Grand Canyon University

REPORT ON AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ON FEDERAL AWARDS PROGRAMS IN ACCORDANCE WITH THE OMB UNIFORM GUIDANCE
For the years ended June 30, 2022 and 2021

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Part I

Consolidated Financial Statements and Schedule of Expenditures of Federal Awards

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
GRAND CANYON UNIVERSITY
Phoenix, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Grand Canyon University and subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grand Canyon University and subsidiaries as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on the University's related party transactions and the Title IV 90/10 revenue percentage, as required by 34 C.F.R. Section 668.28, and the financial responsibility supplementary schedule as required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix A to Subpart L of Part 668, is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. In addition, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Wernet Bland

San Diego, California
October 11, 2022

Grand Canyon University
Consolidated Statements of Financial Position
(In thousands)

	As of June 30, 2022	As of June 30, 2021
ASSETS:		
Current assets		
Cash and cash equivalents	$ 228,575	$ 407,438
Cash deposits with Trustee	56,599	—
Investments	167,155	—
Student accounts receivable, net	13,485	13,808
Pledges receivable	1,600	1,379
Other receivables	5,144	4,288
Other current assets	6,835	4,817
Total current assets	479,393	431,730
Property and equipment, net	1,358,437	1,296,295
Finance lease right-of-use (ROU) asset	26,487	—
Operating lease right-of-use (ROU) asset	106	—
Intangible assets, net	100,000	101,500
Pledges receivable, net	1,168	1,521
Other assets	729	319
Total assets	$ 1,966,320	$ 1,831,365
LIABILITIES:		
Current liabilities		
Accounts payable	$ 21,198	$ 16,503
Accrued compensation and benefits	27,634	31,219
Accrued interest payable	13,385	—
Accrued liabilities and other	9,539	6,749
Student deposits	116,354	110,161
Deferred revenue	65,725	59,068
Line of credit for capital expenditures	50,000	—
Current portion of bonds payable, net of issuance costs	46,132	—
Current portion of finance lease liability	572	—
Current portion of operating lease liability	81	—
Current portion of notes payable and capital leases	150	357
Total current liabilities	350,770	224,057
Other noncurrent liabilities	2,549	3,748
Operating lease liability, less current portion	27,389	—
Finance lease liability, less current portion	27	—
Bonds payable, net of issuance costs, less current portion	1,129,369	—
Notes payable and capital leases, less current portion	100	1,160,407
Total liabilities	1,510,204	1,388,212
NET ASSETS:		
Without donor restrictions	448,850	437,442
With donor restrictions	7,266	5,711
Total net assets	456,116	443,153
Total liabilities and net assets	$ 1,966,320	$ 1,831,365

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

Grand Canyon University
Consolidated Statements of Activities
(In thousands)

	Year Ended June 30, 2022	2021
Changes in net assets without donor restrictions:		
Revenues:		
Net tuition and fees	$ 1,260,415	$ 1,245,575
Contributions and grants	30,441	11,785
Contributions of nonfinancial assets	2,215	103
Auxiliary enterprises	14,417	10,077
Other income	6,532	3,320
Total revenues, gains and other support without donor restrictions	1,314,020	1,270,860
Net assets released from restrictions	1,905	1,974
Total revenues and releases	1,315,925	1,272,834
Expenses:		
Instructional program services	379,830	328,414
General and administrative	26,948	23,860
Fundraising	1,748	1,324
Auxiliary enterprises	18,910	13,847
Educational service fee	768,332	755,256
Interest expense	55,482	57,666
Depreciation and amortization	53,267	65,147
Total expenses	1,304,517	1,245,514
Increase in net assets without donor restrictions	11,408	27,320
Changes in net assets with donor restrictions:		
Contributions of cash and other financial assets	2,533	7,062
Contributions of nonfinancial assets	939	—
Investment return, net	(12)	4
Net assets released from restrictions	(1,905)	(1,974)
Increase in net assets with donor restrictions	1,555	5,092
Increase in total net assets	12,963	32,412
Net assets, beginning	443,153	410,741
Net assets, ending	$ 456,116	$ 443,153

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

Grand Canyon University
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended June 30, 2022	2021
Cash flows provided by operating activities:		
Changes in net assets	$ 12,963	$ 32,412
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,267	65,147
Provision for bad debts	25,749	22,525
Deferred compensation plan	2,344	3,669
Other, including fixed asset impairments	3,968	—
Changes in assets and liabilities:		
Accounts receivable, net	(26,503)	(27,049)
Other assets	(1,314)	(1,092)
HERRF grant received for institutional use	—	11,176
HEERF grant received for student aid	26,551	—
HEERF funds distributed to ground students	(26,551)	(7,903)
Right-of-use assets and lease liabilities	571	—
Accounts payable	(7,561)	10,022
Accrued liabilities and other	8,137	233
Student deposits	6,193	(174)
Deferred revenue	6,657	(5,579)
Net cash provided by operating activities	84,471	103,387
Cash flows used in investing activities:		
Capital expenditures	(100,849)	(118,241)
Purchases of investments	(194,577)	—
Proceeds from sale or maturity of investments	26,749	—
Net cash used in investing activities	(268,677)	(118,241)
Cash flows provided by financing activities:		
Principal payments on notes payable and capital lease obligations	(108)	(311)
Proceeds from bond issuance	1,200,000	—
Bond issuance costs	(26,755)	—
Change in deposits with trustees under bond agreements	(56,599)	—
Principal payments under finance lease obligations	(501)	—
Payments on notes payable and capital expenditures, net	(1,159,912)	(75,000)
Proceeds from line of credit for capital expenditures	50,000	—
Line of credit issuance costs	(782)	—
Proceeds from notes payable	—	190,000
Net cash provided by financing activities	5,343	114,689
Net (decrease) increase in cash and cash equivalents	(178,863)	99,835
Cash and cash equivalents and restricted cash, beginning of year	407,438	307,603
Cash and cash equivalents and restricted cash, end of year	$ 228,575	$ 407,438
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 41,261	$ 56,266
Cash paid during the year for bond interest	$ 16,528	$ —
Cash paid during the year for unrelated business income tax	$ 380	$ 510
Supplemental disclosure of non-cash investing and financing activities		
Purchases of property and equipment included in accounts payable	$ 13,597	$ 1,341
Lease adoption - gross up of right-of-use assets and liabilities	$ 27,999	$ —
Reclassification of capital leases to right-of-use financing assets	$ 494	$ —

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

Grand Canyon University
Notes to the Consolidated Financial Statements
(In thousands)

1. Nature of Business

Grand Canyon University (together with its subsidiaries, the "University") is a 501(c)(3) tax-exempt Arizona nonprofit corporation. The University was formed under the name Gazelle University on November 20, 2014, to establish or acquire, and thereafter to own and operate, a private interdenominational Christian university located in Phoenix, Arizona. On July 1, 2018, Gazelle consummated an Asset Purchase Agreement (the "Asset Purchase Agreement") with Grand Canyon Education, Inc. ("GCE"). Pursuant to the Asset Purchase Agreement, Gazelle acquired the business operations, including the real property and improvements (the GCE campus), tangible and intangible academic and related operations (the "Transferred Assets"), and assumed certain liabilities related to the Transferred Assets. Concurrently with the consummation of that acquisition, on July 1, 2018, Gazelle changed its name to Grand Canyon University. See Note 2 to the consolidated financial statements for a full description of this transaction (the "Transaction").

The University is a comprehensive regionally accredited university that offers graduate and undergraduate degree programs, emphases and certificates across nine colleges both online, at its ground campus in Phoenix, Arizona and at three off-campus classroom and laboratory sites. The University's undergraduate programs are designed to be innovative and to meet the future needs of employers, while providing students with the needed critical thinking and effective communication skills developed through a Christian, private, nonprofit, liberal arts foundation. The University offers master's and doctoral degrees in contemporary fields that are designed to provide students with the capacity for transformational leadership in their chosen industry, emphasizing the immediate relevance of theory, application, and evaluation to promote personal and organizational change. The University offers healthcare-related academic programs at off-campus classroom and laboratory sites located near healthcare providers to develop high-quality, career-ready graduates who enter the workforce ready to meet the demands of the healthcare industry. The University is accredited by the Higher Learning Commission.

