



**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Consolidated Financial Statements and  
Supplemental Information

Years Ended June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

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## Independent Auditors' Report

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

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the 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, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

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



### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### *Supplementary Information*

Our 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 are presented for purposes of additional analysis as required by the U.S. Department of Education, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to 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 28, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Tampa, Florida  
October 28, 2022

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(In thousands)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 201,809	212,385
Short-term investments (note 4)	199,469	143,876
Accounts and notes receivable, less allowance for doubtful accounts of \$1,521 and \$1,353, respectively	20,690	25,220
Student loans receivable, net, current portion (note 7)	1,169	1,464
Contributions receivable, net, current portion (note 8)	12,837	1,715
Inventories	4,895	3,884
Prepaid expenses and other current assets	14,256	10,534
Total current assets	455,125	399,078
<b>Noncurrent assets:</b>		
Deposits and investments held with trustees	10,024	30,275
Long-term accounts and notes receivables, net	1,350	1,837
Student loans receivable, less current portion and allowance for doubtful accounts of \$463 and \$588, respectively (note 7)	4,031	5,710
Contributions receivable, net, less current portion (note 8)	12,549	3,698
Other assets	304	304
Long-term investments (note 4)	228,836	244,238
Right-of-use lease assets (note 10)	27,623	26,907
Land, land improvements, buildings and equipment, net (note 9)	586,583	554,932
Total noncurrent assets	871,300	867,901
Total assets	\$ 1,326,425	1,266,979
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses, current portion	\$ 42,340	51,619
Advances for student loans and financial aid	4,703	7,259
Student deposits and advance payments	13,812	10,879
Deferred revenue, current portion	13,848	13,734
Right-of-use lease liability, current portion (note 10)	3,577	2,988
Long-term debt, current portion (note 11)	17,660	16,692
Total current liabilities	95,940	103,171
<b>Noncurrent liabilities:</b>		
Accounts payable and accrued expenses, less current portion	4,367	3,865
Deferred revenue, less current portion	17,026	15,198
Right-of-use lease liability, less current portion (note 10)	24,047	24,248
Long-term debt, net, less current portion (note 11)	303,466	321,127
Other liabilities	88	92
Total noncurrent liabilities	348,994	364,530
Total liabilities	444,934	467,701
<b>Net assets (note 17):</b>		
Without donor restrictions	768,006	703,812
With donor restrictions:		
Time or purpose	49,291	50,192
Perpetual	64,194	45,274
Total net assets	881,491	799,278
Total liabilities and net assets	\$ 1,326,425	1,266,979

See accompanying notes to consolidated financial statements.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Activities

Year ended June 30, 2022

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activities:			
Revenue and other additions:			
Tuition, net of institutionally funded scholarships of \$134,143	\$ 344,040	—	344,040
Flight fees	47,842	—	47,842
Other fees	24,557	—	24,557
Grants and contracts	60,260	—	60,260
Private gifts – cash and financial assets	391	—	391
Private gifts – nonfinancial assets	41	—	41
Sales and services-educational	206	—	206
Auxiliary enterprises	42,178	—	42,178
Investment income, net	1,381	5	1,386
Other revenue	6,458	—	6,458
Investment earnings distributed	1,777	2,342	4,119
	<u>529,131</u>	<u>2,347</u>	<u>531,478</u>
Net assets released from restrictions	3,839	(3,839)	—
	<u>532,970</u>	<u>(1,492)</u>	<u>531,478</u>
Expenses (note 16):			
Salaries and wages	207,079	—	207,079
Fringe benefits	58,662	—	58,662
Other operating expenses	109,280	—	109,280
Insurance	6,537	—	6,537
Utilities	9,185	—	9,185
Interest	9,749	—	9,749
Depreciation and amortization	39,246	—	39,246
	<u>439,738</u>	<u>—</u>	<u>439,738</u>
Excess (deficiency) of revenue and other additions over expenses from operating activities	<u>93,232</u>	<u>(1,492)</u>	<u>91,740</u>
Nonoperating activities:			
Private gifts – cash and financial assets	—	27,902	27,902
Private gifts – nonfinancial assets	19	4,680	4,699
Investment return, net	(27,844)	(10,717)	(38,561)
Distribution of prior year investment earnings for spending	(1,777)	(2,342)	(4,119)
Other nonoperating activities	564	(12)	552
	<u>(29,038)</u>	<u>19,511</u>	<u>(9,527)</u>
Changes in net assets	64,194	18,019	82,213
Net assets, beginning of year	<u>703,812</u>	<u>95,466</u>	<u>799,278</u>
Net assets, end of year	<u>\$ 768,006</u>	<u>113,485</u>	<u>881,491</u>

