EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Supplemental Information

Years Ended June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

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KPMG LLP
Suite 1700
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Tampa, FL 33602-5145

Independent Auditors' Report

The Board of Trustees
Embry-Riddle Aeronautical University, Inc. and Subsidiaries:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Embry-Riddle Aeronautical University, Inc. and Subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Net Assets Class Disaggregation Schedule, Schedule of Financial Responsibility Composite Ratio Score, and Schedule of Financial Responsibility Data (required by the U.S. Department of Education) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Net Assets Class Disaggregation Schedule, Schedule of Financial Responsibility Composite Ratio Score, and Schedule of Financial Responsibility Data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the 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 Net Assets Class Disaggregation Schedule, Schedule of Financial Responsibility Composite Ratio Score, and Schedule of Financial Responsibility Data are 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 18, 2021 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.

KPMG LLP

Tampa, Florida
October 18, 2021

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(In thousands)

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	212,385	151,535
Short-term investments (note 4)		143,876	113,269
Accounts and notes receivable, less allowance for doubtful accounts of $1,353 and $1,723, respectively		25,220	14,023
Student loans receivable, net, current portion (note 6)		1,464	1,437
Contributions receivable, net, current portion (note 7)		1,715	1,679
Inventories		3,884	3,942
Prepaid expenses and other current assets		10,534	8,328
Total current assets		399,078	294,213
Noncurrent assets:			
Deposits and investments held with trustees		30,275	71,679
Long-term accounts and notes receivables, net		1,837	1,963
Student loans receivable, less current portion and allowance for doubtful accounts of $588 and $1,148, respectively (note 6)		5,710	7,141
Contributions receivable, net, less current portion (note 7)		3,698	3,763
Other assets		304	303
Long-term investments (note 4)		244,238	172,693
Right-of-use lease assets (note 9)		26,907	30,255
Land, land improvements, buildings and equipment, net (note 8)		554,932	515,924
Total noncurrent assets		867,901	803,721
Total assets	$	1,266,979	1,097,934
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses, current portion	$	51,619	49,100
Advances for student loans and financial aid		7,259	8,347
Student deposits and advance payments		10,879	14,362
Deferred revenue, current portion		13,734	16,835
Right-of-use lease liability, current portion (note 9)		2,988	3,644
Long-term debt, current portion (note 10)		16,692	12,409
Total current liabilities		103,171	104,697
Noncurrent liabilities:			
Accounts payable and accrued expenses, less current portion		3,865	—
Deferred revenue, less current portion		15,198	16,624
Right-of-use lease liability, less current portion (note 9)		24,248	26,810
Long-term debt, net, less current portion (note 10)		321,127	297,594
Other liabilities		92	95
Total noncurrent liabilities		364,530	341,123
Total liabilities		467,701	445,820
Net assets (note 16):			
Without donor restrictions		703,812	574,441
With donor restrictions:			
Time or purpose		50,192	33,037
Perpetual		45,274	44,636
Total net assets		799,278	652,114
Total liabilities and net assets	$	1,266,979	1,097,934

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Consolidated Statements of Activities

Year ended June 30, 2021

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Operating activities:			
Revenue and other additions:			
Tuition, net of institutionally funded scholarships of $120,517	$ 335,342	—	335,342
Flight fees	43,995	—	43,995
Other fees	21,093	—	21,093
Grants and contracts	46,747	—	46,747
Private gifts	303	—	303
Sales and services-educational	102	—	102
Auxiliary enterprises	32,853	—	32,853
Investment income, net	1,866	1	1,867
Other revenue	4,897	—	4,897
Investment earnings distributed	1,159	1,670	2,829
Total operating revenue and other additions	488,357	1,671	490,028
Net assets released from restrictions	6,588	(6,588)	—
Total operating revenue and other additions	494,945	(4,917)	490,028
Expenses (note 15):			
Salaries and wages	198,762	—	198,762
Fringe benefits	57,920	—	57,920
Other operating expenses	85,279	—	85,279
Insurance	5,543	—	5,543
Utilities	7,380	—	7,380
Interest	8,101	—	8,101
Depreciation	37,365	—	37,365
Total operating expenses	400,350	—	400,350
Excess (deficiency) of revenue and other additions over expenses from operating activities	94,595	(4,917)	89,678
Nonoperating activities:			
Private gifts	94	4,497	4,591
Investment return, net	34,977	19,891	54,868
Distribution of prior year investment earnings for spending	(1,159)	(1,670)	(2,829)
Other nonoperating activities	864	(8)	856
Total nonoperating activities	34,776	22,710	57,486
Changes in net assets	129,371	17,793	147,164
Net assets, beginning of year	574,441	77,673	652,114
Net assets, end of year	$ 703,812	95,466	799,278

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Consolidated Statements of Activities

Year ended June 30, 2020

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Operating activities:			
Revenue and other additions:			
Tuition, net of institutionally funded scholarships of $114,166	$ 318,890	—	318,890
Flight fees	32,327	—	32,327
Other fees	20,276	—	20,276
Grants and contracts	27,209	—	27,209
Private gifts	443	—	443
Sales and services-educational	124	—	124
Auxiliary enterprises	29,406	—	29,406
Investment income, net	3,334	12	3,346
Other revenue	7,261	—	7,261
Investment earnings distributed	—	1,735	1,735
Total operating revenue and other additions	439,270	1,747	441,017
Net assets released from restrictions	3,155	(3,155)	—
Total operating revenue and other additions	442,425	(1,408)	441,017
Expenses (note 15):			
Salaries and wages	191,899	—	191,899
Fringe benefits	55,366	—	55,366
Other operating expenses	82,632	—	82,632
Insurance	4,413	—	4,413
Utilities	7,077	—	7,077
Interest	7,950	—	7,950
Depreciation	37,278	—	37,278
Total operating expenses	386,615	—	386,615
Excess (deficiency) of revenue and other additions over expenses from operating activities	55,810	(1,408)	54,402
Nonoperating activities:			
Private gifts	135	8,309	8,444
Investment return, net	3,425	1,263	4,688
Distribution of prior year investment earnings for spending	—	(1,735)	(1,735)
Loss on extinguishment of debt	(812)	—	(812)
Other nonoperating activities	304	(16)	288
Total nonoperating activities	3,052	7,821	10,873
Changes in net assets	58,862	6,413	65,275
Net assets, beginning of year	515,579	71,260	586,839
Net assets, end of year	$ 574,441	77,673	652,114

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Increase in net assets	$	147,164	65,275
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation		37,365	37,278
Realized and unrealized gains on investments		(52,274)	(1,570)
Net amortization of bond premium and debt issuance costs		(1,174)	(740)
Loss on disposal of equipment		684	2,615
Loss on extinguishment of debt		—	812
Amortization of right-of-use lease assets		(34)	40
Contributed land and equipment		(94)	(135)
Contributions restricted for long-term investment		(706)	(5,917)
Changes in operating assets and liabilities:			
Accounts and notes receivable		(11,071)	(2,184)
Contributions receivable		29	657
Inventories		58	(380)
Prepaid expenses and other assets		(2,207)	(831)
Accounts payable and accrued expenses		5,639	11,137
Advances for student loans and financial aid		(1,088)	(1,504)
Deferred revenue		(4,527)	10,839
Other liabilities		(3)	2
Student deposits and advance payments		(3,483)	4,211
Net cash provided by operating activities		114,278	119,605
Cash flows from investing activities:			
Purchase of investments		(245,101)	(29,192)
Sale of investments		197,145	8,537
Principal received on student loan receivables		1,514	2,279
Loans made to students		(110)	(135)
Proceeds from sale of land, land improvements, buildings, and equipment		1,182	1,055
Capital expenditures		(77,236)	(57,835)
Net cash used in investing activities		(122,606)	(75,291)
Cash flows from financing activities:			
Long-term debt proceeds		40,000	147,379
Principal payments on long-term debt		(11,010)	(57,270)
Payment of bond issuance costs		—	(932)
Decrease (increase) in deposits and investments with trustees		41,404	(69,907)
Proceeds from contributions restricted for:			
Investment in endowment		638	4,377
Investment in plant		68	1,540
Net cash provided by financing activities		71,100	25,187
Change in cash, cash equivalents and restricted cash		62,772	69,501
Cash, cash equivalents and restricted cash, beginning of year		156,612	87,111
Cash, cash equivalents and restricted cash, end of year	$	219,384	156,612
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position:			
Cash and cash equivalents	$	212,385	151,535
Cash and cash equivalents, restricted		6,999	5,077
Total cash, cash equivalents and restricted cash	$	219,384	156,612
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	11,685	9,040
Capital asset acquisitions in accounts payable		745	1,602

See accompanying notes to consolidated financial statements.

