



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

Consolidated Financial Statements

Years Ended June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
Suite 800
500 W 5th St
Winston-Salem, NC 27101

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Embry-Riddle Aeronautical University, Inc. and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 financial position of the University as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. 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 that 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 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, 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.

KPMG LLP

Winston-Salem, North Carolina
October 24, 2025

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Financial Position

Fiscal year ended June 30, 2025 and 2024

(in thousands)

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 223,563	268,422
Short-term investments (note 4)	304,048	248,665
Accounts and notes receivable, less allowance for doubtful accounts of \$2,198 and \$1,933, respectively	22,186	27,744
Student loans receivable, net, current portion (note 6)	547	798
Contributions receivable, net, current portion (note 7)	3,477	2,214
Inventories	6,101	6,271
Prepaid expenses and other current assets	14,462	11,671
Total current assets	574,384	565,785
Noncurrent assets:		
Deposits and investments held with trustees	12	45
Long-term accounts and notes receivable, net	514	720
Student loans receivable, less current portion and allowance for doubtful accounts of \$344 and \$425, respectively (note 6)	1,620	2,031
Contributions receivable, net, less current portion (note 7)	4,161	3,809
Other assets	859	328
Long-term investments (note 4)	364,618	316,722
Right-of-use lease assets (note 9)	36,720	38,002
Land, land improvements, buildings and equipment, net (note 8)	734,139	669,143
Total noncurrent assets	1,142,643	1,030,800
Total assets	\$ 1,717,027	1,596,585
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses, current portion	\$ 60,015	60,147
Advances for student loans and financial aid	8,947	7,742
Student deposits and advance payments	10,958	10,094
Deferred revenue, current portion	21,427	17,823
Right-of-use lease liability, current portion (note 9)	2,627	3,037
Long-term debt, current portion (note 10)	19,716	19,450
Total current liabilities	123,690	118,293
Noncurrent liabilities:		
Deferred revenue, less current portion	11,538	12,508
Right-of-use lease liability, less current portion (note 9)	35,073	35,727
Long-term debt, net, less current portion (note 10)	211,236	265,063
Other liabilities	93	124
Total noncurrent liabilities	257,940	313,422
Total liabilities	381,630	431,715
Net assets (note 16):		
Without donor restrictions	1,191,022	1,026,976
With donor restrictions:		
Time or purpose	65,612	65,508
Perpetual	78,763	72,386
Total net assets	1,335,397	1,164,870
Total liabilities and net assets	\$ 1,717,027	1,596,585

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Activities

Fiscal year ended June 30, 2025

(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 \$176,050	\$ 420,014	—	420,014
Flight fees	69,529	—	69,529
Other fees	29,012	—	29,012
Grants and contracts	50,612	—	50,612
Private gifts	603	—	603
Auxiliary enterprises	50,719	—	50,719
Investment income, net	23,627	—	23,627
Other revenue	15,341	—	15,341
Investment earnings distributed	4,047	2,692	6,739
Total operating revenue and other additions	663,504	2,692	666,196
Net assets released from restrictions	16,407	(16,407)	—
Total operating revenue and other additions	679,911	(13,715)	666,196
Expenses (note 15):			
Salaries and wages	259,325	—	259,325
Fringe benefits	80,722	—	80,722
Other operating expenses	124,585	—	124,585
Insurance	10,116	—	10,116
Utilities	10,116	—	10,116
Interest	9,120	—	9,120
Depreciation	46,360	—	46,360
Total operating expenses	540,344	—	540,344
Change in net assets from operating activities	139,567	(13,715)	125,852
Nonoperating activities:			
Private gifts	—	10,378	10,378
Investment return, net	27,045	12,508	39,553
Distribution of prior year investment earnings for spending	(4,047)	(2,692)	(6,739)
Gain on extinguishment of debt	1,482	—	1,482
Other nonoperating activities	(1)	2	1
Total nonoperating activities	24,479	20,196	44,675
Changes in net assets	164,046	6,481	170,527
Net assets, beginning of year	1,026,976	137,894	1,164,870
Net assets, end of year	\$ 1,191,022	144,375	1,335,397

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Activities

Fiscal year ended June 30, 2024

(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 \$162,686	\$ 391,527	—	391,527
Flight fees	61,039	—	61,039
Other fees	27,595	—	27,595
Grants and contracts	64,645	—	64,645
Private gifts – cash and financial assets	349	—	349
Auxiliary enterprises	48,674	—	48,674
Investment income, net	19,834	—	19,834
Other revenue	18,356	—	18,356
Investment earnings distributed	3,066	2,661	5,727
Total operating revenue and other additions	635,085	2,661	637,746
Net assets released from restrictions	6,203	(6,203)	—
Total operating revenue and other additions	641,288	(3,542)	637,746
Expenses (note 15):			
Salaries and wages	241,306	—	241,306
Fringe benefits	71,390	—	71,390
Other operating expenses	119,083	—	119,083
Insurance	9,180	—	9,180
Utilities	10,070	—	10,070
Interest	9,581	—	9,581
Depreciation	41,487	—	41,487
Total operating expenses	502,097	—	502,097
Change in net assets from operating activities	139,191	(3,542)	135,649
Nonoperating activities:			
Private gifts	29	5,119	5,148
Investment return, net	25,637	10,193	35,830
Distribution of prior year investment earnings for spending	(3,066)	(2,661)	(5,727)
Grants to organizations	(6,000)	—	(6,000)
Other nonoperating activities	(227)	(26)	(253)
Total nonoperating activities	16,373	12,625	28,998
Changes in net assets	155,564	9,083	164,647
Net assets, beginning of year	871,412	128,811	1,000,223
Net assets, end of year	\$ 1,026,976	137,894	1,164,870

