

Grand Canyon Education, Inc.  
Form 10-Q  
May 09, 2011

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**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 March 31, 2011

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34211

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

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

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

**3300 W. Camelback Road  
Phoenix, Arizona 85017**  
*(Address, including zip code, of principal executive offices)*  
**(602) 639-7500**

**(Registrant's telephone number, including area code)**

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting  
(Do not check if a 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 May 4, 2011, was 44,860,646.



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

<b>(In thousands, except per share data)</b>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Net revenue</b>	\$ 101,709	\$ 89,326
<b>Costs and expenses:</b>		
Instructional costs and services	45,830	36,660
Selling and promotional, including \$401 and \$2,347 to related parties for March 31, 2011 and 2010, respectively	29,832	26,876
General and administrative	6,832	6,104
Exit costs		89
<b>Total costs and expenses</b>	<b>82,494</b>	<b>69,729</b>
<b>Operating income</b>	<b>19,215</b>	<b>19,597</b>
Interest expense	(107)	(344)
Interest income	32	61
<b>Income before income taxes</b>	<b>19,140</b>	<b>19,314</b>
Income tax expense	7,842	7,834
<b>Net income</b>	<b>\$ 11,298</b>	<b>\$ 11,480</b>
<b>Earnings per share:</b>		
<b>Basic income per share</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>
<b>Diluted income per share</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>
<b>Basic weighted average shares outstanding</b>	<b>45,590</b>	<b>45,674</b>
<b>Diluted weighted average shares outstanding</b>	<b>46,089</b>	<b>46,325</b>

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

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

<b>(In thousands)</b>	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Net income</b>	\$ 11,298	\$ 11,480
<b>Other comprehensive income, net of tax:</b>		
Unrealized gains (losses) on hedging derivatives	53	(147)
Unrealized losses on available for sale securities		(4)
Realized gains on available for sale securities		(19)
<b>Comprehensive income</b>	\$ 11,351	\$ 11,310

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

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**GRAND CANYON EDUCATION, INC.**  
**Balance Sheets**

(In thousands, except par value)	March 31, 2011 (Unaudited)	December 31, 2010
<b>Current assets</b>		
Cash and cash equivalents	\$ 30,243	\$ 33,637
Restricted cash and cash equivalents	49,740	52,178
Accounts receivable, net of allowance for doubtful accounts of \$13,169 and \$14,961 at March 31, 2011 and December 31, 2010, respectively	32,369	33,334
Income taxes receivable	2,213	8,415
Deferred income taxes	9,143	9,886
Other current assets	4,578	4,834
<b>Total current assets</b>	<b>128,286</b>	<b>142,284</b>
Property and equipment, net	140,655	123,999
Restricted cash	445	760
Prepaid royalties	6,396	6,579
Goodwill	2,941	2,941
Deferred income taxes	2,487	2,800
Other assets	5,254	4,892
<b>Total assets</b>	<b>\$ 286,464</b>	<b>\$ 284,255</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 27,072	\$ 15,693
Accrued compensation and benefits	15,144	13,633
Accrued liabilities	7,453	9,477
Accrued litigation loss	5,200	5,200
Accrued exit costs	40	64
Income taxes payable	1,223	829
Student deposits	46,882	48,873
Deferred revenue	18,463	15,034
Due to related parties	1,958	10,346
Current portion of capital lease obligations	1,638	1,673
Current portion of notes payable	1,957	2,026
<b>Total current liabilities</b>	<b>127,030</b>	<b>122,848</b>
Capital lease obligations, less current portion	10	151
Other noncurrent liabilities	2,679	2,715
Notes payable, less current portion	21,432	21,881
<b>Total liabilities</b>	<b>151,151</b>	<b>147,595</b>
Commitments and contingencies		
<b>Stockholders equity</b>		

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Preferred stock, \$0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at March 31, 2011 and December 31, 2010		
Common stock, \$0.01 par value, 100,000 shares authorized; 45,812 and 45,811 shares issued and 44,817 and 45,761 shares outstanding at March 31, 2011 and December 31, 2010, respectively	458	458
Treasury stock, at cost, 995 and 50 shares of common stock at March 31, 2011 and December 31, 2010, respectively	(14,993)	(782)
Additional paid-in capital	78,962	77,449
Accumulated other comprehensive loss	(392)	(445)
Accumulated earnings	71,278	59,980
<b>Total stockholders equity</b>	135,313	136,660
<b>Total liabilities and stockholders equity</b>	\$ 286,464	\$ 284,255

