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, 2020

or

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

For the transition period from to

Commission File Number: 001-34211

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

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant 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 31, 2020, was 47,281,676.

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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, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Service revenue	$ 185,768	$ 174,820	$ 407,423	$ 372,107
Costs and expenses:				
Technology and academic services	27,151	22,528	53,428	41,153
Counseling services and support	57,596	54,299	117,815	107,392
Marketing and communication	41,105	35,726	83,798	71,693
General and administrative	9,501	9,216	19,066	20,613
Amortization of intangible assets	2,105	2,179	4,210	3,865
Loss on transaction	—	(122)	—	3,966
Total costs and expenses	137,458	123,826	278,317	248,682
Operating income	48,310	50,994	129,106	123,425
Interest income on Secured Note	14,723	14,482	29,433	28,217
Interest expense	(1,073)	(2,907)	(2,619)	(5,493)
Investment interest and other	396	2,668	612	3,787
Income before income taxes	62,356	65,237	156,532	149,936
Income tax expense	15,346	14,125	38,137	25,581
Net income	$ 47,010	$ 51,112	$ 118,395	$ 124,355
Earnings per share:				
Basic income per share	$ 1.00	$ 1.07	$ 2.51	$ 2.60
Diluted income per share	$ 1.00	$ 1.06	$ 2.49	$ 2.57
Basic weighted average shares outstanding	46,893	47,851	47,174	47,788
Diluted weighted average shares outstanding	47,151	48,313	47,457	48,307

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, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net income	$ 47,010	$ 51,112	$ 118,395	$ 124,355
Other comprehensive income, net of tax:				
Unrealized losses on hedging derivative, net of taxes of $35 for the three months ended June 30, 2019 and $70 for the six months ended June 30, 2019	—	(164)	—	(271)
Comprehensive income	$ 47,010	$ 50,948	$ 118,395	$ 124,084

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

GRAND CANYON EDUCATION, INC.
Consolidated Balance Sheets

(In thousands, except par value)	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS:		
Current assets		
Cash and cash equivalents	$ 172,532	$ 122,272
Restricted cash and cash equivalents	—	300
Investments	14,691	21,601
Accounts receivable, net	20,553	48,939
Interest receivable on Secured Note	13	5,011
Income tax receivable	1,685	2,186
Other current assets	13,145	8,035
Total current assets	222,619	208,344
Property and equipment, net	124,066	119,734
Right-of-use assets	43,280	27,770
Secured Note receivable, net	1,039,912	969,912
Amortizable intangible assets, net	197,847	202,057
Goodwill	160,766	160,766
Other assets	1,794	1,706
Total assets	$ 1,790,284	$ 1,690,289
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Accounts payable	$ 19,901	$ 14,835
Accrued compensation and benefits	26,809	20,800
Accrued liabilities	20,033	16,771
Income taxes payable	38,281	6,576
Deferred revenue	7,709	20
Current portion of lease liability	4,709	3,084
Current portion of notes payable	33,144	33,144
Total current liabilities	150,586	95,230
Deferred income taxes, noncurrent	18,618	18,320
Other long term liability	8	13
Lease liability, less current portion	40,483	25,519
Notes payable, less current portion	91,202	107,774
Total liabilities	300,897	246,856
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at June 30, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 53,225 and 53,054 shares issued and 47,306 and 48,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively	532	531
Treasury stock, at cost, 5,919 and 4,949 shares of common stock at June 30, 2020 and December 31, 2019, respectively	(243,382)	(169,365)
Additional paid-in capital	276,330	270,923
Retained earnings	1,455,907	1,341,344
Total stockholders' equity	1,489,387	1,443,433
Total liabilities and stockholders' equity	$ 1,790,284	$ 1,690,289

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

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

Six Months Ended June 30, 2020

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Par Value	Shares	Cost				
Balance at December 31, 2019	53,054	$ 531	4,949	$ (169,365)	$ 270,923	$ —	$ 1,341,344	$ 1,443,433
Cumulative effect from the adoption of accounting pronouncements, net of taxes of $1,168	—	—	—	—	—	—	(3,832)	(3,832)
Comprehensive income	—	—	—	—	—	—	118,395	118,395
Common stock purchased for treasury	—	—	898	(69,048)	—	—	—	(69,048)
Restricted shares forfeited	—	—	10	—	—	—	—	—
Share-based compensation	167	1	62	(4,969)	5,333	—	—	365
Exercise of stock options	4	—	—	—	74	—	—	74
Balance at June 30, 2020	53,225	$ 532	5,919	$ (243,382)	$ 276,330	$ —	$ 1,455,907	$ 1,489,387

Six Months Ended June 30, 2019

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Par Value	Shares	Cost				
Balance at December 31, 2018	52,690	527	4,489	(125,452)	256,806	(453)	1,082,169	1,213,597
Comprehensive income	—	—	—	—	—	(271)	124,355	124,084
Common stock purchased for treasury	—	—	111	(10,340)	—	—	—	(10,340)
Restricted shares forfeited	—	—	14	—	—	—	—	—
Share-based compensation	152	1	68	(8,127)	5,184	—	—	(2,942)
Exercise of stock options	191	2	—	—	3,406	—	—	3,408
Balance at June 30, 2019	53,033	$ 530	4,682	$ (143,919)	$ 265,396	$ (724)	$ 1,206,524	$ 1,327,807

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, 2020	2019
Cash flows provided by operating activities:		
Net income	$ 118,395	$ 124,355
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	5,334	5,185
Depreciation and amortization	10,300	9,065
Amortization of intangible assets	4,210	3,865
Deferred income taxes	1,466	1,373
Loss on transaction	—	3,966
Other, including fixed asset impairments	111	(285)
Changes in assets and liabilities:		
Accounts receivable and interest receivable from university partners	33,384	41,056
Other assets	(5,234)	(2,220)
Right-of-use assets and lease liabilities	1,079	147
Accounts payable	2,846	(102)
Accrued liabilities	9,266	1,746
Income taxes receivable/payable	32,206	(8,812)
Deferred revenue	7,689	9,996
Net cash provided by operating activities	221,052	189,335
Cash flows used in investing activities:		
Capital expenditures	(12,229)	(9,656)
Additions of amortizable content	(147)	(228)
Acquisition, net of cash acquired	—	(361,184)
Funding to GCU	(75,000)	(169,819)
Purchases of investments	—	(1,772)
Proceeds from sale or maturity of investments	6,799	56,897
Net cash used in investing activities	(80,577)	(485,762)
Cash flows (used in) provided by financing activities:		
Principal payments on notes payable	(16,572)	(72,041)
Debt issuance costs	—	(2,385)
Proceeds from notes payable	—	243,750
Net borrowings from revolving line of credit	—	26,250
Repurchase of common shares including shares withheld in lieu of income taxes	(74,017)	(18,467)
Net proceeds from exercise of stock options	74	3,408
Net cash (used in) provided by financing activities	(90,515)	180,515
Net increase (decrease) in cash and cash equivalents and restricted cash	49,960	(115,912)
Cash and cash equivalents and restricted cash, beginning of period	122,572	182,013
Cash and cash equivalents and restricted cash, end of period	$ 172,532	$ 66,101
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 2,619	$ 4,837
Cash paid for income taxes	$ 1,850	$ 35,114
Supplemental disclosure of non-cash investing and financing activities		
Purchases of property and equipment included in accounts payable	$ 2,689	$ 914
Allowance for credit losses of $5,000, net of taxes of $1,168 from adoption of ASU 2016-13	$ 3,832	$ —
Lease adoption - recognition of right of use assets and lease liabilities	$ —	$ 498
ROU Asset and Liability recognition	$ 15,510	$ —

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

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

1. Nature of Business

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

In January 2019, GCE began providing education services to numerous university partners across the United States, through our wholly owned subsidiary, Orbis Education, which we acquired, by merger on January 22, 2019 for $361,184, net of cash acquired (the "Acquisition"). Orbis Education works in partnership with a growing number of top universities and healthcare networks across the country to develop high-quality, career-ready graduates who enter the workforce and ease healthcare industry demands. Orbis Education offers four primary academic programs with site simulation and skill labs located near healthcare providers. Therefore, the results of operations for the six months ended June 30, 2019 include Orbis Education's financial results for the period from January 22, 2019 to June 30, 2019. See Note 2 to our consolidated financial statements for a full description of the Acquisition.

2. Acquisition

On January 22, 2019, GCE acquired Orbis Education for $361,184 (inclusive of closing date adjustments and net of cash acquired). Orbis Education is an education services company that supports healthcare education programs for 25 university partners across the United States. Concurrent with the closing of the Acquisition, GCE entered into an amended and restated credit agreement and used $191,000 from the amended and restated credit agreement and $171,034 of operating cash on hand to complete the purchase. See Note 10 of our consolidated financial statements for a description of the amended and restated credit agreement. The fair value of the assets acquired, less the liabilities assumed exceeded the purchase price by $157,825 which was recorded as goodwill. Transaction costs for the Acquisition for the six months ended June 30, 2019 were $3,966, which are included in the loss on transaction in our consolidated income statement.

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

Grand Canyon Education, Inc.
Notes to Consolidated Financial Statements
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allocation of the total purchase price to each of the assets acquired and liabilities assumed based on the Company's fair value estimates.

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

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

Subsequent to the closing of the Acquisition, the Company revised its allocation of the purchase price by $9,538 during the year ended December 31, 2019, primarily as the result of the tax effect of a lower tax basis in the acquired assets. The Company completed the allocation of the purchase price of the Acquisition as of December 31, 2019. The Company has consolidated the results of operations for Orbis Education since its Acquisition on January 22, 2019.

3. Summary of Significant Accounting Policies

Principles of Consolidation

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

Unaudited Interim Financial Information

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles and pursuant to the rules and regulations of the United States Securities and Exchange Commission and the instructions to Form 10-Q and Article 10, 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, 2019. 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

Grand Canyon Education, Inc.
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(In thousands, except per share data)

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 Company's audited financial statements and footnotes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 from which the December 31, 2019 balance sheet information was derived.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31, 2019 represented cash pledged for leased office space, which was released during the six months ended June 30, 2020.

Investments

The Company considers its investments in municipal bonds, mutual funds, municipal securities, certificates of deposit and commercial paper as trading securities based on the Company's intent for the respective security. Trading securities are carried at fair value and unrealized holding gains and losses are included in earnings. See Note 2 of our consolidated financial statements for further discussion on the Acquisition.

Arrangements with GCU

On July 1, 2018, the Company consummated an Asset Purchase Agreement (the "Asset Purchase Agreement") with GCU. In conjunction with the Asset Purchase Agreement, we received a secured note from GCU as consideration for the transferred assets (the "Transferred Assets") in the initial principal amount of $870,097 (the "Secured Note"). The Secured Note contains customary commercial credit terms, including affirmative and negative covenants applicable to GCU, and provides that the Secured Note bears interest at an annual rate of 6.0%, has a maturity date of June 30, 2025, and is secured by all of the assets of GCU. The Secured Note provides for GCU to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity and also provides that we may loan additional amounts to GCU to fund approved capital expenditures during the first three years of the term. As of June 30, 2020, the Company had loaned $169,815 to GCU, net of repayments, including $75.0 million in June 2020. The $75.0 million that was borrowed in June 2020 was repaid in July 2020. In connection with the closing of the Asset Purchase Agreement, the Company and GCU entered into a long-term master services agreement pursuant to which the Company provides identified technology and academic services, counseling services and support, marketing and communication services, and several back-office services to GCU in return for 60% of GCU's tuition and fee revenue. Except for identified liabilities assumed by GCU, GCE retained responsibility for all liabilities of the business arising from pre-closing operations.