(1) Nature of Operations

Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University) is an independent, nonprofit culturally diverse institution providing quality education and research in aviation, aerospace, engineering, and other related fields with residential campuses in Daytona Beach, Florida, and Prescott, Arizona. The University's Worldwide campus provides educational opportunities online and at locations at approximately 125 locations throughout the United States, Asia, Europe, and Central/South America. Additionally, the flexibility and accessibility of the multi-modal teaching platforms link students and faculty across the globe, enabling the development and delivery of learning whenever and wherever students and faculty reside. The University offers programs in seven primary fields of study including applied science; aviation; business; computers and technology; engineering; safety, security, and intelligence; and space.

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and certain other programmatic accrediting bodies.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

(b) Classification of Net Assets

Financial statements of not-for-profit organizations measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are reported as without donor restrictions and with donor restrictions and serve as the foundation of the accompanying consolidated financial statements. Descriptions of the two net asset categories follow:

Net assets without donor restrictions – Net assets derived from tuition, fees and other institutional resources and related expenses associated with the core activities of the University that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include Board-designated funds functioning as endowment, restricted gifts whose donor-imposed restrictions were met during the same fiscal year as received, as well as previously restricted gifts and grants for capital assets that have been placed in service.

Net assets with donor restrictions – Net assets that are subject to explicit donor-imposed restrictions on the expenditures of contributions or income and gains on contributed assets and net assets from endowments not yet appropriated for spending by the University. The University records as net assets with donor restrictions the original amounts of gifts which donors have given to be maintained in perpetuity. Restrictions primarily include support of specific colleges or departments of the University for scholarships, research, and faculty support. The expiration of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for capital assets when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

(c) Principles of Consolidation

The consolidated financial statements include the assets, liabilities, revenue, and expenses of all significant subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation. The University's wholly-owned subsidiaries, Embry-Riddle Aeronautical University, Asia Ltd. (ERAU Asia) and ERAU Asia Institute, Ltd. (ERAU Asia Institute), are companies limited by guarantee and incorporated in Singapore. The principal activities of ERAU Asia and ERAU Asia Institute are to provide teaching and research in the area of aeronautics and aerospace and related fields.

(d) Translation of Accounts of Foreign Subsidiaries

Accounts of foreign subsidiaries are translated into U.S. dollars using the current rate method as follows:

- monetary and nonmonetary assets and liabilities at the year-end rate of exchange
- capital stock at historical rates of exchange
- revenue and expenses at average rates for the year, except for amortization, which is translated at exchange rates used in the translation of the relevant asset accounts

All gains and losses arising from the translation of foreign currencies are included in the accompanying consolidated statements of activities.

(e) Cash and Cash Equivalents

Cash and cash equivalents are liquid instruments having original maturities at the time of purchase of three months or less, or funds invested primarily in such instruments. The University has cash equivalents held for reinvestment that are highly liquid in nature and have original maturities at the time of purchase of three months or less. Cash equivalents include cash held in money market accounts and certificates of deposit for operating and reinvestment purposes held by short-term investment managers. Cash equivalents exclude deposits held with trustees for capital projects.

(f) Short-Term Investments

Short-term investments include liquid securities and funds whose maturities and duration extend beyond those of cash and cash equivalents (3 months) and may assume a degree of credit risk, but are not considered long-term investments. Short-term investments are limited to a maximum average duration of 18 months with no individual fund investment having an average maturity of greater than 3 years and an average credit rating of AA- or higher. Short-term investments are recorded at fair value and are generally priced and available on a daily basis.

Investment income is recorded on the accrual basis; purchases and sales of short-term investment securities are recorded on a trade-date basis.

(g) Concentration of Risks

Financial instruments, which potentially subject the University to significant concentrations of credit risk, consist principally of cash and cash equivalents, and investments. The University maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts. The University believes it is not exposed to any significant credit risk on cash and cash equivalents or concentration risk on investments.

(h) Pledges Receivable

An unconditional promise to give is recognized initially at fair value as private gift revenue in the period the promise is made by a donor. The fair value of the pledge is estimated based on anticipated future cash receipts (net of an allowance for uncollectible amounts) and discounted using a risk-adjusted rate commensurate with expected future payments.

(i) Inventories

Inventories, consisting primarily of spare parts for aircraft, flight training devices and consignment inventories, are stated using the lower of cost (determined on first in, first out (FIFO) method of inventory valuation) or estimated market value (specific identification or average cost method) based on the type of inventory item, and, in some cases, Federal Aviation Administration (FAA) requirements.

(j) Deposits and Investments Held with Trustees

Deposits and investments held with trustees are restricted cash and short-term investments consisting of proceeds from the Volusia County Educational Facilities Authority, Educational Facilities Revenue Bonds. These funds are subject to restrictions imposed by covenants of the University and are limited to use on authorized projects.

(k) Long-Term Investments

The majority of the University's long-term investments are held in marketable equity and debt securities, including mutual funds, and are recorded at their estimated fair values, which are based on quoted market prices or recognized pricing services. Alternative investments are stated at fair value as established by using the net asset value (NAV) reported by the investment fund managers as a practical expedient. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. Values may be based on historical cost, appraisals or other estimates that require varying degrees of judgment. Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at date of gift. Purchases and sales of investments are recorded on a trade-date basis.

The University invests in a combination of investment securities, which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the University's investment balance reported in the consolidated statements of financial position.

Investment income is recorded on the accrual basis.

(l) Fair Value of Financial Instruments

Authoritative guidance on fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the University. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about how market participants would value an asset based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments as of the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market price data is generally obtained from exchanges or dealer markets.

Level 2 – Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 – Model-derived pricing valuations in which one or more significant inputs are unobservable.

(m) Land, Land Improvements, Buildings and Equipment

Land, land improvements, buildings and equipment are generally stated at cost or, if contributed, at estimated fair value at the date of the gift, less accumulated depreciation. Depreciation is computed on a straight-line method over the estimated useful lives of the assets, ranging from 7 years for land improvements, 5 to 40 years for buildings and building improvements, and 2 to 10 years for equipment.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate an asset may be not be recoverable, the impairment loss recognized is the amount by which the asset's net carrying value exceeds its estimated fair value.

(n) Asset Retirement Obligations

The University has asset retirement obligations (AROs) arising from regulatory requirements to perform certain asset retirement activities at the time that certain buildings and/or equipment are disposed of or renovated. The liability was initially measured at fair value and is subsequently adjusted for accretion expenses and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and

depreciated over the asset's useful life. The University revalues asset retirement obligations as remediation costs are incurred or as additional cost information becomes available.

(o) Capitalized Interest

The University capitalizes interest costs incurred on long-term debt during the construction of major projects exceeding one year. During fiscal years 2021 and 2020, the amount of interest capitalized was $2,445 and $1,136, respectively.

(p) Unamortized Bond Premium

Bond premium associated with bond issuances are deferred and amortized on the effective-yield method over the lives of the respective bond issues (see Note 10).

(q) Unamortized Bond Issuance Costs

Costs incurred in connection with bond issuances are generally amortized on the effective-interest method over the lives of the respective bond issues, and unamortized balances are presented as a direct deduction from the related debt in the consolidated statements of financial position (see Note 10).