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



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

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total
	Shares	Par Value	Shares	Stated Value				
Balance at December 31, 2010	45,811	\$ 458	50	\$ (782)	\$ 77,449	\$ (445)	\$ 59,980	\$ 136,660
Net income							11,298	11,298
Unrealized gain on hedging derivative, net of taxes of \$21						53		53
Common stock purchased for treasury			945	(14,211)				(14,211)
Exercise of stock options	1				13			13
Excess tax benefits from share-based compensation					70			70
Share-based compensation					1,430			1,430
Balance at March 31, 2011	45,812	\$ 458	995	\$ (14,993)	\$ 78,962	\$ (392)	\$ 71,278	\$ 135,313

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

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

<b>(In thousands)</b>	<b>Three Months Ended March</b>	
	<b>31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows provided by operating activities:</b>		
Net income	\$ 11,298	\$ 11,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	1,430	1,037
Excess tax benefits from share-based compensation		(492)
Amortization of debt issuance costs	15	16
Provision for bad debts	6,988	4,774
Depreciation and amortization	3,826	2,661
Exit costs	(24)	(479)
Deferred income taxes	1,004	(27)
Other		(39)
Changes in assets and liabilities:		
Accounts receivable	(6,023)	(4,862)
Prepaid expenses and other	(52)	(1,655)
Due to/from related parties	(8,388)	1,400
Accounts payable	5,748	1,912
Accrued liabilities	(513)	5,024
Income taxes receivable/payable	6,666	6,251
Student deposits	(1,991)	1,617
Deferred revenue	3,429	20,462
<b>Net cash provided by operating activities</b>	<b>23,413</b>	<b>49,080</b>
<b>Cash flows used in investing activities:</b>		
Capital expenditures	(14,668)	(11,591)
Change in restricted cash and cash equivalents	2,753	(2,931)
Proceeds from sale or maturity of investments		487
<b>Net cash used in investing activities</b>	<b>(11,915)</b>	<b>(14,035)</b>
<b>Cash flows (used in) provided by financing activities:</b>		
Principal payments on notes payable and capital lease obligations	(694)	(727)
Purchase of treasury stock	(14,211)	
Excess tax benefits from share-based compensation		492
Net proceeds from exercise of stock options	13	502
<b>Net cash (used in) provided by financing activities</b>	<b>(14,892)</b>	<b>267</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,394)</b>	<b>35,312</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>33,637</b>	<b>62,571</b>

<b>Cash and cash equivalents, end of period</b>	\$ 30,243	\$ 97,883
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 107	\$ 195
Cash paid for income taxes	\$ 219	\$ 1,598
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Purchases of property and equipment included in accounts payable	\$ 5,631	\$ (1,357)
Tax benefit of Spirit warrant intangible	\$ 70	\$ 259

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

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

**1. Nature of Business**

Grand Canyon Education, Inc. (the University) is a regionally accredited provider of postsecondary education services focused on offering graduate and undergraduate degree programs in its core disciplines of education, business, healthcare, and liberal arts. The University offers courses online, at its approximately 100 acre traditional ground campus in Phoenix, Arizona and onsite at the facilities of employers. The University is accredited by The Higher Learning Commission of the North Central Association of Colleges and Schools.

**2. Summary of Significant Accounting Policies**

***Unaudited Interim Financial Information***

The accompanying unaudited interim financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles, consistent in all material respects with those applied in its financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. Such interim financial information is unaudited but reflects all adjustments that in the opinion of management are necessary for the fair presentation of the interim periods presented. Interim results are not necessarily indicative of results for a full year. This Quarterly Report on Form 10-Q should be read in conjunction with the University's audited financial statements and footnotes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010 from which the December 31, 2010 balance sheet information was derived.

***Restricted Cash and Cash Equivalents***

A significant portion of the University's revenue is received from students who participate in government financial aid and assistance programs. Restricted cash and cash equivalents primarily represents amounts received from the federal and state governments under various student aid grant and loan programs, such as Title IV. These funds are received subsequent to the completion of the authorization and disbursement process for the benefit of the student. The U.S. Department of Education requires Title IV funds collected in advance of student billings to be segregated in a separate cash or cash equivalent account until the students are billed for their portion. The University also classifies the \$5,200 that it agreed to pay to settle the *qui tam* matter as restricted cash, subject to the distribution of the settlement amount from escrow in accordance with the terms of the settlement agreement. The University records all of these amounts as a current asset in restricted cash and cash equivalents. Restricted cash and cash equivalents is excluded from cash and cash equivalents until the cash is no longer restricted. The majority of these funds remain as restricted cash and cash equivalents for an average of 60 to 90 days from the date of receipt.

