

The table below outlines share-based compensation expense for the six months ended June 30, 2014 and 2013 related to restricted stock and stock options granted:

	2014	2013
Instructional costs and services	$ 2,874	$ 2,546
Admissions advisory and related expenses	80	64
Marketing and promotional	131	109
General and administrative	1,752	2,186
Share-based compensation expense included in operating expenses	4,837	4,905
Tax effect of share-based compensation	(1,935)	(1,962)
Share-based compensation expense, net of tax	$ 2,902	$ 2,943

9. Regulatory

The University is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act of 1965, as amended (the "Higher Education Act"), and the regulations promulgated thereunder by the Department of Education, subject the University to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Higher Education Act.

To participate in the Title IV programs, an institution must be authorized to offer its programs of instruction by the relevant agency of the state in which it is located, accredited by an accrediting agency recognized by the Department of Education and certified as eligible by the Department of Education. The Department of Education will certify an institution to participate in the Title IV programs only after the institution has demonstrated compliance with the Higher Education Act and the Department of Education's extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to the Department of Education on an ongoing basis. As of June 30, 2014, management believes the University is in compliance with the applicable regulations in all material respects.

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

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As part of its oversight of the educational institutions participating in the Title IV programs under the Higher Education Act of 1965, as amended, the Department of Education periodically conducts program reviews at selected schools that receive Title IV funds for the purpose of evaluating the school's compliance with the Title IV requirements, identifying any liabilities to the Department of Education for errors in compliance, and improving future institutional capabilities. On April 13, 2014, the University received official notification from the Department of Education of the Department of Education's intent to conduct a program review at Grand Canyon University. The program review included the University's administration of the Title IV programs in which it participates, its administration of the Clery Act and related regulations, and its compliance with the requirements of the Drug-Free Schools and Communities Act for the 2012-2013 and 2013-2014 award years.

On June 13, 2014, following completion of the program review, the University received from the Department of Education an expedited final program review determination letter. The final program review determination letter set forth three findings, each of which involved individual student-specific information gathering and/or reporting errors and all of which the University promptly corrected to the Department of Education's satisfaction. Accordingly, the final program review determination letter concluded that the University had taken all corrective actions necessary to resolve the findings and that the program review has been closed with no further action required.

10. Treasury Stock

The Board of Directors has authorized the University to repurchase up to $75,000 in aggregate of common stock, from time to time, depending on market conditions and other considerations. The current expiration date on the repurchase authorization is September 30, 2014. Repurchases occur at the University's discretion. Repurchases may be made in the open market or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules. The amount and timing of future share repurchases, if any, will be made as market and business conditions warrant. Since its approval of the share repurchase plan, the University has purchased 2,787 shares of common stock at an aggregate cost of $49,135. This includes 38 shares of common stock at an aggregate cost of $1,676 during the six months ended June 30, 2014, which are recorded at cost in the accompanying June 30, 2014 consolidated balance sheet and statement of stockholders' equity. At June 30, 2014, there remained $25,865 available under its share repurchase authorization. Shares repurchased in lieu of taxes are not included in the repurchase plan totals as they were approved in conjunction with the restricted share awards.

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

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

Forward-Looking Statements

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

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

- our failure to comply with the extensive regulatory framework applicable to our industry, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements;
- the ability of our students to obtain federal Title IV funds, state financial aid, and private financing;
- potential damage to our reputation or other adverse effects as a result of negative publicity in the media, in the industry or in connection with governmental reports or investigations or otherwise, affecting us or other companies in the for-profit postsecondary education sector;
- risks associated with changes in applicable federal and state laws and regulations and accrediting commission standards including pending rulemaking by the Department of Education;
- our ability to properly manage risks and challenges associated with potential acquisitions of, or investments in, new businesses, acquisitions of new properties, or the expansion of our campus to new locations;
- our ability to hire and train new, and develop and train existing employees and faculty;
- the pace of growth of our enrollment;
- our ability to convert prospective students to enrolled students and to retain active students;
- our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis;
- industry competition, including competition for students and for qualified executives and other personnel;
- risks associated with the competitive environment for marketing our programs;
- failure on our part to keep up with advances in technology that could enhance the online experience for our students;
- the extent to which obligations under our loan agreement, including the need to comply with restrictive and financial covenants and to pay principal and interest payments, limits our ability to conduct our operations or seek new business opportunities;
- our ability to manage future growth effectively; and
- general adverse economic conditions or other developments that affect the job prospects of our students.