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Cash Flows

Fiscal year ended June 30, 2025 and 2024

(in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase in net assets	\$ 170,527	164,647
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	46,360	41,487
Realized and unrealized gains on investments	(32,906)	(27,780)
Net amortization of bond premium and debt issuance costs	(1,250)	(1,283)
Gains on disposal of equipment	(1,367)	(8,716)
Gain on extinguishment of debt	(1,482)	—
Amortization of right-of-use lease assets	218	490
Contribution of nonfinancial assets	—	(22)
Contributions restricted for long-term investment	(6,574)	(521)
Changes in operating assets and liabilities:		
Accounts and notes receivable	5,764	(8,312)
Contributions receivable	(1,615)	13,052
Inventories	170	141
Prepaid expenses and other assets	(3,322)	5,459
Accounts payable and accrued expenses	64	16,302
Advances for student loans and financial aid	1,205	1,111
Deferred revenue	2,634	(5,578)
Other liabilities	(31)	8
Student deposits and advance payments	864	(4,633)
Net cash provided by operating activities	<u>179,259</u>	<u>185,852</u>
Cash flows from investing activities:		
Purchase of investments	(557,443)	(441,075)
Sale of investments	486,560	411,269
Principal received on student loan receivables	803	1,365
Loans made to students	(141)	(87)
Proceeds from sale of land, land improvements, buildings, and equipment	3,125	13,836
Capital expenditures	(113,294)	(119,450)
Net cash used in investing activities	<u>(180,390)</u>	<u>(134,142)</u>
Cash flows from financing activities:		
Proceeds on short-term note payable	32,813	—
Principal payment on short-term note payable	(32,813)	—
Principal payments on long-term debt	(50,845)	(17,670)
Decrease in deposits and investments with trustees	33	3,321
Proceeds from restricted contributions	6,574	521
Net cash used in financing activities	<u>(44,238)</u>	<u>(13,828)</u>
Change in cash, cash equivalents and restricted cash	(45,369)	37,882
Cash, cash equivalents and restricted cash, beginning of year	<u>272,476</u>	<u>234,594</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>227,107</u>	\$ <u>272,476</u>
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position:		
Cash and cash equivalents	\$ 223,563	268,422
Cash and cash equivalents, restricted	<u>3,544</u>	<u>4,054</u>
Total cash, cash equivalents and restricted cash	\$ <u>227,107</u>	\$ <u>272,476</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 10,828	11,191
Change in capital asset value under finance lease	16	—
Change in capital asset acquisitions in accounts payable	(196)	(2,122)

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(1) Nature of Operations

Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University) is an independent, nonprofit institution providing quality education and research in aviation, aerospace, engineering, and other primarily STEM (Science, Technology, Engineering, and Mathematics)-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 100 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 without donor restrictions are not subject to donor stipulations restricting their use but may be designated for a specific purpose by the University or may be limited by contractual agreement with outside parties.
- Net assets with donor restrictions – Net assets with donor restrictions are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of Embry-Riddle Aeronautical University, Inc. and of all subsidiaries. Intercompany balances and transactions have been 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 incorporated in Singapore as companies limited by guarantee. The principal activities of ERAU Asia and ERAU Asia Institute are to provide education and conduct research in the fields of aeronautics, aerospace, and related disciplines.

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(In thousands)

(d) Translation of Accounts of Foreign Subsidiaries

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

- Assets and liabilities are translated at the exchange rate in effect as of the statement of financial position date
- capital stock is translated at historical exchange rates
- revenues and expenses are translated at the average exchange rate for the reporting period

Translation gains and losses arising from the conversion of foreign currencies are included in the 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 (three months) and may assume a degree of credit risk but are not considered long-term investments. Short-term investments are limited to a maximum average duration of 18 months with no individual fund investment having an average maturity of greater than 3 years and an average credit rating of AA-or higher. Short-term investments are recorded at fair value and are generally priced and available on a daily basis.

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

(g) Concentration of Risks

Financial instruments that potentially subject the University to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. The University maintains its cash balances in bank deposit accounts, which may, at times, exceed federally insured limits. To date, the University has not experienced any losses in these accounts and believes that its cash and cash equivalents are not subject to significant credit risk due to the quality and stability of the financial institutions involved.

(h) Contributions Receivable

An unconditional promise to give is recognized initially at fair value as private gifts revenue in the period the promise is made by a donor. The fair value of the pledge is estimated based on anticipated

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June 30, 2025 and 2024

(In thousands)

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 short-term investments are held with trustees in accordance with bond covenants and other contractual obligations. These funds are primarily derived from proceeds of educational facilities revenue bonds and are restricted for use on authorized capital projects and other designated purposes as specified by the governing documents.

(k) Long-Term Investments

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

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

Investment income is recorded on the accrual basis.