The University's wholly owned subsidiaries of Canyon Golf, LLC, Canyon Hospitality, LLC and Canyon Promotions, LLC are primarily used to operate and facilitate certain educational programs. During 2022, the University formed a wholly owned subsidiary, Grand Canyon University CityServe ("GCU CityServe"), as a 501(c)(3) tax-exempt Arizona nonprofit corporation. GCU CityServe is an outreach ministry that provides resources to help support individuals and families in need while enhancing the educational experience for University students.

2. Formation and Transactions with Former Owner

On July 1, 2018, the University entered into an Asset Purchase Agreement with GCE, pursuant to which the University acquired the real property and improvements, (the GCE campus), tangible and intangible academic and related operations (the "Transferred Assets") and assumed certain liabilities related to the Transferred Assets. The University paid for the Transferred Assets by issuing to GCE a senior secured note (the "Secured Note") that was governed by a credit agreement between the University and GCE (the "Credit Agreement"). The Credit Agreement contained customary commercial credit terms, including affirmative and negative covenants applicable to the University, and provided that the Secured Note bore interest at an annual rate of 6.0%, had a maturity date of June 30, 2025, and was secured by all the assets of the University. The Secured Note provides for the University to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity and also provides that GCE may loan additional amounts to the University to fund approved capital expenditures or short-term loans during the first four years of the term on the terms set forth therein. In December 2021, the University fully repaid the Secured Note including loans for capital expenditures.

In connection with the closing of the Asset Purchase Agreement, the University and GCE entered into a long-term master services agreement (the "Master Services Agreement") pursuant to which GCE will provide identified technological, counseling, marketing, financial aid processing and other support services to the University in return for

60% of the University's revenue, excluding charitable contributions or other gifts to the University that are used for purposes other than the payment of tuition and fees on behalf of students. The Master Services Agreement has an initial term of fifteen (15) years, subject to renewal options, although the University has the right to terminate the Master Services Agreement early after the later of seven (7) years or the payment in full of the Secured Note. If the University were to terminate the Master Services Agreement early, then the University would be required to pay GCE a termination fee equal to one-hundred percent (100%) of the fees paid in the trailing twelve (12) month period. If the Master Services Agreement is not renewed after the initial fifteen (15) year term, the University would be required to pay GCE a non-renewal fee equal to fifty percent (50%) of the fees paid in the trailing twelve (12) month period.

3. Summary of Significant Accounting Policies

Principles of Consolidation

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

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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash and other short-term highly liquid investments that are readily convertible into known amounts of cash. The University considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Cash Deposits with Trustee

Deposits with trustee represent funds held in trust that are associated with the University's bond agreements. The use of these funds is limited to debt service requirements. See Note 10 to the consolidated financial statements for a full description of the bond agreements.

Investments

As of June 30, 2022, the University records its investments in municipal bonds, municipal securities, U.S. Treasury securities, corporate bonds, collateralized mortgage obligations, certificates of deposit and commercial paper at fair market value. The fair market value 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. Unrealized and realized gains and losses, amortization of premiums, accretion of discounts, interest and dividend income are included in other income in the consolidated statements of activities. There were no investments as of June 30, 2021.

Student Accounts Receivable

Student accounts receivable represents amounts due for tuition, course digital materials, technology fees and other fees from currently enrolled and former students. Students generally fund their education through grants and/or loans under various Title IV programs of the Higher Education Act, tuition assistance from military and corporate employers or personal funds.

Pledges Receivable

Unconditional promises to give ("pledges") are recorded as contribution revenue and as receivables. Pledge contributions are classified as pledges with donor restrictions or pledges without donor restrictions. The classification is based on time restrictions or donor-imposed restrictions. Pledge receivables that are expected to be received in greater than one year have been recorded at present value of $1,168 and $1,521, net of discounts of $65 and $35 for the years ended June 30, 2022 and 2021, respectively in the consolidated financial statements. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fundraising activity. The University determined there was no allowance for uncollectible pledges as of June 30, 2022 and 2021.

Other Receivables

Other receivables include amounts owed to the University by GCE, the City of Phoenix under a Development Agreement and other entities. The University had a receivable from GCE totaling $325 and $231 as of June 30, 2022 and 2021, respectively. Under the terms of the Development Agreement effective July 1, 2015, the City of Phoenix has agreed to reimburse the University for public infrastructure improvements that the University completes in the neighborhood surrounding its campus. The funds that are used to reimburse the University accumulate over time from a portion of the sales taxes generated by the University, which have been remitted to the City of Phoenix, up to a maximum amount of $19,000. The total receivable from the City of Phoenix (including construction bonds) totaled $3,366 and $3,170 as of June 30, 2022 and 2021, respectively. The University also includes accrued interest income from its investments in other receivables which totaled $659 as of June 30, 2022.

Allowance for Doubtful Accounts

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

Inventory

The University records inventory as a current asset in other assets. Inventory consists of food and beverage products that are valued at the lower of cost or net realizable value using the first-in, first-out method and retail products that are valued at the lower of cost or net realizable value using the specific identification method. Contributions of nonfinancial assets (gift-in-kind donations) are received by GCU CityServe in new condition and are recorded in inventory at estimated retail value of identical or similar products purchased from donor retailers upon receipt of the goods. The University's GCU CityServe inventory balance as of June 30, 2022 reflects the value of the gift-in-kind donations that have not yet been distributed.

Property and Equipment

Purchases or construction of property and equipment that are acquired subsequent to the Transaction are recorded at cost less accumulated depreciation. Normal repairs and maintenance are expensed as incurred. Expenditures that materially extend the useful life of an asset are capitalized. Construction in progress represents items not yet placed in service and are not depreciated. The University capitalizes interest using its interest rates on the specific borrowings used to finance the improvements, which approximated 6.0% for both of the years ended June 30, 2022 and 2021. Capitalized interest for the years ended June 30, 2022 and 2021 was $1,148 and $1,413, respectively.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures, computer equipment, and vehicles generally have estimated useful lives of ten, four, and five years, respectively. Leasehold improvements are included as investing activities and are included as additions to property, plant and equipment. Leasehold improvements are depreciated over the shorter of their lease term or their estimated useful life. Land improvements, buildings and facilities and athletic facilities are depreciated over lives ranging from 10 to 40 years while land is not depreciated.

Intangible Assets

The University recorded the assets as a long-lived asset and will amortize the intangible assets with finite lives over their useful lives, along with regular impairment reviews. The University recognizes costs as incurred when they are related to internally developing, maintaining, or restoring intangible assets that are not specifically identifiable, or the useful life is indeterminate, or the cost is inherent in the continuing operation of the business.

Leases

The University 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 University uses a risk-free discount rate for its leases as determined using a period comparable to that of the expected lease term at the commencement date. At lease inception, the University determines the lease term by assuming no exercises of renewal options, due to the University's intent not to renew. Leases with an initial term of 12 months or less are not recorded in the consolidated statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. The University 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 retail space the University plans to develop for future educational campuses and office equipment.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, cash deposits with trustee, accounts receivable, accounts payable, accrued compensation and benefits and accrued liabilities approximate their fair value based on the liquidity or the short-term maturities of these instruments. The University has elected an exemption to not make these disclosures of fair value of financial instruments in the consolidated financial statements.

Impairment of Long-Lived Assets

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

Income Tax Status

The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a public charity in its determination letter dated November 9, 2015. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2022 and 2021. The tax returns for the 2018 year and thereafter are open to examination by federal and state authorities.

Net Assets

The University's net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

- *Net Assets without donor restrictions* – Net assets without donor restrictions include the revenues and expenses related to the University's operations. Also included are contributions not subject to donor-imposed restrictions and donor restricted contributions whose restrictions are met in the same reporting period.

- *Net Assets with donor restrictions* – Net assets with donor restrictions include contributions subject to donor-imposed restrictions that are perpetual in nature, purpose restricted or time-restricted. Net assets are released from donor restrictions either by actions of the University pursuant to those restrictions or the passage of time.

Commitments and Contingencies

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

Insurance/Self-Insurance

The University uses a combination of insurance and self-insurance for a number of risks, including claims related to employee health care, workers' compensation, general liability, and business interruption. Liabilities associated with these risks will be estimated based on, among other things, historical claims experience, severity factors, and other actuarial assumptions. The University's loss exposure related to self-insurance will be limited by stop loss coverage on a per occurrence and aggregate basis. The University regularly analyzes its reserves for incurred but not reported claims, and for reported but not paid claims related to self-funded insurance programs. While the University believes its reserves are adequate, significant judgment is involved in assessing these reserves such as assessing historical paid claims, average lags between the claims' incurred date, reported dates and paid dates, and the frequency and severity of claims. There may be differences between actual settlement amounts and recorded reserves and any resulting adjustments will be included as an expense once a probable amount is known.