(r) Leases

The University determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the University has the right to control the asset. Operating lease right-of-use (ROU) assets are separately disclosed on the consolidated statements of financial position. Current and noncurrent portions of operating lease liabilities are also separately disclosed on the consolidated statements of financial position. Finance lease ROU assets are included in land, land improvements, buildings and equipment, net, and the corresponding portions of finance lease liabilities are included in long-term debt, net, on the consolidated statements of financial position.

ROU assets represent the University's right to use an underlying asset for the lease term, and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease agreements may include options to extend or terminate the lease. When it is reasonably certain that the University will exercise an extension option, the terms of the extension are included in the recognized values of ROU assets and lease liabilities. As most of the University's leases do not provide the lessor's implicit rate, the University uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position, and lease expense is recognized in accordance with the terms of the arrangement over the lease term on a straight-line basis.

The University has lease agreements with lease and non-lease components which are accounted for as separate lease components for all asset classes. In the consolidated statements of activities, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Payments for non-lease components are expensed in the period in which the obligation for the payment was incurred. For finance leases, interest expense is recognized on the lease liability, and the ROU asset is amortized over the lease term.

(s) Deferred Revenue

The University has $16,983 and $18,409 in deferred revenue recorded as of June 30, 2021 and 2020, respectively, related to food service arrangements to provide and manage the University's dining service program. As part of the agreements, the University received certain advances in the form of financial investments to improve dining facilities, guaranteed commissions and other concessions in exchange for the exclusive rights to use the University's facilities and equipment. These advances are refundable should the University terminate the agreements prior to expiration; the amount of the reimbursement is proportionate to the unamortized portion of the terms. Accordingly, the University recorded the unamortized portion of certain advances received as deferred revenue.

(t) Federal and State Income Taxes

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, is exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2021 and 2020, and there are no uncertain tax positions considered to be material.

(u) Tuition and Fees

Student tuition and fees are recorded as revenue during the year in which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

(v) Gifts, Grants and Contracts

Gifts, including unconditional pledges, are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value on the date of the gift. Unconditional promises to give are stated at the estimated net present value and net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

A portion of the University's revenue is derived from cost-reimbursable grants and contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue from government and private grants and contract agreements is recognized as it is earned through expenditures in accordance with the related agreements. Any funding received in advance of expenditures is recorded as deferred revenue on the consolidated statements of financial position. Included in deferred revenue at June 30, 2021 and 2020 are $865 and $826, respectively, of private grant and contract receipts that have not been expended.

Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University.

(w) COVID-19 Pandemic

The Coronavirus Aid, Relief, and Economics Security Act, 2020 (CARES Act), provided budgetary relief to higher education institutions through the Higher Education Emergency Relief Fund I (HEERF I). Under the legislation, no less than 50% of the funds are to be used for emergency financial aid grants to students with the remaining portion of the funding to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The University received and recognized $3,182 and $3,664 of HEERF I funds as grants and contracts revenue during the years ended June 30, 2021 and 2020, respectively. Included in grants and contracts revenue during the years ended June 30, 2021 and 2020 are emergency financial aid grants expended and reported as scholarship expenses of $1,591 and $1,832, respectively, and institutional funding expended on costs related to the disruption of campus operations due to the coronavirus of $1,591 and 1,832, respectively. Revenue was reported as operating revenue without donor restrictions on the consolidated statements of activities.

The CARES Act also provided for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing payment of half of such payroll taxes to be deferred until December 31, 2021 and the remaining half until December 31, 2022. As a result, the University has chosen to defer the employer portion of payroll taxes which, as of June 30, 2021 and 2020, amounted to $7,729 and $2,420, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

The Higher Education Emergency Relief Fund II (HEERF II), authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRSSA Act), was distributed to institutions of higher education in order to prevent, prepare for, and respond to coronavirus through the HEERF. The University received and recognized $14,391 of HEERF II funds as grants and contracts revenue during the year ended June 30, 2021. Included in grants and contracts revenue during the year ended June 30, 2021 is emergency financial aid grants of $3,423 reported as scholarship expenses and institutional funding expended on costs related to the disruption of campus operations and the defraying of expenses associated with the coronavirus (including lost revenue) of $10,968. Revenue was reported as operating revenue without donor restrictions on the consolidated statements of activities.

The Higher Education Emergency Relief Fund III (HEERF III), authorized by the American Rescue Plan Act, 2021 (ARP Act), was provided to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. On July 22, 2021, the University received grant awards pursuant to the ARP Act of $26,670 comprised of $14,508 for emergency financial aid grants and $12,162 in institutional funding. Such awards will be recognized in future fiscal years in accordance with guidance provided by the U.S. Department of Education.

The COVID-19 pandemic has created financial challenges for many colleges and universities. With the leadership of its Board, the University has made, and will continue to make, appropriate adjustments to ongoing operations in order to protect its students and campus communities, while maintaining the continuity of its academic and research mission. To date, management has determined that COVID-19 has not had a significant negative impact on the University's overall financial position. While the full

extent of the impact of the pandemic on higher education is still unknown, management will continue strong oversight of the University's performance outlook and is prepared to take additional measures, if required, to protect the financial health of the institution.

(x) Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include collectability of accounts receivable and contributions receivable, fair value measurement of alternative investments, carrying value of land, land improvements, buildings and equipment, contingency reserves, self-insurance reserves, and asset retirement obligations. Actual results could differ materially, in the near term, from amounts reported.

(y) Accounting Pronouncements

(i) Accounting for Leases

During fiscal year 2020, the University early adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842).* The University adopted the new standard as of July 1, 2019, and elected to apply the transition requirements as of that date, allowing for a cumulative effect adjustment in the period of adoption with prior periods continuing to be reported in accordance with historic accounting under Accounting Standards Codification (ASC) 840, *Leases*. In addition, the University elected the package of practical expedients permitted under the transition guidance within the new standard which did not require reassessment of prior conclusions related to contracts containing a lease, lease classification and initial direct lease costs. As an accounting policy election, the University chose not to apply the standard to certain existing land easements, excluded short-term leases (terms of 12 months or less) from the consolidated statements of financial position and accounts for lease and non-lease components in a contract as separate components for all asset classes. The guidance did not materially impact the University's results of operations.

(ii) Statement of Cash Flows

During fiscal year 2020, the University adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning period and end-of-period total amounts shown on the statement of cash flows. The adoption of this standard had no impact on the University's consolidated statements of financial position and consolidated statements of activities.

(iii) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made

During fiscal year 2020, the University adopted FASB ASU 2018-08*, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its consolidated financial statements.

(iv) Implementation Costs Incurred in a Cloud Computing Arrangement

During fiscal year 2020, the University adopted FASB ASU No. 2018-15*, Intangibles-Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 requires that implementation costs of a cloud computing arrangement be deferred or expensed in accordance with Subtopic 350-40. ASU 2018-15 also requires deferred implementation costs to be expensed over the term of the hosting arrangement, which is the non-cancelable period of the cloud computing arrangement and any optional renewal periods that are reasonably certain to be exercised by the customer or for which exercise of the option is controlled by the supplier. The adoption of ASU 2018-15 on a prospective basis did not have a material impact on the University's consolidated financial statements.

(v) Changes to the Disclosure Requirements for Fair Value Measurement

During fiscal year 2021, the University adopted FASB ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. As a result of the adoption of ASU 2018-13, the University is no longer required to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. The adoption of this accounting guidance resulted in the removal or modification of certain fair value measurement disclosures presented in the University's financial statements. The University's adoption of ASU 2018-13 did not have a material effect on its consolidated financial statements.

(3) Financial Assets and Liquidity Resources

The University actively monitors liquidity required to meet its general expenditures. General expenditures include operating expenses, debt service payments and internally funded capital projects.