(l) Fair Value of Financial Instruments

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

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June 30, 2025 and 2024

(In thousands)

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 recorded at cost, or at estimated fair value at the date of donation, if contributed, less accumulated depreciation. Depreciation is computed on a straight-line method over the estimated useful lives of the respective assets, as follows:

Equipment	2 to 10 years
Land improvements	7 years
Buildings and building improvements	5 to 40 years

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

(n) Unamortized Bond Premium

Bond premium associated with bond issuances are deferred and amortized using the effective interest method over the life of the respective bond issues (see Note 10).

(o) Unamortized Bond Issuance Costs

Bond issuance costs are generally amortized using the effective interest method over the life of the respective bond issues. Unamortized balances are presented as a direct deduction from the related debt in the consolidated statements of financial position (see Note 10).

(p) Leases

The University evaluates whether an arrangement contains a lease at its inception, based on the terms and conditions of the contract. A lease exists when the contract identifies a specific asset and grants the University the right to control its use during the lease term.

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(In thousands)

Operating lease right-of-use (ROU) assets are separately presented on the consolidated statements of financial position. The corresponding lease liabilities are also disclosed separately, classified into current and noncurrent portions. Operating lease ROU assets and liabilities are recognized at the lease commencement date, measured at the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term in the consolidated statements of activities.

Finance lease ROU assets are included in land, land improvements, buildings and equipment, net, while the related lease liabilities are reported within long-term debt, net, on the consolidated statements of financial position. Interest expense on finance lease liabilities is recognized separately, and the ROU asset is amortized over the lease term.

Lease agreements may include options to extend or terminate. When it is reasonably certain that the University will exercise such options, the lease term is adjusted accordingly in the measurement of ROU assets and liabilities. As most leases do not provide an implicit rate, the University uses its incremental borrowing rate at the lease commencement date to calculate the present value of lease payments.

Short-term leases (initial term of 12 months or less) are not recorded on the consolidated statements of financial position. Lease expense for these arrangements is recognized on a straight-line basis over the lease term.

The University accounts for lease and non-lease components separately for all asset classes. Payments for non-lease components are expensed in the period incurred.

Rental income earned by the University from operating leases, in its capacity as lessor, is included in other revenue in the consolidated statements of activities.

(q) *Deferred Revenue*

As of June 30, 2025 and 2024, the University recorded deferred revenue of \$13,703 and \$15,714, respectively, related to contractual arrangements for the provision and management of its dining services program. Under these agreements, the University received certain financial advances, including investments to enhance dining facilities, guaranteed commissions, and other concessions in exchange for granting exclusive rights to use University-owned facilities and equipment. These advances are refundable if the University terminates the agreements prior to their expiration. The refundable amount is proportionate to the unamortized portion of the terms. Accordingly, the University has recorded the unamortized portion of these advances as deferred revenue on the consolidated statements of financial position. See Note 2(t) for additional information on deferred revenue.

(r) *Federal Income Taxes*

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except on income derived from unrelated business, is exempt from federal income taxes. Unrelated business income tax, if any, is immaterial. As of June 30, 2025 and 2024, the University had no uncertain tax positions that required recognition.

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June 30, 2025 and 2024

(In thousands)

(s) Consolidated Statements of Activities

The consolidated statements of activities distinguish between operating and nonoperating changes in net assets. Operating activities primarily include revenues and expenses associated with the University's core educational and research programs. This includes endowment returns appropriated in accordance with the University's spending policy to support those programs. Nonoperating activities reflect transactions of a capital or long-term investment nature including contributions restricted by donors for scholarships and capital acquisitions such as facilities and equipment, investment returns in excess of amounts appropriated under the spending policy, nonrecurring transactions, and other activities not directly related to annual operations.

(t) Tuition and Fees

Student tuition and fees are recorded as revenue in the year during which the related academic services are provided. Amounts received in advance of the academic term are recorded as deferred revenue until the services are rendered.

(u) Gifts, Grants and Contracts

Gifts, including unconditional pledges, are recognized in the appropriate net asset category in the period received. Contributions of non-cash assets 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, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions upon which they depend are met.

A portion of the University's revenue is derived from cost-reimbursable grants and contracts, which are contingent upon the fulfillment of performance obligations and/or the incurrence of allowable, qualifying expenditures. Revenue from government and private grants and contracts is recognized as expenditures are incurred in accordance with the terms of the respective agreements. Funds received in advance of related expenditures are recorded as deferred revenue on the consolidated statements of financial position. As of June 30, 2025 and 2024, deferred revenue includes \$821 and \$503, respectively, related to unexpended gift, grant and contract receipts.

Amounts received from state and federal agencies for the benefit of specified students are treated as agency transactions and are, therefore, not reflected as revenue or expense in the University's consolidated financial statements.

(v) 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 areas subject to such estimates and assumptions include the collectability of accounts and contributions receivable, the fair value of investments, the carrying value of land, land improvements, buildings and equipment, self-insurance reserves, and asset retirement obligations. Actual results could differ materially from those estimates, particularly in the near term.

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June 30, 2025 and 2024

(In thousands)

(3) Financial Assets and Liquidity Resources

The University actively monitors liquidity to ensure it can meet general expenditures as they become due. General expenditures include operating expenses, debt service obligations and internally funded capital projects.