Internally Developed Technology

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

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

Capitalized Content Development

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

Costs that are capitalized include payroll and payroll-related costs for employees who are directly associated and spend time producing content and payments to faculty and subject matter experts involved in the process. The Company starts capitalizing content costs when it begins to develop or to convert a particular course, resources have been assigned and a timeline has been set. The content asset is placed in service when all work is complete and the curriculum could be used for instruction. Capitalized content development assets are included in other assets in our consolidated balance sheets. The Company has concluded that the most appropriate method to amortize the deferred content assets is on a straight-line basis over the estimated life of the course, which is generally four years which corresponds with course's review and major revision cycle. As of June 30, 2020, $1,041, net of amortization, of deferred content assets are included in other assets, long-term in the Company's consolidated balance sheets and amortization is included in technical and academic services where the costs originated.

Leases

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

Business Combinations

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

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the tangible and intangible assets acquired and liabilities assumed. Goodwill is assessed at least annually for impairment during the fourth quarter, or more frequently if circumstances indicate potential impairment. Goodwill is allocated to

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

our reporting unit at the education services segment, which is the same as the entity as a whole (entity level reporting unit). The Company has concluded there is one operating segment and one reporting unit for goodwill impairment consideration. The Financial Accounting Standards Board ("FASB") has issued guidance that permits an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company reviews goodwill at least annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Finite-lived intangible assets that are acquired in a business combination are recorded at fair value on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the intangible asset. Finite-lived intangible assets consist of university partner relationships and trade names. The Company reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. There were no indicators that the carrying amount of the finite-lived intangible assets were impaired. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If such intangible assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amounts of the assets exceeds the fair value of the assets.

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 Company to manage its exposure to interest rate risk. The Company does not engage in any derivative instrument trading activity.

In 2013, the Company entered into an interest rate corridor to manage its 30-Day LIBOR interest exposure related to its variable rate debt. In December 2019 this cash flow hedge expired. The fair value of the interest rate corridor instrument as of June 30, 2019 was $187, which was 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 $341 for the six months ended June 30, 2019, for the effective portion of the losses on the derivative was included as a component of other comprehensive income, net of taxes.

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

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, investments, accounts receivable, accounts payable, 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 Secured Note receivable, non-current approximates fair value as the Secured Note resulted from the GCU Transaction and was negotiated at fair market value. The carrying

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

value of notes payable approximates fair value as it is based on variable rate index. Derivative financial instruments are carried at fair value, determined using Level 2 of the hierarchy of valuation inputs as defined in the FASB Accounting Standards Codification ("Codification"), with the use of inputs other than quoted prices that are observable for the asset or liability.

The fair value of investments, primarily municipal securities, 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 unit of account used for valuation is the individual underlying security. The municipal securities are comprised of city and county bonds related to schools, water and sewer, utilities, transportation, healthcare and housing.

Revenue Recognition

Starting July 1, 2018, the Company generates all of its revenue through services agreements with its university partners ("Services Agreements"), pursuant to which the Company provides integrated technology and academic services, marketing and communication services, and back office services to its university partners in return for a percentage of tuition and fee revenue.

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

The Company's receivables represent unconditional rights to consideration from our Services Agreements with our university partners. Accounts receivable, net is stated at net realizable value and contains billed and unbilled revenue. The Company utilizes the allowance method to provide for doubtful accounts based on its evaluation of the collectability of the amounts due. There have been no amounts written off and no reserves established as of June 30, 2020 given historical collection experience. The Company will continue to review and revise its allowance methodology based on its collection experience with its partners.

For our partners with unbilled revenue, revenue recognition occurs in advance of billings. Billings for some university partners do not occur until after the service period has commenced and final enrollment information is available. Our unbilled revenue of $7,275 as of June 30, 2020 are included in accounts receivable in our consolidated

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balance sheets. Deferred revenue represents the excess of amounts received as compared to amounts recognized in revenue on our consolidated statements of income as of the end of the reporting period, and such amounts are reflected as a current liability on our consolidated balance sheets. We generally receive payments for our services billed within 30 days of invoice. These payments are recorded as deferred revenue until the services are delivered and revenue is recognized.

Allowance for Credit Losses

The Company records our accounts receivable and Secured Note receivable at the net amount expected to be collected. Our accounts receivable are derived through education services provided to university partners. Our Secured Note receivable was derived through the sale of university related assets to our most significant university partner, GCU. The Company maintains an allowance for credit losses resulting from our university partners not making payments. The Company determines the adequacy of the allowance by periodically evaluating each university partners balance, considering their financial condition and credit history, and considering current and forecasted economic conditions. Since our transition to an education services company on July 1, 2018, and continued growth to 25 university partners, the Company has no credit losses with any of our university partners. In the first quarter of 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* using a modified retrospective approach. This model requires consideration of a broader range of reasonable and supportable information and requires the Company to estimate expected credit losses including a measure of the expected risk of credit loss even if that risk is remote over the lifetime of the asset. Upon adoption, the Company recorded a reserve of $5,000 on its long-term Secured Note receivable. The cumulative effect for the Company upon adoption of this new standard was $3,832, net of taxes of $1,168. Bad debt expense is recorded as a technology and academic services expense in the consolidated income statement. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected credit losses.

Technology and Academic Services

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

Counseling Services and Support

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

Marketing and Communication

Marketing and communication includes lead acquisition, digital communication strategies, brand identity advertising, media planning and strategy, video, data science and analysis, marketing to potential students and other promotional and communication services. This expense category includes salaries, benefits and share-based

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compensation for marketing and communication personnel, brand advertising, marketing leads and other promotional and communication expenses. This category also includes an allocation of depreciation, amortization, lease expense, and occupancy costs attributable to the provision of certain services, primarily at the Company's Phoenix, Arizona and Indianapolis, Indiana locations. Advertising costs are expensed as incurred.

General and Administrative

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

Commitments and Contingencies

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

Concentration of Credit Risk

The Company believes the credit risk related to cash equivalents and investments is limited due to its adherence to an investment policy that requires investments to have a minimum BBB rating, depending on the type of security, by one major rating agency at the time of purchase. All of the Company's cash equivalents and investments as of June 30, 2020 and December 31, 2019 consist of investments rated BBB or higher by at least one rating agency. Additionally, the Company utilizes more than one financial institution to conduct initial and ongoing credit analysis on its investment portfolio to monitor and lower the potential impact of market risk associated with its cash equivalents and investment portfolio. The Company is also subject to credit risk for its accounts receivable balance. The Company has not experienced any losses on receivables since July 1, 2018, the date the Company transitioned to an educational service provider. To manage accounts receivable risk, the Company maintains an allowance for doubtful accounts, if needed. Our dependence on our most significant university partner, with 87.0% and 89.7% of total service revenue for the six-month periods ended June 30, 2020 and 2019, respectively, subjects us to the risk that declines in our customer's operations would result in a sustained reduction in service revenue and interest income on the Secured Note for the Company.

Use of Estimates

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

Segment Information

The Company operates as a single education services company using a core infrastructure that serves the curriculum and educational delivery needs of its university partners. The Company's Chief Executive Officer manages

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the Company's operations as a whole and no expense or operating income information is generated or evaluated on any component level.

Accounting Pronouncements Adopted in 2020

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. Under this guidance, the Company is required to utilize an "expected credit loss model" on certain financial instruments, including receivables and the Secured note receivable. This model requires consideration of a broader range of reasonable and supportable information and requires the Company to estimate expected credit losses including a measure of the expected risk of credit loss even if that risk is remote over the lifetime of the asset. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Accordingly, the standard was adopted by the Company as of January 1, 2020 using a modified retrospective approach. Upon adoption, the Company recorded a reserve of $5,000 on its long-term Secured Note receivable. The cumulative effect for the Company upon adoption of this new standard was $3,832, net of tax. The adoption of this guidance did not have a material impact on the Company's financial condition, results of operations or statements of cash flows. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected credit losses.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in the ASU improve the Codification by eliminating inconsistencies and providing clarifications. Under this guidance, the Company made an election not to measure an allowance for credit losses on its accrued interest receivable amounts earned on the Secured Note receivable. The Company will write off any uncollectible accrued interest in a timely manner. The adoption of this guidance did not have a material impact on the Company's financial condition, results of operations or statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350); Simplifying the Test for Goodwill Impairment*, which eliminated step two from the goodwill impairment test and requires an entity to recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, up to the amount of goodwill allocated to that reporting unit. The amendments in this standard are effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Accordingly, the standard was adopted by us as of January 1, 2020. The adoption of this guidance did not have a material impact on the Company's financial condition, results of operations or statements of cash flows.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. An entity that elects early adoption must adopt all the amendments in the same period. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company is currently evaluating the impact of the new standard on our consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effect of) reference rate reform on financial reporting. It provides optional expedients and exceptions for applying generally accepted accounting

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principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update are effective for all entities as of March 12, 2020 through December 31, 2022. The Company plans to elect the optional expedient for its credit facility by prospectively adjusting the effective interest rate if the cessation of the London Interbank Offered Rate (LIBOR) occurs. The Company does not believe the adoption of the reference rate reform will have a material impact on the Company's financial condition, results of operations or statements of cash flows.

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

4. Investments

The Company classifies its investments as trading. At June 30, 2020 and December 31, 2019, the Company had $14,691 and $21,601, respectively, of investments. These investments were held in municipal and corporate securities as of June 30, 2020 and December 31, 2019.

5. Net Income Per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Denominator:				
Basic weighted average shares outstanding	46,893	47,851	47,174	47,788
Effect of dilutive stock options and restricted stock	258	462	283	519
Diluted weighted average shares outstanding	47,151	48,313	47,457	48,307

Diluted weighted average shares outstanding excludes the incremental effect of unvested restricted stock and shares that would be issued upon the assumed exercise of stock options in accordance with the treasury stock method. For the three month periods ended June 30, 2020 and 2019, approximately 81 and 0, respectively, and for the six month periods ended June 30, 2020 and 2019, approximately 182 and 0, respectively, of the Company's restricted stock awards outstanding were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive. These options and restricted stock awards could be dilutive in the future.

6. Allowance for Credit Losses

	Balance at Beginning of Period (1)	Charged to Expense	Deductions/ Transfers (2)	Balance at End of Period
Allowance for credit losses				
Six months ended June 30, 2020	$ 5,000	—	—	$ 5,000
Six months ended June 30, 2019	$ —	—	—	$ —

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(1) Represents the cumulative effect of the adoption of ASU No. 2016-13 on the Secured Note receivable.
(2) Deductions represent accounts written off, net of recoveries.

7. Property and Equipment

Property and equipment consist of the following:

	June 30, 2020	December 31, 2019
Land	$ 5,579	$ 5,579
Land improvements	2,242	2,242
Buildings	51,399	51,399
Buildings and leasehold improvements	12,504	11,691
Computer equipment	98,563	95,020
Furniture, fixtures and equipment	12,508	10,423
Internally developed software	42,536	37,175
Construction in progress	4,440	3,238
	229,771	216,767
Less accumulated depreciation and amortization	(105,705)	(97,033)
Property and equipment, net	$ 124,066	$ 119,734

8. Intangible Assets

Amortizable intangible assets consist of the following as of:

	June 30, 2020			
	Estimated Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
University partner relationships	25	$ 210,000	(12,153)	$ 197,847
Trade names	1	280	(280)	—
Total amortizable intangible assets, net		$ 210,280	(12,433)	$ 197,847

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

2020	$ 4,210
2021	8,419
2022	8,419
2023	8,419
2024	8,419
Thereafter	159,961
	$ 197,847

9. Leases

The Company has operating leases for classroom site locations, office space, office equipment, and optical fiber communication lines. These leases have terms that range from 9 months to 10 years. At lease inception, we determine the lease term by assuming no exercises of renewal options, due to the Company's constantly changing geographical needs for its university partners. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheets and we recognize lease expense for these leases on a straight-line basis over the lease term. The

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Company had operating lease costs of $3,055 and $1,507 for the six-month periods ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, the Company had $17,416 of non-cancelable operating lease commitments for classroom site locations, that had not yet commenced. These operating leases will commence in 2020 with an average lease term of 9.25 years. The Company's weighted-average remaining lease term relating to its operating leases is 8.83 years, with a weighted-average discount rate of 3.72%. As of June 30, 2020, the Company had no financing leases.