Concentration of Credit Risk

The University believes the credit risk related to cash and cash equivalents and investments is limited due to its adherence to an investment policy that requires investments to have an upper medium investment grade rating, depending on the type of security, by one major rating agency at the time of purchase. All of the University's cash and cash equivalents and investments as of June 30, 2022 and 2021, are in cash positions with multiple reputable financial institutions. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash balances, which are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250. At June 30, 2022 and June 30, 2021, the University had $414,292 and $436,875 of cash and cash equivalents, respectively, in excess of the FDIC insured limit.

A majority of the University's revenues are derived from tuition financed under the Title IV programs of the Higher Education Act of 1965, as amended (the "Higher Education Act"). The financial aid assistance programs are subject to political and budgetary considerations and are subject to extensive and complex regulations. The University's administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potentially adverse actions including a suspension, limitation, or termination proceeding, which could have a material adverse effect on the University.

Students obtain access to federal student financial aid through a Department of Education prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs first to pay their tuition and fees. Any remaining funds are distributed directly to the student.

Revenue Recognition

<u>Net tuition and fees</u>

On July 1, 2019, the University adopted "Revenue from Contracts with Customers" using the modified retrospective method applied to all contracts. Net tuition and fee revenues consist primarily of tuition, net of scholarships, and fees, including meals and housing, derived from courses taught by the University online, on ground, and at facilities it leases or those of employers, as well as from related educational resources that the University provides to its students, such as access to online materials. Tuition revenue is recognized pro-rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs once a student starts attending a course. The University also charges online students an upfront learning management fee, which is deferred and recognized over the initial course. The University recognizes housing revenue over the period the ground student is utilizing the services. The University recognizes meals or food sales at the time of delivery or at a point in time. The University has no costs that are capitalized to obtain or to fulfill a contract with a customer. Auxiliary enterprises include revenues from the University hotel, golf course, arena, retail stores and the promotions enterprises and are recognized at the time of delivery or service as these services were transferred at a point in time. Contribution and grants, including gifts of cash and other assets are recorded as with or without donor restrictions based on the existence and/or nature of any donor restrictions. Other income includes interest earned on cash and cash equivalents. For the years ended June 30, 2022 and 2021, the University's net tuition and fee revenue was reduced by approximately $331,497 and $308,323, respectively, as a result of scholarships that the University offered to students. Sales tax collected from students is excluded from net revenues. Collected but unremitted sales tax is included as an accrued liability in our consolidated statement of activities.

(In thousands)

The following table presents our revenues, without and with restrictions, disaggregated by the nature of transfer of services for the years ended June 30, 2022 and 2021:

	As of June 30,	
	2022	**2021**
Tuition revenues (tuition, housing, meals, and fees)	$ 1,591,912	$ 1,553,898
Contributions and grants	32,974	18,847
Contributions of nonfinancial assets	3,154	103
Auxiliary enterprises (golf, hotel, arena, Lope Shops, other)	14,417	10,077
Other revenues	6,520	3,324
Total revenues	1,648,977	1,586,249
Scholarships	(331,497)	(308,323)
Net Revenues	$ 1,317,480	$ 1,277,926

The University's student account receivables represent unconditional rights to consideration from its contracts with students; accordingly, students are not billed until they start attending a course and the revenue recognition process has commenced. Once a student has been invoiced, payment is due immediately. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, fees, etc. The University does not have any contract assets. The University's contract liabilities were reported as deferred revenue and student deposits in the consolidated statements of financial position. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the consolidated statements of activities and are reflected as current liabilities in the accompanying consolidated statements of financial position. The University's education programs have starting and ending dates that differ from its fiscal year end. Therefore, at the end of the fiscal year, a portion of revenue from these programs was not yet earned.

The University identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services were provided to our students. The University identified performance obligations related to its hotel, golf course, restaurants, sale of branded promotional items and other auxiliary enterprises and recognized revenue at the point in time goods or services are provided to its customers. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the University's policy to the extent in conflict. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. However, for students that have taken out financial aid to pay their tuition and for which a return pursuant to Title IV of the Higher Education Act is required as a result of his or her withdrawal, the University recognizes revenue after a student withdraws only at the time of cash collection. The University has elected the short-term contract exemption with respect to its performance obligations under its contracts with students as all such contracts have original terms of less than one year.

Contributions and Grants

On July 1, 2020, the University adopted the accounting guidance for contributions received and contributions made using a modified prospective basis. Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

(In thousands)

On March 27, 2020, the CARES Act was passed which authorized funding under the Higher Education Emergency Relief Fund ("HEERF") to Institutions of Higher Learning. These funds were divided into a "Student Portion" and "Institutional Portion". The Student Portion is required to be provided as emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus. The Institutional Portion is to be used to reimburse the University for costs it incurred related to disruption on campus. The University decided to use the Institutional Portion to provide additional student grants and other expenditures for the direct benefit of students. As of June 30, 2021, the University completed the disbursement of the entire $11,176 in emergency financial aid grants to eligible students. In addition, the University received the Institutional Portion of the CARES Act funds in the amount of $11,176. The University retained $3,273 to offset housing refunds issued to students in the Spring semester of 2020. The remaining amount of $7,903 was disbursed directly to students as additional emergency financial aid grants.

The Higher Education Emergency Relief Fund II ("HEERF II") was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act 2021 and was signed into law on December 27, 2020. In addition, the Higher Education Emergency Relief Fund III ("HEERF III") was authorized by the American Rescue Plan and was signed into law on March 11, 2021. The University, as a proprietary institution, was required to use these funds to provide additional emergency financial aid grants to students. The University received a total allotment of $28,855 from these grants. During the year ended June 30, 2022, the University received $26,551 in HEERF II and HEERF III grant funds and disbursed $26,551 to qualified students.

<u>Contributions of nonfinancial assets</u>

On July 1, 2021, the University adopted a new accounting standard that increases the transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by not-for-profit entities are to be used and how they are valued on a retrospective basis. Contributions of nonfinancial assets are primarily received by GCU CityServe in new condition and are recorded at estimated retail value of identical or similar products purchased from donor retailers upon receipt of the goods. GCU CityServe is the network affiliate for the state of Arizona and works with national retailers and suppliers to distribute these donated nonfinancial assets, primarily household goods, through local churches and faith-based organizations.

Contributed nonfinancial assets received during the years ended June 30, 2022 and 2021 were as follows:

Gifts-in-Kind Revenue

	2022	2021
Household goods	$ 3,064	$ -
Medical supplies	34	-
Production equipment	-	97
Services	-	1
Other	56	5
	$ 3,154	$ 103

Accounting Pronouncements Adopted in 2022 and 2021

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and a lease liability on the consolidated statement of financial position for all leases with lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. On

July 1, 2021, the University adopted the ASU using the modified retrospective transition approach and elected the transition option to recognize the adjustment in the period of adoption rather than in the earliest period presented. Adoption of the new guidance resulted in an increase in right-of-use ("ROU") assets and lease liabilities of $27,999. As part of the adoption process the University made the following elections:

- The University elected the hindsight practical expedient, for all leases.
- The University elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs for all leases.
- The University elected to make the accounting policy election for short-term leases resulting in lease payments being recorded as an expense on a straight-line bases over the lease term.
- The University has lease agreements with lease and non-lease components, and the non-lease components are accounted for separately and not included in ROU assets and lease liabilities.

ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The University's leases do not provide an implicit rate. The University uses a risk-free discount rate for its leases as determined using a period comparable to that of the expected lease term at the commencement date. At lease inception, the University determines the lease term by assuming no exercises of renewal options, due to the University's intent not to renew. Leases primarily consist of retail space the University plans to develop for future educational campuses, golf carts and office equipment. Refer to Note 8 to our consolidated financial statements for further disclosures regarding the impact of adopting this standard.

In September 2020, the FASB issued "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*." This guidance increases the transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by not-for-profit entities are to be used and how they are valued. Under the standard, contributed nonfinancial assets will be presented as a separate line in the consolidated statement of activities apart from contributions of cash and other financial assets and specific disclosures will be required regarding the contributed nonfinancial assets. This standard is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. On July 1, 2021, the University adopted this standard on a retrospective basis, which resulted in an additional caption in the consolidated statement of activities for nonfinancial contributions and additional footnote disclosures.