Additional factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as updated in our subsequent reports filed with the Securities and Exchange Commission (“SEC”), including any updates found in Part II, Item 1A of this Quarterly Report on Form 10-Q or our other reports on Form 10-Q. You should not put undue reliance on any forward-looking statements. Forward-looking statements speak only as of the date the statements are made and we assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview

We are a regionally accredited provider of postsecondary education services focused on offering graduate and undergraduate degree programs in our core disciplines of education, healthcare, business, and liberal arts. We offer programs online, on ground at our approximately 179 acre traditional campus in Phoenix, Arizona and onsite at facilities we lease and at facilities owned by third party employers.

At June 30, 2014, we had approximately 57,700 students, an increase of 12.7% over the approximately 51,200 students we had at June 30, 2013. At June 30, 2014, 91.8% of our students were enrolled in our online programs, and of our working adult students (online and professional studies students), 44.4% were pursuing master's or doctoral degrees. We did not raise tuition in any of our programs for our 2013-2014 academic year and have not raised our tuition for our traditional ground programs in four years. This reflects a concerted effort to control tuition pricing for students so that debt levels assumed by our students are reasonable. Tuition increases have not historically been, and may not in the future be, consistent across our programs due to market conditions and differences in operating costs of individual programs.

The following is a summary of our student enrollment at June 30, 2014 and 2013 by degree type and by instructional delivery method:

	2014(1)		2013(1)	
	# of Students	% of Total	# of Students	% of Total
Graduate degrees(2)	24,438	42.3%	21,208	41.4%
Undergraduate degree	33,269	57.7%	29,992	58.6%
Total	57,707	100.0%	51,200	100.0%

	2014(1)		2013(1)	
	# of Students	% of Total	# of Students	% of Total
Online(3)	52,969	91.8%	47,785	93.3%
Ground(4)	4,738	8.2%	3,415	6.7%
Total	57,707	100.0%	51,200	100.0%

(1) Enrollment at June 30, 2014 and 2013 represents individual students who attended a course during the last two months of the calendar quarter. Included in enrollment at June 30, 2014 and 2013 are students pursuing non-degree certificates of 795 and 765, respectively. The June 30, 2013 amount also included 197 high school dual credit students. We are no longer including these students in our enrollment.

(2) Includes 4,930 and 3,584 students pursuing doctoral degrees at June 30, 2014 and 2013, respectively.

(3) As of June 30, 2014 and 2013, 44.4% and 42.8%, respectively, of our online and professional studies students were pursuing graduate degrees.

(4) Includes both our traditional on-campus ground students, as well as our professional studies students. This amount is lower in the second quarter than in other quarters as it only includes those traditional on-campus students taking summer school.

Critical Accounting Policies and Use of Estimates

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. During the six months ended June 30, 2014, there have been no significant changes in our critical accounting policies.