Future payment obligations with respect to the Company's operating leases, which were existing at June 30, 2020, by year and in the aggregate, are as follows:

Year Ending December 31,		Amount
2020	$	2,946
2021		6,499
2022		6,392
2023		5,817
2024		5,422
Thereafter		25,971
Total lease payments	$	53,047
Less interest		7,855
Present value of lease liabilities	$	45,192

10. Notes Payable and Other Noncurrent Liabilities

We entered into an amended and restated credit agreement dated January 22, 2019 and two related amendments dated January 31, 2019 and dated February 1, 2019, respectively, that together provide a credit facility of $325,000 comprised of a term loan facility of $243,750 and a revolving credit facility of $81,250, both with a five-year maturity date. The term facility is subject to quarterly amortization of principal, commencing with the fiscal quarter ended June 30, 2019, in equal installments of 5% of the principal amount of the term facility per quarter. Both the term loan and revolver have monthly interest payments currently at 30 Day LIBOR plus an applicable margin of 2%. The proceeds of the term loan, together with $6,250 drawn under the revolver and operating cash on hand were used to complete the Acquisition. Concurrent with the amendment of the credit agreement and Acquisition, we repaid our existing term loan of $59,850 and our cash collateral of $61,667 was released. The Company concluded that the amended and restated credit agreement is considered a loan modification. Accordingly, the Company allocated the costs paid to the bank consortium based on the borrowing dollars and recorded an asset of $596 and a contra liability of $1,639, which are related to our revolver and term loan, respectively, that is being amortized to interest expense over the five-year maturity date. Additionally, the Company expensed $150 of third-party costs in the first quarter of 2019 related to this loan modification.

The Company entered into a further amendment for the credit facility on October 31, 2019. This amendment increased the revolving commitment by $68,750 to $150,000, while reducing the term loan by the same $68,750 to $150,625. The Company concluded that this amendment is considered a loan modification. The amended and restated credit agreement contains standard covenants that, among other things, restrict the Company's ability to incur additional debt or make certain investments, and require the Company to achieve certain financial ratios and maintain certain financial conditions. The Company's obligations under the credit facility are secured by its assets, including all rights,

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benefits and payments under the Secured Note and the Master Services Agreement. As of June 30, 2020, the Company is in compliance with its debt covenants.

	As of June 30, 2020	As of December 31, 2019
Notes Payable		
Note payable, quarterly payment of $8,368 starting December 31, 2019; interest at 30-Day LIBOR plus 2.00% (2.17% at June 30, 2020) through January 22, 2024	$ 124,346	$ 140,918
Revolving line of credit; interest at 30-Day LIBOR plus 2.0% (2.17% at June 30, 2020)	—	—
	124,346	140,918
Less: Current portion	33,144	33,144
	$ 91,202	$ 107,774

Payments due under the notes payable obligations are as follows as of June 30, 2020:

2020	$ 16,572
2021	33,144
2022	33,144
2023	33,145
2024	8,341
Total	$ 124,346

11. Commitments and Contingencies

Legal Matters

From time to time, the Company 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 Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material. With respect to the majority of pending litigation matters, the Company's ultimate legal and financial responsibility, if any, cannot be estimated with certainty and, in most cases, any potential losses related to those matters are not considered probable.

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

Tax, Income Tax Related

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

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Tax Reserves, Non-Income Tax Related

From time to time the Company has exposure to various non-income tax related matters that arise in the ordinary course of business. The Company reserve is not material for tax matters where its ultimate exposure is considered probable and the potential loss can be reasonably estimated.

12. Share-Based Compensation

Incentive Plan

Prior to June 2017, the Company made grants of restricted stock and stock options under its 2008 Equity Incentive Plan (the "2008 Plan"). In January 2017, the Board of Directors of the Company approved, and at the Company's 2017 annual meeting of stockholders held on June 14, 2017, the Company's stockholders adopted, a 2017 Equity Incentive Plan (the "2017 Plan") under which a maximum of 3,000 shares may be granted. As of June 30, 2020, 1,598 shares were available for grants under the 2017 Plan. All grants of equity incentives made after June 2017 have been made from the 2017 Plan.

Restricted Stock

During the six months ended June 30, 2020, the Company granted 164 shares of common stock with a service vesting condition to certain of its executives, officers and employees. The restricted shares have voting rights and vest in five annual installments of 20%, with the first installment vesting in March of the calendar year following the date of grant (the "first vesting date") and subsequent installments vesting on each of the four anniversaries of the first vesting date. 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, 2020, the Company withheld 62 shares of common stock in lieu of taxes at a cost of $4,969 on the restricted stock vesting dates. In June 2020, following the annual stockholders meeting, the Company granted 3 shares of common stock to the non-employee members of the Company's Board of Directors. The restricted shares granted to these directors have voting rights and vest on the earlier of (a) the one year anniversary of the date of grant or (b) immediately prior to the following year's annual stockholders' meeting. A summary of the activity related to restricted stock granted under the Company's Incentive Plan since December 31, 2019 is as follows:

	Total Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2019	422	$ 76.43
Granted	167	$ 84.31
Vested	(155)	$ 65.06
Forfeited, canceled or expired	(10)	$ 85.74
Outstanding as of June 30, 2020	424	$ 83.45

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Stock Options

During the six months ended June 30, 2020, no options were granted. A summary of the activity since December 31, 2019 related to stock options granted under the Company's Incentive Plan is as follows:

	Summary of Stock Options Outstanding			
	Total Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)[1]
Outstanding as of December 31, 2019	232	$ 15.42		
Granted	—	$ —		
Exercised	(4)	$ 20.29		
Forfeited, canceled or expired	—	$ —		
Outstanding as of June 30, 2020	228	$ 15.34	0.69	$ 17,096
Exercisable as of June 30, 2020	228	$ 15.34	0.69	$ 17,096

(1) Aggregate intrinsic value represents the value of the Company's closing stock price on June 30, 2020 ($90.53) 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, 2020 and 2019 related to restricted stock and stock options granted:

	2020	2019
Technology and academic services	$ 1,026	$ 861
Counseling services and support	2,694	2,649
Marketing and communication	50	41
General and administrative	1,564	1,634
Share-based compensation expense included in operating expenses	5,334	5,185
Tax effect of share-based compensation	(1,334)	(1,296)
Share-based compensation expense, net of tax	$ 4,000	$ 3,889

13. Treasury Stock

In July 2020, the Board of Directors increased the authorization under its existing stock repurchase program by $50,000 to a total of $300,000 in aggregate of common stock it can repurchase, from time to time, depending on market conditions and other considerations. The expiration date on the repurchase authorization is December 31, 2021. Repurchases occur at the Company's discretion. Repurchases may be made in the open market or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules. The amount and timing of future share repurchases, if any, will be made as market and business conditions warrant. During the six months ended June 30, 2020 the Company repurchased 898 shares of common stock at an aggregate cost of $69,048. At June 30, 2020, there remained $58,268 available under its current share repurchase authorization, prior to the increase made in July. 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.

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14. Subsequent Event

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious outbreak and the related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated non-essential business closures, have adversely affected our business, primarily through reduced ancillary revenue at our most significant university partner, GCU and as a result of certain of Orbis Education's partner institution's students deferring the start of their program from the Summer semester to the Fall semester. There is a risk that not all of the students interested in starting their program in the Fall will be able to given potential constraints on the availability of clinical rotations. These recent developments are expected to result in lower education service revenue and lower operating income and margins in the third and fourth quarters of 2020. At this time there remains considerable uncertainty around the duration of the COVID-19 pandemic. If some of our university partners are not able to allow their students to return to their campus locations in the Fall of 2020, this will have a further impact on our service revenue, operating income and margins. These factors, or material changes in the fair value of the collateral underlying our Secured Note receivable and accounts receivable could also materially impact the allowance for expected credit losses on our Secured Note receivable and our accounts receivable. However, the related financial impact and duration of the COVID-19 pandemic cannot be reasonably estimated at this time.

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" within the meaning of Section 27A of Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include, without limitation, statements regarding: proposed new programs; whether regulatory developments or other matters may or may not have a material adverse effect on our financial position, results of operations, or liquidity; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and 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, the negative of these 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:

- the harm to our business, results of operations, and financial condition, and harm to our most significant university partner in connection with the COVID-19 outbreak;

- the occurrence of any event change or other circumstance that could give rise to the termination of any of the key university partner agreements;

- our ability to properly manage risks and challenges associated with strategic initiatives, including potential acquisitions or divestitures of, or investments in, new businesses, acquisitions of new properties and new university partners, and expansion of services provided to our existing university partners;

- our failure to comply with the extensive regulatory framework applicable to us either directly as a third-party service provider or indirectly through our university partners, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements;

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

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

- risks associated with changes in applicable federal and state laws and regulations and accrediting commission standards, including pending rulemaking by the Department of Education applicable to us directly or indirectly through our university client;

- competition from other education service companies in our geographic region and market sector, including competition for students, qualified executives and other personnel;
- our expected tax payments and tax rate, including the effect of the Tax Cuts and Jobs Act of 2017;
- our ability to hire and train new, and develop and train existing, employees;
- the pace of growth of our university partners' enrollment and its effect on the pace of our own growth;
- fluctuations in our revenues due to seasonality;
- our ability to, on behalf of our university partners, convert prospective students to enrolled students and to retain active students to graduation;
- our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis for our university partners;
- risks associated with the competitive environment for marketing the programs of our university partners;
- failure on our part to keep up with advances in technology that could enhance the experience for our university partners' students;
- the extent to which obligations under our credit 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;
- the impact of any natural disasters or public health emergencies; and
- general adverse economic conditions or other developments that affect the job prospects of our university partners' 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 (the "2019 Form 10-K") for the fiscal year ended December 31, 2019, 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.

Explanatory Note

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

In January 2019, GCE began providing education services to numerous university partners across the United States, through our wholly owned subsidiary, Orbis Education, which we acquired on January 22, 2019. See *Note 2 - Acquisition* to consolidated financial statements for a full description of the Acquisition. Orbis Education works in partnership with a growing number of top universities and healthcare networks across the country to develop high-quality, career-ready graduates who enter the workforce and ease healthcare industry demands. Orbis Education offers four primary academic programs with site simulation and skill labs located near healthcare providers. Therefore, the results of operations for the six months ended June 30, 2019 include Orbis Education's financial results for the period from January 22, 2019 to June 30, 2019.

SIGNIFICANT DEVELOPMENTS

Impact of COVID-19

In March 2020, the World Health Organization declared the novel coronavirus outbreak ("COVID-19") a global pandemic. This contagious outbreak, which has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated non-essential business closures, have adversely affected workforces, organizations, customers, economies and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours, and our university partners. Due to the economic disruption caused by the COVID-19 pandemic, the National Bureau of Economic Research announced in June 2020 that the United States entered into a recession in February 2020.

The Company has a long-term master services agreement pursuant to which the Company provides education services to its most significant university partner, GCU, in return for 60% of GCU's tuition and fee revenues, which includes fee revenues from room, board, and other ancillary businesses including a student-run golf course and hotel. GCU has three types of students, traditional ground university students attending class on its campus in Phoenix, Arizona and of which approximately 70% live on campus in university owned residence halls, professional studies students who are working adult students that attend class one night a week on the Phoenix campus, and online students that attend class fully online.