As of June 30, 2025 and 2024, the University's financial assets available within one year of the consolidated statements of financial position for general expenditures are as follows:

	<u>2025</u>	<u>2024</u>
Total assets	\$ 1,717,027	1,596,585
Less nonfinancial assets:		
Land and land improvements, buildings and equipment, net	(734,139)	(669,143)
Right-of-use lease assets	(36,720)	(38,002)
Inventories	(6,101)	(6,271)
Prepaid expenses and other current assets	(14,462)	(11,671)
Other assets	<u>(859)</u>	<u>(328)</u>
Total financial assets	<u>924,746</u>	<u>871,170</u>
Less amounts not available for general expenditures within one year:		
Other long-term notes receivable	(514)	(720)
Restricted by donor with time or purpose restrictions	(18,806)	(28,753)
Board-designated endowment funds	(238,752)	(209,043)
Donor-restricted endowment funds	(120,495)	(105,128)
Other contractual restrictions	<u>(9,670)</u>	<u>(8,476)</u>
Total financial assets not available to meet general expenditures within one year	<u>(388,237)</u>	<u>(352,120)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 536,509</u>	<u>519,050</u>

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

Further, the University held Board-designated funds functioning as endowment, which could be made available for general expenditures upon approval by the Board of Trustees (Board). These funds amount to \$238,752 and \$209,043 as of June 30, 2025 and 2024, respectively.

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(In thousands)

(4) Investments

Investments at June 30, 2025 and 2024 are comprised of the following:

	2025	2024
Cash and cash equivalents, restricted	\$ 3,544	4,054
U.S. equity	167,751	145,785
International equity	53,362	46,933
Fixed income	359,520	297,991
Real assets	9,540	8,885
Hedge funds	19,326	17,466
Real estate	17,111	15,735
Private equity	14,417	5,402
Private credit	24,095	23,136
Total investments	<u>\$ 668,666</u>	<u>565,387</u>
Short-term investments	\$ 304,048	248,665
Investments held for long-term purposes	364,618	316,722
Total investments	<u>\$ 668,666</u>	<u>565,387</u>

(a) Fair Value Hierarchy of Investments

The fair value hierarchy of investments as of June 30, 2025 is as follows:

	Level 1	Net asset value	Total
Cash and cash equivalents, restricted	\$ 3,544	—	3,544
U.S. equity	167,751	—	167,751
International equity	53,362	—	53,362
Fixed income	359,520	—	359,520
Real asset	9,540	—	9,540
Hedge funds	—	19,326	19,326
Real estate	—	17,111	17,111
Private equity	—	14,417	14,417
Private credit	—	24,095	24,095
Total investments at fair value	<u>\$ 593,717</u>	<u>74,949</u>	<u>668,666</u>

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Liquidity: Investment liquidity is aggregated as follows, based on redemption or sale period, as of June 30, 2025:

	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semi-annually</u>	<u>Nonredeemable</u>	<u>Total</u>
Cash and cash equivalents, restricted	\$ 3,544	—	—	—	—	3,544
U.S. equity	167,751	—	—	—	—	167,751
International equity	53,362	—	—	—	—	53,362
Fixed income	359,520	—	—	—	—	359,520
Real asset	9,540	—	—	—	—	9,540
Hedge funds (a)	—	—	—	19,326	—	19,326
Real estate	—	17,111	—	—	—	17,111
Private equity	—	—	—	—	14,417	14,417
Private credit	—	—	19,623	—	4,472	24,095
Total investments at fair value	<u>\$ 593,717</u>	<u>17,111</u>	<u>19,623</u>	<u>19,326</u>	<u>18,889</u>	<u>668,666</u>

The fair value hierarchy of investments as of June 30, 2024 is as follows:

	<u>Level 1</u>	<u>Net asset value</u>	<u>Total</u>
Cash and cash equivalents, restricted	\$ 4,054	—	4,054
U.S. equity	145,785	—	145,785
International equity	46,933	—	46,933
Fixed income	297,991	—	297,991
Real asset	8,885	—	8,885
Hedge funds	—	17,466	17,466
Real estate	—	15,735	15,735
Private equity	—	5,402	5,402
Private credit	—	23,136	23,136
Total investments at fair value	<u>\$ 503,648</u>	<u>61,739</u>	<u>565,387</u>

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Liquidity: Investment liquidity is aggregated as follows, based on redemption or sale period, as of June 30, 2024:

	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semi-annually</u>	<u>Nonredeemable</u>	<u>Total</u>
Cash and cash equivalents, restricted	\$ 4,054	—	—	—	—	4,054
U.S. equity	145,785	—	—	—	—	145,785
International equity	46,933	—	—	—	—	46,933
Fixed income	297,991	—	—	—	—	297,991
Real asset	8,885	—	—	—	—	8,885
Hedge funds (a)	—	—	—	17,466	—	17,466
Real estate	—	15,735	—	—	—	15,735
Private equity	—	—	—	—	5,402	5,402
Private credit	—	—	17,976	—	5,160	23,136
Total investments at fair value	<u>\$ 503,648</u>	<u>15,735</u>	<u>17,976</u>	<u>17,466</u>	<u>10,562</u>	<u>565,387</u>

- (a) Redemption notice period of 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 equity and private credit investments are typically made through limited partnership structures. Under the terms of certain partnership agreements, the University is obligated to provide additional funding as requested by investment managers through periodic capital calls. These partnerships generally have a limited existence of 10 to 15 years, with provisions for annual one-year extensions beyond the initial term to facilitate the orderly liquidation of portfolio holdings and the return of capital to investors. However, the actual duration of a fund may vary from the original anticipated date due to market conditions, challenges in executing the fund's investment strategy, or other factors. Consequently, the timing and amount of future capital calls in any given year remains uncertain.