Key Trends, Developments and Challenges

The key trends, developments and challenges facing the University are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. During the six months ended June 30, 2014, there have been no significant changes in these trends. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Trends, Developments and Challenges" in our Annual Report on Form 10-K for our fiscal year ended December 31, 2013, which is incorporated herein by reference.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses				
Instructional costs and services	42.8	43.6	42.5	42.9
Admissions advisory and related	16.5	16.5	16.1	16.3
Advertising	9.9	10.3	10.0	10.7
Marketing and promotional	1.2	1.0	1.1	1.0
General and administrative	5.7	6.3	5.4	6.0
Total operating expenses	76.1	77.7	75.1	77.0
Operating income	23.9	22.3	24.9	23.0
Interest expense	(0.2)	(0.3)	(0.3)	(0.4)
Interest income and other income	0.1	0.0	0.1	0.8
Income before income taxes	23.8	22.0	24.8	23.4
Income tax expense	9.2	8.5	9.6	9.3
Net income	14.5	13.5	15.1	14.1

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net revenue. Our net revenue for the three months ended June 30, 2014 was $158.6 million, an increase of $17.1 million, or 12.1%, as compared to net revenue of $141.5 million for the three months ended June 30, 2013. This increase was primarily due to an increase in enrollment and, to a lesser extent, an increase in room and board and other student fees, partially offset by an increase in institutional scholarships. End-of-period enrollment increased 12.7% between June 30, 2014 and June 30, 2013, as ground enrollment increased 38.7%, and online enrollment increased 10.8% over the prior year. The majority of the ground enrollment growth between years occurred at our ground traditional campus in Phoenix, Arizona. We attribute the significant growth in our ground enrollment between years to our increasing brand recognition and the value proposition that our ground traditional campus affords to traditional-aged students and their parents. After scholarships, our ground traditional students pay an amount for tuition, room, board, and fees often half to a third of what it costs to attend a private, traditional university in another state and an amount comparable to what it costs to attend the public universities in the state of Arizona as an in-state student. As the proportion of traditional colleges and universities providing alternative learning modalities increases, we will face increasing competition for working adult students from such institutions, including those with well-established reputations for excellence. Revenue per student was slightly lower in the second quarter of 2014 as compared to the second quarter of 2013 due to differences in the start and end date of our traditional campus for its Spring semester which resulted in approximately $2.3 million of additional revenue earned in the first quarter of 2014 that would have been earned in the second quarter of 2014.

Instructional costs and services expenses. Our instructional costs and services expenses for the three months ended June 30, 2014 were $67.8 million, an increase of $6.1 million, or 9.9%, as compared to instructional costs and services expenses of $61.7 million for the three months ended June 30, 2013. This increase was primarily due to increases in employee compensation and related expenses including share based compensation, faculty compensation, depreciation and amortization and occupancy expense, dues, fees and subscriptions and other instructional supplies, and other instructional compensation and related expenses, of $2.9 million, $1.9 million, $1.3 million, $1.0 million, and $0.2 million, respectively. These increases were partially offset by a decrease of $1.2 million in bad debt expense which resulted primarily from improved student retention and improved collection efforts. The increase in employee compensation and related expenses and faculty compensation are primarily due to the increase in the number of staff and faculty needed to support the increasing number of students attending the University. In addition, we continue to increase our online full-time faculty and have incurred an increase in benefit costs between years. The increase in depreciation and amortization and occupancy costs is the result of our placing into service additional buildings to support the growing number of ground traditional students. The increase in dues, fees, subscriptions and other instructional supplies is primarily due to increased licensing fees related to educational resources and increased food costs associated with a higher number of residential students. Our instructional costs and services expenses as a percentage of net revenues decreased 0.8% to 42.8% for the three months ended June 30, 2014, from 43.6% for the three months ended June 30, 2013 primarily due to the decrease in our bad debt expense as a percentage of revenue from 3.2% of revenue in the second quarter of 2013 to 2.1% of revenue in the second quarter of 2014.

Admissions advisory and related expenses. Our admissions advisory and related expenses for the three months ended June 30, 2014 were $26.2 million, an increase of $2.9 million, or 12.3%, as compared to admissions advisory and related expenses of $23.3 million for the three months ended June 30, 2013. This increase is primarily the result of increases in employee compensation and related expenses including share-based compensation and other admissions advisory related expense of $2.8 million and $0.1 million, respectively. The increase in employee compensation and related expenses is primarily due to increased headcount and an increase in benefit costs between years. Our admissions advisory and related expenses as a percentage of net revenue remained flat at 16.5% for both of the three months ended June 30, 2014 and 2013.