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)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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 – cash and financial assets	281	—	281
Private gifts – nonfinancial assets	22	—	22
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
	<u>488,357</u>	<u>1,671</u>	<u>490,028</u>
Total operating revenue and other additions			
Net assets released from restrictions	6,588	(6,588)	—
	<u>494,945</u>	<u>(4,917)</u>	<u>490,028</u>
Total operating revenue and other additions			
Expenses (note 16):			
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 and amortization	37,365	—	37,365
	<u>400,350</u>	<u>—</u>	<u>400,350</u>
Total operating expenses			
Excess (deficiency) of revenue and other additions over expenses from operating activities	94,595	(4,917)	89,678
	<u>94,595</u>	<u>(4,917)</u>	<u>89,678</u>
Total operating revenue and other additions less operating expenses			
Nonoperating activities:			
Private gifts – cash and financial assets	—	4,497	4,497
Private gifts – nonfinancial assets	94	—	94
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
	<u>34,776</u>	<u>22,710</u>	<u>57,486</u>
Total nonoperating activities			
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	<u>\$ 703,812</u>	<u>95,466</u>	<u>799,278</u>

See accompanying notes to consolidated financial statements.



**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 82,213	147,164
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,246	37,365
Realized and unrealized (gains)/losses on investments	47,534	(52,274)
Net amortization of bond premium and debt issuance costs	(1,288)	(1,174)
Loss on disposal of equipment	1,692	684
Amortization of right-of-use lease assets	(328)	(34)
Contributed land and equipment	(19)	(94)
Contributions restricted for long-term investment	(18,929)	(706)
Changes in operating assets and liabilities:		
Accounts and notes receivable	5,017	(11,071)
Contributions receivable	(19,973)	29
Inventories	(1,011)	58
Prepaid expenses and other assets	(3,722)	(2,207)
Accounts payable and accrued expenses	(10,306)	5,639
Advances for student loans and financial aid	(2,556)	(1,088)
Deferred revenue	1,942	(4,527)
Other liabilities	(4)	(3)
Student deposits and advance payments	2,933	(3,483)
Net cash provided by operating activities	122,441	114,278
Cash flows from investing activities:		
Purchase of investments	(483,438)	(245,101)
Sale of investments	392,517	197,145
Principal received on student loan receivables	1,997	1,514
Loans made to students	(23)	(110)
Proceeds from sale of land, land improvements, buildings, and equipment	59	1,182
Capital expenditures	(71,101)	(77,236)
Net cash used in investing activities	(159,989)	(122,606)
Cash flows from financing activities:		
Long-term debt proceeds	—	40,000
Principal payments on long-term debt	(15,405)	(11,010)
Decrease in deposits and investments with trustees	20,251	41,404
Proceeds from contributions restricted for:		
Investment in endowment	18,920	638
Investment in plant	9	68
Net cash provided by financing activities	23,775	71,100
Change in cash, cash equivalents and restricted cash	(13,773)	62,772
Cash, cash equivalents and restricted cash, beginning of year	219,384	156,612
Cash, cash equivalents and restricted cash, end of year	\$ 205,611	219,384
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position:		
Cash and cash equivalents	\$ 201,809	212,385
Cash and cash equivalents, restricted	3,802	6,999
Total cash, cash equivalents and restricted cash	\$ 205,611	219,384
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 11,983	11,685
Capital asset acquisitions in accounts payable	1,527	745

See accompanying notes to consolidated financial statements.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(In thousands)

**(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 more than 115 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 U.S. generally accepted accounting principles (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.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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June 30, 2022 and 2021

(In thousands)

**(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 and investments 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.

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(In thousands)

**(g) Concentration of Risks**

Financial instruments, which potentially subject the University to significant concentration 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.

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(In thousands)

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 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

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Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(In thousands)

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 2022 and 2021, the amount of interest capitalized was \$1,031 and \$2,445, 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 11).

**(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 11).

**(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.

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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 \$19,069 and \$16,983 in deferred revenue recorded as of June 30, 2022 and 2021, 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 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 2022 and 2021, 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, 2022 and 2021 are \$545 and \$865, 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/or expenses of the University.

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**(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 of HEERF I 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 are emergency financial aid grants expended and reported as scholarship expenses of \$1,591 and institutional funding expended on costs related to the disruption of campus operations due to the coronavirus of \$1,591. Revenue was reported as operating revenue without donor restrictions on the consolidated statements of activities. HEERF I funding was depleted as of June 30, 2021.