In the fourth quarter of 2010, the counterparty to the University's interest rate swap made a collateral call and the University posted \$760 of pledged collateral as noncurrent restricted cash. The pledged collateral was reduced to \$445 as of March 31, 2011.

***Derivatives and Hedging***

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

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

On June 30, 2009, the University entered into an interest rate corridor instrument and an interest rate swap to manage its 30 Day LIBOR interest exposure related to its variable rate debt, which commenced in April 2009 and matures in April 2014. The fair value of the interest rate corridor instrument as of March 31, 2011 and December 31, 2010 was \$25 and \$27, respectively, which is included in other assets. The fair value of the interest rate swap is a liability of \$583 and \$686 as of March 31, 2011 and December 31, 2010, respectively, which is included in other noncurrent liabilities. The fair values of each derivative instrument were determined using a hypothetical derivative transaction and Level 2 of the hierarchy of valuation inputs. These derivative instruments were designated as cash flow hedges of variable rate debt obligations. The adjustment of \$74 and \$245 in the first three months of 2011 and 2010, respectively, for the effective portion of the loss on the derivatives is included as a component of other comprehensive income, net of taxes.

The interest rate corridor instrument hedges variable interest rate risk starting July 1, 2009 through April 30, 2014 with a notional amount of \$11,268 as of March 31, 2011. The corridor instrument permits the University to hedge its interest rate risk at several thresholds; the University will pay variable interest rates based on the 30 Day LIBOR rates monthly until that index reaches 4%. If 30 Day LIBOR is equal to 4% through 6%, the University will pay 4%. If 30 Day LIBOR exceeds 6%, the University will pay actual 30 Day LIBOR less 2%. This reduces the University's exposure to potential increases in interest rates.

The interest rate swap commenced on May 1, 2010 and continues each month thereafter until April 30, 2014 and has a notional amount of \$11,268 as of March 31, 2011. The University will receive 30 Day LIBOR and pay 3.245% fixed interest on the amortizing notional amount. Therefore, the University has hedged its exposure to future variable rate cash flows through April 30, 2014. The interest rate swap is not subject to a master netting arrangement and collateral has been called by the counterparty and reflected in a restricted cash account as of March 31, 2011 and December 31, 2010 in the amount of \$445 and \$760, respectively.

As of March 31, 2011 no derivative ineffectiveness was identified. Any ineffectiveness in the University's derivative instruments designated as hedges would be reported in interest expense in the income statement. For the three months ended March 31, 2011 \$8 of credit risk was recorded in interest expense on the derivatives. At March 31, 2011, the University is not expected to reclassify gains or losses on derivative instruments from accumulated other comprehensive (loss) income into earnings during the next 12 months.

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

***Fair Value of Financial Instruments***

As of March 31, 2011, the carrying value of cash and cash equivalents, accounts receivable, account payable and accrued expenses approximate their fair value based on the liquidity or the short-term maturities of these instruments. The carrying value of debt approximates fair value as it is based on variable rate index. The carrying value of capital lease obligations approximate fair value based upon market interest rates available to the University for debt of similar risk and maturities. Derivative financial instruments are carried at fair value, determined using Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the asset or liability.

***Revenue Recognition***

Net revenues consist primarily of tuition and fees derived from courses taught by the University online, at its 100 acre traditional campus in Phoenix, Arizona, and onsite at the facilities of employers, as well as from related educational resources such as access to online materials. Tuition revenue and most fees and related educational resources are recognized pro-rata over the applicable period of instruction, net of scholarships provided by the University. For the three months ended March 31, 2011 and 2010, the University's revenue was reduced by approximately \$19,769 and \$13,771, respectively, as a result of scholarships that the University offered to students. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the University's policy to the extent in conflict. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded as pro-rata over the applicable period of instruction. Since the University recognizes revenue pro-rata over the term of the course and because, under its institutional refund policy, the amount subject to refund is never greater than the amount of the revenue that has been deferred, under the University's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded. The University's change in April 2010 to a non-term borrower-based institution from a term based institution for federal student financial aid funding purposes does not have any impact on the timing and recognition of revenues.

***Financial Statement Presentation***

In the first quarter of 2011, the University made changes in its presentation of costs and expenses and reclassified prior periods to conform to the current presentation. Previously the University reported bad debt expense as a general and administrative expense and royalty to former owner on a separate line item in the income statement. Both bad debt expense and royalty to former owner are now included in instructional costs and services. The University believes that these changes provide greater comparability to other institutions in its industry sector. There were no changes to total costs and expenses as a result of these reclassifications. Below the table are descriptions of the nature of the costs and expenses included in the University's operating expense categories.