Advertising expenses. Our advertising expenses for the three months ended June 30, 2014 were $15.8 million, an increase of $1.3 million, or 8.5%, as compared to advertising expenses of $14.5 million for the three months ended June 30, 2013. This increase is primarily the result of increased brand advertising focused on the southwestern United States region. Our advertising expenses as a percentage of net revenue decreased by 0.4% to 9.9% for the three months ended June 30, 2014, from 10.3% for the three months ended June 30, 2013 primarily due to our ability to leverage our advertising expenses across an increasing revenue base.

Marketing and promotional expenses. Our marketing and promotional expenses for the three months ended June 30, 2014 were $1.9 million, an increase of $0.5 million, or 37.9%, as compared to marketing and promotional expenses of $1.4 million for the three months ended June 30, 2013. This increase is primarily the result of increases in employee compensation and related expenses of $0.5 million. Our marketing and promotional expenses as a percentage of net revenue increased 0.2% to 1.2% for the three months ended June 30, 2014, from 1.0% for the three months ended June 30, 2013.

General and administrative expenses. Our general and administrative expenses for the three months ended June 30, 2014 and 2013 was $9.0 million for both periods. Our general and administrative expenses as a percentage of net revenue decreased by 0.6% to 5.7% for the three months ended June 30, 2014, from 6.3% for the three months ended June 30, 2013 due to our ability to leverage the fixed costs structure of our general and administrative expenses across an increasing revenue base.

Interest expense. Interest expense for the three months ended June 30, 2014 and 2013 was $0.4 million for both quarterly periods. Our interest expense decreased as a percentage of net revenue by 0.1% to 0.2% for the three months ended June 30, 2014, from 0.3% for the three months ended June 30, 2013.

Interest and other income. Interest and other income for the three months ended June 30, 2014 was $0.2 million, an increase of $0.1 million, as compared to interest and other income of $0.1 million in the three months ended June 30, 2013. This increase is primarily attributable to higher investment balances in 2014 as compared to invested dollars in the prior year.

Income tax expense. Income tax expense for the three months ended June 30, 2014 was $14.7 million, an increase of $2.7 million, or 21.7%, as compared to income tax expense of $12.0 million for the three months ended June 30, 2013. Our effective tax rate was 38.9% during the second quarter of 2014 compared to 38.7% during the second quarter of 2013. The effective tax rate was affected in 2014 by state tax rate changes that began a gradual phase-in process during the first quarter of 2014 and in 2013 by certain non-recurring tax items.

Net income. Our net income for the three months ended June 30, 2014 was $23.1 million, an increase of $4.0 million, as compared to $19.1 million for the three months ended June 30, 2013, due to the factors discussed above.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net revenue. Our net revenue for the six months ended June 30, 2014 was $326.0 million, an increase of $42.5 million, or 15.0%, as compared to net revenue of $283.5 million for the six months ended June 30, 2013. This increase was primarily due to an increase in enrollment and, to a lesser extent, an increase in room and board and other student fees, partially offset by an increase in institutional scholarships. End-of-period enrollment increased 12.7% between June 30, 2014 and June 30, 2013, as ground enrollment increased 38.7%, and online enrollment increased 10.8% over the prior year. The majority of the ground enrollment growth between years occurred at our ground traditional campus in Phoenix, Arizona. We attribute the significant growth in our ground enrollment between years to our increasing brand recognition and the value proposition that our ground traditional campus affords to traditional-aged students and their parents. After scholarships, our ground traditional students pay an amount for tuition, room, board, and fees often half to a third of what it costs to attend a private, traditional university in another state and an amount comparable to what it costs to attend the public universities in the state of Arizona as an in-state student. As the proportion of traditional colleges and universities providing alternative learning modalities increases, we will face increasing competition for working adult students from such institutions, including those with well-established reputations for excellence. The growth in revenue per student between years is primarily due to our ground traditional campus enrollment growing at a rate higher than our working adult enrollment. When factoring in room, board and fees, revenue per student is higher for our ground traditional campus students than for our working adult students.