Recent Accounting Pronouncements

In June 2016, the FASB issued "*Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*". This guidance revises the accounting requirements related to the measurement of credit losses on financial instruments and the timing of when such losses are recorded. This standards adoption date was extended in November 2019 with ASU 2019-10. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021. Early adoption is permitted for fiscal years and interim periods within those years, beginning after December 15, 2019. Accordingly, the standard is effective for the University on July 1, 2022, using a modified retrospective approach, and the University is currently evaluating the impact that the standard will have on its consolidated financial statements.

The University 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. Information About Financial Assets and Liquidity

The University's financial assets, without donor or other restrictions limiting their use, available within one year of the consolidated statement of financial position date for general expenditure are as follows:

(In thousands)

Total assets at year end	$ 1,966,320
Less:	
Cash deposit with Trustee	56,599
Pledges receivable due in more than one year, net	1,168
Other assets, current and long-term	7,564
Finance lease ROU asset	26,487
Operating lease ROU asset	106
Intangible assets, net	100,000
Property and equipment, net	1,358,437
	$ 415,959

The University has $415,959 of financial assets that are available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures consisting of cash of $228,575, investments of $167,155, student accounts receivable, net of $13,485, pledges receivable of $1,600 and other receivables of $5,144. The University's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

5. Investments

As of June 30, 2022, the University had investments of $167,155, carried at fair market value. As of June 30, 2021, the University had no investments.

As of June 30, 2022, the Company had investments comprised of the following:

	As of June 30, 2022			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Corporate bonds	$ 74,629	-	(192)	$ 74,437
Commercial paper	72,799	-	(94)	72,705
Treasury bills	20,034	-	(21)	20,013
Total investments	$ 167,462	-	(307)	$ 167,155

All corporate bonds, commercial paper and treasury bills are due in one year or less as of June 30, 2022.

6. Allowance for Doubtful Accounts

	Balance at Beginning of Year	Charged to Expense	Deductions [(1)]	Balance at End of Year
Year ended June 30, 2022	$ 8,619	25,749	(25,752)	$ 8,616
Year ended June 30, 2021	$ 6,621	22,525	(20,527)	$ 8,619

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

(In thousands)

7. Property and Equipment

Property and equipment consist of the following:

	As of June 30, 2022	As of June 30, 2021
Land and land improvements	$ 161,482	$ 147,665
Buildings and facilities	1,121,360	989,472
Athletic facilities	114,855	114,855
Computer equipment	38,229	33,592
Furniture, fixtures and equipment	54,836	49,412
Other	1,241	2,037
Construction in progress	53,985	97,640
	1,545,988	1,434,673
Less accumulated depreciation and amortization	(187,551)	(138,378)
Property and equipment, net	$ 1,358,437	$ 1,296,295

Depreciation and amortization expense associated with property and equipment totaled $49,819 for the year ended June 30, 2022 and totaled $50,647 for the year ended June 30, 2021 which included assets under capital lease. The following additional information for property, plant and equipment is required to support the calculation of the composite score in the Supplementary Information Financial Responsibility Supplemental Schedule:

Pre-implementation property, plant and equipment:	
Property, plant & equipment as of June 30, 2021	$ 1,004,358
Less: 2022 depreciation expense	(35,233)
Less: 2022 disposals	(110)
Pre-implementation property, plant and equipment as of June 30, 2022	$ 969,015
Post-implementation property, plant and equipment acquired with debt:	
Property, plant & equipment as of June 30, 2021	$ 113,859
Property, plant & equipment acquired during the year ended June 30, 2022	115,452
Less: 2022 depreciation expense	(8,159)
Less: 2022 disposals	(790)
Post-implementation property, plant and equipment as of June 30, 2022	$ 220,362
Construction in progress as of June 30, 2022	$ 53,985
Post-implementation property, plant and equipment acquired without debt:	
Property, plant & equipment as of June 30, 2021	$ 80,438
Property, plant & equipment acquired during the year ended June 30, 2022	41,066
Less: 2022 depreciation expense	(6,427)
Less: 2022 disposals	(2)
Post-implementation property, plant and equipment as of June 30, 2022	$ 115,075

8. Leases

The University has finance leases primarily consisting of retail space the University plans to develop for future educational campuses, golf carts and office equipment and one operating lease for retail space. At lease inception, we determined the lease term by assuming no exercises of renewal options. Leases with an initial term of 12 months or less are not recorded in the consolidated statements of financial position and we recognize lease expense for these leases on a straight-line basis over the lease term. The University has lease costs of $2,062 for the year ended June 30, 2022. The consolidated financial statements for years before July 1, 2021 are not presented on the same accounting basis with respect to leases. There was an immaterial amount of future lease obligations as of June 30, 2021 of $494, which was reclassed to ROU financing assets as of July 1, 2021. For the purposes of the Financial Responsibility Supplemental Schedule, all leases were considered post-implementation.

(In thousands)

As of June 30, 2022, the University had no non-cancelable finance or operating lease commitments.

The University's most significant finance lease was signed on July 1, 2021, whereby the University entered into a lease of land and buildings in an area adjacent to the University's campus in Phoenix, Arizona. The lease provides the University with the option to purchase the land and building after May 1, 2022 for a purchase price of $31,500. The University intends to take the purchase option for the land and building in January 2025 for a reduced purchase price of $27,000. Accordingly, the lease was adopted assuming that the purchase occurs in January 2025. The lease also provides the landlord the option to require the University to purchase the property in the last two years of the lease. The term of the lease is 15 years with the expiration on July 31, 2036.

		2022
Lease Expense:		
Finance lease expense		
	Amortization on ROU assets	$ 1,948
	Interest on lease liabilities	35
Operating lease expense		80
Short-term lease expense		-
Variable lease expense		-
Total		$ 2,063
Other Information		
Cash paid for amounts included in the measurement of lease liabilities		
	Financing cash flows from finance leases	$ 501
	Operating cash flows from finance leases	$ 6
	Operating cash flows from operating leases	$ 79
ROU assets obtained in the exchange for lease liabilities		
	New finance lease liabilities	$ 27,814
	New operating lease liabilities	$ 185
Weighted-average remaining lease terms (in years)		
	Finance leases	2.59
	Operating leases	1.34
Weighted-average discount rate		
	Finance leases	0.58%
	Operating leases	0.47%

Maturities of lease liabilities as of June 30, 2022 were as follows:

		Finance	**Operating**
	7/1/2022 - 6/30/2023	$ 572	$ 81
	7/1/2023 - 6/30/2024	466	27
	7/1/2024 - 6/30/2025	27,322	-
	Total	28,360	108
	Less: Present value discount	(398)	(1)
	Lease liability	$ 27,962	$ 107

(In thousands)

9. Intangible Assets

Intangible assets consist of the following:

	As of June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net
Trade name and accreditations	$ 88,000	$ —	$ 88,000
Developed curricula	18,000	(6,000)	12,000
Student relationships	39,000	(39,000)	—
Intangible assets, net	$ 145,000	$ (45,000)	$ 100,000

Trade name and accreditations has an indefinite useful life and will not be amortized by the University. Developed curricula has an estimated useful life of 12 years. Student relationships had an estimated useful life of 3 years. Trade names are all individually renewable for each asset at varying dates ranging from October 2022 to April 2028. Amortization expense associated with intangible assets for the years ending June 30, 2022 and 2021 totaled $1,500 and $14,500, respectively.

Amortization expense for developed curricula for the years ending June 30:

2023	$ 1,500
2024	1,500
2025	1,500
2026	1,500
2027	1,500
Thereafter	4,500
	$ 12,000

10. Bonds Payable, Notes Payable and Other Noncurrent Liabilities

In July 2018, the University issued to GCE a senior secured note (the "Secured Note") that was governed by a credit agreement between the University and GCE (the "Credit Agreement"). The Credit Agreement contained standard covenants that, among other things, restricted the University's ability to incur additional debt or make certain investments, required the University to maintain compliance with certain applicable regulatory standards, and required the University to achieve certain financial ratios and maintain certain financial conditions. The Secured Note bore interest at an annual rate of 6.0%, had a maturity date of June 30, 2025, and was secured by all the assets of the University. The Secured Note provided for the University to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity, and also provided that GCE will loan additional amounts to the University to fund approved capital expenditures during the first three years of the term on the terms set forth therein.

