EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC. AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended June 30, 2024 and 2023

(With Independent Auditors’ Report Thereon)

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

Table of Contents

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

Independent Auditors' Report

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Financial Position

Fiscal year ended June 30, 2024 and 2023

(in thousands)

Assets	**2024**	**2023**
Current assets:		
Cash and cash equivalents	$ 268,422	229,787
Short-term investments (note 4)	248,665	233,949
Accounts and notes receivable, less allowance for doubtful accounts of $1,933 and $1,754 respectively	27,744	19,218
Student loans receivable, net, current portion (note 6)	798	907
Contributions receivable, net, current portion (note 7)	2,214	13,431
Inventories	6,271	6,412
Prepaid expenses and other current assets	11,671	17,154
Total current assets	565,785	520,858
Noncurrent assets:		
Deposits and investments held with trustees	45	3,366
Long-term accounts and notes receivable, net	720	934
Student loans receivable, less current portion and allowance for doubtful accounts of $425 and $337, respectively (note 6)	2,031	3,200
Contributions receivable, net, less current portion (note 7)	3,809	5,644
Other assets	328	304
Long-term investments (note 4)	316,722	274,605
Right-of-use lease assets (note 9)	38,002	37,177
Land, land improvements, buildings and equipment, net (note 8)	669,143	598,400
Total noncurrent assets	1,030,800	923,630
Total assets	$ 1,596,585	1,444,488
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses, current portion	$ 60,147	45,967
Advances for student loans and financial aid	7,742	6,631
Student deposits and advance payments	10,094	14,727
Deferred revenue, current portion	17,823	20,891
Right-of-use lease liability, current portion (note 9)	3,037	2,909
Long-term debt, current portion (note 10)	19,450	18,953
Total current liabilities	118,293	110,078
Noncurrent liabilities:		
Deferred revenue, less current portion	12,508	15,018
Right-of-use lease liability, less current portion (note 9)	35,727	34,540
Long-term debt, net, less current portion (note 10)	265,063	284,513
Other liabilities	124	116
Total noncurrent liabilities	313,422	334,187
Total liabilities	431,715	444,265
Net assets (note 16):		
Without donor restrictions	1,026,976	871,412
With donor restrictions:		
Time or purpose	65,508	57,174
Perpetual	72,386	71,637
Total net assets	1,164,870	1,000,223
Total liabilities and net assets	$ 1,596,585	1,444,488

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Activities

Fiscal year ended June 30, 2024

(in thousands)

	Without donor restrictions	With donor restrictions	Total
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 Activities

Year ended June 30, 2023

(in thousands)

		Without donor restrictions	With donor restrictions	Total
Operating activities:				
Revenue and other additions:				
Tuition, net of institutionally funded scholarships of $142,815	$	361,642	—	361,642
Flight fees		53,435	—	53,435
Other fees		26,245	—	26,245
Grants and contracts		31,766	—	31,766
Private gifts – cash and financial assets		438	—	438
Auxiliary enterprises		46,620	—	46,620
Investment income, net		9,420	—	9,420
Other revenue		13,756	—	13,756
Investment earnings distributed		2,721	2,518	5,239
Total operating revenue and other additions		546,043	2,518	548,561
Net assets released from restrictions		4,277	(4,277)	—
Total operating revenue and other additions		550,320	(1,759)	548,561
Expenses (note 15):				
Salaries and wages		219,912	—	219,912
Fringe benefits		63,770	—	63,770
Other operating expenses		107,494	—	107,494
Insurance		8,062	—	8,062
Utilities		10,093	—	10,093
Interest		10,183	—	10,183
Depreciation		41,987	—	41,987
Total operating expenses		461,501	—	461,501
Change in net assets from operating activities		88,819	(1,759)	87,060
Nonoperating activities:				
Private gifts		269	11,584	11,853
Investment return, net		16,771	8,037	24,808
Distribution of prior year investment earnings for spending		(2,721)	(2,518)	(5,239)
Other nonoperating activities		268	(18)	250
Total nonoperating activities		14,587	17,085	31,672
Changes in net assets		103,406	15,326	118,732
Net assets, beginning of year		768,006	113,485	881,491
Net assets, end of year	$	871,412	128,811	1,000,223

See accompanying notes to consolidated financial statements.

EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.