The CARES Act also provided that employers may elect to defer the payment of the employer's portion of Social Security taxes between March 27, 2020 and December 31, 2020. Of these deferred payments, 50% of the eligible deferred amount was required to be paid by December 31, 2021 with the remaining amount by December 31, 2022. As a result, \$3,650 of Social Security tax was paid in December 2021 and \$4,079 is included in accounts payable and accrued expenses on the consolidated statements of financial position as of June 30, 2022 and \$7,729 is included in accounts payable and accrued expenses at June 30, 2021.

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 recognized \$0 and \$14,391 of HEERF II funds as grants and contracts revenue during the year ended June 30, 2022 and 2021, respectively, and received \$8,443 and \$5,948 over the same time periods. Included in grants and contracts revenue during the year ended June 30, 2022 and 2021 are emergency financial aid grants of \$0 and \$3,423, respectively, 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 \$0, and \$10,968, respectively. 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. Included and received in grants and contracts revenue during the year ended June 30, 2022 are emergency financial aid grants, reported as scholarship expenses of \$14,508 and institutional funding expended on costs related to the disruption of campus operations and student reengagement associated with the coronavirus of \$11,715. Revenue was reported as operating revenue without donor restrictions on the consolidated statements of activities. The remaining balance of institutional funding of \$447 will be recognized in fiscal year 2023 in accordance with guidance provided by the U.S. Department of Education.



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In response to the pandemic, the University's Board has continued to make appropriate adjustments to ongoing operations in order to protect its students and campus communities, while maintaining the continuity of the organization's academic and research mission.

**(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, self-insurance reserves, and asset retirement obligations. Actual results could differ materially, in the near term, from amounts reported.

**(y) Accounting Pronouncements**

*(i) Presentation and Disclosures for Contributed Nonfinancial Assets*

During fiscal year 2022, the University adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires not-for-profits to separately report contributions of non-financial assets in the statement of activities and disclose key information about contributions of nonfinancial assets. The University's adoption of ASU 2020-07 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.

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The University's financial assets available within one year of the consolidated statements of financial position for general expenditures as of June 30, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Total assets	\$ 1,318,644	1,266,979
Less nonfinancial assets:		
Land, land improvements, buildings and equipment, net	(586,583)	(554,932)
Right-of-use lease assets	(27,623)	(26,907)
Inventories	(4,895)	(3,884)
Prepaid expenses and other current assets	(6,475)	(10,534)
Other assets	(304)	(304)
Total financial assets	692,764	670,418
Less amounts not available for general expenditures within one year:		
Other long-term accounts and notes receivable	(1,350)	(1,837)
Restricted by donor with time or purpose restrictions	(26,287)	(14,766)
Board-designated endowment funds	(153,878)	(162,120)
Donor-restricted endowment funds	(75,198)	(78,134)
Other contractual restrictions	(39,733)	(41,746)
Total financial assets not available to meet general expenditures within one year	(296,446)	(298,603)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 396,318	371,815

As of June 30, 2022, \$396,318 of financial assets consisting primarily of cash and cash equivalents, \$201,809; cash and cash equivalents, restricted, \$3,802; investments, net of time or purpose restrictions, \$168,848; and accounts and notes receivable, net, \$21,859, is available within one year of the balance sheet date to meet cash needs for general expenditures.

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.

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.

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Further, the University had additional funds Board-designated funds functioning as endowment, which could be available for general expenditures with Board of Trustees' (Board) approval. These funds totaled \$153,878 and \$162,120 for the years ended June 30, 2022 and 2021, respectively.

**(4) Investments**

Investments at June 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents, restricted	\$ 3,802	6,999
U.S. equity	103,849	117,273
International equity	35,639	47,477
Fixed income	237,029	185,903
Real asset	14,211	9,837
Hedge funds:		
Multi-strategy	15,413	11,403
Private partnerships:		
Private equity:		
Buyout	570	—
Real estate	15,216	8,853
Private credit:		
Distressed debt	1,803	369
Senior direct lending	773	—
Total investments	<u>\$ 428,305</u>	<u>388,114</u>
Short-term investments	\$ 199,469	143,876
Investments, held for long-term purposes	<u>228,836</u>	<u>244,238</u>
Total investments	<u>\$ 428,305</u>	<u>388,114</u>

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**(a) Fair Value Hierarchy of Investments**

The fair value hierarchy of investments as of June 30, 2022 is as follows:

	<u>Level 1</u>	<u>Total</u>	<u>Redemption terms</u>	<u>Redemption notice period</u>	<u>Redemption restrictions and terms period</u>
Cash and cash equivalents, restricted	\$ 3,802	3,802	Daily	N/A	
U.S. equity	103,849	103,849	Daily	N/A	
International equity	35,639	35,639	Daily	N/A	
Fixed income	237,029	237,029	Daily	N/A	
Real asset	14,211	14,211	Daily	N/A	
	<u>\$ 394,530</u>	<u>394,530</u>			
Investments measured at net asset value (NAV):					
Hedge funds: (a)					
Multi-strategy		15,413	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)					
Buyout		570	Not permitted	N/A	N/A; redemptions not permitted
Real estate		15,216	Monthly	30 days	None
Private credit: (c)					
Distressed debt		1,803	Not permitted	N/A	N/A; redemptions not permitted
Senior direct lending		773	Not permitted	N/A	N/A; redemptions not permitted
Total investments measured at NAV		<u>33,775</u>			
Total investments at fair value		<u>\$ 428,305</u>			

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.

