

Grand Canyon Education, Inc.  
Form 10-Q  
August 06, 2012  
Table of Contents

**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, 2012

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)

Edgar Filing: Grand Canyon Education, Inc. - Form 10-Q

**DELAWARE**  
(State or other jurisdiction of  
Incorporation or organization)

**20-3356009**  
(I.R.S. Employer  
Identification No.)

**3300 W. Camelback Road**  
**Phoenix, Arizona 85017**

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

**(602) 639-7500**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The total number of shares of common stock outstanding as of August 1, 2012, was 45,023,923.

**Table of Contents**

**Table of Contents**

**GRAND CANYON EDUCATION, INC.**

**FORM 10-Q**

**INDEX**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1 Financial Statements</u>	3
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	28
<u>Item 4 Controls and Procedures</u>	29
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1 Legal Proceedings</u>	29
<u>Item 1A Risk Factors</u>	29
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
<u>Item 3 Defaults Upon Senior Securities</u>	30
<u>Item 4 Mine Safety Disclosures</u>	30
<u>Item 5 Other Information</u>	30
<u>Item 6 Exhibits</u>	31
<u>SIGNATURES</u>	32

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GRAND CANYON EDUCATION, INC.****Consolidated Income Statements****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>(In thousands, except per share amounts)</b>				
<b>Net revenue</b>	\$ 119,260	\$ 103,118	\$ 236,391	\$ 204,827
<b>Costs and expenses:</b>				
Instructional costs and services	53,406	46,354	104,230	95,229
Selling and promotional, including \$594 and \$2 for the three months ended June 30, 2012 and 2011, respectively, and \$1,041 and \$403 for the six months ended June 30, 2012 and 2011, respectively, to related parties	32,755	27,709	67,314	57,541
General and administrative	7,701	7,038	15,245	13,870
<b>Total costs and expenses</b>	<b>93,862</b>	<b>81,101</b>	<b>186,789</b>	<b>166,640</b>
<b>Operating income</b>	<b>25,398</b>	<b>22,017</b>	<b>49,602</b>	<b>38,187</b>
Interest expense	(78)	(29)	(285)	(136)
Interest income	26	26	36	58
<b>Income before income taxes</b>	<b>25,346</b>	<b>22,014</b>	<b>49,353</b>	<b>38,109</b>
Income tax expense	9,748	9,141	19,286	15,755
<b>Net income</b>	<b>\$ 15,598</b>	<b>\$ 12,873</b>	<b>\$ 30,067</b>	<b>\$ 22,354</b>
<b>Net income per common share:</b>				
<b>Basic</b>	\$ 0.35	\$ 0.29	\$ 0.68	\$ 0.50
<b>Diluted</b>	\$ 0.35	\$ 0.29	\$ 0.67	\$ 0.49
<b>Shares used in computing net income per common share:</b>				
<b>Basic</b>	44,447	44,658	44,410	45,122
<b>Diluted</b>	45,169	45,018	45,161	45,551

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

Table of Contents

## GRAND CANYON EDUCATION, INC.

## Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>(In thousands)</b>				
<b>Net income</b>	\$ 15,598	\$ 12,873	\$ 30,067	\$ 22,354
<b>Other comprehensive income (loss), net of tax:</b>				
Unrealized gains (losses) on hedging derivatives, net of taxes of \$26 and \$21 for the three months ended June 30, 2012 and 2011, respectively, and \$46 and \$0 for the six months ended June 30, 2012 and 2011, respectively	35	(54)	62	(1)
<b>Comprehensive income</b>	\$ 15,633	\$ 12,819	\$ 30,129	\$ 22,353

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

**Table of Contents****GRAND CANYON EDUCATION, INC.****Consolidated Balance Sheets**

<b>(In thousands, except par value)</b>	<b>June 30, 2012 (Unaudited)</b>	<b>December 31, 2011</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 50,760	\$ 21,189
Restricted cash and cash equivalents	54,482	56,115
Accounts receivable, net of allowance for doubtful accounts of \$8,026 and \$11,706 at June 30, 2012 and December 31, 2011, respectively	8,363	11,815
Income taxes receivable		11,861
Deferred income taxes	3,349	3,353
Other current assets	12,275	11,081
<b>Total current assets</b>	<b>129,229</b>	<b>115,414</b>
Property and equipment, net	233,273	189,947
Restricted cash	375	555
Prepaid royalties	5,628	5,958
Goodwill	2,941	2,941
Other assets	3,652	3,032
<b>Total assets</b>	<b>\$ 375,098</b>	<b>\$ 317,847</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 19,784	\$ 18,523
Accrued compensation and benefits	15,174	12,229
Accrued liabilities	14,672	8,456
Income taxes payable	7,636	536
Student deposits	55,248	57,602
Deferred revenue	31,106	21,723
Due to related parties	319	227
Current portion of capital lease obligations	86	470
Current portion of notes payable	1,769	1,739
<b>Total current liabilities</b>	<b>145,794</b>	<b>121,505</b>
Capital lease obligations, less current portion	631	674
Other noncurrent liabilities	7,716	7,140
Deferred income taxes, noncurrent	3,187	5,334
Notes payable, less current portion	19,124	19,901
<b>Total liabilities</b>	<b>176,452</b>	<b>154,554</b>
Commitments and contingencies		
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at June 30, 2012 and December 31, 2011		
Common stock, \$0.01 par value, 100,000 shares authorized; 46,797 and 45,955 shares issued and 45,017 and 44,298 shares outstanding at June 30, 2012 and December 31, 2011, respectively	468	460
Treasury stock, at cost, 1,780 and 1,657 shares of common stock at June 30, 2012 and December 31, 2011, respectively	(25,872)	(23,894)
Additional paid-in capital	92,914	85,720

Edgar Filing: Grand Canyon Education, Inc. - Form 10-Q

Accumulated other comprehensive loss	(298)	(360)
Accumulated earnings	131,434	101,367
<b>Total stockholders equity</b>	198,646	163,293
<b>Total liabilities and stockholders equity</b>	\$ 375,098	\$ 317,847

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

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

	Common Stock		Treasury Stock		Additional	Accumulated	Accumulated	Total
	Shares	Par Value	Shares	Stated Value	Paid-in	Other	Earnings	
					Capital	Loss		
Balance at December 31, 2011	45,955	\$ 460	1,657	\$ (23,894)	\$ 85,720	\$ (360)	\$ 101,367	\$ 163,293
Net income							30,067	30,067
Unrealized gain on hedging derivative, net of taxes of \$46						62		62
Common stock purchased for treasury			120	(1,978)				(1,978)
Exercise of stock options	273							