Consolidated Statements of Cash Flows

Fiscal year ended June 30, 2024 and 2023

(in thousands)

		2024	2023
Cash flows from operating activities:			
Increase in net assets	$	164,647	118,732
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation		41,487	41,987
Realized and unrealized gains on investments		(27,780)	(15,789)
Net amortization of bond premium and debt issuance costs		(1,283)	(1,278)
Gains on disposal of equipment		(8,716)	(3,745)
Amortization of right-of-use lease assets		490	271
Contribution of nonfinancial assets		(22)	(238)
Contributions restricted for long-term investment		(521)	(7,887)
Changes in operating assets and liabilities:			
Accounts and notes receivable		(8,312)	1,888
Contributions receivable		13,052	6,311
Inventories		141	(1,517)
Prepaid expenses and other assets		5,459	(2,898)
Accounts payable and accrued expenses		16,302	319
Advances for student loans and financial aid		1,111	1,928
Deferred revenue		(5,578)	5,035
Other liabilities		8	28
Student deposits and advance payments		(4,633)	915
Net cash provided by operating activities		185,852	144,062
Cash flows from investing activities:			
Purchase of investments		(441,075)	(552,753)
Sale of investments		411,269	489,298
Principal received on student loan receivables		1,365	1,195
Loans made to students		(87)	(102)
Proceeds from sale of land, land improvements, buildings, and equipment		13,836	6,476
Capital expenditures		(119,450)	(57,356)
Net cash used in investing activities		(134,142)	(113,242)
Cash flows from financing activities:			
Principal payments on long-term debt		(17,670)	(16,382)
Decrease in deposits and investments with trustees		3,321	6,658
Proceeds from restricted contributions		521	7,887
Net cash used in financing activities		(13,828)	(1,837)
Change in cash, cash equivalents and restricted cash		37,882	28,983
Cash, cash equivalents and restricted cash, beginning of year		234,594	205,611
Cash, cash equivalents and restricted cash, end of year	$	272,476	234,594
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position:			
Cash and cash equivalents	$	268,422	229,787
Cash and cash equivalents, restricted		4,054	4,807
Total cash, cash equivalents and restricted cash	$	272,476	234,594
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	11,191	11,678
Change in capital asset acquisitions in accounts payable		(2,122)	(1,059)

See accompanying notes to consolidated financial statements.

(1) Nature of Operations

Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University) is an independent, nonprofit culturally diverse institution providing quality education and research in aviation, aerospace, engineering, and other related fields with residential campuses in Daytona Beach, Florida, and Prescott, Arizona. The University's Worldwide campus provides educational opportunities online and at 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 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.

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(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 (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, 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 and Educational Facilities Revenue Bonds. These funds are subject to restrictions imposed by covenants of the University and are limited to use on authorized projects.

(k) Long-Term Investments

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

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

Investment income is recorded on the accrual basis.

(l) Fair Value of Financial Instruments

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

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

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

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

(m) Land, Land Improvements, Buildings and Equipment

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

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, 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 on the effective-yield method over the lives of the respective bond issues (see Note 10).

(o) Unamortized Bond Issuance Costs

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

(p) Leases

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

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

The University has lease agreements with lease and non-lease components which are accounted for as separate lease components for all asset classes. In the consolidated statements of activities, lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Payments for non-lease components are expensed in the period in which the obligation for the payment was incurred. For finance leases, interest expense is recognized on the lease liability, and the ROU asset is amortized over the lease term.

(q) Deferred Revenue

The University has $15,714 and $17,181 in deferred revenue recorded as of June 30, 2024 and 2023, 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.

(r) 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. Unrelated business income tax, if any, is immaterial. As of June 30, 2024 and 2023, the University had no uncertain tax positions requiring accrual.

(s) Consolidated Statements of Activities

The consolidated statements of activities separately report changes in net assets from operating and nonoperating activities. Operating activities consist principally of revenues and expenses related to ongoing educational and research programs, including endowment return appropriated by the University to support those programs. Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions for scholarships and acquisitions of facilities and equipment restricted with donor-imposed stipulations, investment returns net of the University's spending policy, other non-recurring activities, and activities not in direct support of annual operations.

(t) 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.

(u) 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, 2024 and 2023 are $503 and $5,731, 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.

(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 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.

(w) Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326).* This standard replaced the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss ("CECL") methodology.

(Continued)

(In thousands)

CECL requires an estimate of credit losses for the remaining estimated life of a financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including accounts and loan receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. This standard was effective for fiscal years beginning after December 15, 2022, and required a modified-retrospective approach. The University adopted ASU 2016-13 as of July 1, 2023, which did not have a material impact on its consolidated financial statements.