The University's financial assets available within one year of the consolidated statements of financial position for general expenditures as of June 30, 2021 and 2020 are as follows:

		2021	2020
Total assets	$	1,266,979	1,097,934
Less nonfinancial assets:			
Land, land improvements, buildings and equipment, net		(554,932)	(515,924)
Right-of-use lease assets		(26,907)	(30,255)
Inventories		(3,884)	(3,942)
Prepaid and other current assets		(10,534)	(8,328)
Other assets		(304)	(303)
Total financial assets		670,418	539,182
Less amounts not available for general expenditures within one year:			
Other long-term notes receivable		(1,837)	(1,963)
Restricted by donor with time or purpose restrictions		(14,766)	(13,952)
Board-designated endowment funds		(162,120)	(108,653)
Donor-restricted endowment funds		(78,134)	(61,410)
Other contractual restrictions		(41,746)	(84,551)
Total financial assets not available to meet general expenditures within one year		(298,603)	(270,529)
Total financial assets available to meet cash needs for general expenditures within one year	$	371,815	268,653

As of June 30, 2021, $371,815 of financial assets consisting primarily of cash and cash equivalents, $212,385; cash and cash equivalents, restricted, $6,999; investments, net of time or purpose restrictions, $125,747; and accounts and notes receivable, net, $26,684, is available within one year of the balance sheet date to meet cash needs for general expenditures.

As of June 30, 2020, $268,653 of financial assets consisting primarily of cash and cash equivalents, $151,535; cash and cash equivalents, restricted, $5,077; investments, net of time or purpose restrictions, $96,581; and accounts and notes receivable, net, $15,460, was available within one year of the balance sheet date to meet cash needs for general expenditures.

In addition to these available financial assets, for the years presented, the University's annual expenditures have been funded by current year operating revenues including tuition and related fees. The University has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, as part of its liquidity management, the University invests cash in excess of average monthly requirements in various short-term investments.

Further, the University had additional funds functioning as endowment, which could be available for general expenditures with Board of Trustees' (Board) approval. These funds totaled $162,120 and $108,653 for the years ended June 30, 2021 and 2020, respectively.

(4) Investments

Investments at June 30, 2021 and 2020 are comprised of the following:

		2021	2020
Cash and cash equivalents, restricted	$	6,999	5,077
U.S. equity		117,273	80,074
International equity		47,477	25,356
Fixed income		185,903	151,241
Real asset		9,837	7,661
Hedge funds:			
Multi-strategy		11,403	8,440
Private partnerships:			
Private equity – real estate		8,853	8,113
Private credit – distressed debt		369	—
Total investments	$	388,114	285,962
Short-term investments	$	143,876	113,269
Investments, held for long-term purposes		244,238	172,693
Total investments	$	388,114	285,962

(a) Fair Value Hierarchy of Investments

The fair value hierarchy of investments as of June 30, 2021 is as follows:

		Level 1	Total	Redemption terms	Redemption notice period	Redemption restrictions and terms period
Cash and cash equivalents, restricted	$	6,999	6,999	Daily	N/A	
U.S. equity		117,273	117,273	Daily	N/A	
International equity		47,477	47,477	Daily	N/A	
Fixed income		185,903	185,903	Daily	N/A	
Real asset		9,837	9,837	Daily	N/A	
	$	367,489	367,489			

	Level 1	Total	Redemption terms	Redemption notice period	Redemption restrictions and terms period
Investments measured at net asset value (NAV):					
Hedge funds:					
Multi-strategy (a)		$ 11,403	Semi-annual	95 days	Various initial lockup periods for each capital contribution, limits on redeemable proportion of outstanding balances and provisions allowing partial redemptions despite lockups
Private partnerships:					
Private equity (b)		8,853	Quarterly	90 days	None
Private credit (c)		369	Not permitted	N/A	N/A; redemptions not permitted
Total investments measured at NAV		20,625			
Total investments at fair value		$ 388,114			

The objective for these investments, measured using the net asset or unit value, are as follows:

(a) Generate long-term capital appreciation with relatively low volatility and a low correlation with traditional equity and fixed-income markets.

(b) Earn higher returns than the public equity markets over the long term and take advantage of the illiquidity premium.

(c) Earn higher returns than the public debt markets over the long term by taking advantage of preferential yields, terms and characteristics available through private transactions.

The fair value hierarchy of investments as of June 30, 2020 is as follows:

	Level 1	Total	Redemption terms	Redemption notice period	Redemption restrictions and terms period
Cash and cash equivalents, restricted	$ 5,077	5,077	Daily	N/A	
U.S. equity	80,074	80,074	Daily	N/A	
International equity	25,356	25,356	Daily	N/A	
Fixed income	151,241	151,241	Daily	N/A	
Real asset	7,661	7,661	Daily	N/A	
	$ 269,409	269,409			
Investments measured at net asset value (NAV):					
Hedge funds:					
Multi-strategy (a)		8,440	Semi-annual	95 days	Various initial lockup periods for each capital contribution, limits on redeemable proportion of outstanding balances and provisions allowing partial redemptions despite lockups
Private partnerships:					
Private equity (b)		8,113	Quarterly	90 days	None
Total investments measured at NAV		16,553			
Total investments at fair value		$ 285,962			

The objective for these investments, measured using the net asset or unit value, are as follows:

(a) Generate long-term capital appreciation with relatively low volatility and a low correlation with traditional equity and fixed-income markets.

(b) Earn higher returns than the public equity markets over the long term and take advantage of the illiquidity premium.

Private credit investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital is called by the manager. These partnership have a limited existence, generally between 10 and 15 years, and provides for annual one-year extensions after the initial contract period for the purpose of systematically liquidating portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend or reduce the term of a fund from that which was originally anticipated. As a result, the timing and amount of future capital calls expected to be exercised in any particular future year is uncertain. The aggregate amount of the unfunded commitments associated with the private credit investments as of June 30, 2021 was $2,700. The University had no unfunded commitments as of June 30, 2020.

The total investment return, net, is summarized as follows for the years ended June 30, 2021 and 2020:

		2021	2020
Income from interest and dividends	$	5,833	7,523
Net realized and unrealized gains on investments		52,233	1,569
Investment fees		(1,331)	(1,058)
Total investment return, net	$	56,735	8,034

Investment return is included in the consolidated statements of activities as follows for the years ended June 30, 2021 and 2020:

		2021	2020
Operating	$	1,867	3,346
Nonoperating		54,868	4,688
Total investment return, net	$	56,735	8,034

(5) Endowment

The University's endowment consists of hundreds of individual funds established for a variety of purposes supporting University operations. The endowment includes both donor-restricted endowment funds and funds designated by the University's Board to function as endowments (funds functioning as endowment). Net assets associated with endowment funds, including funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was enacted in the state of Florida on July 1, 2012, does not preclude the University from spending below the original gift value of donor-restricted endowment funds.

The University classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds including (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds that is available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

Changes in the fair value of the University's endowment net assets by type of fund were as follows for the year ended June 30, 2021:

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, beginning of year	$ 108,653	63,721	172,374
Investment return, net	36,553	19,805	56,358
Appropriation for expenditure	(1,559)	(4,428)	(5,987)
Endowment return, net of appropriation	34,994	15,377	50,371
Other changes in endowment investments:			
Contributions	—	1,602	1,602
Transfers to create funds functioning as endowment	18,473	—	18,473
Total other changes in endowment investments	18,473	1,602	20,075
Endowment net assets, end of year	$ 162,120	80,700	242,820

Changes in the fair value of the University's endowment net assets by type of fund were as follows for the fiscal year ended June 30, 2020:

		2020		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, beginning of year	$	101,836	59,569	161,405
Investment return, net		1,817	1,257	3,074
Appropriation for expenditure		—	(1,482)	(1,482)
Endowment return, net of appropriation		1,817	(225)	1,592
Other changes in endowment investments:				
Contributions		—	4,377	4,377
Transfers to create funds functioning as endowment		5,000	—	5,000
Total other changes in endowment investments		5,000	4,377	9,377
Endowment net assets, end of year	$	108,653	63,721	172,374

Endowment net assets as of June 30, 2021 and 2020 are classified as follows:

		Without donor restrictions	**With donor restrictions**	**Total**
2021:				
Donor-restricted endowment funds	$	—	80,700	80,700
Board-designated funds functioning as endowment funds		162,120	—	162,120
Total	$	162,120	80,700	242,820
2020:				
Donor-restricted endowment funds	$	—	63,721	63,721
Board-designated funds functioning as endowment funds		108,653	—	108,653
Total	$	108,653	63,721	172,374

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. At June 30, 2020, funds with an original gift value $1,003 were underwater by $31. There were no underwater endowments as of June 30, 2021.