As of June 30, 2025 and 2024, the aggregate amount of unfunded commitments related to the University's private equity and private credit investments is \$29,387 and \$17,102, respectively.

The total investment return, net, is summarized as follows for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Income from interest and dividends	\$ 33,624	30,233
Net realized and unrealized gains	32,906	27,780
Investment fees	<u>(3,350)</u>	<u>(2,349)</u>
Total investment return, net	<u>\$ 63,180</u>	<u>55,664</u>

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Investment return, net, is included in the consolidated statements of activities as follows for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating	\$ 23,627	19,834
Nonoperating	<u>39,553</u>	<u>35,830</u>
Total investment return, net	\$ <u>63,180</u>	<u>55,664</u>

(5) Endowment

The University's endowment comprises 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 these endowment funds, whether donor-restricted or Board designated, are classified and reported based on the presence 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 fund type, for the year ended June 30, 2025, are as follows:

	2025		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 209,043	109,141	318,184
Investment return, net	23,756	12,466	36,222
Appropriation for expenditure	(4,047)	(2,416)	(6,463)
Endowment return, net of appropriation	19,709	10,050	29,759
Other changes in endowment investments:			
Contributions	—	6,378	6,378
Transfers to create funds functioning as endowment	10,000	—	10,000
Total other changes in endowment investments	10,000	6,378	16,378
Endowment net assets, end of year	\$ 238,752	125,569	364,321

Changes in the fair value of the University's endowment net assets, by fund type, for the year ended June 30, 2024, are as follows

	2024		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 181,601	99,960	281,561
Investment return, net	20,508	10,562	31,070
Appropriation for expenditure	(3,066)	(2,528)	(5,594)
Endowment return, net of appropriation	17,442	8,034	25,476
Other changes in endowment investments:			
Contributions	—	1,147	1,147
Transfers to create funds functioning as endowment	10,000	—	10,000
Total other changes in endowment investments	10,000	1,147	11,147
Endowment net assets, end of year	\$ 209,043	109,141	318,184

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Endowment net assets as of June 30, 2025 and 2024 are classified as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
2025:			
Donor-restricted endowment funds	\$ —	125,569	125,569
Board-designated funds functioning as endowment funds	<u>238,752</u>	<u>—</u>	<u>238,752</u>
Total	<u>\$ 238,752</u>	<u>125,569</u>	<u>364,321</u>
2024:			
Donor-restricted endowment funds	\$ —	109,141	109,141
Board-designated funds functioning as endowment funds	<u>209,043</u>	<u>—</u>	<u>209,043</u>
Total	<u>\$ 209,043</u>	<u>109,141</u>	<u>318,184</u>

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount that either the donor or UPMIFA requires the University to maintain as a fund of perpetual duration. These deficiencies, referred to as underwater endowments, are reported within net assets with donor restrictions. There are no underwater endowments as of June 30, 2025 or June 30, 2024.

(b) Endowment Appropriation

The University's endowment is managed with the objective of providing reasonable stability for operational budgeting and maintaining intergenerational equity between near-term and long-term priorities. Each year, the Board authorizes a spending rate for endowment distributions, taking into account various factors such as market performance and economic conditions.

Historically, the spending rate has ranged between 4% and 5% of the three-year moving average of the market value of the endowed funds, though it may vary depending on prevailing circumstances. If endowment income received is insufficient to meet the total return objective, the shortfall is provided by capital gains. Conversely, if income exceeds the total return objective, the excess is reinvested into the endowment.

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(In thousands)

(6) Student Loans Receivable

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

	<u>2025</u>	<u>2024</u>
Federal Perkins Loan Program	\$ 1,803	2,523
Other student loans	708	731
Less allowance for doubtful accounts	<u>(344)</u>	<u>(425)</u>
Total student loans receivable, net	<u>\$ 2,167</u>	<u>2,829</u>
Current portion	\$ 547	798
Long-term portion	<u>1,620</u>	<u>2,031</u>
Total student loans receivable, net	<u>\$ 2,167</u>	<u>2,829</u>

The Federal Perkins Loan Program expired on September 30, 2017, with final loan disbursements permitted through June 30, 2018. While no new Perkins loans may be issued, recipients of existing loans remain obligated to repay the University, which in turn remits payments to the federal government. As of June 30, 2025 and 2024, the liability for refundable federal government loans is \$2,312 and \$3,192, respectively. This liability 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 University students, with various interest rates and repayment terms. The allowance for student loans receivable is established based on estimated default rates, which reflect historical experience and current expectations regarding collectability.

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(7) Contributions Receivable

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

	<u>2025</u>	<u>2024</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,806	2,703
One year to five years	4,680	4,216
More than five years	<u>30</u>	<u>147</u>
	8,516	7,066
Less:		
Allowance for uncollectible pledges	448	605
Discount for present value (ranging from 3.49% and 4.46% at June 30, 2025 and 2024)	<u>430</u>	<u>438</u>
Contributions receivable, net	<u><u>\$ 7,638</u></u>	<u><u>6,023</u></u>

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

	<u>2025</u>	<u>2024</u>
Current portion	\$ 3,477	2,214
Long-term portion	<u>4,161</u>	<u>3,809</u>
Contributions receivable, net	<u><u>\$ 7,638</u></u>	<u><u>6,023</u></u>

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(8) Land, Land Improvements, Buildings and Equipment

Components of land, land improvements, buildings and equipment at June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 85,519	81,668
Buildings	796,563	703,707
Equipment	348,712	311,570
Construction in progress	<u>66,065</u>	<u>91,964</u>
Total	1,296,859	1,188,909
Less accumulated depreciation	<u>(562,720)</u>	<u>(519,766)</u>
Land, land improvements, buildings, and equipment, net	<u>\$ 734,139</u>	<u>669,143</u>

Depreciation expense for the years ended June 30, 2025 and 2024 is \$46,360 and \$41,487, respectively. At June 30, 2025, the University has commitments of approximately \$204,063 related to various capital projects.