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

	<u>Level 1</u>	<u>Total</u>	<u>Redemption terms</u>	<u>Redemption notice period</u>	<u>Redemption restrictions and terms period</u>
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	
	<u>\$ 367,489</u>	<u>367,489</u>			
Investments measured at net asset value (NAV):					
Hedge funds: (a)					
Multi-strategy		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)					
Real estate		8,853	Quarterly	90 days	None
Private credit: (c)					
Distressed debt		<u>369</u>	Not permitted	N/A	N/A; redemptions not permitted
Total investments measured at NAV		<u>20,625</u>			
Total investments at fair value		<u>\$ 388,114</u>			

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.

Private equity and 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 managers. These partnerships have a limited existence, generally between 10 and 15 years, and provide 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

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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 equity and credit investments as of June 30, 2022 and 2021 were \$13,902 and \$2,700, respectively.

The total investment return, net, is summarized as follows for the years ended June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Income from interest and dividends	\$ 12,072	5,833
Net realized and unrealized (losses)/gains	(47,461)	52,233
Investment fees	(1,786)	(1,331)
Total investment return, net	\$ (37,175)	56,735

Investment return, net is included in the consolidated statements of activities as follows for the years ended June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Operating	\$ 1,386	1,867
Nonoperating	(38,561)	54,868
Total investment return, net	\$ (37,175)	56,735

**(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.

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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, 2022:

	<b>2022</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 162,120	80,700	242,820
Investment return, net	(21,465)	(10,696)	(32,161)
Appropriation for expenditure	(1,777)	(1,726)	(3,503)
Endowment return, net of appropriation	(23,242)	(12,422)	(35,664)
Other changes in endowment investments:			
Contributions	—	18,920	18,920
Transfers to create funds functioning as endowment	15,000	—	15,000
Total other changes in endowment investments	15,000	18,920	33,920
Endowment net assets, end of year	\$ <u>153,878</u>	<u>87,198</u>	<u>241,076</u>

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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:

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	<u>34,994</u>	<u>15,377</u>	<u>50,371</u>
Other changes in endowment investments:			
Contributions	—	1,602	1,602
Transfers to create funds functioning as endowment	<u>18,473</u>	<u>—</u>	<u>18,473</u>
Total other changes in endowment investments	<u>18,473</u>	<u>1,602</u>	<u>20,075</u>
Endowment net assets, end of year	<u>\$ 162,120</u>	<u>80,700</u>	<u>242,820</u>

Endowment net assets as of June 30, 2022 and 2021 are classified as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
2022:			
Donor-restricted endowment funds	\$ —	87,198	87,198
Board-designated funds functioning as endowment funds	<u>153,878</u>	<u>—</u>	<u>153,878</u>
Total	<u>\$ 153,878</u>	<u>87,198</u>	<u>241,076</u>
2021:			
Donor-restricted endowment funds	\$ —	80,700	80,700
Board-designated funds functioning as endowment funds	<u>162,120</u>	<u>—</u>	<u>162,120</u>
Total	<u>\$ 162,120</u>	<u>80,700</u>	<u>242,820</u>



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**(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, 2022, funds with an original gift value \$35,139 were underwater by \$2,424. 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) Contributed Nonfinancial Assets**

The University occasionally receives contributed nonfinancial assets from its donors. Such assets are recorded at fair value based on independent appraisals and current values for similar goods and services.