(b) Endowment Appropriation

The endowment seeks to achieve reasonable stability in budgeting for University operations and to maintain intergenerational equity between near-term and long-term priorities. On an annual basis, the Board, based on various factors, authorizes a spending rate in the form of an endowment distribution. The spending rate has typically been between 4% and 5% of the 3-year moving average market value of the endowed funds, but may vary based on factors such as economic conditions.

If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

(6) Student Loans Receivable

At June 30, student loans included in the consolidated statements of financial position consist of the following:

		2021	2020
Federal Perkins Loan Program	$	6,681	8,455
Other student loans		1,081	1,271
Less allowance for doubtful accounts		(588)	(1,148)
Total student loans receivable, net		7,174	8,578
Current portion		1,464	1,437
Long-term portion	$	5,710	7,141

The Federal Perkins Loan Program expired on September 30, 2017 with final loan disbursements permitted through June 30, 2018. Although no new Perkins loans are permitted, recipients of the Perkins loans have an obligation to repay the University, which in turn pays the federal government. The liability for refundable federal government loans was $7,140 and $8,227 at June 30, 2021 and 2020, respectively, and is included as a component of advances for student loans and financial aid in the consolidated statements of financial position.

Other student loans receivable consist of uncollateralized loans to current and former students of the University with various interest rates and repayment terms. The allowance for student loans receivable is determined based on estimated default rates.

(7) Contributions Receivable

Contributions receivable, net, at June 30 are as follows:

		2021	2020
Unconditional promises expected to be collected in:			
Less than one year	$	1,768	1,744
One year to five years		2,896	3,093
More than five years		1,730	1,750
		6,394	6,587
Less:			
Allowance for uncollectible pledges		330	359
Discount for present value (3.49% and 3.57% at June 30, 2021 and 2020, respectively)		651	786
Contributions receivable, net	$	5,413	5,442

Contributions receivable, net, are reported in the accompanying consolidated statements of financial position as follows at June 30:

		2021	2020
Current portion	$	1,715	1,679
Long-term portion		3,698	3,763
Contributions receivable, net	$	5,413	5,442

(8) Land, Land Improvements, Buildings and Equipment

Components of land, land improvements, buildings and equipment at June 30, 2021 and 2020 are as follows:

		2021	2020
Land and land improvements	$	77,474	75,140
Buildings		585,501	581,161
Equipment		256,716	233,839
Construction in progress		70,570	29,820
Total		990,261	919,960

		2021	2020
Less accumulated depreciation	$	(435,329)	(404,036)
Land, land improvements, buildings, and equipment, net	$	554,932	515,924

Depreciation expense for the years ended June 30, 2021 and 2020 was $37,201 and $37,119, respectively. At June 30, 2021, the University had commitments of $46,366 related to various capital projects.

(9) Leases

The University has operating and finance leases primarily for parcels of land, educational facilities, administrative offices, and equipment. Remaining lease terms range from 1 to 25 years. For purposes of calculating operating lease ROU assets and liabilities, certain lease terms are deemed to include options to extend the lease when it is reasonably certain that the University will exercise the options. Certain lease agreements require variable payments that are dependent on usage of the underlying asset and related costs. These variable payments and non-lease components are not presented as part of the initial ROU lease assets or lease liabilities. The University's lease agreements do not contain any material restrictive covenants.

(a) Lease Cost

The components of lease cost for operating and finance leases for the year ended June 30 are as follows:

		2021	2020
Operating lease cost	$	4,679	5,163
Finance lease cost:			
Amortization of ROU assets		1,977	2,005
Interest on lease liabilities		209	329
Total finance lease cost		2,186	2,334
Short-term lease cost		2,277	769
Variable and nonlease cost		849	705
Total lease cost	$	9,991	8,971

(b) Other Lease Information

Supplemental cash flow information related to leases for the year ended June 30 are as follows:

		2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	4,506	4,973
Operating cash flows from finance leases		209	329
Financing cash flows from finance leases		4,355	4,236
Gain on operating lease modifications		(32)	—
Loss on finance lease disposals		202	—
Noncash impacts on operating lease modifications		282	1,897
Noncash impacts on finance lease modifications		224	—
Noncash impacts of new operating leases initiated		360	—
Noncash impacts – operating lease amortization		164	159

(c) Lease Position

Lease-related assets and liabilities recorded in the consolidated statements of financial position at June 30 are as follows:

		2021	2020
Operating leases:			
Operating lease ROU assets	$	26,907	30,255
Total operating lease liabilities	$	27,236	30,454
Current portion		2,988	3,644
Long-term portion		24,248	26,810
Finance leases:			
Land, land improvements, buildings and equipment	$	28,119	29,881
Less accumulated depreciation		(11,096)	(10,064)
Finance lease assets, net	$	17,023	19,817
Total finance lease liabilities	$	5,013	9,143
Current portion		2,915	4,355
Long-term portion		2,098	4,788

(d) Lease Terms and Discount Rates

The University utilizes its incremental borrowing rate in determining the present value of lease payments unless the implicit rate is readily determinable. Lease terms and discount rates for June 30 are as follows:

	2021	2020
Weighted average remaining lease term (years):		
Operating leases	13.97	13.76
Finance leases	2.18	2.56
Discount rate:		
Operating leases (weighted average)	4.23 %	4.40 %
Finance leases	2.86	2.89

(e) Maturities

The maturities of lease liabilities at June 30, 2021 are as follows:

		Operating leases	Finance leases
2022	$	4,197	3,021
2023		3,769	1,502
2024		2,880	230
2025		2,502	191
2026		2,422	275
Thereafter		20,730	—
Total future undiscounted lease payments		36,500	5,219
Less interest		(9,264)	(206)
Present value of lease liabilities	$	27,236	5,013

(10) Long-Term Debt

Long-term obligations at June 30 are summarized as follows:

	Interest %	Maturity		2021	2020
Finance lease obligations:					
Land – 501 S. Clyde Morris Blvd.	4.82 %	2026	$	902	773
Aircraft – Banc of America Leasing	2.28%–3.03%	2023		4,111	8,370
Total finance lease obligations			$	5,013	9,143
Notes payable:					
Promissory note – BBVA USA	3.03 %	2037	$	19,236	19,291
Promissory note – Truist Bank	1.68 %	2028		40,000	—
Total notes payable			$	59,236	19,291
Bonds payable:					
Volusia County Educational:					
Facilities revenue bonds:					
Series 2015A	2.91 %	2031	$	34,930	37,905
Series 2015B	2.00%–5.00%	2046		41,290	41,605
Series 2015C	2.28 %	2027		16,420	18,900
Series 2017	5.00 %	2048		46,355	46,355
Series 2020A	3.00%–5.00%	2050		99,080	100,135
Series 2020B (taxable)	3.43 %	2037		10,000	10,000
Total bonds payable – principal			$	248,075	254,900
Bond premium:					
Series 2015B			$	3,346	3,721
Series 2017				6,758	7,091
Series 2020A				17,095	17,689
Total premium			$	27,199	28,501

	Interest %	Maturity	2021	2020
Bond issuance costs:				
Series 2015A			$ 98	119
Series 2015B			368	396
Series 2015C			25	34
Series 2017			338	368
Series 2020A			715	741
Series 2020B			64	68
Promissory note			96	106
Total bond issuance costs			$ 1,704	1,832
Total long-term debt, net			$ 337,819	310,003
Current portion			16,692	12,409
Long-term portion			$ 321,127	297,594

(a) Finance Lease Obligations

The University entered into a finance lease obligation with Volusia County for land leased in the amount of $2,157. The lease was entered into as part of a multiparty real estate transaction whereby the University exchanged a building with a book value of approximately $1,600, for a building located on the land under lease, along with the assumption of the land lease.