On October 29, 2021, the University issued to Barclays Capital Inc., as purchaser, its Taxable Bond Anticipation Note, Series 2021A (the "2021A Note"), in the aggregate principal amount of $500,000 in order to refinance a portion of the Credit Agreement in the amount of $500,000.

On December 9, 2021, the University's Taxable Bonds, Series 2021B (the "2021B Bonds") were issued under a Trust Indenture dated as of December 1, 2021 (the "Bond Indenture") by and between the University and UMB Bank, National Association, as bond trustee (the "Bond Trustee"). The 2021B Bonds were issued by the University to provide funds to (i) refinance the 2021A Note in the amount of $500,000; (ii) refinance the remaining Credit Agreement between the University and GCE of $469,912; and refinance the amounts owed by the University on a revolving credit facility under the Credit Agreement of $230,090. The 2021B Bonds bear interest from the date of issuance, payable on October 1 and April 1 in each year until maturity or earlier redemption and principal payments are payable October 1 each year. The 2021B Bonds require the pledge of certain revenues as collateral for repayment, pledged certain University assets as collateral, and contain restrictive covenants, including a minimum level of debt service coverage and days cash on hand. The University was in compliance with all covenants for the year ended June 30, 2022. All outstanding bond issues were issued based on the creditworthiness of the University.

(In thousands)

	As of June 30,	
	2022	2021
Bonds and Notes Payable		
Bond issue 2021B, due October 1, 2023, interest at 3.25%	$ 100,000	$ —
Bond issue 2021B, due October 1, 2024, interest at 4.125%	500,000	—
Bond issue 2021B, due October 1, 2026, interest at 4.375%	200,000	—
Bond issue 2021B, due October 1, 2028, interest at 5.125%	400,000	—
Note payable, monthly interest payment; (interest at 6.0% at June 30, 2021)	—	870,097
Note payable 2021 capital expenditures, line of credit (interest at 6.0% June 30, 2021)	—	115,000
Note payable 2020 capital expenditures, line of credit (interest at 6.0% June 30, 2021)	—	75,000
Note payable 2019 capital expenditures, line of credit (interest at 6.0% June 30, 2021)	—	99,815
Total Bonds and Notes Payable	1,200,000	1,159,912
Less: Unamortized debt issuance costs	(24,499)	—
Bonds and Notes Payable, net of issuance costs	1,175,501	1,159,912
Less: current portion of Bonds Payable, net of issuance costs	(46,132)	—
Long-term Bonds and Notes Payable, net of issuance costs	$ 1,129,369	$ 1,159,912

Payments due under the bonds payable, net of issuance costs for the years ending June 30:

2023	$ 46,132
2024	46,131
2025	546,132
2026	46,132
2027	96,132
Thereafter	394,842
	$ 1,175,501

UMB Credit Facility

In June 2022, the University entered into a $120,000 credit agreement with UMB Bank, N.A ("UMB Credit Facility") for the purpose of financing capital expenditures. The UMB Credit Facility was issued under the Bond Indenture and consists of a $50,000 revolving credit facility ("UMB LOC") and a $70,000 term loan facility ("UMB Term Loan"). As of June 30, 2022, the University received proceeds of $50,000 on the UMB LOC, which bears interest at the one-month term Standard Overnight Federal Rate ("SORF) plus 2.15% and has a maturity date of June 10, 2025. As of June 30, 2022, the interest rate on the UMB LOC was 3.43%. The UMB Term Loan bears interest at 5.14% and has a maturity date of June 10, 2027. There are no borrowings on the UMB Term Loan as of June 30, 2022.

Supplemental Information for the Financial Responsibility Supplemental Schedule

The following additional information for long-term debt is required to support the calculation of the composite score in the Supplementary Information Financial Responsibility Supplemental Schedule:

(In thousands)

Pre-implementation Long-term Debt:		
Balance as of June 30, 2021	$	969,911
Balance as of June 30, 2022	$	969,015
Allowable Post-implementation Long-term debt:		
Post-Implementation Long-Term Debt as of June 30, 2021	$	113,858
Post-Implementation Long-Term Debt as of June 30, 2022	$	220,362
Construction in progress-debt at June 30, 2022	$	47,164
Post-implementation Long-term debt not for the purpose of Property, Plant & Equipment or liability greater than asset value:		
Long-term debt as of June 30, 2021	$	5,749
Long-term debt as of June 30, 2022	$	13,709

Other Notes Payable and Capital Leases

The University has a LURA payable with semi-annual payments of $50, extending through 2024 at a 0% interest rate. The current portion of this liability is $150 for both of the years ended June 30, 2022 and 2021 and the long-term portion is $100 and $200 as of June 30, 2022 and 2021, respectively. As of June 30, 2021 the current and long-term portion for capital leases were $207 and $295, respectively. The University adopted ASU No. 2016-02 on July 1, 2021 and the capital leases were reclassed and appropriately recorded as a finance lease ROU asset.

11. Net Assets

Net assets are classified as net assets with donor restrictions and net assets without donor restrictions. The net assets with donor restriction in the years ended June 30, 2022 and 2021 are primarily related to grants which are deemed to be nonexchange (nonreciprocal) transactions. Under this guidance, revenue related to conditional grants is recorded when the conditions are met as specified in the grant agreement. The University reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period. Restricted grants are recorded as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions. The net assets with donor restrictions also include scholarship programs that are awarded to qualified students of the University. Included in the other category are net assets subject to donor-imposed restrictions to be maintained permanently by the University, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations. A breakdown of these net assets without and with donor restrictions is as follows:

	As of June 30,	
	2022	**2021**
Net assets without donor restrictions:		
Designated by the Board	$ —	$ —
Undesignated	448,850	437,442
	$ 448,850	$ 437,442
Net assets with donor restrictions subject to expenditure for specified purposes:		
Scholarships	$ 2,138	$ 1,402
Grants	2,825	3,085
Other	2,303	1,224
	$ 7,266	$ 5,711

12. Commitments and Contingencies

Legal Matters

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

Except for identified liabilities assumed by the University, GCE retained responsibility for all liabilities of the business arising from pre-closing operations.

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

13. Compensation Plans

Deferred Compensation Plan

The University has established a deferred compensation plan as of July 1, 2018 (the "Deferred Compensation Plan"). With each award, the University accrues for the payout over the vesting period including accrued interest at a rate of 5% per annum (each year). Participants vest in their accounts in accordance with the vesting schedule set forth in their participation agreements. As amounts vest, the University will make distributions equal to the vested amounts to participants within 90 days of the end of the Plan Year (July 1-June 30) in which the vesting occurred. A participant who terminates employment prior to becoming vested will forfeit his or her account balance. For the years ended June 30, 2022 and 2021, the University expensed $2,344 and $3,669, respectively, for accrued deferred compensation.

401(k) Plan

The University has established a 401(k) Defined Contribution Benefit Plan (the "401(k) Plan"). All employees who are age of 21 or older are eligible to participate in the 401(k) Plan. Eligible employees may elect to make tax-deferred contributions subject to limitations imposed under the Internal Revenue Code and the University has the right to match those contributions. Participant accounts are generally distributed to participants following their termination of employment. The University made discretionary matching contributions to the 401(k) Plan of $1,887 and $1,832 for the calendar years ended December 31, 2021 and 2020, respectively. The University has accrued $1,012 and $925 for its calendar year contribution to the 401(k) Plan as of June 30, 2022 and 2021, respectively.