This outbreak, as well as measures taken to contain the spread of COVID-19, has impacted GCU's students and its business in a number of ways. Beginning in March 2020, GCU's programs for its professional studies students and its traditional ground university students were immediately converted to an online learning environment and residential students were strongly encouraged to move off campus. Given the Company's historical experience delivering online education services and the fact that all of GCU's students and faculty use the university's online learning management system for at least some of the coursework, the transition thus far has been seamless and thus, the university has not incurred a significant decrease in tuition revenue or significant increase in costs associated with this transition. In addition, the following impacts from the COVID-19 pandemic have served to reduce GCU's non-tuition revenue during its Spring and Summer semesters and, consequently, the service revenues we earn under the master services agreement:

- Traditional ground university students who elected to move off campus near the end of the Spring semester received partial refunds for dormitory and meal payments, which reduced GCU's revenue and thus the service revenues earned by the Company in the last nine days of March and the month of April;
- Ancillary businesses operated by GCU such as its hotel and merchandise shops were closed in late March, which reduced and will continue to reduce GCU's revenues and thus the service revenues earned by the Company until these businesses are reopened;
- Summer semester classes were moved to an online environment and limited residential students remained on campus during the Summer semester;
- GCU's doctoral students are required to attend two residencies on the university's campus and at its hotel in Phoenix, Arizona as part of their dissertation. On an annual basis approximately 3,000 learners attend the week-long residency, most of whom have historically attended in the Summer. Most of the residencies that

were scheduled for the last week of March through the end of July were cancelled and it is likely that most of the residencies through the end of the calendar year will also be cancelled.

On July 17, 2020, GCU announced its plans for the traditional campus Fall semester. Those plans include moving back the start of instruction for the Fall semester from August 24, 2020 to September 7, 2020, beginning the semester with online instruction for all students, providing for residential students to move in during the week of September 21, 2020, beginning face-to-face instruction on September 28, 2020, eliminating some holiday breaks, and adding an additional week of instruction in December. The change in the start date for GCU's ground traditional students will have the effect of moving tuition revenue for all GCU traditional students, and certain ancillary revenue for residential students, from the 3rd quarter of 2020 to the 4th quarter of 2020, and the change in the move-in date for GCU's residential students will reduce Fall semester room and board revenue for the university by three weeks.

Although the complete financial impact of COVID-19 on GCU's Fall semester enrollment will not be known until it begins the Fall semester, it is currently anticipated that GCU's ground traditional enrollment will be higher than initially anticipated but that the number of students living on campus in the Fall semester will be less as a significant number of students have informed the university that they plan to take all of their Fall semester courses online and remain at home given COVID-19 health concerns. The changes described above at GCU will impact the Company's service revenue under its Master Services Agreement with GCU.

The Company also has long-term services agreements with numerous university partners across the United States through its wholly owned subsidiary, Orbis Education. Orbis Education offers four primary academic programs with site simulation and skill labs located near healthcare providers. The majority of Orbis Education university partners' students are studying in the Accelerated Bachelor of Science in Nursing program which is offered in a 12-16 month format in three or four academic semesters. The Spring semester was completed without interruption and each university partner is in its Summer semester. Some students who were scheduled to start their program in the Summer semester delayed their start until the Fall semester which resulted in slightly lower enrollments and revenues in the Summer semester.

Although the complete financial impact of COVID-19 on our other university partners' Fall semester enrollment will not be known until they begin the Fall semester, it is currently anticipated that all university partners will begin their Fall semesters on schedule and that new student starts in the Fall semester will meet or exceed our initial estimates. However, we expect total Fall enrollment to be less than initially anticipated; while additional students would like to start the program in the Fall semester, in most cases the university partner or hospital partner are not comfortable increasing the Fall cohort size to make up for the students that deferred their start from the Summer semester to the Fall semester primarily due to concerns around the availability of clinical rotations.

As a result of the items mentioned above, we expect lower service revenue for the third quarter of 2020 under both the Master Services Agreement with GCU and under the Orbis Education's services agreements with our other university partners. In addition, due to the limited operating expenses that we incur to deliver those services, we expect there to be a direct reduction in our operating profit and operating margins.

The COVID-19 outbreak also presents operational challenges to the Company as approximately 90% of our entire workforce is currently working remotely and is expected to continue doing so for the foreseeable future. This degree of remote working could increase risks in the areas of internal control, cyber security and the use of remote technology, which could result in interruptions or disruptions in normal operational processes.

It is not possible for us to completely predict the duration or magnitude of the adverse results of the COVID-19 pandemic and its effects on our business, results of operations or financial condition at this time, but such effects may be material in future quarters. If GCU is not able to fully open its campus to its traditional residential students for the Fall academic semester, now commencing in late September 2020, that will have a material impact on GCU's revenue and thus the service revenue earned by the Company. Any decision by a number of the Orbis Education's university partners to cancel or postpone the Fall semester would also have a material impact on the service revenue earned by the Company.

We estimate that the shift in net revenue from the third quarter to the fourth quarter as a result of the shift in the start date of the GCU Fall semester is $9.9 million lower revenue in the third quarter and $9.9 million higher revenue in the fourth quarter. We estimate that the potential reduction in net revenue attributable to COVID-19, even assuming that all of our university partners including GCU starts and completes their Fall semesters as planned, will be approximately $20 million in the second half of 2020, $13.1 million in the third quarter and $6.9 million in the fourth quarter with a comparable reduction in operating profit during each period.

Critical Accounting Policies and Use of Estimates

Our critical accounting policies are disclosed in the 2019 Form 10-K for the fiscal year ended December 31, 2019. During the six months ended June 30, 2020, there have been no significant changes in our critical accounting policies.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Costs and expenses				
Technology and academic services	14.6 %	12.9 %	13.1 %	11.1 %
Counseling services and support	31.0	31.1	28.9	28.9
Marketing and communication	22.1	20.4	20.6	19.3
General and administrative	5.1	5.3	4.7	5.5

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Service revenue. Our service revenue for the three months ended June 30, 2020 was $185.8 million, an increase of $11.0 million, or 6.3%, as compared to service revenue of $174.8 million for the three months ended June 30, 2019. The increase year over year in service revenue was primarily due to an increase in university partner enrollments between years of 8.2% partially offset by a decrease in revenue per student year over year. Partner enrollments in programs serviced by Orbis Education at June 30, 2020 were 3,720, an increase of 12.2% over 3,316 enrollments at June 30, 2019, while enrollments at GCU grew to 94,606, an increase of 8.0%. The decrease in revenue per student is primarily due to the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19 and the fact that there were two less revenue producing days for GCU's ground campus Spring semester in the second quarter of 2020 as compared to the second quarter of 2019 partially offset by the following factors (described below) that have historically produced an increase in revenue per student year over year. The partnership agreements that were acquired as part of the Orbis Education acquisition generally generate a higher revenue per student than our agreement with GCU as these agreements generally have a higher percentage of service revenue, the partners have higher tuition rates than GCU and the majority of these students are studying in the Accelerated Bachelor of Science in Nursing program so these students take on average more credits per semester. In addition, Orbis Education had five more locations opened in the second quarter of 2020 than it did in the prior year period, resulting in a 24.2% year over year increase in Orbis Education revenues.

Technology and academic services. Our technology and academic services expenses for the three months ended June 30, 2020 were $27.2 million, an increase of $4.7 million, or 20.5%, as compared to technology and academic services expenses of $22.5 million for the three months ended June 30, 2019. These increases were primarily due to increases in employee compensation and related expenses including share-based compensation, and in occupancy and depreciation including lease expenses of $3.9 million and $1.0 million, respectively, partially offset by a slight decrease in technology and academic supply costs of $0.2 million. These increases were primarily due to increased headcount to support our 24 university partners, and their increased enrollment growth, tenure-based salary adjustments, an increase

in benefit costs, and the increased number of Orbis Education site location openings year over year. Our technology and academic services expenses as a percentage of net revenue increased 1.7% to 14.6% for the three months ended June 30, 2020, from 12.9% for the three months ended June 30, 2019 primarily due to the Orbis Education university partnership agreements requiring a higher level of technology and academic services than our agreement with GCU and due to the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19. Additionally, Orbis Education is incurring costs related to the planned opening of seven new locations in Fall 2020 and four more in the Spring of 2021 as compared to the five locations that were opened in the same period in the prior year.

Counseling services and support. Our counseling services and support expenses for the three months ended June 30, 2020 were $57.6 million, an increase of $3.3 million, or 6.1%, as compared to counseling services and support expenses of $54.3 million for the three months ended June 30, 2019. These increases were primarily attributable to increases in employee compensation and related expenses including share-based compensation, and in depreciation, amortization and occupancy costs of $5.1 million and $0.4 million, respectively, partially offset by a decrease in other counseling services and support expenses of $2.2 million. The increases in employee compensation and related expenses were primarily due to increased headcount to support our 24 university partners, and their increased enrollment growth, tenure-based salary adjustments, an increase in benefit costs, and the increased number of Orbis Education site location openings year over year. The decrease in other counseling services and support expenses is primarily the result of decreased travel costs to service our 24 university partners. All non-essential travel ceased when the COVID-19 national emergency was announced in mid-March. Our counseling services and support expenses as a percentage of net revenue decreased 0.1% to 31.0% for the three months ended June 30, 2020, from 31.1% for the three months ended June 30, 2019 primarily due to our ability to leverage our other counseling services and support expenses across an increasing revenue base partially offset by the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19.

Marketing and communication. Our marketing and communication expenses for the three months ended June 30, 2020 were $41.1 million, an increase of $5.4 million, or 15.1%, as compared to marketing and communication expenses of $35.7 million for the three months ended June 30, 2019. This increase was primarily attributable to the increased cost to market our university partners' programs and due to the marketing of new university partners and new locations which resulted in increased advertising of $5.4 million. Our marketing and communication expenses as a percentage of net revenue increased by 1.7% to 22.1% for the three months ended June 30, 2020, from 20.4% for the three months ended June 30, 2019, primarily due to the increase in the number of new university partners and locations opening in the Fall of 2020 and Spring of 2021 as compared to the same period in the prior year and due to the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19.

General and administrative. Our general and administrative expenses for the three months ended June 30, 2020 were $9.5 million, an increase of $0.3 million, or 3.1%, as compared to general and administrative expenses of $9.2 million for the three months ended June 30, 2019. This increase was primarily due to increases in occupancy and depreciation of $0.3 million and an increase in professional fees of $0.2 million, partially offset by a decrease in other general and administrative expenses of $0.2 million. Our increases in occupancy and depreciation are primarily related to the expansion of office space at our Orbis Education headquarters in Indianapolis, Indiana. Our general and administrative expenses as a percentage of net revenue decreased by 0.2% to 5.1% for the three months ended June 30, 2020, from 5.3% for the three months ended June 30, 2019 due to our ability to leverage our other general and administrative expenses across an increasing revenue base partially offset by the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19.

Amortization of intangible assets. Amortization of intangible assets for the three months ended June 30, 2020 was $2.1 million a decrease of $0.1 million as compared to amortization of intangible assets for the three months ended June 30, 2019 of $2.2 million. As a result of the Orbis Education acquisition, certain identifiable intangible assets were created (primarily customer relationships) that will be amortized over their expected lives.

Loss on transaction. $0.1 million of transaction expenses were reversed in the three months ended June 30, 2019 related to the GCU transaction.

Interest income on Secured Note. Interest income on the secured note from GCU in the initial principal amount of $870.1 million (the “Secured Note”) for the three months ended June 30, 2020 was $14.7 million, an increase of $0.2 million, or 1.7%, as compared to $14.5 million for the three months ended June 30, 2019. The Secured Note bears interest at 6% annually, and GCU makes monthly interest payments. The increase over the prior year was primarily due to an increase in the average principal balance of the Secured Note between periods due to net capital expenditure loans made to GCU under the Secured Note during the past twelve months.

Interest expense. Interest expense was $1.1 million for the three months ended June 30, 2020, a decrease of $1.8 million, as compared to interest expense of $2.9 million for the three months ended June 30, 2019. The decrease in interest expense was primarily due to a decline in the average credit facility outstanding balance between periods due to the paydown of the credit facility during the past twelve months and an interest rate reduction of approximately 150 basis points since the end of 2019.