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Contributions of nonfinancial assets included in the consolidated statements of activities for the years ended June 30, 2022 and 2021 are as follows:

<u>Nonfinancial asset</u>	<u>2022</u>	<u>Utilization in programs/activities</u>	<u>Donor restriction</u>	<u>Fair value techniques</u>
Art and collectibles	\$ 9	Institutional support	No associated donor restriction	Estimated prices of identical or similar products
Boats and planes	3	Academic instruction	No associated donor restriction	Estimated prices of identical or similar products
Clothing and household goods	1	Student services	No associated donor restriction	Estimated prices of identical or similar products
Equipment	20	Academic instruction and student services	No associated donor restriction	Estimated prices of identical or similar products
Real estate	4,680	Scholarships	Scholarships (endowed)	Total consideration/sale price; appraisal
Other	27	Institutional support	No associated donor restriction	Estimated prices of identical or similar products
Total	<u>\$ 4,740</u>			

<u>Nonfinancial Asset</u>	<u>2021</u>	<u>Utilization in programs/activities</u>	<u>Donor restriction</u>	<u>Fair value techniques</u>
Clothing and household goods	\$ 1	Academic instruction	No associated donor restriction	Estimated prices of identical or similar products
Equipment	96	Academic instruction and student services	No associated donor restriction	Estimated prices of identical or similar products
Other	19	Institutional support	No associated donor restriction	Estimated prices of identical or similar products
Total	<u>\$ 116</u>			

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**(7) Student Loans Receivable**

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

	<b>2022</b>	<b>2021</b>
Federal Perkins Loan Program	\$ 4,820	6,681
Other student loans	843	1,081
Less allowance for doubtful accounts	(463)	(588)
Total student loans receivable, net	5,200	7,174
Current portion	1,169	1,464
Long-term portion	\$ 4,031	5,710

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 \$5,409 and \$7,140 at June 30, 2022 and 2021, 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.

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**(8) Contributions Receivable**

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

	<b>2022</b>	<b>2021</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 12,903	1,768
One year to five years	13,935	2,896
More than five years	215	1,730
	27,053	6,394
Less:		
Allowance for uncollectible pledges	426	330
Discount for present value (ranging from 3.49% and 4.50% at June 30, 2022 and 2021)	1,241	651
Contributions receivable, net	\$ 25,386	5,413

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

	<b>2022</b>	<b>2021</b>
Current portion	\$ 12,837	1,715
Long-term portion	12,549	3,698
Contributions receivable, net	\$ 25,386	5,413

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**(9) Land, Land Improvements, Buildings and Equipment**

Components of land, land improvements, buildings and equipment at June 30, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Land and land improvements	\$ 79,492	77,474
Buildings	666,499	585,501
Equipment	261,046	256,716
Construction in progress	27,265	70,570
Total	1,034,302	990,261
Less accumulated depreciation and amortization	(447,719)	(435,329)
Land, land improvements, buildings, and equipment, net	\$ 586,583	554,932

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$39,246 and \$37,365, respectively. At June 30, 2022, the University had commitments of \$89,437 related to various capital projects.

**(10) 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 24 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

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(In thousands)

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:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 4,422	4,679
Finance lease cost:		
Amortization of ROU assets	1,624	1,977
Interest on lease liabilities	<u>106</u>	<u>209</u>
Total finance lease cost	1,730	2,186
Short-term lease cost	530	2,277
Variable and nonlease cost	<u>818</u>	<u>849</u>
Total lease cost	<u>\$ 7,500</u>	<u>9,991</u>

**(b) Other Lease Information**

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

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,457	4,506
Operating cash flows from finance leases	106	209
Financing cash flows from finance leases	2,855	4,355
Gain on operating lease modifications	(11)	(32)
Loss on finance lease disposals	264	202
Noncash impacts:		
Noncash impacts on operating lease modifications	(524)	282
Noncash impacts on finance lease modifications	(61)	224
Noncash impacts on new operating leases initiated	3,233	360
Noncash impacts on operating lease amortization	168	164

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**(c) Lease Position**

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

	<b>2022</b>	<b>2021</b>
Operating leases:		
Operating lease ROU assets	\$ 27,623	26,907
Total operating lease liabilities	\$ 27,624	27,236
Current portion	3,577	2,988
Long-term portion	24,047	24,248
Finance leases:		
Land, land improvements, buildings and equipment	\$ 27,643	28,119
Less accumulated amortization	(12,721)	(11,096)
Finance lease assets, net	\$ 14,922	17,023
Total finance lease liabilities	\$ 2,096	5,013
Current portion	1,452	2,915
Long-term portion	644	2,098

**(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:

	<b>2022</b>	<b>2021</b>
Weighted average remaining lease term (years):		
Operating leases	12.95	13.97
Finance leases	2.39	2.18
Discount rate:		
Operating leases (weighted average)	4.14 %	4.23 %
Finance leases	3.23	2.86

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**(e) Maturities**

The maturities of lease liabilities at June 30, 2022 are as follows:

	<b>Operating leases</b>	<b>Finance leases</b>
2023	\$ 4,772	1,501
2024	3,752	229
2025	3,219	191
2026	2,673	275
2027	2,573	—
Thereafter	<u>19,165</u>	<u>—</u>
Total future undiscounted lease payments	36,154	2,196
Less interest	<u>(8,530)</u>	<u>(100)</u>
Present value of lease liabilities	<u>\$ 27,624</u>	<u>2,096</u>