(In thousands)

14. Functional Expenses

The following table presents expenses by both their nature and function:

	For the Year Ended June 30, 2022				
	Instructional Program Services	Fundraising	Auxiliary Enterprises	General & Administrative	Total
Employee and faculty compensation and benefits	$ 218,825	$ 889	$ 6,915	$ 13,711	$ 240,340
Occupancy costs	14,344	13	1,325	5,208	20,890
Bad debt expense	25,749	—	—	—	25,749
Cost of sales	58,630	—	8,833	—	67,463
Other operating expenses	62,282	846	1,837	8,029	72,994
Interest expense	51,509	49	2,972	952	55,482
Depreciation and amortization	49,453	47	2,853	914	53,267
Total University operations	$ 480,792	$ 1,844	$ 24,735	$ 28,814	$ 536,185
Educational service fee	768,332				768,332
Total expenses	$ 1,249,124	$ 1,844	$ 24,735	$ 28,814	$ 1,304,517

	For the Year Ended June 30, 2021				
	Instructional Program Services	Fundraising	Auxiliary Enterprises	General & Administrative	Total
Employee and faculty compensation and benefits	$ 209,666	$ 861	$ 6,511	$ 12,728	$ 229,766
Occupancy costs	12,876	—	1,215	4,248	18,339
Bad debt expense	22,525	—	—	—	22,525
Cost of sales	47,597	—	4,745	—	52,342
Other operating expenses	35,750	463	1,376	6,884	44,473
Interest expense	53,515	59	2,778	1,314	57,666
Depreciation and amortization	60,457	66	3,139	1,485	65,147
Total University operations	$ 442,386	$ 1,449	$ 19,764	$ 26,659	$ 490,258
Educational service fee	755,256	—	—	—	755,256
Total expenses	$ 1,197,642	$ 1,449	$ 19,764	$ 26,659	$ 1,245,514

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. Expenses reported by functional categories include allocations of costs for depreciation and amortization, and interest on indebtedness. The University applies various methods to allocate costs among the program and support functions, the most significant of which is by specific identification for depreciation and amortization. The University's property, plant and equipment were specifically identified for instructional program services and auxiliary enterprises. The allocation methodology used for the remaining shared depreciable assets including computer equipment, furniture and fixtures, and vehicles, were allocated based on headcount to instructional program services, fundraising, and general and administrative. The allocation of interest on indebtedness was done utilizing the same total allocation percentages derived for depreciation and amortization expense. The educational service fee was allocated entirely to instructional program services. The educational service fee is calculated as 60% of total revenue, excluding fundraising (see Note 2) as defined in the Master Services Agreement. Under this agreement, GCE provides technological, counseling, marketing, financial aid processing and other support services to support the operation of the University as a whole. Therefore, it is not meaningful or practical to users of the financial statements to allocate the educational service fee to anything other than instructional program services. Since the educational service fee is significant to total operating expenses, the University provided a total for University operations, which correlates with its consolidated statement of activities presentation, and total expenses which includes the educational service fee.

15. Regulatory

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

To participate in the Title IV programs, an institution must comply with specific requirements contained in the Higher Education Act and the regulations issued thereunder by the Department. An institution must, among other things, be licensed or authorized to offer its educational programs by the state in which it is physically located (in the University's case, Arizona) and maintain institutional accreditation by an accrediting commission recognized by the Department of Education (in the University's case, the Higher Learning Commission).

The Department will certify an institution to participate in the Title IV programs only after the institution has demonstrated compliance with the Higher Education Act and the Department's extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to the Department on an ongoing basis. On November 6, 2019, the University received notice that the Department of Education approved the change of ownership application and approved the University's continued participation in the Title IV, HEA programs as a for-profit institution. The TPPPA expired on November 30, 2019, and a new Provisional Program Participation Agreement ("PPPA") was signed on November 14, 2019 that allows the University to continue to participate in Title IV programs through September 30, 2022. As required, the University filed a renewal application three months in advance of the scheduled expiration date. Institutions are routinely given a month-to-month extension on their PPA until the Department has completed its review of the application.

The University has been regionally accredited by the Higher Learning Commission ("HLC") and its predecessor since 1968, most recently obtaining reaccreditation in 2017 for the ten-year period through 2027. Following a comprehensive review of the institution's academic offerings, governance and administration, mission, finances and resources during 2016, the University's accreditation was reaffirmed by the HLC's Institutional Actions Council at its meeting on February 28, 2017, with no requirements for any monitoring or interim reports. The comprehensive review occurs every 10 years, along with a mid-term review in year four. As of June 30, 2021, the University believes that it is in compliance with the applicable HLC standards in all material respects.

In addition to the University's institutional accreditation with HLC, the University has specialized accreditations for certain programs, including from the Association for Advancing Quality in Educator Preparation (AAQEP), Accreditation Board for Engineering and Technology (ABET), the Accreditation Council for Business Schools and Programs (ACBSP), the Accreditation Council for Education in Nutrition and Dietetics (ACEND), Association of Theological Schools (ATS), the Commission on Accreditation of Athletic Training Education (CAATE), the Council on Social Work Education (CSWE), the Commission on Collegiate Nursing Education (CCNE), the National Addiction Studies Accreditation Commission (NASAC), and the Society for Simulation in Healthcare (SSIH). The University also has approval from the Certified Financial Planner Board of Standards (CFP Board) of the Bachelor of Science in Finance with an Emphasis in Financial Planning program and designation from the Centers of Academic Excellence Cyber Defense (CAE-CD) of the Bachelor of Science in Information Technology with an Emphasis in Cybersecurity program.

The University is licensed and authorized to offer its programs by the Arizona State Board for Private Postsecondary Education, the regulatory agency governing private post-secondary educational institutions in the State of Arizona, where the University is located.

The University is an approved institutional participant in the State Authorization Reciprocity Agreement ("SARA"). SARA is an agreement among member states, districts and territories that establishes comparable national standards for interstate offering of post-secondary distance education courses and programs. It is intended to make it easier for students to take online courses offered by post-secondary institutions based in another state. SARA is overseen by a national council (NC-SARA) and administered by four regional education compacts. Arizona is a member of the western SARA compact. There is a yearly renewal for participating in NC-SARA and AZ-SARA and institutions must agree to meet certain requirements to participate. As of June 30, 2021, 49 states are members of SARA. The only state that does not participate in SARA is the State of California, but the University is exempt from registering or being approved by California's Bureau for Private Post-Secondary Education. The University currently enrolls students in all 50 states and the District of Columbia.

Many states have specific requirements that an individual must satisfy in order to be licensed as a professional in specified fields, including fields such as education, healthcare, and counseling. These requirements vary by state and by field. A student's success in obtaining licensure following graduation typically depends on several factors, including the background and qualifications of the individual graduate. Many states also require that graduates pass a state test or examination as a prerequisite to becoming certified in certain fields, such as teaching and nursing. Many states will certify individuals if they have already been certified in another state. The University's College of Education is approved by the Arizona State Department of Education to offer Institutional Recommendations (credentials) for the certification of early childhood, elementary, secondary, and special education teachers and school administrators. The University's College of Nursing and Health Care Professions is approved by the Arizona State Board of Nursing for the Bachelor of Science in Nursing and advanced practice Master of Science in Nursing degrees for Family Nurse Practitioner and Acute Care Nurse Practitioner. Due to varying requirements for professional licensure and certification in states other than Arizona, the University informs students of the requirements associated with obtaining professional licensure or certification and whether, in the University's assessment of those requirements, its programs meet the various requirements through the enrollment agreement, state specific disclosures, and its website. Ultimately, since the majority of licensure is dependent on the student, each student would have to determine how their total education and or experience applies to state, local or professional licensure and certification requirements in his or her individual state.

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

90/10 Disclosure

The University derives a substantial portion of its revenues from student financial aid received by its students under the Title IV programs administered by the Department of Education pursuant to the Higher Education Act. To continue to participate in the student financial aid programs the University must comply with the regulations promulgated under the Higher Education Act. For proprietary schools, the regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from Title IV programs (the "90/10 revenue test"). If an institution fails to satisfy the test for one year, its participation status becomes provisional for two consecutive fiscal years. If the test is not satisfied for two consecutive years, eligibility to participate in Title IV programs is lost for at least two fiscal years. Using the Department of Education's cash-basis, regulatory formula for the 90/10 Rule as in effect for its 2022 and 2021 fiscal years, the University derived 66.2% and 69.7%, respectively, of its 90/10 revenue from Title IV program funds for the fiscal years ended June 30, 2022 and 2021.

Composite Score

The Department of Education and Higher Education Act require institutions to meet standards of financial responsibility. The composite score for an institution's most recent fiscal year must be at least 1.5 for the institution to be deemed financially responsible. For the years ended June 30, 2022 and 2021, the University's composite score was 1.8 and 1.9, respectively, using the proprietary school calculation.

16. Related Party Transactions

During the years ended June 30, 2022 and 2021, the University did not engage in transactions with companies owned by or affiliated with members of the Board of Trustees. During the year ended June 30, 2022, the University received a total of $143 from officers of the University. $112 of these donations were designated as restricted for scholarships for students and $31 were designated to GCU CityServe. During the year ended June 30, 2021, the University received a total of $3 in donations from members of the Board of Trustees and a total of $67 from officers of the University. These donations were designated as restricted for scholarships for students.