Investment interest and other. Investment interest and other for the three months ended June 30, 2020 was $0.4 million, a decrease of $2.3 million, as compared to $2.7 million in the three months ended June 30, 2019. This decrease was primarily attributable to a decline in interest income on excess cash as the average investment balance declined year over year and lower interest rates.

Income tax expense. Income tax expense for the three months ended June 30, 2020 was $15.3 million, an increase of $1.2 million, or 8.6%, as compared to income tax expense of $14.1 million for the three months ended June 30, 2019. This increase was the result of an increase in our effective tax rate between periods, partially offset by a decrease in taxable income. Our effective tax rate was 24.6% during the second quarter of 2020 compared to 21.7% during the second quarter of 2019. In the second quarter of 2020, the effective tax rate was impacted by higher state taxes and lower excess tax benefits of nil in the second quarter of 2020 as compared to $2.2 million in the same period in 2019 due to a lower stock price and lower stock option exercises in the second quarter of 2020. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within our provision for income taxes as the amount of excess tax benefits or deficiencies from share-based compensation awards are dependent on our stock price at the date the restricted awards vest, our stock price on the date an option is exercised, and the quantity of options exercised. Our restricted stock vests in March each year so the favorable benefit will primarily impact the first quarter each year.

Net income. Our net income for the three months ended June 30, 2020 was $47.0 million, a decrease of $4.1 million, or 8.0%, as compared to $51.1 million for the three months ended June 30, 2019, due to the factors discussed above.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Service revenue. Our service revenue for the six months ended June 30, 2020 was $407.4 million, an increase of $35.3 million, or 9.5%, as compared to service revenue of $372.1 million for the six months ended June 30, 2019. The increase year over year in service revenue was primarily due to an increase in university partner enrollments between years of 8.2% and an increase in revenue per student year over year. Partner enrollments in programs serviced by Orbis Education at June 30, 2020 were 3,720, an increase of 12.2% over 3,316 enrollments at June 30, 2019, while enrollments at GCU grew to 94,606, an increase of 8.0%. The increase in revenue per student is primarily due to the following factors (described below). The partnership agreements that were acquired as part of the Orbis Education acquisition generally generate a higher revenue per student than our agreement with GCU as these agreements generally have a higher percentage of service revenue, the partners have higher tuition rates than GCU and the majority of these students are studying in the Accelerated Bachelor of Science in Nursing program so these students take on average more credits per semester. Also, we generated slightly more Spring semester revenues in the first half of 2020 as compared to the first half of 2019 due to the timing of the Orbis Education acquisition on January 22, 2019, due to 2020 being a Leap Year and thus providing an extra day of revenue in 2020 as compared to 2019, and because our most significant university partner, GCU, had residential student enrollment growth year over year of 10.0% and residential students generate higher revenue per student than other GCU students due to ancillary revenues such as room and board. In addition, Orbis Education had five more locations opened in the second quarter of 2020 than it did in the prior year

period, resulting in a 37.6% year over year increase in Orbis Education revenues. This was partially offset by reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19.

Technology and academic services. Our technology and academic services expenses for the six months ended June 30, 2020 were $53.4 million, an increase of $12.2 million, or 29.8%, as compared to technology and academic services expenses of $41.2 million for the six months ended June 30, 2019. These increases were primarily due to increases in employee compensation and related expenses including share-based compensation and in occupancy and depreciation including lease expenses of $10.1 million and $2.2 million, respectively, partially offset by a slight decrease of $0.1 million in other technology and academic supply costs. These increases were primarily due to increased headcount to support our 24 university partners, and their increased enrollment growth, tenure-based salary adjustments, an increase in benefit costs, the timing of the Orbis Education acquisition and the increased number of sites between years. Our technology and academic services expenses as a percentage of net revenue increased 2.0% to 13.1% for the six months ended June 30, 2020, from 11.1% for the six months ended June 30, 2019 primarily due to the Orbis Education university partnership agreements requiring a higher level of technology and academic services than our agreement with GCU and due to the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19. Additionally, Orbis Education is incurring costs related to the planned opening of seven new locations in Fall 2020 and four more in the Spring of 2021 as compared to the five locations that were opened in the same period in the prior year.

Counseling services and support. Our counseling services and support expenses for the six months ended June 30, 2020 were $117.8 million, an increase of $10.4 million, or 9.7%, as compared to counseling services and support expenses of $107.4 million for the six months ended June 30, 2019. These increases were primarily attributable to increases in employee compensation and related expenses including share-based compensation and in depreciation, amortization and occupancy costs of $12.3 million and $0.7 million, respectively, partially offset by a decrease in other counseling services and support expenses of $2.6 million. The increases in employee compensation and related expenses were primarily due to increased headcount to support our 24 university partners, and their increased enrollment growth, tenure-based salary adjustments, an increase in benefit costs, the timing of the Orbis Education acquisition and the increased number of Orbis Education site location openings year over year. The decrease in other counseling services and support expenses is primarily the result of decreased travel costs to service our 24 university partners. All non-essential travel ceased when the COVID-19 national emergency was announced in mid-March. Our counseling services and support expenses as a percentage of net revenue stayed flat at 28.9% for both the six months ended June 30, 2020 and 2019 primarily due to our ability to leverage our other counseling services and support expenses across an increasing revenue base partially offset by the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19.

Marketing and communication. Our marketing and communication expenses for the six months ended June 30, 2020 were $83.8 million, an increase of $12.1 million, or 16.9%, as compared to marketing and communication expenses of $71.7 million for the six months ended June 30, 2019. This increase was primarily attributable to the increased cost to market our university partners' programs and due to the marketing of new university partners and new locations which resulted in increased advertising of $12.0 million and increased employee compensation expenses and related expenses including share-based compensation of $0.2 million, partially offset by a slight decrease in other marketing supplies of $0.1 million. Our marketing and communication expenses as a percentage of net revenue increased by 1.3% to 20.6% for the six months ended June 30, 2020, from 19.3% for the six months ended June 30, 2019, primarily due to the increase in the number of new university partners and locations opening between years and due to the reduced Spring and Summer semester ancillary revenues at GCU resulting from COVID-19.

General and administrative. Our general and administrative expenses for the six months ended June 30, 2020 were $19.1 million, a decrease of $1.5 million, or 7.5%, as compared to general and administrative expenses of $20.6 million for the six months ended June 30, 2019. This decrease was primarily due to decreases in professional fees of $1.8 million and other general and administrative expenses of $0.3 million, partially offset by an increase in occupancy and depreciation of $0.5 million and in employee compensation of $0.1 million. In the first half of 2019, our professional fees were significantly higher due to a payment made to an outside provider that assisted us in obtaining a state tax refund with a favorable impact of $5.9 million in the first quarter of 2019. Our increases in occupancy and depreciation are primarily related to the timing of the acquisition resulting in higher costs such as the office space at our Orbis

Education headquarters in Indianapolis, Indiana. Our general and administrative expenses as a percentage of net revenue decreased by 0.8% to 4.7% for the six months ended June 30, 2020, from 5.5% for the six months ended June 30, 2019 due to lower professional fees and our ability to leverage our other general and administrative expenses across an increasing revenue base.

Amortization of intangible assets. Amortization of intangible assets for the six months ended June 30, 2020 was $4.2 million, an increase of $0.3 million or 8.9% as compared to $3.9 million for the six months ended June 30, 2019. This increase is related to the timing of the Acquisition date of Orbis Education, which occurred on January 22, 2019. As a result of the Orbis Education acquisition, certain identifiable intangible assets were created (primarily customer relationships) that will be amortized over their expected lives.

Loss on transaction. The loss on transaction for the six months ended June 30, 2019 was $4.0 million due to transaction costs related to the Acquisition of Orbis Education.

Interest income on Secured Note. Interest income on the secured note from GCU in the initial principal amount of $870.1 million (the "Secured Note") for the six months ended June 30, 2020 was $29.4 million, an increase of $1.2 million, or 4.3%, as compared to $28.2 million for the six months ended June 30, 2019. The Secured Note bears interest at 6% annually, and GCU makes monthly interest payments. The increase over the prior year was primarily due to an increase in the average principal balance of the Secured Note between periods due to net capital expenditure loans made to GCU under the Secured Note during the past twelve months.

Interest expense. Interest expense was $2.6 million for the six months ended June 30, 2020, a decrease of $2.9 million, as compared to interest expense of $5.5 million for the six months ended June 30, 2019. The decrease in interest expense was primarily due to a decline in the average credit facility outstanding balance between periods due to the paydown of the credit facility during the past twelve months and an interest rate reduction of approximately 150 basis points since the end of 2019.

Investment interest and other. Investment interest and other for the six months ended June 30, 2020 was $0.6 million, a decrease of $3.2 million, as compared to $3.8 million in the six months ended June 30, 2019. This decrease was primarily attributable to a decline in interest income on excess cash as the average investment balance declined year over year and lower interest rates.

Income tax expense. Income tax expense for the six months ended June 30, 2020 was $38.1 million, an increase of $12.5 million, or 49.1%, as compared to income tax expense of $25.6 million for the six months ended June 30, 2019. This increase was the result of an increase in our effective tax rate, and an increase in our taxable income between periods. Our effective tax rate was 24.4% during the six months ended June 30, 2020 compared to 17.1% during the six months ended June 30, 2019. The lower effective tax rate in 2019 resulted from an agreement with the Arizona Department of Revenue regarding previously filed refund claims related to income tax obligations for prior calendar years, which resulted in a favorable tax impact of $5.9 million recorded as a discrete tax item in the first quarter of 2019. In the second quarter of 2020, the effective tax rate was impacted by higher state income taxes and lower excess tax benefits of $0.6 million in the first six months of 2020 as compared to $6.8 million in the same period in 2019. The lower excess tax benefits is primarily due to a decrease in our stock price between years and lower stock option exercises. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within our provision for income taxes as the amount of excess tax benefits or deficiencies from share-based compensation awards are dependent on our stock price at the date the restricted awards vest, our stock price on the date an option is exercised, and the quantity of options exercised. Our restricted stock vests in March each year so the favorable benefit will primarily impact the first quarter each year.

Net income. Our net income for the six months ended June 30, 2020 was $118.4 million, a decrease of $6.0 million, or 4.8%, as compared to $124.4 million for the six months ended June 30, 2019, due to the factors discussed above.

Seasonality

Our net revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in our university partners' enrollment. Our partners' enrollment varies as a result of new enrollments, graduations, and student attrition. Revenues in the summer months (May through August) are lower primarily due to the majority of GCU's traditional ground university students not attending courses during the summer months, which affects our results for our second and third fiscal quarters. Since a significant amount of our costs are fixed, the lower revenue resulting from the decreased summer enrollment has historically contributed to lower operating margins during those periods. Partially offsetting this summer effect has been the sequential quarterly increase in enrollments that has occurred as a result of the traditional fall school start. This increase in enrollments also has occurred in the first quarter, corresponding to calendar year matriculation. Thus, we experience higher net revenue in the fourth quarter due to its overlap with the semester encompassing the traditional fall school start and in the first quarter due to its overlap with the first semester of the calendar year. A portion of our expenses do not vary proportionately with these fluctuations in service 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. Our unrestricted cash and cash equivalents and investments were $187.2 million at June 30, 2020. Our credit facility had an available line of credit of $150.0 million as of June 30, 2020.

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.