Instructional costs and services expenses. Our instructional costs and services expenses for the six months ended June 30, 2014 were $138.5 million, an increase of $16.8 million, or 13.8%, as compared to instructional costs and services expenses of $121.7 million for the six months ended June 30, 2013. This increase was primarily due to increases in employee compensation and related expenses including share based compensation, faculty compensation, dues, fees and subscriptions and other instructional supplies, depreciation and amortization and occupancy expense, and other instructional compensation and related expenses, of $5.3 million, $4.4 million, $2.8 million, $3.1 million, and $3.6 million, respectively. These increases were partially offset by a decrease of $2.4 million in bad debt expense which resulted primarily from improved student retention and improved collection efforts. The increase in employee compensation and related expenses and faculty compensation are primarily due to the increase in the number of staff and faculty needed to support the increasing number of students attending the University. In addition, we continue to increase our online full-time faculty and have incurred an increase in benefit costs between years. The increase in dues, fees, subscriptions and other instructional supplies is primarily due to increased licensing fees related to educational resources and increased food costs associated with a higher number of residential students. The increase in depreciation and amortization and occupancy costs is the result of our placing into service additional buildings to support the growing number of ground traditional students in the Fall of 2013 and Spring of 2014. Our instructional costs and services expenses as a percentage of net revenues decreased 0.4% to 42.5% for the six months ended June 30, 2014, from 42.9% for the six months ended June 30, 2013 primarily due to the decrease in bad debt expense as a percentage of revenue from 3.3% in the first six months of 2013 to 2.2% in the first six months of 2014.

Admissions advisory and related expenses. Our admissions advisory and related expenses for the six months ended June 30, 2014 were $52.5 million, an increase of $6.2 million, or 13.2%, as compared to admissions advisory and related expenses of $46.3 million for the six months ended June 30, 2013. This increase is primarily the result of increases in employee compensation and related expenses including share based compensation and other advisory related expense of $5.6 million and $0.6 million, respectively. The increase in employee compensation and related expenses is primarily due to increased headcount and an increase in benefit costs between years. Our admissions advisory and related expenses as a percentage of net revenue decreased 0.2% to 16.1% for the six months ended June 30, 2014, from 16.3% for the six months ended June 30, 2013 primarily due to our ability to leverage our admissions advisory personnel across an increasing revenue base.

Advertising expenses. Our advertising expenses for the six months ended June 30, 2014 were $32.5 million, an increase of $2.1 million, or 6.6%, as compared to advertising expenses of $30.4 million for the six months ended June 30, 2013. This increase is primarily the result of increased brand advertising focused on the southwestern United States region. Our advertising expenses as a percentage of net revenue decreased by 0.7% to 10.0% for the six months ended June 30, 2014, from 10.7% for the six months ended June 30, 2013 primarily due to our ability to leverage our advertising expenses across an increasing revenue base.

Marketing and promotional expenses. Our marketing and promotional expenses for the six months ended June 30, 2014 were $3.7 million, an increase of $0.9 million, or 31.3%, as compared to marketing and promotional expenses of $2.8 million for the six months ended June 30, 2013. This increase is primarily the result of increases in employee compensation and related expenses of $0.9 million. Our marketing and promotional expenses as a percentage of net revenue increased 0.1% to 1.1% for the six months ended June 30, 2014, from 1.0% for the six months ended June 30, 2013.