(3) Financial Assets and Liquidity Resources

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

The University's financial assets available within one year of the consolidated statements of financial position for general expenditures as of June 30, 2024 and 2023 are as follows:

		2024	2023
Total assets	$	1,596,585	1,444,488
Less nonfinancial assets:			
Land and land improvements, buildings and equipment, net		(669,143)	(598,400)
Right-of-use lease assets		(38,002)	(37,177)
Inventories		(6,271)	(6,412)
Prepaid expenses and other current assets		(11,671)	(17,154)
Other assets		(328)	(304)
Total financial assets		871,170	785,041

		2024	2023
Less amounts not available for general expenditures within one year:			
Other long-term notes receivable	$	(720)	(934)
Restricted by donor with time or purpose restrictions		(28,753)	(28,851)
Board-designated endowment funds		(209,043)	(181,601)
Donor-restricted endowment funds		(105,128)	(106,414)
Other contractual restrictions		(8,476)	(25,993)
Total financial assets not available to meet general expenditures within one year		(352,120)	(343,793)
Total financial assets available to meet cash needs for general expenditures within one year	$	519,050	441,248

(Continued)

(In thousands)

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

Further, the University had additional funds Board-designated funds functioning as endowment, which could be available for general expenditures with Board of Trustees' (Board) approval. These funds totaled $209,043 and $181,601 for the years ended June 30, 2024 and 2023, respectively.

(4) Investments

Investments at June 30, 2024 and 2023 are comprised of the following:

		2024	2023
Cash and cash equivalents, restricted	$	4,054	4,807
U.S. equity		145,785	122,474
International equity		46,933	41,110
Fixed income		297,991	281,743
Real assets		8,885	13,785
Hedge funds		17,466	16,151
Real estate		15,735	15,510
Private equity		5,402	977
Private credit		23,136	11,997
Total investments	$	565,387	508,554
Short-term investments	$	248,665	233,949
Investments held for long-term purposes		316,722	274,605
Total investments	$	565,387	508,554

(In thousands)

(a) Fair Value Hierarchy of Investments

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

		Level 1	Net asset value	Total
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	$	503,648	61,739	565,387

Liquidity: Investment liquidity is aggregated as follows, based on redemption or sale period:

		Daily	Monthly	Quarterly	Semi-annually	Nonredeemable	Total
As of June 30, 2024							
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	$	503,648	15,735	17,976	17,466	10,562	565,387

(In thousands)

The fair value hierarchy of investments as of June 30, 2023 is as follows:

		Level 1	Net asset value	Total
Cash and cash equivalents, restricted	$	4,807	—	4,807
U.S. equity		122,474	—	122,474
International equity		41,110	—	41,110
Fixed income		281,743	—	281,743
Real asset		13,785	—	13,785
Hedge funds		—	16,151	16,151
Real estate		—	15,510	15,510
Private equity		—	977	977
Private credit		—	11,997	11,997
Total investments at fair value	$	463,919	44,635	508,554

Liquidity: Investment liquidity is aggregated as follows, based on redemption or sale period:

		Daily	Monthly	Quarterly	Semi-annually	Nonredeemable	Total
As of June 30, 2023							
Cash and cash equivalents, restricted	$	4,807	—	—	—	—	4,807
U.S. equity		122,474	—	—	—	—	122,474
International equity		41,110	—	—	—	—	41,110
Fixed income		281,743	—	—	—	—	281,743
Real asset		13,785	—	—	—	—	13,785
Hedge funds (a)		—	—	—	16,151	—	16,151
Real estate		—	15,510	—	—	—	15,510
Private equity		—	—	—	—	977	977
Private credit		—	—	7,423	—	4,574	11,997
Total investments at fair value	$	463,919	15,510	7,423	16,151	5,551	508,554

(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 generally made through limited partnerships. Under the terms of some 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 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, 2024 and 2023 were $17,102 and $21,550, respectively.

(In thousands)

The total investment return, net, is summarized as follows for the years ended June 30, 2024 and 2023:

		2024	2023
Income from interest and dividends	$	30,233	20,151
Net realized and unrealized gains/(losses)		27,780	15,909
Investment fees		(2,349)	(1,832)
Total investment return, net	$	55,664	34,228

Investment return, net, is included in the consolidated statements of activities as follows for the years ended June 30, 2024 and 2023:

		2024	2023
Operating	$	19,834	9,420
Nonoperating		35,830	24,808
Total investment return, net	$	55,664	34,228

(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.