Arrangements with GCU

In conjunction with the Asset Purchase Agreement with GCU, we received a secured note as consideration for the transferred assets (the "Transferred Assets") in the initial principal amount of $870,097 (the "Secured Note"). The Secured Note contains customary commercial credit terms, including affirmative and negative covenants applicable to GCU, and provides that the Secured Note bears interest at an annual rate of 6.0%, has a maturity date of June 30, 2025, and is secured by all of the assets of GCU. The Secured Note provides for GCU to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity and also provides that we may loan additional amounts to GCU to fund approved capital expenditures during the first three years of the term. As of June 30, 2020, the Company had loaned an additional $169,815 to GCU, net of repayments. The additional amount loaned includes the $75.0 million borrowed by GCU in June 2020. In practice, GCU pays for the service fees and its interest due on the secured note receivable for the month in arrears. However, at the same time as the additional borrowing of $75.0 million, GCU paid its June 2020 estimated service fee and interest due on the secured note receivable of $50.0 million and $4.8 million, respectively, at the end of June 2020 thereby reducing the accounts receivable, net and interest receivable on secured note on our consolidated balance sheet at June 30, 2020. GCU believes that its cash flows from operations are currently sufficient to fund all of its capital expenditures although it is possible that it will continue to borrow for short term cash flow needs. The $75.0 million that was borrowed in June 2020 was repaid in July 2020 and GCU has returned to its practice of paying the service fee and interest due on the secured note receivable for the month in arrears. GCU paid the June 2019 estimated service fee and interest due on the secured note receivable at the end of June 2019 so the impact on cash flows for the change in accounts receivable and interest receivable from university partners during the six months ended June 30, 2020 in comparison to the six months ended June 30, 2019 was not material.

Share Repurchase Program

In July 2020, our Board of Directors increased the authorization under its existing stock repurchase program by $50.0 million to a total of $300.0 million of our common stock we can repurchase, from time to time, depending on market conditions and other considerations. The current expiration date on the repurchase authorization by our Board of

Directors is December 31, 2021. Repurchases occur at the Company's discretion and the Company may modify, suspend or discontinue the repurchase authorization at any time.

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

During the three months ended June 30, 2020, 111,100 shares of common stock were repurchased by the Company. At June 30, 2020, there remains $58.3 million available under our share repurchase authorization, prior to the increase made in July.

Cash Flows

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2020 was $221.1 million as compared to $189.3 million for the six months ended June 30, 2019. The increase in cash generated from operating activities between the six months ended June 30, 2019 and the six months ended June 30, 2020 was primarily due to changes in other working capital balances partially offset by the decrease in net income between periods. We define working capital as the assets and liabilities, other than cash, generated through the Company's primary operating activities. Changes in these balances are included in the changes in assets and liabilities presented in the consolidated statement of cash flows. Our income taxes payable balances increased $41.0 million between periods, primarily due to the Treasury Department extending the due date of certain estimated tax payments due to COVID-19 from April 15, 2020 to July 15, 2020.

Investing Activities. Net cash used in investing activities was $80.6 million and $485.8 million for the six months ended June 30, 2020 and 2019, respectively. The net cash used in investing activities in the six months ended June 30, 2020 was capital expenditures of $12.2 million, partially offset by proceeds from the sale of investments of $6.8 million. Funding to GCU during the first six months of 2020 totaled $75.0 million. During the six months ended June 30, 2019, we paid $361.2 million, net of cash acquired, to acquire Orbis Education on January 22, 2019. Funding to GCU during the first six months of 2019 totaled $169.8 million. Proceeds from investments, net of purchases of short-term investments, was $55.1 million for the six months ended June 30, 2019. Capital expenditures were $9.7 million for the six months ended June 30, 2019. During the six-month period for 2020 and 2019, capital expenditures primarily consisted of leasehold improvements and equipment for new university partner locations, as well as purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. The increase in capital expenditures between periods is primarily due to the increase in the number of Orbis Education location openings. Orbis Education invests approximately $1.5 million in leasehold improvements and equipment for each location. Orbis Education plans to open seven new locations in the Fall of 2020 and another four new locations in the Spring of 2021 as compared to the five locations it opened in the Fall of 2019 and no new locations opened in the Spring of 2020.

Financing Activities. Net cash used in financing activities was $90.5 million for the six months ended June 30, 2020. Net cash provided by financing activities was $180.5 million for the six months ended June 30, 2019. During the six months ended June 30, 2020, $5.0 million was used to purchase common shares withheld in lieu of income taxes resulting from the vesting of restricted share awards and $69.0 million was used to purchase treasury stock in accordance with the Company's share repurchase program. Principal payments on notes payable and capital leases totaled $16.6 million. During the six months ended June 30, 2019, $270.0 million of proceeds was drawn on the credit facility, and the term loan balance of the prior credit agreement of $59.9 million was repaid along with $12.1 million of principal payments on the new credit facility. In addition, $2.4 million of debt issuance costs were incurred on the new credit facility and $8.1 million was used to purchase common shares withheld in lieu of income taxes resulting from the vesting of restricted share awards and $10.4 million was used to purchase treasury stock in accordance with the Company's share repurchase program. Proceeds from the exercise of stock options of $3.4 million were received in the six months ended June 30, 2019.

Contractual Obligations

The following table sets forth, as of June 30, 2020, the aggregate amounts of GCE's significant contractual obligations and commitments with definitive payment terms due in each of the periods presented (in millions). Less than one year amounts represent payments due from July 1, 2020 through December 31, 2020.

		Payments Due by Period			
	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Long term notes payable	$ 124.3	$ 16.6	$ 66.3	$ 41.4	$ —
Lease liabilities[1]	45.2	2.1	10.1	9.2	23.8
Purchase obligations[2]	4.9	0.4	4.3	0.2	—
Total contractual obligations	$ 174.4	$ 19.1	$ 80.7	$ 50.8	$ 23.8

(1) The lease liabilities exclude $17.4 million of non-cancelable operating lease commitments for classroom site locations, that had not yet commenced.

(2) The purchase obligation amounts include expected spending by period under contracts for GCE that were in effect at June 30, 2020.

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 six months ended June 30, 2020 or 2019. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Market risk. As of June 30, 2020, we have no derivative financial instruments or derivative commodity instruments. We invest cash in excess of current operating requirements in short-term certificates of deposit and money market instruments, municipal bond portfolios, or municipal mutual funds at multiple financial institutions.

Interest rate risk. We manage interest rate risk by investing excess funds in cash equivalents, BBB or higher rated municipal bonds, municipal mutual funds and commercial paper bearing variable interest rates, which are tied to various market indices or individual bond coupon rates. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities before their maturity date that have declined in market value due to changes in interest rates. At June 30, 2020, 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 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, 2020, in ensuring that material information relating to us required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within

the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

The following additional risk factors should be read in conjunction with the risk factors previously disclosed in Part 1, Item 1A, “Risk Factors,” of the 2019 Form 10-K, Item 1A. “Risk Factors” of our quarterly report on Form 10-Q for the period ended March 31, 2020, and the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC. The developments described in these additional risk factors have heightened, or in some cases manifested, certain of the risks disclosed in the “Risk Factors” section of the 2019 Form 10-K, and such risk factors are further qualified by the information relating to COVID-19 that is described in this Quarterly Report on Form 10-Q, including in the additional risk factor below. Except as described herein, there have been no material changes with respect to the risk factors disclosed in the 2019 Form 10-K.

COVID-19 Risk Factor

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

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

The Company has a long-term master services agreement pursuant to which the Company provides education services to its most significant university partner, GCU, in return for 60% of GCU’s tuition and fee revenues, which includes fee revenues from room, board, and other ancillary businesses including a student-run golf course and hotel. GCU has three types of students, traditional ground university students attending class on its campus in Phoenix, Arizona and of which approximately 70% live on campus in university owned residence halls, professional studies students who are working adult students that attend class one night a week on the Phoenix campus, and online students that attend class fully online.

This outbreak, as well as measures taken to contain the spread of COVID-19, has impacted GCU's students and its business in a number of ways, including the closure of dormitories and GCU's hotel and various ancillary businesses near the end of the Spring 2020 semester. It has limited the number of residential students, doctoral residencies and the various ancillary businesses in the summer months and it has caused the university to move back the start of its Fall 2020 ground traditional student semester including when residential students can move on to campus. These actions have served to reduce GCU's non-tuition revenue and, consequently, the service revenue we earn under the master services agreement. If GCU is not able to fully open its campus to its traditional residential ground university students for the Fall semester or if a greater than expected number of these students choose to take the Fall semester online rather than live on campus, then our service revenue would be further materially impacted.

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

- Decreasing the student enrollments at our other university partners as prelicensure nursing and occupational therapy students might delay their education including those that relocate to attend class;
- impacting current and prospective university partners' desire to launch new locations with us;
- negatively impacting collections of accounts receivable from university partners;
- negatively impacting our ability to facilitate placements for students in clinical graduate programs which could delay their path to graduation; and
- harming our business, results of operations and financial condition.

The outbreak also presents challenges as approximately 90% of our entire workforce is currently, and is expected to continue for the foreseeable future, working remotely and this could cause increased risks in the areas of internal control, cyber security and the use of remote technology, which could result in interruptions or disruptions in normal operational processes. We have eliminated all non-essential travel as a result of the pandemic and as a result are seeing a decrease in travel costs.

The COVID-19 pandemic presents material uncertainty and risk with respect to our financial condition, results of operations, cash flows and performance and it is not possible for us to completely predict the duration or magnitude of the adverse results of the outbreak and its effects on us. The COVID-19 pandemic may also have the effect of heightening many of the risks factors identified in the "Risk Factors" section of the 2019 Form 10-K, such as those related to disruption or failures of our learning platform.

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

In July 2020, our Board of Directors increased the authorization under its existing stock repurchase program by $50.0 million to a total of $300.0 million of common stock that we can repurchase, from time to time, depending on market conditions and other considerations. The current expiration date on the repurchase authorization is December 31, 2021. Repurchases occur at the Company's discretion and the Company may modify, suspend or discontinue the repurchase authorization at any time. Repurchases may be made in the open market or in privately negotiated transactions, pursuant to the applicable Securities and Exchange Commission rules. The amount and timing of future

share repurchases, if any, will be made as market and business conditions warrant. During the six months ended June 30, 2020, we repurchased 897,603 shares of common stock. At June 30, 2020, there remains $58.3 million available under our share repurchase authorization, prior to the increase in authorization made in July.

The following table sets forth our share repurchases of common stock and our share repurchases in lieu of taxes, which are not included in the repurchase plan totals as they were approved in conjunction with the restricted share awards, during each period in the second quarter of fiscal 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
Share Repurchases				
April 1, 2020 – April 30, 2020	100,000	$ 72.97	100,000	$ 59,300,000
May 1, 2020 – May 31, 2020	—	$ —	—	$ 59,300,000
June 1, 2020 – June 30, 2020	11,100	$ 91.37	11,100	$ 58,300,000
Total	111,100	$ 74.81	111,100	$ 58,300,000
Tax Withholdings				
April 1, 2020 – April 30, 2020	—	$ —	—	$ —
May 1, 2020 – May 31, 2020	—	$ —	—	$ —
June 1, 2020 – June 30, 2020	—	$ —	—	$ —
Total	—	$ —	—	$ —

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 the Company’s Annual Report on Form 10-K filed with the SEC on February 20, 2019.
3.2	Third Amended and Restated Bylaws.	Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed with the SEC on October 29, 2014.
4.1	Specimen of Stock Certificate.	Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Company’s Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.1	Second Amended and Restated Executive Employment Agreement, dated April 29, 2020, by and between Grand Canyon Education, Inc. and Daniel J. Briggs	Filed herewith±
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ††	Filed herewith.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ††	Filed herewith.
101	The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL: (i) Consolidated Income Statements, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Stockholders’ Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements tagged as blocks of text and including detailed tags.	Filed herewith.
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL (included as Exhibit 101).	Filed herewith.

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

†† This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filings of the Company, 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: August 4, 2020

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

Exhibit 10.1

SECOND AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

This Second Amended and Restated Executive Employment Agreement (the "Agreement") is entered into on April 29, 2020, by and among Grand Canyon Education, Inc., a Delaware corporation ("GCE"), GCE's subsidiary. Orbis Education Services, LLC, a Delaware limited liability company ("Orbis"), and Daniel J. Briggs ("Executive").