The University entered into a finance lease obligation for $28,205 with Banc of America Leasing for flight training aircraft. Under the terms of the lease, which expire September 2023, the University has the option to pay $1 and acquire title to the aircraft.

(b) Tax-Exempt and Taxable Revenue Bonds

The University's tax-exempt and taxable bonds are issued through the Volusia County Educational Facilities Authority (VCEFA), an instrumentality of Volusia County, Florida, serving as a conduit issuer of the debt. The University's obligations under the loan agreements between VCEFA and the University are secured by master notes issued under a Master Trust Indenture (the Master Indenture) by and between the University and Wells Fargo Bank, as master trustee. The master notes issued under the Master Indenture are secured by a lien on tuition revenues of the University.

The Master Indenture contains additional covenants relating to, among others, the maintenance of the University's property, corporate existence, the maintenance of insurance, and financial covenants including a minimum debt service coverage ratio, limitation on the incurrence of debt, the sale or lease of certain property, and permitted liens.

Deposits with bond trustees consist of debt service funds and unexpended proceeds of certain debt. These funds will be used for capital projects, or payment of, debt service on certain facilities. Deposits with trustees of $30,275 and $71,679 are included in deposits and investments held with trustees on the consolidated statements of financial position as of June 30, 2021 and 2020, respectively.

Series 2015A bond was issued at par in the original amount of $50,740 to partially refund Series 2005 bonds. This transaction was accounted for as an extinguishment of debt. The associated remaining Series 2005 deferred financing fees and other costs were recorded as a gain on extinguishment of debt. The effective interest rate of the bond issue is 2.91%.

Series 2015B bonds were issued at a premium of $7,079 to the original amount of $69,195 to fund various capital projects on the Daytona Beach and Prescott campuses. During January 2020 the University current refunded $10,060 of the principal amount plus accrued interest to the redemption date. During February 2020 the University legally defeased $16,205 of the principal amount plus accrued interest to the redemption date. These transactions were accounted for as extinguishments of debt with remaining deferred financing fees and other costs recorded as a loss on extinguishment of debt. The effective interest rate of the bond issue is 3.74%.

Series 2015C bond was issued at par in the original amount of $26,535 to refund outstanding Series 2005 bonds. This transaction was accounted for as an extinguishment of debt. The associated remaining Series 2005 deferred financing fees and other costs were recorded as a loss on extinguishment of debt. The effective interest rate of the bond issue is 2.28%.

Series 2017 bonds were issued at a premium of $7,981 to the original issue amount of $46,355 to fund various capital projects on the Daytona Beach and Prescott campuses and to advance refund outstanding Series 2011 bonds. The effective interest rate of the bond issue is 3.72%.

The portion of the proceeds from the Series 2017 bonds ($11,982) and other sources of funds ($22,236) were placed in an irrevocable escrow account to provide for debt service payments and redemption of the bonds as of the call date on October 15, 2021. Accordingly, the refunded Series 2011 bonds were legally defeased and neither the indebtedness nor the assets of the irrevocable trust are included on the consolidated statements of financial position.

Series 2020A bonds were issued during January 2020 at a premium of $17,953 to the original issue amount of $100,135 to fund various capital projects at the Daytona Beach and Prescott campuses and to current refund outstanding Series 2013 bonds and $10,060 of the outstanding principal of the Series 2015B bonds. The effective interest rate of the bond issue is 3.51%.

The portion of the proceeds from the Series 2020A bonds to current refund $10,060 of the Series 2015B bonds ($10,172) were placed in an irrevocable escrow account to provide for the debt service payment and redemption of the bonds as of the call date on April 15, 2020.

Series 2020B taxable bond was issued during January 2020 at par in the original amount of $10,000 to fund flight training aircraft and other capital improvements at the Daytona Beach and Prescott campuses. The effective interest rate of the bond issue is 3.50%.

(c) Note Payable

The University entered into a promissory note obligation with BBVA USA during February 2020 in the amount of $19,291 to legally defease $16,205 of its outstanding Series 2015B bonds. The obligation of the University under the promissory note is secured by a master note issued under the Master Indenture. The effective interest rate on the promissory note is 3.10%. The proceeds from the promissory note were placed in an irrevocable escrow account to provide for debt service payments and redemption of the bonds as of the call date on April 15, 2025. Accordingly, this portion of the Series 2015B bonds was legally defeased and neither the indebtedness nor the assets of the irrevocable trust are included on the consolidated statements of financial position.

The University entered into a promissory note obligation with Truist Bank during May 2021 in the amount of $40,000 to fund the acquisition of flight training aircraft and flight training devices at the Daytona Beach and Prescott campuses. The obligation of the University under the promissory note is secured by a master note issued under the Master Indenture. The effective interest rate on the promissory note is 1.68%.

(d) Annual Debt Service

The University's debt service, including principal and interest payments made during the fiscal years ended June 30, 2021, and 2020, amounted to $22,920 and $20,061, respectively.

Maturities of long-term debt in each of the next five years, and thereafter at June 30, 2021, are as follows:

Year ending June 30:		
2022	$	15,465
2023		16,382
2024		17,670
2025		18,189
2026		18,742
Thereafter		225,876
Unamortized bond premium		27,199
Unamortized bond issue costs		(1,704)
Total long-term debt, net	$	337,819

(11) Revenue from Contracts with Customers

Revenue from contracts with customers comprises revenue from students for tuition, fees, and auxiliary enterprises.

The University's operating revenue is primarily derived from academic programs provided to students, including undergraduate, graduate and professional degree programs. Tuition and fees revenue is earned by the University for these educational services delivered during an academic term. Tuition is charged at

different rates depending on the program in which the student is enrolled. As part of a student's course of instruction, certain fees, such as technology fees and laboratory fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations.

Tuition scholarships awarded by the University represent a reduction of the tuition transaction price. Institutional financial aid awards vary by student based on merit, need, or other qualifications. Scholarships are generally awarded for the academic year and are applied to the student's account during each academic term. Revenue is recognized and presented in the consolidated financial statements net of any such tuition discounts.

Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. Academic terms are determined by start dates, which vary by program and are generally 9-16 weeks in length. Except for online programs and certain programs delivered during the summer, the academic terms generally have start and end dates that fall within the University's fiscal year.

The University bills tuition and fees in advance of each academic term and recognizes the tuition and fees revenue on a straight-line basis, as the educational services are performed, over the academic term or program. Students that withdraw by the last day of add/drop receive a full refund for the academic term. Per University policy, during the fall and spring terms, residential students who officially withdraw from the University after add/drop are eligible for a pro rata refund of tuition and fees based on their last day of attendance. At the Worldwide campus, students are entitled to receive a refund of 100% of tuition and fees if they officially withdraw within the first four days of class; Worldwide campus students are not eligible to receive a pro rata refund of tuition and fees thereafter, unless required by the student's state of residency.

Flight instruction fees are due at the time of each flight completion. Nonpayment results in the student being restricted from flying until the account and charges are brought current. Prepaid fees are recorded in student deposits and advance payments on the consolidated statements of financial position.

Auxiliary enterprises revenue includes student housing, dining services commissions, health fees and other miscellaneous income. Room fees are charged at different rates depending on the residence hall and room accommodations. Room fees are billed in advance of each academic term and recognized as revenue on a straight-line basis over the period housing is provided.

Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The University recognizes revenues on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor. Revenue from exchange contracts for applied research is recognized as the University's contractual performance obligations are substantially met. Indirect cost recovery by the University on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as grants and contracts revenue.

(12) Grants and Contracts Revenue

Grants and contracts revenue included in the consolidated statements of activities for the years ended June 30 consists of the following:

		2021	2020
Federal	$	38,326	18,506
State		6,964	5,916
Private		1,307	2,787
Foreign		150	—
Total grants and contracts revenue	$	46,747	27,209

Foreign grants and contracts revenue for the year ended June 30, 2021 includes $147 in grants provided by the Singapore government to ERAU Asia Ltd. as a result of the coronavirus pandemic.