(9) Leases

The University has operating and finance leases, primarily for parcels of land, educational facilities, administrative offices, and equipment. Remaining lease terms range from 1 to 43 years. For purposes of calculating operating ROU lease assets and liabilities, lease terms include extension options when the University is reasonably certain it will exercise the options.

Certain lease agreements include variable payments that depend on usage of the underlying asset or related costs. These variable payments, along with non-lease components, are excluded from the initial

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measurement of ROU lease assets and 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>2025</u>	<u>2024</u>
Operating lease cost	\$ 5,904	5,536
Finance lease cost:		
Amortization of ROU assets	181	204
Interest on lease liabilities	<u>18</u>	<u>26</u>
Total finance lease cost	199	230
Short-term lease cost	1,094	554
Variable and nonlease cost	<u>1,200</u>	<u>1,383</u>
Total lease cost	\$ <u>8,397</u>	<u>7,703</u>

(b) Other Lease Information

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

	<u>2025</u>	<u>2024</u>
Other lease information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,926	4,446
Operating cash flows from finance leases	18	26
Financing cash flows from finance leases	181	204
Noncash impacts:		
Noncash impacts on operating lease modifications	(326)	(929)
Noncash impacts on finance lease modifications	(16)	—
Noncash impacts of new operating leases initiated	(2,155)	(4,679)
Noncash impacts of operating lease amortization	—	65

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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:

	<u>2025</u>	<u>2024</u>
Operating leases:		
Operating lease ROU assets	\$ 36,720	38,002
Operating lease liabilities:		
Current portion	\$ 2,627	3,037
Long-term portion	<u>35,073</u>	<u>35,727</u>
Total operating lease liabilities	<u>\$ 37,700</u>	<u>38,764</u>
Finance leases:		
Land, land improvements, buildings and equipment	\$ 1,475	1,459
Finance lease assets, net	<u>\$ 1,475</u>	<u>1,459</u>
Current portion	\$ 276	174
Long-term portion	<u>—</u>	<u>266</u>
Total finance lease liabilities	<u>\$ 276</u>	<u>440</u>

(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 as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (years):		
Operating leases	20.63	20.90
Finance leases	0.84	1.92
Discount rate:		
Operating leases (weighted average)	3.92 %	3.94 %
Finance leases	4.82	4.82

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(e) *Maturities*

The maturities of lease liabilities at June 30, 2025 are as follows:

	Operating leases
2026	\$ 4,476
2027	4,185
2028	4,092
2029	3,810
2030	3,528
Thereafter	39,958
Total future undiscounted lease payments	60,049
Less interest	(22,349)
Present value of lease liabilities	<u>\$ 37,700</u>

The University serves as the lessor in several long-term operating leases for commercial space, with lease terms extending through fiscal year 2050. Additionally, the University leases space to third parties on a short-term or individual-use basis; these arrangements typically do not extend beyond a 12-month term.

Operating lessor income of \$2,111 and \$503 is included in other revenue in the consolidated statements of activities for the years ended June 30, 2025, and 2024, respectively.

Future minimum rental income under long-term operating leases as of June 30, 2025, is as follows:

2026	\$ 1,620
2027	1,450
2028	1,297
2029	1,216
2030	6,904
Thereafter	58,522
Total future minimum rental income	<u>\$ 71,009</u>

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(10) Long-Term Debt

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

	<u>Interest %</u>	<u>Maturity</u>	<u>2025</u>	<u>2024</u>
Finance lease obligations				
Land – 501 S. Clyde Morris Blvd.	4.82%	2026	\$ 276	440
Total finance lease obligations			<u>276</u>	<u>440</u>
Notes payable				
Promissory note – PNC Bank	3.03%	2037	15,336	15,761
Promissory note – Truist Bank	1.68%	2028	18,000	23,800
Total notes payable			<u>33,336</u>	<u>39,561</u>
Bonds payable				
Volusia County educational facilities revenue bonds				
Series 2015A	2.91%	2031	22,145	25,480
Series 2015B	5.00%	2026	2,275	37,130
Series 2015C	2.28%	2027	5,770	8,565
Series 2017	5.00%	2048	45,560	45,965
Series 2020A	4.00% - 5.00%	2050	92,615	95,665
Series 2020B (taxable)	3.43%	2037	10,000	10,000
Total bonds payable – principal			<u>178,365</u>	<u>222,805</u>
Bond premium				
Series 2015B			70	2,156
Series 2017			5,310	5,687
Series 2020A			14,595	15,217
Total premium			<u>19,975</u>	<u>23,060</u>
Bond issuance costs				
Series 2015A			34	47
Series 2015B			12	285
Series 2015C			2	6
Series 2017			233	257
Series 2020A			610	637
Series 2020B (taxable)			46	51
Promissory note – PNC Bank			63	70
Total bond issuance costs			<u>1,000</u>	<u>1,353</u>
Total long-term debt, net			<u>\$ 230,952</u>	<u>284,513</u>
Current portion			\$ 19,716	19,450
Long-term portion			<u>211,236</u>	<u>265,063</u>
Total long-term debt, net			<u>\$ 230,952</u>	<u>284,513</u>

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(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.