WHEREAS, Orbis and Executive are parties to an amended and restated executive employment agreement effective as of December 17, 2018 and effective January 22, 2019, (as amended, the "Original Agreement"), and Executive has been employed with Orbis since that time;

WHEREAS, Orbis and Executive desire to amend and restate the Original Agreement through the execution and delivery of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment. Orbis desires to continue to employ Executive, and Executive desires to continue such employment, upon the terms and conditions set forth herein.

2. Duties.

2.1 Position. Executive is employed by Orbis and shall have the duties and responsibilities reasonably assigned to Executive from time to time by GCE's Chief Executive Officer, Brian Mueller, or such other executive officer of GCE as may be designated by Mr. Mueller. Executive shall perform faithfully and diligently all duties assigned to Executive. Orbis reserves the right to modify Executive's position and duties at any time in its sole and absolute discretion, except that any material diminution in Executive's duties shall be subject to Section 7.3(ii).

2.2 Best Efforts/Full-time. Executive will expend Executive's best efforts on behalf of Orbis in the performance of duties assigned to Executive under this Agreement, and will abide by all policies and decisions made by Orbis, as well as all applicable federal, state and local laws, regulations or ordinances. Executive will act in the best interest of Orbis at all times in the performance of duties assigned to Executive under this Agreement. Executive shall devote Executive's full business time and efforts to the performance of Executive's assigned duties for Orbis, unless Executive notifies GCE in advance of Executive's intent to engage in other paid work and receives GCE's express written consent to do so. Notwithstanding the foregoing, Executive will be permitted to serve as an outside director on the board of directors for corporate, civic, nonprofit or charitable entities, so long as Executive obtains the consent of GCE and provided such entities are not competitive with Orbis or GCE and subject to the provisions of Section 9.

2.3 Work Location. Executive's principal place of work shall be located in Indianapolis, Indiana, or such other location as Orbis may direct from time to time.

3. Term.

3.1 Initial Term. The employment relationship pursuant to this Agreement shall be for an initial term commencing on the Effective Date and shall continue in effect for a period through June 30, 2023 (the “Initial Term"), unless sooner terminated in accordance with Section 7.

3.2 Renewal. Upon expiration of the Initial Term and each Renewal Term, this Agreement will automatically renew for subsequent one (1) year terms (each a “Renewal Term”) unless either party provides ninety (90) days' advance written notice to the other that Orbis or Executive does not wish to renew the Agreement for a subsequent Renewal Term. In the event either party gives notice of nonrenewal pursuant to this Section 3.2, this Agreement will expire at the end of the then current term. The Initial Term and each subsequent Renewal Term are referred to collectively as the “Term”.

4. Compensation.

4.1 Base-Salary. As compensation for Executive’s performance of Executive’s duties hereunder, effective beginning on the Effective Date Orbis shall pay to Executive an initial Base Salary a the rate of Two Hundred Ninety-Four Thousand Eighty-One and 58/100 Dollars ($294,081.58) per year, payable in accordance with the normal payroll practices of Orbis, less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. Executives Base Salary shall be reviewed annually by the Compensation Committee of GCE (the “Compensation Committee”) and adjustments, if any will be made at that time. In the event Executive’s employment under this Agreement is terminated by either party, for any reason, Executive will earn the Base Salary prorated to the date of termination, except as otherwise set forth herein.

4.2 Incentive Compensation. Executive will be eligible to earn incentive compensation in the form of an annual bonus for each fiscal year of Orbis, to be awarded under Orbis’s annual cash incentive plan as then in effect, with a target amount equal to seventy-five percent (75%) of Executive's Base Salary (the “Target Bonus"). Executive's Target Bonus shall be reviewed annually by the Compensation Committee, and adjustments, if any, will be made at that time. The Compensation Committee will determine the actual amount of the bonus earned by Executive for any year, which may be more or less than the Target Bonus, and will base such determination upon both Orbis's achievement of overall performance metrics for the year and Executive's achievement of individual performance metrics as agreed upon by the Compensation Committee and Executive. Earned bonus amounts, if any, shah be paid within two and one-half months following the end of the applicable Orbis fiscal year.

4.3 Equity Awards. Executive will be eligible to receive stock, option or other equity awards (each, an “Equity Award”) under GCE’s equity incentive plan as then in effect (the “Plan”), as determined by the Compensation Committee. Any such Equity Award will be subject to the terms and conditions of the Plan and an applicable form of agreement for such Equity Award specified by the Compensation Committee, which Executive will be required to sign as a condition of retaining the Equity Award.

5. Customary Fringe Benefits. Executive will be eligible for all customary and usual fringe benefits generally available to senior management of Orbis, subject to the terms and conditions of Orbis's benefit plan documents. Orbis reserves the right to change or eliminate fringe benefits on a prospective basis, at any time, effective upon notice to Executive.

6. Business Expenses. Executive will be reimbursed for all reasonable, out-of- pocket business expenses incurred in the performance of Executive's duties on behalf of Orbis. To obtain reimbursement, expenses must be submitted promptly with appropriate supporting documentation and will be reimbursed in accordance with Orbis's policies. Any reimbursement Executive is entitled to receive shall (a) be paid no later than the last day of Executive's tax year following the tax year in which the expense was incurred, (b) not affect or be affected by any other expenses that are eligible for reimbursement in any other tax year of Executive, and (c) not be subject to liquidation or exchange for another benefit.

7. Termination of Executive's Employment.

7.1 Termination for Cause by Orbis. Although Orbis anticipates the continuation of a mutually rewarding employment relationship with Executive, Orbis may terminate Executive’s employment immediately at any time for Cause. For purposes of this Agreement, "Cause is defined as: (a) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Executive with respect to Executive’s ' obligations or otherwise relating to the business of Orbis; (b) Executive’s material breach of this Agreement including, without limitation, any breach of Section 8, Section 9 or Section 11; (c) Executive’s breach of Orbis's Employee Nondisclosure and Assignment Agreement (a copy of which has been executed and delivered to Orbis with this Agreement) (the “Nondisclosure Agreement”); (d) Executive's conviction or entry of a plea of *nolo contendere* for fraud misappropriation or embezzlement or any felony or crime of moral turpitude; (e) Executive's inability to perform the essential functions of Executive’s position with or without reasonable accommodation due to a mental or physical disability; (f) Executive’s willful neglect of duties as determined in the sole and exclusive discretion of GCE, provided that Executive has received written notice of the action or omission giving rise to such determination and has failed to remedy such situation to the satisfaction of GCE within thirty (30) days following receipt of such written notice, unless Executive’s action or omission is not subject to cure, in which case no such notice shall be required; or (g) Executive's death. In the event Executive's employment is terminated in accordance with this Section 7 1, Executive shall be entitled to receive only Executive's Base Salary then in effect, prorated to the date of Executive s termination of employment with Orbis (the “Termination Date”), and all amounts and benefits earned or incurred pursuant to Sections 5 and 6 through the Termination Date. All other Orbis obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished as of the Termination Date, but will be subject to the surviving provisions of this Agreement set forth in Section 13.8. Executive will not be entitled to receive the Severance Package described in Section 7.2.

7.2 Termination Without Cause by Orbis. Orbis may terminate Executive’s employment under this Agreement without Cause at any time upon written notice to Executive. In the event of such termination, Executive will receive Executive’s Base Salary then in effect, prorated to the Termination Date, and all amounts and benefits earned or incurred pursuant to Sections 5 and 6 through the Termination Date. In addition, subject to Sections 7.7 and 7.9, Executive will be entitled to receive a “Severance Package” that shall consist of:

(a) severance in an amount equal to the sum of (i) twelve (12) months of Executive’s Base Salary then in effect on the Termination Date, and (ii) 100% of Executive’s Target Bonus for the fiscal year in which the Termination Date occurs, with the total of such amounts to be payable over twelve (12) months in equal installments in accordance with Orbis’s regular payroll cycle, commencing with the first payroll date occurring on or after the 60th day following the Termination Date;

(b) payment by Orbis of the premiums required to continue Executive’s group health care coverage under the applicable provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) for a period (the “COBRA Payment Period”) ending on the earlier of (i) twelve (12) months following the Termination Date or (ii) the date on which Executive becomes eligible for health coverage through another employer, provided in any event that Executive timely elects to continue and remains eligible for these benefits under COBRA; and

(c) acceleration of the vesting of any outstanding time-based Equity Awards to the extent that such Equity Awards would have vested in accordance with their terms had Executive’s employment with Orbis continued uninterrupted until the first anniversary of the Termination Date.

Notwithstanding Section 7.2(b), if Orbis determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing the COBRA premiums, Orbis, in its sole discretion, may elect to instead pay Executive on the first day of each month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings (such amount, the “Special Severance Payment,” which shall be treated as part of the Severance Package), for the remainder of the COBRA Payment Period. Executive may, but is not obligated to, use such Special Severance Payment toward the cost of COBRA premiums. All other Orbis obligations to Executive will be automatically terminated and completely extinguished, but will be subject to the surviving provisions of this Agreement set forth in Section 14.8.

7.3 Voluntary Resignation by Executive for Good Reason. Executive may voluntarily resign Executive's position with Orbis for Good Reason at any time on thirty (30) days' advance written notice to Orbis. In the event of Executive's resignation for Good Reason, Executive will be entitled to receive Executive's Base Salary then in effect, prorated to the Termination Date, and all amounts and benefits earned or incurred pursuant to Sections 5 and 6 through the Termination Date. In addition, subject to Sections 7.7 and 7.9, Executive will be entitled to receive the Severance Package described in Section 7.2. All other Orbis obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished, but will be subject to the surviving provisions of this Agreement set forth in Section 13.8. Executive will be deemed to have resigned for Good Reason if Executive voluntarily terminates Executive's employment with Orbis within ninety (90) days following the first occurrence of a condition constituting Good Reason. “Good Reason” means the occurrence of any of the following conditions without Executive's written consent, which condition(s) remain(s) in effect thirty (30) days after Executive provides written notice to Orbis of such condition(s): (i) a material reduction in Executive’s Base Salary as then in effect prior to such reduction, other than as part of a salary reduction program among similar management employees, (ii) a material diminution in Executive's authority, duties or responsibilities as an employee of Orbis as they existed prior to such change, or (iii) a relocation of Executive's principal place of work which increases Executive's one-way commute distance by more than fifty (50) miles. Executive will be deemed to have given consent to any condition(s) described in this Section 7.3 if Executive does not provide written notice to Orbis of Executive's intent to exercise Executive's rights pursuant to this Section within thirty (30) days following the first occurrence of such condition(s).

7.4 Voluntary Resignation by Executive Without Good Reason. Executive may voluntarily resign Executive's position with Orbis without Good Reason at any time on thirty

(30) days' advance written notice to Orbis. In the event of Executive’s resignation without Good Reason, Executive will be entitled to receive only Executive's Base Salary then in effect, prorated to the Termination Date, and all amounts and benefits earned or incurred pursuant to Sections 5 and 6 through the Termination Date. All other Orbis obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will not be entitled to receive the Severance Package described in Section 7.2, but will be subject to the surviving provisions of this Agreement set forth in Section 13.8.

7.5 Termination After a Change in Control.

(a) Severance Payment; Equity Award Acceleration. If, upon or within twelve (12) months after a Change in Control (as that term is defined below), Executive’s employment is terminated by Orbis other than for Cause (as defined in Section 7.1) or Executive resigns for Good Reason (as defined in Section 7.3), then Executive shall be entitled to receive Executive’s Base Salary then in effect, prorated to the Termination Date, and all amounts and benefits earned or incurred pursuant to Sections 5 and 6 through the Termination Date. In addition, subject to Sections 7.7 and 7.9, Executive will be entitled to receive (i) the Severance Package described in Section 7.2 and (ii) to the extent not yet vested, but subject to the terms of any agreement governing any such Equity Award, any outstanding Equity Awards granted to Executive by GCE shall vest in full as of the Termination Date. All other GCE or Orbis obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished as of the Termination Date, but will be subject to the surviving provisions of this Agreement set forth in Section 13.8.