(13) Retirement

Retirement benefits are provided through a noncontributory defined contribution plan (Plan) covering all qualified employees. The Plan is administered through the Teachers Insurance and Annuity Association (TIAA), a national organization used to fund pension benefits for educational institutions. Retirement plan expenses for the years ended June 30, 2021 and 2020 were $15,101 and $14,608, respectively.

(14) Commitments and Contingencies

(a) Unionized Labor Force

The University employs, on average, 158 full-time flight instructors in the Daytona Beach area who are part of a collective bargaining unit covered by the International Association of Machinists and Aerospace Workers Union, AFL-CIO, whose contract expires on June 30, 2022.

(b) Litigation

The University is involved in litigation on a number of matters, which arise in the normal course of business, none of which, in the opinion of management, are expected to have a material adverse effect on the University's consolidated financial statements.

(c) Guarantee Liability

The University participated in the Guaranteed Access to Education (GATE) Loan Program, which is administered by a third-party vendor. The University entered into a limited guarantee agreement through 2022 for student loans, which is triggered when a student defaults. At June 30, 2021, the maximum potential amount of future payments under this program is $449, undiscounted. At June 30, 2021, the University established a liability of $144 to estimate student loan defaults under this program.

(d) Self-Insurance Reserves

Since May 1989, the University has been providing medical (including pharmacy), dental, and vision insurance benefits for its employees. Currently, the University has both fully insured and self-insured medical plans. The vision and dental plans are fully insured. To assist with administering the self-insured plan, the University uses a Third-Party Administrator (TPA) under an Administrative Services Only (ASO) arrangement. Blue Cross Blue Shield (BCBS) is the administrator of the medical benefits. The University contracts directly with BCBS, the ASO administrator, to access the nationwide network of medical providers for the self-insured medical plan.

The University is fully liable for all financial and legal aspects of its self-insured employee benefits plan. To protect itself against unfunded financial liability, stop-loss insurance is purchased, under which the excess portion of claims that are above the agreed limit (stop loss) would become the responsibility of the reinsurer. There are limits with both specific claims and aggregate for the entire plan.

Self-insurance reserves are based on estimates of historical claims experience, and while management believes the reserves are adequate, aggregate liabilities may be more or less than the amounts provided. As of June 30, 2021 and 2020, self-insurance reserves amounted to approximately $1,258 and $1,221, respectively, which are included in accounts payable and accrued expenses in the consolidated statements of financial position.

(15) Functional Classification of Expenses

Operating expenses presented by natural and functional classification are summarized as follows for the year ended June 30:

	2021							
	Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	Total
Salaries and wages	$ 112,855	8,590	14,114	27,019	33,441	71	2,672	198,762
Fringe benefits	27,181	1,385	3,800	7,326	17,610	—	618	57,920
Other operating expenses	23,221	9,398	5,732	11,247	21,540	7,447	6,694	85,279
Insurance	1,621	17	—	193	3,127	—	585	5,543
Utilities	1,020	350	326	649	873	—	4,162	7,380
Interest	1,186	47	198	1,763	1,115	—	3,792	8,101
Depreciation	15,429	3,715	1,929	5,670	3,548	—	7,074	37,365
Total	$ 182,513	23,502	26,099	53,867	81,254	7,518	25,597	400,350

	2020							
	Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	Total
Salaries and wages	$ 109,814	7,316	13,851	24,063	34,003	191	2,661	191,899
Fringe benefits	28,104	1,261	3,937	6,946	14,465	—	653	55,366
Other operating expenses	24,066	8,327	6,262	12,567	21,573	4,273	5,564	82,632
Insurance	1,072	13	—	173	2,683	—	472	4,413
Utilities	1,093	342	295	744	744	—	3,859	7,077
Interest	796	14	61	2,159	654	—	4,266	7,950
Depreciation	14,791	3,397	1,791	5,833	4,377	—	7,089	37,278
Total	$ 179,736	20,670	26,197	52,485	78,499	4,464	24,564	386,615

The University's primary program service is academic instruction and academic support. Expenses incurred in support of this primary program activity include general academic and flight instruction, research, student services, and auxiliary enterprises. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

The costs of depreciation and interest expense have been allocated to the functional expense categories to reflect the full cost of those activities. Costs are allocated using the following methods:

- Depreciation expense for buildings is allocated based on the square footage used to support each function. Depreciation expense on equipment is allocated to other functions based on the location of the equipment and the use of that space. These allocations are based on information obtained through a periodic inventory of space and equipment usage.
- Interest expense is allocated based on usage of debt-financed space.

(16) Net Assets

Net assets consisted of the following at June 30:

	2021	2020
Without donor restrictions:		
Board-designated endowment funds	$ 162,120	108,653
Net investment in plant	247,388	277,600
Undesignated	294,304	188,188
Total net assets without donor restriction	703,812	574,441

		2021	2020
With donor restrictions:			
Time or purpose restricted	$	46,725	29,406
Time or purpose restricted pledges		3,194	3,420
Split interest agreements		273	211
Donor-restricted endowment funds		42,708	42,324
Donor-restricted endowment funds pledges		2,566	2,312
Total net assets with donor restrictions		95,466	77,673
Total net assets	$	799,278	652,114

Net assets released from donor restrictions met by incurring expenses satisfying the restricted purpose or by occurrence of other events for the years ended June 30 include:

		2021	2020
Donations restricted for capital asset construction or acquisition	$	7	124
Donations restricted for scholarships		4,270	2,335
Donations restricted for noncapital programs or acquisitions		2,311	696
Net assets released from restrictions	$	6,588	3,155

(17) Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education, as set forth in 34 CFR Subpart 668.171. The criteria for private institutions includes the annual calculation by the U.S. Department of Education of a financial responsibility composite score, as further outlined in 34 CFR Subpart 668.172, using audited financial statements submitted through the U.S. Department of Education's eZ-Audit system. The composite score is based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the University, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended June 30, 2021.

Total long-term debt consists of (1) pre-implementation debt, defined as the amounts reported in the University's consolidated financial statements for the fiscal year ended June 30, 2020, less any payments or other reductions after June 30, 2020, and not to exceed land, land improvements, buildings and equipment, net; and (2) post-implementation debt, defined as debt used to obtain land, land improvements, buildings and equipment, net, after the fiscal year ended June 30, 2020, less any payments or other reductions.

Data element	Direct input to ratio	Amount
Composition of long-term debt:		
Pre-implementation long-term debt	Primary reserve	$ 272,324
Post-implementation long-term debt	Primary reserve	40,000
Total long-term debt		$ 312,324
Composition of land, land improvements, buildings and equipment, net:		
Pre-implementation land, land improvements, buildings and equipment, net	Primary reserve	$ 477,191
Pre-implementation construction in progress	Primary reserve	70,541
Post-implementation land, land improvements, buildings and equipment, net	Primary reserve	7,171
Post-implementation construction in progress	Primary reserve	29
Total land, land improvements, buildings and equipment, net		$ 554,932

See supplemental information to the consolidated financial statements.

(18) Subsequent Events

Management of the University has reviewed subsequent events from June 30, 2021, through October 18, 2021 (the date the accompanying consolidated financial statements were issued).