17. Subsequent Events

Events and transactions have been evaluated by the University for possible adjustment and/or disclosure through the date of this report.

SUPPLEMENTARY INFORMATION

Grand Canyon University
Supplementary Information
(Information Required by the U.S. Department of Education)
For the years ended June 30, 2022 and 2021
(In thousands)

Related-Party Transactions

Related-party transaction include transactions between the University and certain members of its Board of Trustees and its affiliates. As the University participates in the Title IV programs administered by the Department of Education pursuant to the Higher Education Act, the University must comply with the regulations promulgated under the Higher Education Act. Those regulations require that all related-party transactions be disclosed, regardless of their materiality to the financial statement. During the years ended June 30, 2022 and 2021, the University did not engage in transactions with companies owned by or affiliated with members of the Board of Trustees. During the year ended June 30, 2022, the University received a total of $143 from officers of the University. $112 of these donations were designated as restricted for scholarships for students and $31 were designated to GCU CityServe. During the year ended June 30, 2021, the University received a total of $3 in donations from members of the Board of Trustees and a total of $67 from officers of the University. These donations were designated as restricted for scholarships for students.

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The University derives a substantial portion of its revenues from student financial aid received by its students under the Title IV programs administered by the Department of Education pursuant to the Higher Education Act. To continue to participate in the student financial aid programs the University must comply with the regulations promulgated under the Higher Education Act. For proprietary schools, the regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from Title IV programs (the “90/10 revenue test”). If an institution fails to satisfy the test for one year, its participation status becomes provisional for two consecutive fiscal years. If the test is not satisfied for two consecutive years, eligibility to participate in Title IV programs is lost for at least two fiscal years. Using the Department of Education’s cash-basis, regulatory formula under the 90/10 Rule as current in effect for its 2022 and 2021 fiscal years, the University derived approximately 66.2% and 69.7%, respectively, of its 90/10 revenue from Title IV program funds.

Financial Responsibility

The U.S. Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These disclosures are not required by accounting principles generally accepted in the United States of America but are intended for use by the U.S. Department of Education and to ensure compliance with Federal Title IV regulations.

For the year ended June 30, 2022, the Company’s composite score was 1.8, as calculated on page 37.

The information presented on pages 30 through 37, is required by the U.S. Department of Education and presented for purposes of additional analysis and is not a required part of the basic financial statements.

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Supplementary Information, continued
(Information Required by the U.S. Department of Education)
For the year ended June 30, 2022
(In thousands)

TITLE IV 90/10 REVENUE PERCENTAGE

	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue		
Subsidized loan	$ 185,146,415	$ 185,146,415
Unsubsidized loan	803,061,544	803,061,544
Plus loan	51,096,433	51,096,433
Federal Pell Grant	194,392,446	194,392,446
FSEOG	4,484,811	4,484,811
Other Federal Grants	11,045,517	11,045,517
Student Title IV Revenue	$ 1,249,227,166	$ 1,249,227,166
Revenue adjustment		(261,919,828)
Title IV funds returned for a student under 34 C.F.R. §668.22		(150,178,370)
Adjusted Student Title IV Revenue		837,128,968
Student Non-Title IV Revenue		
Grant funds for the students from non-Federal public agencies or private sources independent of the school	10,259,371	
Fund provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals	—	
Student payments on current charges	416,847,297	
Total Student Non-Title IV Revenue	427,106,668	
Revenue From Other Sources (Totals for the Fiscal Year)		
Activities conducted by the institution that are necessary for education and training (34 C.F.R. § 668.28 (a) (3) (ii))	—	
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training program that is not eligible (34 C.F.R. § 668.28 (a) (3) (iii))	—	
Total Revenue From Other Sources	—	
Total Non-Title IV Revenue (Student Non-Title IV Revenue +Revenue From Other Sources)		427,106,668
Total Revenue (Adjusted Student Title IV Revenue + Total Non-Title IV Revenue + Revenue From Other Sources)		$ 1,264,235,636
Title IV 90/10 Revenue Percentage		66.22 %

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Supplementary Information, continued
(Information Required by the U.S. Department of Education)
For the year ended June 30, 2022
(In thousands)
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Lines		**Primary Reserve Ratio:**		
		Adjusted Equity		
31	Balance Sheet - Total Equity	Total equity		456,116
5, 6, 11	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	-	
5, 11	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-
9	Balance Sheet - Property, Plant and Equipment, net	Property, plant and equipment, net - including construction in progress	1,358,437	
FS Note line 9A	Note of the Financial Statements - Balance Sheet - Property, Plant and Equipment, net - pre-implementation	Property, plant and equipment, net - pre-implementation less any construction in progress		969,015
FS Note line 9B	Note of the Financial Statements Balance Sheet - Property, Plant and Equipment, net - pre-implementation with outstanding debt for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		220,362
FS Note line 9D	Note of the Financial Statements Balance sheet - Property, Plant and Equipment, net - post-implementation without outstanding dept for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt		115,075
FS Note line 9C	Note of the Financial Statements Balance Sheet - Property, Plant, and Equipment - Construction in process	Construction in progress		53,985
10	Balance Sheet - Lease right-of-use asset	Lease right-of-use asset	26,593	
Excluded 10 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
M10 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - post-implementation		26,593
12	Balance Sheet - Goodwill	Intangible assets		100,000
28	Balance Sheet - Post-employment and pension liability	Post-employment and defined pension plan liabilities		2,500
16, 20, 21, 24, 25	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt - for long-term purposes and Construction in process debt	1,250,750	
M16, 20, 21, 24, 25 Note Debt A	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt for long-term purposes pre-implementation		969,015
Debt Note B	Balance Sheet - Notes payable and Line of Credit (both current and long-term) for purchase of Property, Plant and Equipment	Qualified Long-term debt for long-term purposes post-implementation for purchase of Property, Plant and Equipment		220,362

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Debt Note C	Balance Sheet - Notes payable and Line of Credit for Construction in process	Line of Credit for Construction in process		47,164
18, 26	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Lease right-of-use asset liability	28,069	
Excluded 18, 26 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-Implementation right-of-use leases		-
M18, 26 FS Note	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Post-Implementation right-of-use leases		28,069
41, 45, 46, 47	Statement of (Loss) Income - Total Operating Expenses, Interest Expense, Loss on Impairment of Assets and Loss on Disposal of Assets	**Total Expenses and Losses:**		1,304,517

Lines		**Equity Ratio**		
		Modified Equity		
31	Balance Sheet - Total Equity	Total equity		456,116
Excluded 18, 26 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-Implementation right-of-use leases		-
Excluded 10 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
12	Balance Sheet - Goodwill	Intangible assets		100,000
5, 6, 11	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	-	
5, 11	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-
		Modified Assets:		
14	Balance Sheet - Total assets	Total assets		1,966,320
Excluded 10 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
12	Balance Sheet - Goodwill	Intangible assets		100,000
5, 6, 11	Balance Sheet - All Related party receivable, net and Receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	-	
5, 11	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-

Lines		**Net Income Ratio:**		
49	Statement of (Loss) Income - Net Income Before Income Taxes	**Income Before Taxes**		12,963
35, 43, 44	Statement of (Loss) Income - Total Revenue, Interest income and Other miscellaneous income	**Total Revenues and Gains**		1,317,480

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Supplementary Information, continued
(Information Required by the U.S. Department of Education)
For the year ended June 30, 2022
(In thousands)

BALANCE SHEET

Line			
	Current Assets		
1	Cash and cash equivalents		$ 452,329
2	Accounts receivable, net		20,229
3	Inventory		2,827
4	Prepaid expenses		4,008
5	Related party receivable		-
6	Related party receivable, secured		-
7	Student loans receivable, net		-
8		**Total Current Assets**	479,393
9	Property, plant and equipment, net		1,358,437
10	Lease right-of-use assets, net		26,593
11	Receivable from affiliate, net		-
12	Goodwill and intangibles		100,000
13	Deposits and other		1,897
14		**Total Assets**	$ 1,966,320
	Current Liabilities		
15	Accounts payable and accrued expenses		$ 71,756
16	Line of credit - short term CIP		50,000
17	Deferred revenue and student deposits		182,079
18	Leases right-of-use asset liability		653
19	Line of credit - operation		-
20	Line of credit - for long term purposes		-
21	Current portion of debt		46,282
22		**Total Current Liabilities**	350,770
23	Line of credit - operating		-
24	Line of credit - for long term purposes		-
25	Debt		1,129,469
26	Lease right-of-use asset liabilities		27,416
27	Other liabilities		49
28	Post-employment and pension liability		2,500
29		**Total Liabilities**	1,510,204
	Equity		
30	Equity		456,116
31		**Total Equity**	456,116
32	**Total Liabilities and Equity**		$ 1,966,320