The following table presents the University's costs and expenses as previously reported and as reclassified on its unaudited statements of income for the three months ended:

	March 31, 2010		June 30, 2010		September 30, 2010		December 31, 2010	
	As Reported	As Reclassified	As Reported	As Reclassified	As Reported	As Reclassified	As Reported	As Reclassified
<b>Costs and expenses:</b>								
Instructional costs and services	\$ 31,812	\$ 36,660	\$ 36,169	\$ 41,742	\$ 35,923	\$ 42,071	\$ 36,133	\$ 43,220
Selling and promotional	26,876	26,876	28,976	28,976	28,103	28,103	28,538	28,538

General and administrative	10,878	6,104	11,675	6,176	12,681	6,607	14,746	7,733
Contract termination fees to related party							9,233	9,233
Exit costs	89	89	116	116	27	27	26	26
Royalty to former owner	74		74		74		74	
<b>Total costs and expenses</b>	<b>\$ 69,729</b>	<b>\$ 69,729</b>	<b>\$ 77,010</b>	<b>\$ 77,010</b>	<b>\$ 76,808</b>	<b>\$ 76,808</b>	<b>\$ 88,750</b>	<b>\$ 88,750</b>

***Instructional Costs and Services***

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

***Selling and Promotional***

Selling and promotional expenses include salaries, benefits and share-based compensation of personnel engaged in the marketing, recruitment, and retention of students, as well as advertising costs associated with purchasing leads, hosting events and seminars, and producing marketing materials. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to selling and promotional activities at the Company's facilities in Arizona. Selling and promotional costs are expensed as incurred.

Through December 2010, the University was a party to a revenue sharing arrangement (the Collaboration Agreement) with Mind Streams, L.L.C. (Mind Streams), a related party pursuant to which it paid a percentage of the net revenue that it actually received from applicants recruited by those entities that matriculated at Grand Canyon University. Mind Streams bore all costs associated with the recruitment of these applicants.

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

As a result of new rules adopted by the U.S. Department of Education and effective July 1, 2011, the University determined that revenue sharing arrangements like the Collaboration Agreement, and the manner in which it pays amounts under the Collaboration Agreement, will most likely no longer be permitted. Accordingly, the University and Mind Streams entered into an agreement, dated December 30, 2010, pursuant to which the University agreed to pay Mind Streams an amount equal to (a) \$8,500, plus (b) Mind Streams applicable share of any net revenue actually received by the University on or before February 28, 2011 with respect to any such Mind Streams identified students commencing University courses prior to November 1, 2010. In return, Mind Streams agreed to (i) accept such amounts in full and complete satisfaction of all amounts owed by the University to Mind Streams under the Collaboration Agreement, and (ii) transfer to the University a proprietary database of potential student leads. A payment of \$8,500 was made in January 2011 in conjunction with this agreement. Additionally in 2010, Gail Richardson, the father of Brent D. Richardson, the University's Executive Chairman, and Christopher C. Richardson, the University's General Counsel and a director, formed a new entity, Lifetime Learning, which plans to generate and sell leads to the University and other entities in the education sector. For the three months ended March 31, 2011 and 2010, the University expensed approximately \$401 and \$2,347, respectively, pursuant to these arrangements, exclusive of the settlement arrangement discussed above. As of March 31, 2011 and December 31, 2010 \$564, and \$9,367, respectively, were due to these related parties.

**General and Administrative**

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

**Exit Costs**

In November 2009, the University finalized a plan to centralize its student services operations in Arizona and, as a result, closed its student services facility in Utah. The exit costs incurred in connection with this decision have been expensed and are presented separately on the income statement. The costs incurred included severance payments; relocation expenses; future lease payments, net of estimated sublease rentals; and the write off of leasehold improvements associated with this leased space. The following is a summary of the University's exit activities:

	<b>Accrued Exit Costs at December 31, 2010</b>		<b>Exit Costs</b>		<b>Payments in 2011</b>		<b>Accrued Exit Costs at March 31, 2011</b>
Accrued exit costs	\$ 64	\$		\$	(24)	\$	40

**Use of Estimates**

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

**Segment Information**

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



income information is generated or evaluated on any component level.

***Reclassifications***

Certain reclassifications have been made to the prior period balances to conform to the current period.

***Recent Accounting Pronouncements***

The University has reviewed and evaluated all recent accounting pronouncements and believes there are none that could potentially have a material impact on the University's financial condition, results of operations, or disclosures.

**3. Net Income Per Common Share**

Basic net income per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the assumed conversion of all potentially dilutive securities, consisting of stock options, 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.