(b) Parachute Payments.

(i) Notwithstanding any provision of this Agreement to the contrary, if any payment or benefit Executive would receive pursuant to this Agreement or otherwise (collectively, the “Payments”) would constitute a “parachute payment” within the meaning of Section 280G of the Code, and, but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision (the “Excise Tax”), then the aggregate amount of the Payments will be either (i) the largest portion of the Payments that would result in no portion of the Payments (after reduction) being subject to the Excise Tax or (ii) the entire Payments, whichever amount after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greatest amount of the Payments. Any reduction in the Payments required by this Section will be made in the following order: (A) reduction of cash payments; (B) reduction of accelerated vesting of Equity Awards other than stock options; (C) reduction of accelerated vesting of stock options; and (D) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of Equity Awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of such Equity Awards. If two or more Equity Awards are granted on the same date, the accelerated vesting of each award will be reduced on a pro-rata basis.

(ii) The professional firm engaged by GCE for general tax purposes as of the day prior to the date of the event that might reasonably be anticipated to result in Payments that would otherwise be subject to the Excise Tax will perform the foregoing calculations. If the tax firm so engaged by GCE is serving as accountant or auditor for the acquiring company, GCE will appoint a nationally recognized tax firm to make the determinations

required by this Section. GCE will bear all expenses with respect to the determinations by the tax firm required to be made by this Section. GCE and Executive shall furnish the tax firm such information and documents as the tax firm may reasonably request in order to make its required determination. The tax firm will provide its calculations, together with detailed supporting documentation, to GCE and Executive as soon as practicable following its engagement. Any good faith determinations of the tax firm made hereunder will be final, binding and conclusive upon GCE, Orbis and Executive.

(c) Change in Control. A Change in Control is defined as any one of the following occurrences:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act")), becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of GCE representing more than fifty percent (50%) of the total fair market value or total combined voting power of GCE's then outstanding securities entitled to vote generally in the election of directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition of securities by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition of securities directly from GCE, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition of securities by GCE, (D) any acquisition of securities by a trustee or other fiduciary under an employee benefit plan of GCE, or (E) any acquisition of securities by an entity owned directly or indirectly by the stockholders of GCE in substantially the same proportions as their ownership of the voting securities of GCE; or

(ii) the sale or disposition of all or substantially all of GCE's assets (other than a sale or disposition to one or more subsidiaries of Orbis), or any transaction having similar effect is consummated; or

(iii) GCE is party to a merger or consolidation that results in the holders of voting securities of GCE outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of GCE or such surviving entity outstanding immediately after such merger or consolidation; or

(iv) the dissolution or liquidation of GCE.

7.6 Termination of Employment Upon Nonrenewal. In the event either party decides not to renew this Agreement for a subsequent term in accordance with Section 3.2, this Agreement will expire automatically upon completion of the then effective Term, and Executive's employment with Orbis will thereupon terminate. Executive will be entitled to receive only Executive's Base Salary then in effect, prorated to the Termination Date, and all amounts and benefits earned or incurred pursuant to Sections 5 and 6 through the Termination Date. All other Orbis obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will not be entitled to receive the Severance Package described in Section 7.2, but will be subject to the surviving provisions of this Agreement as set forth in Section 13.8.

7.7 Conditions to Severance Package. Executive will only be entitled to receive the Severance Package if, on or before the 60th day following the Termination Date, Executive

executes a full general release, releasing all claims, known or unknown, that Executive may have against Orbis and its officers, directors, employees and affiliated companies arising out of or any way related to Executive's employment or termination of employment with Orbis, and the period for revocation, if any, of such release has lapsed without the release having been revoked. In the event that Executive breaches any of the covenants contained in Sections 9 ("Other Covenants"), 10 ("Confidentiality and Proprietary Rights") or 11 ("Non-Competition; Nonsolicitation of Orbis Employees"), Orbis shall have the right to (a) terminate further provision of any portion of the Severance Package not yet paid or provided, and (b) seek reimbursement from Executive for any and all portions of the Severance Package previously paid or provided to Executive.

7.8 Resignation of Board or Other Positions. Executive agrees that should Executive's employment terminate for any reason, Executive will immediately resign all other positions (including board membership) Executive may hold on behalf of GCE or Orbis.

7.9 Application of Section 409A.

(a) Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement on account of Executive's termination of employment with Orbis which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "Section 409A Regulations") shall be paid unless and until Executive has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, if Executive is a "specified employee" within the meaning of the Section 409A Regulations as of the date of Executive's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service. All such amounts that would, but for this Section 7.9(a), become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

(b) It is the intent of Orbis and Executive that any right of Executive to receive installment payments hereunder shall, for all purposes of Section 409A of the Code, be treated as a right to a series of separate payments.

(c) Orbis intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, Orbis does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement.** In any event, except for Orbis's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, Orbis shall not be responsible for the payment of any applicable taxes incurred by Executive on compensation paid or provided to Executive pursuant to this Agreement.

8. No Violation of Rights of Third Parties. Executive represents and warrants to Orbis that Executive is not currently a party, and will not become a party, to any other agreement that is in conflict with, or will prevent Executive from complying with, this Agreement. Executive further represents and warrants to Orbis that Executive's performance of all of the terms of this Agreement as an employee of Orbis does not and will not breach any agreement to keep in confidence any proprietary information, knowledge, or data acquired by Executive in confidence or trust prior to Executive's employment with Orbis. Executive acknowledges and agrees that the representations and warranties in this Section 8 are a material part of this Agreement.

9. Other Covenants. Executive hereby makes the following covenants, each of which Executive acknowledges and agrees are a material part of this Agreement:

9.1 During the Term, Executive will not (a) breach any agreement to keep in confidence any confidential or proprietary information, knowledge or data acquired by Executive prior to Executive's employment with Orbis, or (b) disclose to GCE or Orbis, or use or induce GCE or Orbis to use, any confidential or proprietary information or material belonging to any previous employer or any other third party. Executive acknowledges that Orbis has specifically instructed Executive not to breach any such agreement or make any such disclosure to GCE or Orbis.

9.2 During the Term, Executive will not engage in any work or activity, paid or unpaid, that creates an actual conflict of interest with GCE or Orbis. Such work shall include, but is not limited to, directly or indirectly competing with GCE or Orbis in any way, or acting as an officer, director, employee, consultant, stockholder, volunteer, lender, or agent of any business enterprise of the same nature as, or which is in direct competition with, the business in which GCE or Orbis is now engaged or in which GCE or Orbis becomes engaged during the Term, as may be determined by GCE and Orbis in their sole discretion. If Orbis believes such a conflict exists during the Term, Orbis may ask Executive to choose to discontinue the other work or activity or resign employment with Orbis.

9.3 During the Term and after the termination thereof, neither Executive nor Orbis will disparage each other, or Orbis's products, services, agents or employees.

9.4 During the Term and after the termination thereof, at Orbis's expense and upon its reasonable request, Executive will cooperate and assist Orbis in its defense or prosecution of any disputes, differences, grievances, claims, charges, or complaints between Orbis and any third party, which assistance will include testifying on Orbis's behalf in connection with any such matter or performing any other task reasonably requested by Orbis in connection therewith.

10. Confidentiality and Proprietary Rights. Executive agrees to abide by the Nondisclosure Agreement, which is incorporated herein by reference.

11. Non-Competition; Nonsolicitation of Orbis' Employees. Executive acknowledges that in the course of his employment with Orbis he will serve as a member of Orbis's senior management and will become familiar with GCE and Orbis's trade secrets and with other confidential and proprietary information and that his services will be of special, unique and extraordinary value to GCE and Orbis. Executive further acknowledges that the business of GCE and Orbis is national in scope and that GCE and Orbis, in the course of such business compete with other companies located throughout the United States. Therefore, in consideration of the foregoing, Executive agrees that, during the Term, and during the twelve-month (12) month period following the Term, Executive shall not directly or indirectly anywhere within the United States of America (a) own (except ownership of less than 1% of any class of securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, be employed by, or in any manner engage in the operation of (i) any business that develops or administers educational services to degree-granting institutions of higher education, or (ii) any other business of GCE or Orbis in which Executive had significant involvement prior to Executive's separation; (b) induce or attempt to induce any employee of GCE or Orbis to leave the employ of Orbis, or in any way interfere with the relationship between GCE or Orbis and any employee thereof, or (c) induce or attempt to induce any customer, supplier, licensee or other business relation of GCE or Orbis to cease doing

business with, or modify its business relationship with, GCE or Orbis, or in any way interfere with or hinder the relationship between any such customer, supplier, licensee or business relation and GCE or Orbis, as applicable.

12. Injunctive Relief. Executive acknowledges that Executive's breach of the covenants contained in Sections 9, 10 and 11 hereof (collectively "Covenants") would cause irreparable injury to GCE and Orbis and agrees that in the event of any such breach, GCE and Orbis shall be entitled to seek temporary, preliminary and permanent injunctive relief without the necessity of proving actual damages or posting any bond or other security in addition to any other relief to which GCE or Orbis may be entitled and other remedies Orbis may exercise under this Agreement or otherwise.

13. General Provisions.

13.1 Successors and Assigns. The rights and obligations of Orbis under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Orbis. Executive shall not be entitled to assign any of Executive's rights or obligations under this Agreement.

13.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

13.3 Attorneys' Fees. In the event of a dispute involving the interpretation or enforcement of this Agreement, a court shall award attorneys' fees and costs to the prevailing party.

13.4 Severability. In the event any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

13.5 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing Orbis, but Executive has participated in the negotiation of its terms. Furthermore, Executive acknowledges that Executive has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

13.6 Governing Law; Forum. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of Indiana. Each party consents to the jurisdiction and venue of the state courts in Marion County, Indiana or the federal courts in the Southern District of Indiana, if applicable, in any action, suit, or proceeding arising out of or relating to this Agreement, and agrees that the state courts in Marion County, Indiana or the federal courts in the Southern District of Indiana shall have exclusive jurisdiction over any dispute arising between the parties related to this Agreement or Executive's employment with Orbis.

13.7 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to the addresses set forth under the signatures below, or such other address as either party may specify in writing.

13.8 Survival. Sections 9 ("Other Covenants"), 10 ("Confidentiality and Proprietary Rights"), 11 ("Non-Competition; Nonsolicitation of Orbis' Employees"), 12 ("Injunctive Relief"), 13 ("General Provisions") and 15 ("Entire Agreement") of this Agreement shall survive termination of Executive's employment with Orbis.

14. Entire Agreement. This Agreement, including the Nondisclosure Agreement incorporated herein by reference, constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral. This Agreement may be amended or modified only with the written consent of Executive and Orbis. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

EXECUTIVE

Dated: May 1, 2020

By: /s/ Daniel J. Briggs
Name: Daniel J. Briggs
Address: 301 Pennsylvania Pkwy
Suite 400
Indianapolis, IN 46280

ORBIS EDUCATION SERVICES, LLC

Dated: May 10, 2020

By: /s/ Daniel E. Bachus
Name: Daniel E. Bachus
Title: Treasurer and Secretary

Address: 2600 East Camelback Road
Phoenix, Arizona 85017

ACKNOWLEDGED AND AGREED:

GRAND CANYON EDUCATION, INC.

Dated: May 10, 2020

By: /s/ Daniel E. Bachus
Name: Daniel E. Bachus
Title: Chief Financial Officer

Address: 2600 East Camelback Road
Phoenix, Arizona 85017

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, 2020 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: August 4, 2020

/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, 2020 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: August 4, 2020

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Grand Canyon Education, Inc. (the “Company”) for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian E. Mueller, Chief Executive Officer, of the Company, certify, pursuant to 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 Company.

Date: August 4, 2020

/s/ Brian E. Mueller

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10Q of Grand Canyon Education, Inc. (the “Company”) for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel E. Bachus, Chief Financial Officer, of the Company, certify, pursuant to 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 Company.

Date: August 4, 2020

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