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**(11) Long-Term Debt**

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

	<u>Interest %</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
Finance lease obligations:				
Land – 501 S. Clyde Morris Blvd.	4.82 %	2026	\$ 763	902
Aircraft – Banc of America Leasing	2.28%–3.02%	2023	1,333	4,111
Total finance lease obligations			<u>\$ 2,096</u>	<u>5,013</u>
Notes payable:				
Promissory note – PNC Bank	3.03 %	2037	\$ 18,546	19,236
Promissory note – Truist Bank	1.68 %	2028	35,105	40,000
Total notes payable			<u>\$ 53,651</u>	<u>59,236</u>
Bonds payable:				
Volusia County Educational:				
Facilities revenue bonds:				
Series 2015A	2.91 %	2031	\$ 31,870	34,930
Series 2015B	3.00%–5.00%	2035	41,010	41,290
Series 2015C	2.28 %	2027	13,885	16,420
Series 2017	5.00 %	2048	46,355	46,355
Series 2020A	4.00%–5.00%	2050	97,990	99,080
Series 2020B (taxable)	3.43 %	2037	10,000	10,000
Total bonds payable – principal			<u>\$ 241,110</u>	<u>248,075</u>
Bond premium:				
Series 2015B			\$ 2,954	3,346
Series 2017			6,413	6,758
Series 2020A			16,483	17,095
Total premium			<u>\$ 25,850</u>	<u>27,199</u>

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	<u>Interest %</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
Bond issuance costs:				
Series 2015A		\$	79	98
Series 2015B			341	368
Series 2015C			17	25
Series 2017			309	338
Series 2020A			689	715
Series 2020B			60	64
Promissory note – PNC Bank			86	96
Total bond issuance costs		\$	1,581	1,704
Total long-term debt, net		\$	321,126	337,819
Current portion		\$	17,660	16,692
Long-term portion		\$	303,466	321,127

**(a) Finance Lease Obligations**

In March 2000, 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 Computershare Trust Company, National Association, 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.

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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 \$10,024 and \$30,275 are included in deposits and investments held with trustees on the consolidated statements of financial position as of June 30, 2022 and 2021, 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 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. 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 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%.

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**(c) Note Payable**

The University entered into a promissory note obligation in February 2020 with BBVA USA, which was acquired by PNC Bank in 2021, 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, 2022 and 2021, amounted to \$27,388 and \$22,920, respectively.

Maturities of long-term debt in each of the next five years, and thereafter at June 30, 2022, are as follows:

Year ending June 30:		
2023	\$	16,382
2024		17,670
2025		18,189
2026		18,742
2027		19,060
Thereafter		206,814
Unamortized bond premium		25,850
Unamortized bond issue costs		<u>(1,581)</u>
Total long-term debt, net	\$	<u><u>321,126</u></u>

**(12) 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

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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.

The length of academic terms are determined by regulatory requirements mandated by the federal government and/or an institutional 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.

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**(13) 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:

	<b>2022</b>	<b>2021</b>
Federal	\$ 54,562	38,326
State	5,039	6,964
Private	609	1,307
Foreign	50	150
Total grants and contracts revenue	\$ 60,260	46,747

Foreign grants and contracts revenue for the year ended June 30, 2022 and 2021 includes \$50 and \$147, respectively, in grants provided by the Singapore government to ERAU Asia Ltd. as a result of the coronavirus pandemic.

**(14) Retirement**

Retirement benefits are provided through a 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, 2022 and 2021 were \$16,242 and \$15,101, respectively.

**(15) Commitments and Contingencies**

**(a) Unionized Labor Force**

The University employs, on average, 165 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, 2025.

**(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, 2022, the maximum potential amount of future payments under this program is \$446, undiscounted. At June 30, 2022 and 2021, the University established a liability of \$141 and \$144, respectively, to estimate student loan defaults under this program.

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**(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, 2022 and 2021, self-insurance reserves amounted to approximately \$1,267 and \$1,258, respectively, which are included in accounts payable and accrued expenses in the consolidated statements of financial position.