(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.

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 \$12 and \$45 are included in deposits and investments held with trustees on the consolidated statements of financial position as of June 30, 2025 and 2024, 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 Series 2015A bond issue is 2.91%.

Series 2015B bonds were issued at a premium of \$7,079 to the original principal amount of \$69,195 to fund capital projects on the Daytona Beach and Prescott campuses. In January 2020, a current refunding of \$10,060 of principal, plus accrued interest, was executed through a redemption. An additional \$16,250 of principal was redeemed in February 2020, along with accrued interest. In May 2025, \$32,650 of principal, plus accrued interest, was redeemed using proceeds from a short-term bank loan. The loan was repaid within four days of funding and was structured to meet the bond indenture's definition of "Available Monies," supported by a legal opinion confirming the funds were not subject to voidable preference under bankruptcy law. Each transaction was accounted for as an extinguishment of debt. The effective interest rate of the Series 2015B 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 Series 2015C bond issue is 2.28%.

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(In thousands)

Series 2017 bonds were issued at a premium of \$7,981 to the original principal 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 Series 2017 bond issue is 3.72%.

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

Series 2020A bonds were issued in January 2020 at a premium of \$17,953 to the original principal 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 to fund \$10,060 of the outstanding principal of the Series 2015B bonds. The effective interest rate of the Series 2020A bond issue is 3.51%.

A portion of the proceeds from the Series 2020A bonds totaling \$10,172 was placed into an irrevocable escrow account to provide for the debt service payment and redemption of \$10,060 of the outstanding principal of the Series 2015B bonds as of the call date as of the call date on April 15, 2020. As a result, the refunded portion of the Series 2015B bonds was legally defeased.

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

(c) Note Payable

In February 2020, the University entered into a promissory note agreement with BBVA USA, which was subsequently acquired by PNC Bank in 2021, in the amount of \$19,291. The proceeds were used to legally defease \$16,205 of the outstanding principal of the Series 2015B bonds. The University's obligation 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 the 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 related indebtedness nor the assets held in the irrevocable trust are included in the consolidated statements of financial position.

In May 2021, the University entered into a promissory note agreement with Truist Bank 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 University's obligation 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%.

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(In thousands)

(d) Annual Debt Service

The University's debt service, including principal and interest payments made during the fiscal years ended June 30, 2025 and 2024, amounts to \$29,024 and \$28,861, respectively.

Maturities of long-term debt in each of the next five years, and thereafter at June 30, 2025, are as follows:

Year ending June 30:		
2026	\$	18,751
2027		16,725
2028		15,595
2029		9,720
2030		8,500
Thereafter		142,686
Unamortized bond premium		19,975
Unamortized bond issue costs		<u>(1,000)</u>
Total long-term debt, net	\$	<u>230,952</u>

(11) Revenue from Contracts with Customers

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

The University's operating revenue is primarily derived from academic programs provided to students, including undergraduate, graduate and professional degree programs. Tuition and fees revenue is earned by the University for these educational services delivered during an academic term. Tuition is charged at different rates depending on the program in which the student is enrolled. As part of a student's course of instruction, certain fees, such as technology fees and laboratory fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations.

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

The length of academic terms is 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.

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The University bills tuition and fees in advance of each academic term and recognizes the related revenue as follows: residential campuses (fall and spring terms) apply straight-line recognition over the academic term, while the summer term and the Worldwide campus utilize time-based recognition proportional to the number of days of instruction.

Students who officially withdraw by the last day of the add/drop period are eligible for a full refund of tuition and fees for that academic term. For residential campuses during the fall and spring terms, students who withdraw after the add/drop deadline may receive a pro rata refund based on their official last day of attendance, in accordance with University policy. At the Worldwide campus, students who withdraw within the first four days of class are eligible for a 100% refund of tuition and fees. Beyond this period, Worldwide students are not eligible for a refund unless required by the laws of their 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 vary based on the residence hall and room type, and are billed in advance of each academic term. Revenue is typically recognized on a straight-line basis over the period housing is provided.

Grants for research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to the funding. Accordingly, advances from granting agencies are typically considered refundable in the unlikely event that the specified services are not performed. Revenue from these grants is recognized as expenditures are incurred, since spending in accordance with award terms typically results in the simultaneous release of grantor-imposed restrictions. For exchange contracts related to applied research, revenue is recognized as the University substantially fulfills its contractual performance obligations. Indirect cost recovery on U.S. government grants and contracts is based upon a predetermined, negotiated rate and is recorded as grants and contracts revenue.

(12) Grants and Contracts Revenue

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

	<u>2025</u>	<u>2024</u>
Federal	\$ 35,770	32,796
State	12,586	29,143
Private	1,592	1,723
Other	<u>664</u>	<u>983</u>
Total grants and contracts revenue	<u>\$ 50,612</u>	<u>64,645</u>

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(13) Retirement Benefits

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, 2025 and 2024 are \$20,786 and \$18,953, respectively.

(14) Commitments and Contingencies

(a) Unionized Labor Force

The University employs, on average, approximately 200 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, 2028.