General and administrative expenses. Our general and administrative expenses for the six months ended June 30, 2014 was $17.5 million, an increase of $0.5 million, or 3.0%, as compared to general and administrative expenses of $17.0 million for the six months ended June 30, 2013. This increase was primarily due to increases in occupancy costs and other general and administrative expenses of $0.3 million and $0.2 million, respectively. Our general and administrative expenses as a percentage of net revenue decreased by 0.6% to 5.4% for the six months ended June 30, 2014, from 6.0% for the six months ended June 30, 2013 due to our ability to leverage the fixed costs structure of our general and administrative expenses across an increasing revenue base.

Interest expense. Interest expense for the six months ended June 30, 2014 was $0.9 million, a decrease of $0.2 million, as compared to interest expense of $1.1 million for the six months ended June 30, 2013. This decrease was primarily due to a decrease in the average balance of our credit facility between periods due to scheduled monthly principal payments. Our interest expense decreased as a percentage of net revenue by 0.1% to 0.3% for the six months ended June 30, 2014, from 0.4% for the six months ended June 30, 2013.

Interest and other income. Interest and other income for the six months ended June 30, 2014 was $0.3 million, a decrease of $2.0 million, as compared to interest and other income of $2.3 million in the six months ended June 30, 2013. The decrease was primarily due to the proceeds received from a settlement of a note receivable in the first quarter of 2013, which resulted in a $2.2 million gain for that period partially offset by an increase in interest income between periods of $0.2 million due to increases in our investment portfolio.

Income tax expense. Income tax expense for the six months ended June 30, 2014 was $31.4 million, an increase of $5.1 million, or 19.7%, as compared to income tax expense of $26.3 million for the six months ended June 30, 2013. Our effective tax rate was 38.9% during the first six months of 2014 compared to 39.6% during the first six months of 2013. Our effective tax rate in 2014 was lower than the prior year due primarily to state tax rate changes that began a gradual phase-in process during the first quarter of 2014.

Net income. Our net income for the six months ended June 30, 2014 was $49.4 million, an increase of $9.4 million, as compared to $40.0 million for the six months ended June 30, 2013, due to the factors discussed above.

Seasonality

Our net revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in enrollment. Student population varies as a result of new enrollments, graduations, and student attrition. The majority of our traditional ground students do not attend courses during the summer months (May through August), which affects our results for our second and third fiscal quarters. Since a significant amount of our campus costs are fixed, the lower revenue resulting from the decreased ground student enrollment has historically contributed to lower operating margins during those periods. As we increased the relative proportion of our online students during prior years, this summer effect lessened. However, during the past year we have increased, and over the next few years we intend to continue to increase, our enrollment of ground traditional students. Thus, we expect this summer effect to become more pronounced in 2014 and in future years. Partially offsetting this summer effect in the third quarter has been the sequential quarterly increase in enrollments that has occurred as a result of the traditional fall school start. This increase in enrollments also has occurred in the first quarter, corresponding to calendar year matriculation. In addition, we typically experience higher net revenue in the fourth quarter due to its overlap with the semester encompassing the traditional fall school start and in the first quarter due to its overlap with the first semester of the calendar year. A portion of our expenses do not vary proportionately with these fluctuations in net revenue, resulting in higher operating income in the first and fourth quarters relative to other quarters. We expect quarterly fluctuation in operating results to continue as a result of these seasonal patterns.

Liquidity and Capital Resources

Liquidity. We financed our operating activities and capital expenditures during the six months ended June 30, 2014 and 2013 primarily through cash provided by operating activities. Our unrestricted cash and cash equivalents and investments were $176.7 million and $164.2 million at June 30, 2014 and December 31, 2013, respectively. Our restricted cash and cash equivalents at June 30, 2014 and December 31, 2013 were $53.2 million and $64.4 million, respectively.

Based on our current level of operations and anticipated growth, we believe that our cash flow from operations and other sources of liquidity, including cash and cash equivalents and our revolving line of credit, will provide adequate funds for ongoing operations, planned capital expenditures, and working capital requirements for at least the next 24 months. No amounts were borrowed on the $50.0 million revolving line of credit as of June 30, 2014.