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Supplementary Information, continued
(Information Required by the U.S. Department of Education)
For the year ended June 30, 2022
(In thousands)

STATEMENT OF INCOME

Line		
	Revenue	
33	Tuition and fees, net	$ 1,302,394
34	Auxiliary enterprises revenue	14,417
35	**Total Revenue**	1,316,811
	Operating Expenses	
36	Instructional	1,148,162
37	Auxiliary enterprises	18,910
38	Fundraising	1,748
39	General and administrative	26,948
40	Depreciation and amortization	53,267
41	**Total Operating Expenses**	1,249,035
42	**Operating Income (Loss)**	67,776
	Other Income (expense)	
43	Interest income	669
44	Other income	-
45	Loss on impairment of assets	-
46	Loss on disposal of assets	-
47	Interest expense	(55,482)
48	**Total Other Income (Expense)**	(54,813)
49	**Net Income Before Income Taxes**	12,963
50	Income taxes	-
51	**Net Income (Loss)**	$ 12,963

Note for Line 10 - Lease right of use assets

A.	Lease right-of-use assets - pre-implementation	$ -	Removed from assets
B.	Lease right-of-use assets - post implementation	26,593	-
	Total	$ 26,593	-

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Supplementary Information, continued
(Information Required by the U.S. Department of Education)
For the year ended June 30, 2022
(In thousands)

Note for Line 9 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		$ 969,015
B.	Post-Implementation Property, Plant and Equipment		220,362
	Buildings & Improvements	178,882	
	Capital Leases	-	
	Computers	3,479	
	Furniture, Equipment, and Other	4,217	
	Land & Improvements	33,577	
	Vehicles	207	
C.	Construction in progress		53,985
D.	Post-Implementation Property, Plant and Equipment		115,075
	Total		$ 1,358,437

A. This is the ending balance on the last financial statement submission prior to the implementation of the regulations -- Less any depreciation or disposals
B. This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.
C. Asset value of the Construction in progress
D. Post-Implementation Property, Plant and Equipment with no outstanding debt.

Notes for Line 16, 20, 21, 24, 25 - Long-term debt for long term purposes

A.	Pre-Implementation Long-term Debt		$ 969,015
B.	Allowable Post-Implementation Long-term Debt		220,362
	Buildings & Improvements	188,003	
	Capital Leases	-	
	Computers	5,593	
	Furniture, Equipment, and Other	5,280	
	Land & Improvements	33,748	
	Vehicles	299	
C.	Construction in progress - debt		47,164
D.	Long-term debt not for the purchase of Property, Plant and Equipment or liability greater than assets value		13,709
	Total		$ 1,250,250

A. This is the ending balance of the last financial statement submission prior to the implementation of the regulations -- Less in repayments
B. This is the lessor of actual outstanding debt of each assets or the value of the asset.
C. All debt associated with Construction in progress up to the asset value for construction on progress is included
D. Long-term debt not for the purchase of Property, Plant and Equipment.

Note for Lines 18 and 26 - Lease right-of-use asset liability

A	Lease right-of-use assets liability - pre-implementation	$ -	Removed from liabilities
B	Lease right-of-use assets liability - post-implementation	28,069	-
	Total	$ 28,069	-

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Supplementary Information, continued
(Information Required by the U.S. Department of Education)
For the year ended June 30, 2022
(In thousands)

Calculating the Composite Score

	Lines		
*Primary Reserve Ratio = Adjusted Equity	31 - 12 - (5 + 11) - (9 + M10) + 28 + (M16 + M18 + M20 + M21 + M24 + M25 + M26)	236,720	**0.1815**
/Total Expenses and Losses	41 + 45 + 46 + 47	1,304,517	

*Equity Ratio = Modified Equity	31 - (5 + 11) - 12	356,116	**0.1908**
/Modified assets	14 - (5 + 11) - 12	1,866,320	

Net Income Ratio = Income Before Taxes	49	12,963	**0.0098**
/Total Revenue and Gains	35 + 43 + 44	1,317,480	

***All pre-implementation right-of-use assets and liabilities are removed from total assets and total liabilities**
M# - Modified for the right-of-use liabilities pre-implementation and post implementation debt not directly related to purchase of assets.

Step 1: Calculate the strength factor score for each ratio by using the following algorithms

Primary Reserve strength factor score = 20 x the primary reserve ratio result
Equity strength factor score = 6 x the equity ratio result
Net Income strength factor score = 1 + (33.3 x net income ratio result)

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3
If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 30% x the primary reserve strength factor
Equity weighted score = 40% x the equity strength factor score
Net income weighted score = 30% x the net income strength factor score
Composite Score = the sum of all weighted scores
Round the composite score to one digit after the decimal point to determine the final score

RATIO	**Ratio**	**Strength Factor**	**Weight**	**Composite Score**
Primary Reserve Ratio	0.1815	3.0000	30%	0.9000
Equity Ratio	0.1908	1.1449	40%	0.4579
Net Income Ratio	0.0098	1.3276	30%	0.3983
				1.7562
TOTAL Composite Score - Rounded				**1.8**

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Grantor and Number*	*Federal Expenditures ($)*
U.S. Department of Education			
Student Financial Assistance (SFA) Cluster			
Federal Supplemental Educational Opportunity Grant Program	84.007		$ 3,598,983
Federal Work-Study Program	84.033		3,058,589
Federal Pell Grant Program	84.063		182,250,646
Federal Direct Student Loans	84.268		901,651,278
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		10,770,143
Total SFA Cluster			1,101,329,639
Other Programs			
U.S. Department of Education			
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student	84.425 E		26,550,600
Total COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student			26,550,600
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	Arizona Department of Education	3,229
Total Special Education - Personnel Development to Improve Services and Results for Children with Disabilities			3,229
Total U.S. Department of Education			26,553,829
Department of Defense			
GenCyber Grants Program	12.903		79,792
Total GenCyber Grants Program			79,792
Total Department of Defense			79,792
Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	State of Arizona	436
Total Coronavirus State and Local Fiscal Recovery Funds			436
Total Department of the Treasury			436
U.S. Department of Veterans Affairs			
Post-9/11 Veterans Educational Assistance	64.028		5,778,328
Vocational Rehabilitation for Disabled Veterans	64.116		525,723
Total Department of Veterans Affairs			6,304,051
Total Expenditures of Federal Awards			$ 1,134,267,747

The consolidated financial statements and accompanying notes should be read in connection with supplementary information.

Grand Canyon University
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2022, The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

2. Summary of Significant Accounts Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The University has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the following Federal Grant Program:

CFDA Number	Program Name
12.903	NSA: GenCyber

Part II

Reports on Internal Control and Compliance

WEWORSKI
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
GRAND CANYON UNIVERSITY
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Grand Canyon University and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 11, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
October 11, 2022

WEWORSKI
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
GRAND CANYON UNIVERSITY
Phoenix, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grand Canyon University and subsidiaries' (the "University") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

Wernlund Associates

San Diego, California
October 11, 2022

Part III

Audit Findings and Questioned Costs

Grand Canyon University
Summary Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Independent Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal Control over financial reporting:		
Material weakness(es) identified?	________ Yes	___X___No
Significant deficiency(ies) identified not considered to be material weaknesses?	________ Yes	___X___None Reported
Noncompliance material to financial statements noted:	________ Yes	___X___No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	________ Yes	___X___No
Significant deficiency(ies) identified not considered to be material weaknesses?	________ Yes	___X___None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	________ Yes	___X___ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.37	Student Financial Assistance Cluster
84.425	Higher Education Emergency Relief Fund
64.028	Post-9/11 Veterans Educational Assistance

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,134,267,747

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

Grand Canyon University
Summary Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II – Financial Statement Audit Findings

None noted.

Section III – Federal Awards Findings and Question Costs

None noted.

Grand Canyon University
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Prior Year Findings and Questioned Costs for Federal Awards

There are no findings from the prior years that require an update in this report.