**(16) Functional Classification of Expenses**

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

	2022							Total
	Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	
Salaries and wages	\$ 114,372	10,149	15,472	27,833	36,367	138	2,748	207,079
Fringe benefits	26,833	1,603	3,890	7,252	18,481	—	603	58,662
Other operating expenses	25,620	14,808	6,342	14,879	25,432	17,207	4,992	109,280
Insurance	1,993	22	—	228	3,749	—	545	6,537
Utilities	1,231	424	441	950	1,165	—	4,974	9,185
Interest	1,682	46	195	2,079	1,230	—	4,517	9,749
Depreciation and amortization	15,745	4,411	1,673	5,364	3,115	—	8,938	39,246
Total	\$ 187,476	31,463	28,013	58,585	89,539	17,345	27,317	439,738

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	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 and amortization	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

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, amortization 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 and amortization 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.

**(17) Net Assets**

Net assets consisted of the following at June 30:

	2022	2021
Without donor restrictions:		
Board-designated endowment funds	\$ 153,878	162,120
Net investment in plant	275,480	247,388
Undesignated	338,648	294,304
Total net assets without donor restriction	768,006	703,812



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	<b>2022</b>	<b>2021</b>
With donor restrictions:		
Time or purpose restricted	\$ 35,392	46,725
Time or purpose restricted pledges	13,679	3,194
Split interest agreements	220	273
Donor-restricted endowment funds	52,194	42,708
Donor-restricted endowment funds pledges	12,000	2,566
Total net assets with donor restrictions	113,485	95,466
Total net assets	\$ 881,491	799,278

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:

	<b>2022</b>	<b>2021</b>
Donations restricted for capital asset construction or acquisition	\$ (26)	7
Donations restricted for scholarships	2,590	4,270
Donations restricted for noncapital programs or acquisitions	1,275	2,311
Net assets released from restrictions	\$ 3,839	6,588

**(18) 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, 2022.

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.

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Data element	Direct input to ratio	Amount
Composition of long-term debt:		
Pre-implementation obligations under finance lease obligations	Primary reserve	\$ 2,096
Pre-implementation obligations under notes payable	Primary reserve	18,546
Pre-implementation obligations under bonds payable	Primary reserve	241,110
Post-implementation obligations under notes payable	Primary reserve	<u>35,105</u>
Total long-term debt		<u>\$ 296,857</u>
Composition of land, land improvements, buildings and equipment, net:		
Pre-implementation land, land improvements, buildings and equipment, net	Primary reserve	\$ 523,898
Pre-implementation construction in progress	Primary reserve	11,800
Post-implementation land, land improvements, buildings and equipment, net with long-term debt	Primary reserve	23,101
Post-implementation land, land improvements, buildings and equipment, net without long-term debt	Primary reserve	12,319
Post-implementation construction in progress with long-term debt	Primary reserve	7,039
Post-implementation construction in progress without long-term debt	Primary reserve	<u>8,426</u>
Total land, land improvements, buildings and equipment, net		<u>\$ 586,583</u>

**(19) Related Party Transactions**

Several members of the Board of Trustees are employed by organizations that provide services to the University, primarily banking and insurance services. All members of the Board of Trustees or Officers of the University are required to disclose annually any information about possible conflicts of interests affecting the University including interests or family members and organizations in which the Board member or Officer (or member of his or her family) has significant management function or a significant ownership interest. Payments to organizations that employ related parties during the years ending June 30, 2022 and 2021 totaled \$775 and \$814, respectively. Certain gifts and pledges to the University are received annually by Board members and are not material to the financial statements. All such business activity is conducted in accordance with the University's normal business practices.

**(20) Subsequent Events**

Management of the University has reviewed subsequent events from June 30, 2022, through October 28, 2022 (the date the accompanying consolidated financial statements were issued).

## **SUPPLEMENTAL INFORMATION**

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Net Assets Class Disaggregation Schedule

June 30, 2022

(In thousands)