Share Repurchase Program

Our Board of Directors has authorized the University to repurchase up to $75 million in aggregate of common stock, from time to time, depending on market conditions and other considerations. The current expiration date on the repurchase authorization by our Board of Directors is September 30, 2014. Repurchases occur at the University's discretion.

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

Since the inception of our share repurchase program, the University has purchased 2.8 million shares of common shock shares at an aggregate cost of $49.1 million which includes 37,900 shares of common stock during the six months ended June 30, 2014 at an aggregate cost of $1.7 million. At June 30, 2014, there remains $25.9 million available under our share repurchase authorization.

Cash Flows

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2014 was $89.4 million as compared to $44.0 million for the six months ended June 30, 2013. The increase in cash generated from operating activities between the six months ended June 30, 2013 and the six months ended June 30, 2014 is primarily due to increased net income and the timing of income tax payments, deferred revenue and student deposits.

Investing Activities. Net cash used in investing activities was $130.1 million and $64.1 million for the six months ended June 30, 2014 and 2013, respectively. Our cash used in investing activities was primarily related to the purchase of short-term investments and capital expenditures. Purchases of short-term investments net of proceeds of these investments was $48.1 million and $48.4 million during the six months ended June 30, 2014 and 2013, respectively. Capital expenditures were $82.0 million and $38.0 million for the six months ended June 30, 2014 and 2013, respectively. In 2014, capital expenditures primarily consisted of ground campus building projects such as the construction of an additional classroom building, additional residence halls that will accommodate another 1,600 students, and land purchases adjacent to our Phoenix campus to support our growing traditional student enrollment as well as purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. In 2013, capital expenditures primarily consisted of ground campus building projects such as the construction costs for two additional dormitories and an expansion of our food services and library to support our traditional student enrollment as well as purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. In addition, during the first six months of 2013 we spent $6.9 million to purchase and refurbish a building that is located less than two miles from our Phoenix, Arizona campus. Investing activities were reduced in the first six months of 2013 by proceeds in the amount of $29.2 million received on a note receivable.

Financing Activities. Net cash provided by financing activities was $5.0 million and $5.7 million for the six months ended June 30, 2014 and 2013, respectively. During the first six months of 2014, proceeds from the exercise of stock options of $6.6 million and excess tax benefits from share-based compensation of $7.1 million were partially offset by $5.3 million used to purchase treasury stock in accordance with the University's share repurchase program and principal payments on notes payable and capital leases which totaled $3.3 million. During the first six months of 2013, proceeds from the exercise of stock options of $14.1 million and excess tax benefits from share-based compensation of $3.5 million were partially offset by $8.5 million used to purchase treasury stock in accordance with the University's share repurchase program and principal payments on notes payable and capital leases which totaled $3.3 million.

Contractual Obligations

The following table sets forth, as of June 30, 2014, the aggregate amounts of our significant contractual obligations and commitments with definitive payment terms due in each of the periods presented (in millions):

		Payments Due by Period			
	Total	Less than 1 Year (1)	2-3 Years	4-5 Years	More than 5 Years
Long term notes payable	$ 89.8	$ 3.3	$13.2	$13.3	$ 60.0
Capital lease obligations	0.5	0.0	0.5	0.0	0.0
Purchase obligations(2)	40.7	37.3	3.0	0.4	0.0
Operating lease obligations	34.2	3.7	12.7	9.5	8.3
Total contractual obligations	$165.2	$ 44.3	$29.4	$23.2	$ 68.3