(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) 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 and pharmacy 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) Agreement. Blue Cross Blue Shield (BCBS) is the administrator of 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 also contracts with RxBenefits, a Group Purchasing Organization (GPO), to assist in procuring more advantageous contract terms, pricing, and/or service based on the greater number of member lives that the GPO represents with several of the larger Pharmacy Benefit Managers (PBMs) and Express Scripts, Inc. (ESI). ESI is the pharmacy administrator for the self-insured plan.

The University is responsible for all financial and legal aspects of its self-insured employee benefits plan. To mitigate the risk of unfunded financial liabilities, the University purchases stop-loss insurance, which transfers responsibility for claim amounts exceeding specified thresholds to the reinsurer. Coverage limits apply to both individual claims and to the aggregate claims 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, 2025 and 2024, self-insurance reserves amount to approximately \$2,452 and \$1,891, respectively, which are included in accounts payable and accrued expenses in the consolidated statements of financial position.

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(15) Functional Classification of Expenses

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

		2025							
		Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	Total
Salaries and wages	\$	140,856	13,392	18,944	37,167	44,727	316	3,923	259,325
Fringe benefits		37,822	2,368	5,249	11,174	23,097	—	1,012	80,722
Other operating expenses		37,234	17,542	8,350	21,683	28,854	3,698	7,224	124,585
Insurance		3,418	13	1	213	5,323	—	1,148	10,116
Utilities		1,331	421	460	946	1,234	—	5,724	10,116
Interest		1,241	43	183	1,829	1,221	—	4,603	9,120
Depreciation		16,637	4,583	1,593	7,504	3,750	—	12,293	46,360
Total	\$	238,539	38,362	34,780	80,516	108,206	4,014	35,927	540,344

		2024							
		Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	Total
Salaries and wages	\$	131,567	11,614	18,544	33,742	41,873	194	3,772	241,306
Fringe benefits		32,203	1,694	4,754	9,181	22,672	—	886	71,390
Other operating expenses		34,179	15,366	7,731	20,761	29,710	3,820	7,516	119,083
Insurance		2,933	13	—	198	4,937	—	1,099	9,180
Utilities		1,222	414	443	902	1,179	—	5,910	10,070
Interest		1,381	45	189	1,960	1,228	—	4,778	9,581
Depreciation		14,687	3,899	1,029	7,267	3,052	—	11,553	41,487
Total	\$	218,172	33,045	32,690	74,011	104,651	4,014	35,514	502,097

The University's primary program service is academic instruction and academic support. Expenses incurred in support of this principal 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 appropriate cost allocation methodologies, such as square footage and time and effort.

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

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

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(16) Net Assets

Net assets consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Without donor restrictions:		
Board-designated endowment funds	\$ 238,752	209,043
Net investment in plant	503,198	384,436
Undesignated	<u>449,072</u>	<u>433,497</u>
Total net assets without donor restriction	<u>1,191,022</u>	<u>1,026,976</u>
With donor restrictions:		
Time or purpose restricted	63,082	63,599
Time or purpose restricted pledges	2,195	1,640
Split-interest agreements	335	269
Donor-restricted endowment funds	73,689	68,373
Donor-restricted endowment funds pledges	<u>5,074</u>	<u>4,013</u>
Total net assets with donor restrictions	<u>144,375</u>	<u>137,894</u>
Total net assets	<u>\$ 1,335,397</u>	<u>1,164,870</u>

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:

	<u>2025</u>	<u>2024</u>
Donations restricted for capital asset construction or acquisition	\$ 11,503	21
Donations restricted for scholarships	3,705	3,980
Donations restricted for noncapital programs or acquisitions	<u>1,199</u>	<u>2,202</u>
Net assets released from restrictions	<u>\$ 16,407</u>	<u>6,203</u>

(17) Related Party Transactions

All members of the Board and University officers are required to disclose annually any potential conflicts of interests, including relationships involving family members or organizations in which they or their immediate family hold a significant ownership interest. During the fiscal years ended, June 30, 2025 and 2024, payments to organizations in which a related party held a 35% or greater ownership interest totaled \$927 and \$884, respectively. Certain gifts and pledges from Board members are received annually; however, these amounts are not material to the financial statements. All related-party transactions are conducted in accordance with the University's standard business practices and conflict-of-interest policies.

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(18) Subsequent Events

Management of the University has reviewed subsequent events from June 30, 2025, through October 24, 2025 (the date the accompanying consolidated financial statements were issued).

In July 2025, at the request of the University, the Volusia County Educational Facilities Authority issued \$184,420 in tax-exempt revenue bonds (Series 2025) to fund capital projects at the University's residential campuses and cover issuance costs. The bonds were sold at a premium, generating total project proceeds of \$200,000. They carry a fixed interest rate, mature serially through 2040, and include a 9-year optional call provision.

On the closing date, the University applied approximately \$71,826 from the project fund as reimbursement for prior capital expenditures, which was deposited into the University's operating account. As a result, cash and cash equivalents totaled approximately \$269,299 as of July 31, 2025 (unaudited), based on internal records.

In connection with the issuance, the University approved amendments to the Master Trust Indenture removing certain financial covenants. Investors purchasing the Series 2025 Bonds irrevocably consented to these amendments upon purchase. The amendments become effective upon receiving additional consents representing 51% of outstanding Master Indenture Obligations and consent from all bank loan lenders.