Assets	Without donor restrictions	With donor restrictions	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 201,809	—	201,809
Short-term investments (note 4)	199,469	—	199,469
Accounts and notes receivable, less allowance for doubtful accounts of \$1,521	20,690	—	20,690
Student loans receivable, net, current portion (note 7)	1,169	—	1,169
Contributions receivable, net, current portion (note 8)	—	12,837	12,837
Inventories	4,895	—	4,895
Prepaid expenses and other current assets	14,256	—	14,256
Total current assets	442,288	12,837	455,125
<b>Noncurrent assets:</b>			
Deposits and investments held with trustees	10,024	—	10,024
Long-term accounts and notes receivable, net	1,350	—	1,350
Student loans receivable, less current portion and allowance for doubtful accounts of \$463 (note 7)	4,031	—	4,031
Contributions receivable, net, less current portion (note 8)	—	12,549	12,549
Other assets	304	—	304
Long-term investments (note 4)	153,346	75,490	228,836
Right-of-use lease assets (note 10)	27,623	—	27,623
Land, land improvements, buildings and equipment, net (note 9)	586,583	—	586,583
Total noncurrent assets	783,261	88,039	871,300
Total assets	\$ 1,225,549	100,876	1,326,425
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 42,340	—	42,340
Advances for student loans and financial aid	4,703	—	4,703
Student deposits and advance payments	13,812	—	13,812
Deferred revenue – current portion	13,848	—	13,848
Right-of-use lease liability, current portion (note 10)	3,577	—	3,577
Long-term debt, current portion (note 11)	17,660	—	17,660
Total current liabilities	95,940	—	95,940
<b>Noncurrent liabilities:</b>			
Accounts payable and accrued expenses, less current portion	4,367	—	4,367
Deferred revenue, less current portion	17,026	—	17,026
Right-of-use lease liability, less current portion (note 10)	24,047	—	24,047
Long-term debt, net, less current portion (note 11)	303,466	—	303,466
Other liabilities	—	88	88
Total noncurrent liabilities	348,906	88	348,994
Total liabilities	444,846	88	444,934
<b>Net assets (note 17):</b>			
Without donor restrictions	768,006	—	768,006
With donor restrictions:			
Time or purpose	—	49,291	49,291
Perpetual	—	64,194	64,194
Total net assets	768,006	113,485	881,491
Total liabilities and net assets	\$ 1,212,852	113,573	1,326,425

See accompanying independent auditors' report.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Schedule of Financial Responsibility Composite Ratio Score

June 30, 2022

(In thousands)

<b>Primary Reserve Ratio</b>				
Expendable net assets		\$	<u>517,327</u>	
Total expenses		\$	439,738	<u>1.1764</u>
<b>Equity Ratio</b>				
Modified net assets		\$	<u>881,491</u>	
Modified assets		\$	1,326,425	<u>0.6646</u>
<b>Net Income Ratio</b>				
Change in net assets without donor restrictions		\$	<u>64,194</u>	
Total revenues without donor restrictions		\$	532,970	<u>0.1204</u>
Primary reserve	1.1764	3.0000	40 %	1.20
Equity	0.6646	3.0000	40 %	1.20
Net income	0.1204	3.0000	20 %	<u>0.60</u>
Composite score				<u><u>3.00</u></u>

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, 2022

(In thousands)

<b>Location in audited financial statements</b>	<b>Financial element</b>	<b>Amount used as ratio input</b>
Primary reserve ratio – expendable net assets:		
Statement of financial position	Net assets without donor restrictions	\$ 768,006
Statement of financial position	Net assets with donor restrictions	113,485
Statement of financial position	Net assets with donor restrictions – perpetual	(64,194)
Note 17, net assets	Annuities with donor restrictions – time/purpose investments under split interest agreements	(220)
Note 18, financial responsibility standards	Pre-implementation land, land improvements, buildings and equipment, net	(523,898)
Note 18, financial responsibility standards	Pre-implementation construction in progress	(11,800)
Note 18, financial responsibility standards	Post-implementation land, land improvements, buildings and equipment, net with long-term debt	(23,101)
Note 18, financial responsibility standards	Post-implementation land, land improvements, buildings and equipment, net without long-term debt	(12,319)
Note 18, financial responsibility standards	Post-implementation construction in progress with long-term debt	(7,039)
Note 18, financial responsibility standards	Post-implementation construction in progress without long-term debt	(8,426)
Statement of financial position	Right-of-use lease assets	(27,623)
Statement of financial position	Deposits and investments held with trustees under debt agreements – unexpended project funds	(10,024)
Statement of financial position	Right-of-use lease liabilities	27,624
Note 18, financial responsibility standards	Pre-implementation obligations under finance lease obligations	2,096
Note 18, financial responsibility standards	Pre-implementation obligations under notes payable	18,546
Note 18, financial responsibility standards	Post-implementation obligations under notes payable	35,105
Note 18, financial responsibility standards	Pre-implementation obligations under bonds payable	241,110
Primary reserve ratio – expenses and losses:		
Statement of activities	Total operating expenses without donor restrictions	\$ 439,738
Equity ratio: modified net asset:		
Statement of financial position	Net assets without donor restrictions	\$ 768,006
Statement of financial position	Net assets with donor restrictions	113,485
Equity ratio: modified assets:		
Statement of financial position	Total assets	\$ 1,326,425
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	\$ 64,194
Statement of activities	Total operating revenues without donor restrictions	532,970

See accompanying independent auditors' report.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2022

**(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 as of and for the year ended June 30, 2022, in accordance with U.S. GAAP.

**(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.

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.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2022

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 nonoperating item without restrictions). Accordingly, these two amounts are aggregated to determine if there is a net investment gain or 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.



**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
AND SUBSIDIARIES**

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2022

**(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%