SUPPLEMENTAL INFORMATION

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Net Assets Class Disaggregation Schedule

June 30, 2021

(In thousands)

Assets		Without donor restrictions	With donor restrictions	Total
Current assets:				
Cash and cash equivalents	$	212,385	—	212,385
Short-term investments (note 4)		143,876	—	143,876
Accounts and notes receivable, less allowance for doubtful accounts of $1,353		25,220	—	25,220
Current portion of student loans receivable, net (note 6)		1,464	—	1,464
Current portion of contributions receivable, net (note 7)		2	1,713	1,715
Inventories		3,884	—	3,884
Prepaid expenses and other current assets		10,534	—	10,534
Total current assets		397,365	1,713	399,078
Noncurrent assets:				
Deposits and investments held with trustees		30,275	—	30,275
Long-term accounts and notes receivable, net		1,837	—	1,837
Student loans receivable, less current portion and allowance for doubtful accounts of $588 (note 6)		5,710	—	5,710
Contributions receivable, net, less current portion (note 7)		—	3,698	3,698
Other assets		304	—	304
Long-term investments (note 4)		165,755	78,483	244,238
Operating lease right-of-use assets (note 9)		26,907	—	26,907
Land, land improvements, buildings and equipment, net (note 8)		554,932	—	554,932
Total noncurrent assets		785,720	82,181	867,901
Total assets	$	1,183,085	83,894	1,266,979
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$	51,619	—	51,619
Advances for student loans and financial aid		7,259	—	7,259
Student deposits and advance payments		10,879	—	10,879
Deferred revenue – current portion		13,734	—	13,734
Current portion of operating lease liability (note 9)		2,988	—	2,988
Current portion of long-term debt (note 10)		16,692	—	16,692
Total current liabilities		103,171	—	103,171
Noncurrent liabilities:				
Accounts payable and accrued expenses, less current portion		3,865	—	3,865
Deferred revenue, less current portion		15,198	—	15,198
Operating lease liability (note 9)		24,248	—	24,248
Long-term debt (note 10)		321,127	—	321,127
Other liabilities		—	92	92
Total noncurrent liabilities		364,438	92	364,530
Total liabilities		467,609	92	467,701
Net assets (note 16):				
Without donor restrictions		703,812	—	703,812
With donor restrictions:				
Time or purpose		—	50,192	50,192
Perpetual		—	45,274	45,274
Total net assets		703,812	95,466	799,278
Total liabilities and net assets	$	1,171,421	95,558	1,266,979

See accompanying independent auditors' report.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Schedule of Financial Responsibility Composite Ratio Score

June 30, 2021

(In thousands)

Primary Reserve Ratio				
Expendable net assets			$ 481,177	
Total expenses			$ 400,350	1.2019
Equity Ratio				
Modified net assets			$ 799,278	
Modified assets			$ 1,266,979	0.6309
Net Income Ratio				
Change in unrestricted net assets			$ 129,371	
Total unrestricted revenues			$ 494,945	0.2614
Primary reserve	1.2019	3.0000	40 %	1.20
Equity	0.6309	3.0000	40 %	1.20
Net income	0.2614	3.0000	20 %	0.60
Composite score				3.00

See accompanying independent auditors' report and notes to schedule of financial responsibility composite ratio score.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Schedule of Financial Responsibility Data

Year ended June 30, 2021

(In thousands)

Location in audited financial statements	Financial element		Amount used as ratio input
Primary reserve ratio – expendable net assets:			
Statement of financial position	Net assets without donor restrictions	$	703,812
Statement of financial position	Net assets with donor restrictions		95,466
Statement of financial position	Net assets with donor restrictions – perpetual		(45,274)
Note 16, net assets	Annuities with donor restrictions – time/purpose investments under split interest agreements		(273)
Note 17, financial responsibility standards	Pre-implementation land, land improvements, buildings and equipment, net		(477,191)
Note 17, financial responsibility standards	Pre-implementation construction in progress		(70,541)
Note 17, financial responsibility standards	Post-implementation land, land improvements, buildings and equipment, net		(7,171)
Note 17, financial responsibility standards	Post-implementation construction in progress		(29)
Statement of financial position	Right-of-use lease assets		(26,907)
Statement of financial position	Deposits and investments held with trustees under debt agreements – unexpended project funds		(30,275)
Statement of financial position	Right-of-use lease liabilities		27,236
Note 10, long-term debt	Pre-implementation obligations under finance lease obligations		5,013
Note 10, long-term debt	Pre-implementation obligations under notes payable		19,236
Note 17, financial responsibility standards	Post-implementation obligations under notes payable		40,000
Note 10, long-term debt	Pre-implementation obligations under bonds payable		248,075
Primary reserve ratio – expenses and losses:			
Statement of activities	Total operating expenses without donor restrictions	$	400,350
Equity ratio: modified net asset:			
Statement of financial position	Net assets without donor restrictions	$	703,812
Statement of financial position	Net assets with donor restrictions		95,466
Equity ratio: modified assets:			
Statement of financial position	Total assets	$	1,266,979
Net income ratio:			
Statement of activities	Change in net assets without donor restrictions	$	129,371
Statement of activities	Total operating revenues without donor restrictions		494,945

See accompanying independent auditors' report.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.
AND SUBSIDIARIES

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2021

(1) Background

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and nonprofit institutions to annually submit audited financial statements to the U.S. Department of Education to demonstrate they are maintaining the standards of financial responsibility necessary to participate in Title IV programs. One of many standards, which the U.S. Department of Education utilizes to gauge the financial responsibility of an institution, is a composite of three ratios derived from an institution's audited financial statements. The three ratios consist of a primary reserve ratio, an equity ratio, and a net income ratio. These ratios gauge the fundamental elements of the financial health of an institution, not the educational quality of an institution.

The Schedule of Financial Responsibility Composite Ratio Score (the Schedule) is prepared and submitted to the State of Florida Department of Education and U.S. Department of Education and is prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L, Ratio Methodology for Private Nonprofit Institutions (U.S. Department of Education) (the Code). The Schedule contains only the financial responsibility composite ratio scores required by the Code and are not intended to present the financial position or the results of operations of the University for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

(2) Financial Responsibility Composite Ratio Score

The Schedule is prepared pursuant to the Code. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The composite score includes the following required ratios, strength factors, and weight factors:

(a) Ratios

(i) Primary Reserve Ratio

The Primary Reserve Ratio represents expendable net assets over total expenses.

Expendable net assets represent net assets without donor restrictions, plus net assets with donor restrictions, less net assets with donor restrictions restricted in perpetuity, less annuities, term endowments, and life income funds that are with donor restrictions related to purpose or passage of time, less intangible assets, less net property, plant, and equipment, plus post-employment and defined benefit pension liabilities, plus all debt obtained for long-term purposes, not to exceed total net property, plant and equipment, less unsecured related party receivables.

Total expenses represent all expenses and losses without donor restrictions from the statement of activities and changes in net assets less any losses without donor restrictions on investments, post-employment and defined benefit pensions plans, and annuities.

(ii) Equity Ratio

The Equity Ratio represents modified net assets over modified assets.

Modified net assets represent net assets without donor restrictions, plus net assets with donor restrictions, less intangible assets and unsecured related party receivables.

Modified assets represent total assets less intangible assets and unsecured related party receivables.

(iii) Net Income Ratio

The Net Income Ratio represents the change in net assets without donor restrictions over total revenue without donor restrictions and gains without donor restrictions.

Change in net assets without donor restrictions represents the change in net assets without donor restrictions taken directly from the audited financial statements.

Total revenue without donor restrictions and gains without donor restrictions is taken directly from the audited financial statements and includes net assets released from restrictions during the fiscal year plus total gains. With regard to gains, investment returns are reported as a net amount (interest, dividends, unrealized and realized gains (losses), net of external and direct internal expenses (e.g. spending from funds functioning as endowment), and remaining net investment return as a non-operating item without restrictions). Accordingly, these two amounts are aggregated to determine if there is a net investment gain or a net investment loss.

(b) Strength Factors

The strength factor for each ratio is calculated as follows:

(i) Primary Reserve Ratio

10 x Primary Reserve Ratio result

(ii) Equity Ratio

6 x Equity Ratio result

(iii) Net Income Ratio

1 + (50 x Net Income Ratio result) for positive Net Income Ratios

1 + (25 x Net Income Ratio result) for negative Net Income Ratios

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

(c) Weight Factors

The weight factor for each ratio is as follows:

(i) Primary Reserve Ratio

40%

(ii) Equity Ratio

40%

(iii) Net Income Ratio

20%