(1) Payments due in less than one year represent expected expenditures from July 1, 2014 through December 31, 2014.
(2) The purchase obligation amounts include expected spending by period under contracts that were in effect at June 30, 2014.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Impact of inflation. We believe that inflation has not had a material impact on our results of operations for the three months ended June 30, 2014 or 2013. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Market risk. On February 27, 2013 we entered into an interest rate corridor to manage our 30 Day LIBOR interest exposure from the variable rate debt, which debt matures in December 2019. The corridor instrument, which hedges variable interest rate risk starting March 1, 2013 through December 20, 2019 with a notional amount of $90.0 million as of June 30, 2014, permits us to hedge our interest rate risk at several thresholds. Under this arrangement, in addition to the credit spread we will pay variable interest rates based on the 30 Day LIBOR rates monthly until that index reaches 1.5%. If 30 Day LIBOR is equal to 1.5% through 3.0%, we will continue to pay 1.5%. If 30 Day LIBOR exceeds 3.0%, we will pay actual 30 Day LIBOR less 1.5%.

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

Interest rate risk. We manage interest rate risk by investing excess funds in cash equivalents, A rated municipal bonds and municipal mutual funds bearing variable interest rates, which are tied to various market indices or individual bond coupon rates. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell bonds that have declined in market value due to changes in interest rates. At June 30, 2014, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows. For information regarding our variable rate debt, see "Market risk" above.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of June 30, 2014, in ensuring that material information relating to us required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2013.

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

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors has authorized the University to repurchase up to $75.0 million in aggregate of common stock, from time to time, depending on market conditions and other considerations. The repurchase authorization was first announced on August 16, 2010, and was extended on July 28, 2011 and April 25, 2013. The current expiration date on the repurchase authorization is September 30, 2014. Repurchases occur at the University's discretion. Repurchases may be made in the open market or in privately negotiated transactions, pursuant to applicable SEC rules. The amount and timing of future share repurchases, if any, will be made as market and business conditions warrant. During the three months ended June 30, 2014, we repurchased 23,900 shares of our common stock at an aggregate cost of $1.0 million. At June 30, 2014, there remains $25.9 million available under our share repurchase authorization, which totaled $75.0 million at June 30, 2014.

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The following table sets forth our share repurchases of common stock during each period in the second quarter of fiscal 2014:

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
April 1, 2014 – April 30, 2014	23,900	$ 43.39	23,900	$ 25,865,000
May 1, 2014 – May 31, 2014	—	—	—	$ 25,865,000
June 1, 2014 – June 30, 2014	—	—	—	$ 25,865,000
Total	23,900	$ 43.39	23,900	$ 25,865,000

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

Number	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation.	Incorporated by reference to Exhibit 3.1 to Amendment No. 6 to the University's Registration Statement on Form S-1 (SEC file number 333-150876) filed with the SEC on November 12, 2008.
3.2	Second Amended and Restated Bylaws.	Incorporated by reference to Exhibit 3.1 to the University's Current Report on Form 8-K filed with the SEC on August 2, 2010.
4.1	Specimen of Stock Certificate.	Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the University's Registration Statement on Form S-1 (SEC file number 333-150876) filed with the SEC on September 29, 2008.
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ††	Furnished 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. ††	Furnished herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAND CANYON EDUCATION, INC.

Date: July 31, 2014

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

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EXHIBIT INDEX

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31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ††	Furnished herewith.
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101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith.

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

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 0F THE SARBANES-OXLEY ACT OF 2002**

I, Brian E. Mueller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ending June 30, 2014 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 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: July 31, 2014

/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 0F THE SARBANES-OXLEY ACT OF 2002**

I, Daniel E. Bachus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ending June 30, 2014 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 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: July 31, 2014

/s/ Daniel E. Bachus

Daniel E. Bachus
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Grand Canyon Education, Inc. (the “University”) for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian E. Mueller, Chief Executive Officer, of the University, certify, pursuant to 18 U.S.C. Section 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, as amended (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 University.

Date: July 31, 2014

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

Exhibit 32.2

**CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10Q of Grand Canyon Education, Inc. (the "University") for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel E. Bachus, Chief Financial Officer, of the University, certify, pursuant to 18 U.S.C. Section 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, as amended (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 University.

Date: July 31, 2014

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