(In thousands)

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, 2024:

	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

(In thousands)

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, 2023:

		2023		
		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	153,878	87,198	241,076
Investment return, net		15,444	7,987	23,431
Appropriation for expenditure		(2,721)	(2,668)	(5,389)
Endowment return, net of appropriation		12,723	5,319	18,042
Other changes in endowment investments:				
Contributions		—	7,443	7,443
Transfers to create funds functioning as endowment		15,000	—	15,000
Total other changes in endowment investments		15,000	7,443	22,443
Endowment net assets, end of year	$	181,601	99,960	281,561

Endowment net assets as of June 30, 2024 and 2023 are classified as follows:

		Without donor restrictions	With donor restrictions	Total
2024:				
Donor-restricted endowment funds	$	—	109,141	109,141
Board-designated funds functioning as endowment funds		209,043	—	209,043
Total	$	209,043	109,141	318,184
2023:				
Donor-restricted endowment funds	$	—	99,960	99,960
Board-designated funds functioning as endowment funds		181,601	—	181,601
Total	$	181,601	99,960	281,561

(Continued)

(In thousands)

(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. There were no underwater endowments as of June 30, 2024. At June 30, 2023, funds with an original gift value of $6,210 were underwater by $88.

(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 total return objective, the balance is reinvested in the endowment.

(6) Student Loans Receivable

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

		2024	2023
Federal Perkins Loan Program	$	2,523	3,671
Other student loans		731	773
Less allowance for doubtful accounts		(425)	(337)
Total student loans receivable, net	$	2,829	4,107
Current portion	$	798	907
Long-term portion		2,031	3,200
Total student loans receivable, net	$	2,829	4,107

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 $3,192 and $4,255 at June 30, 2024 and 2023, respectively, and is included as a component of advances for student loans and financial aid in the consolidated statements of financial position.

(In thousands)

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

(7) Contributions Receivable

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

		2024	2023
Unconditional promises expected to be collected in:			
Less than one year	$	2,703	13,534
One year to five years		4,216	6,374
More than five years		147	215
		7,066	20,123
Less:			
Allowance for uncollectible pledges		605	291
Discount for present value (ranging from 3.49% and 4.46% at June 30, 2024 and 2023)		438	757
Contributions receivable, net	$	6,023	19,075

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

		2024	2023
Current portion	$	2,214	13,431
Long-term portion		3,809	5,644
Contributions receivable, net	$	6,023	19,075

(In thousands)

(8) Land, Land Improvements, Buildings and Equipment

Components of land, land improvements, buildings and equipment at June 30, 2024 and 2023 are as follows:

		2024	2023
Land and land improvements	$	81,668	79,711
Buildings		703,707	682,117
Equipment		311,570	284,830
Construction in progress		91,964	37,843
Total		1,188,909	1,084,501
Less accumulated depreciation		(519,766)	(486,101)
Land, land improvements, buildings, and equipment, net	$	669,143	598,400

Depreciation expense for the years ended June 30, 2024 and 2023 was $41,487 and $41,987, respectively. At June 30, 2024, the University had commitments of approximately $175,454 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 44 years. For purposes of calculating operating lease ROU assets and liabilities, certain lease terms are deemed to include options to extend the lease when it is reasonably certain that the University will exercise the options. Certain lease agreements require variable payments that are dependent on usage of the underlying asset and related costs. These variable payments and non-lease components are not presented as part of the initial ROU lease assets or lease liabilities. The University's lease agreements do not contain any material restrictive covenants.

(In thousands)

(a) Lease Cost

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

		2024	2023
Operating lease cost	$	5,536	5,364
Finance lease cost:			
Amortization of ROU assets		204	1,576
Interest on lease liabilities		26	49
Total finance lease cost		230	1,625
Short-term lease cost		554	154
Variable and nonlease cost		1,383	1,083
Total lease cost	$	7,703	8,226

(b) Other Lease Information

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

		2024	2023
Other lease information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	4,446	4,797
Operating cash flows from finance leases		26	49
Financing cash flows from finance leases		204	1,452
Loss on finance lease disposals		—	2,836
Noncash impacts:			
Noncash impacts on operating lease modifications		(929)	(1,732)
Noncash impacts of new operating leases initiated		(4,679)	(13,571)
Noncash impacts of operating lease amortization		65	139

(In thousands)

(c) Lease Position

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

		2024	2023
Operating leases:			
Operating lease ROU assets	$	38,002	37,177
Operating lease liabilities:			
Current portion	$	3,037	2,909
Long-term portion		35,727	34,540
Total operating lease liabilities	$	38,764	37,449
Finance leases:			
Land, land improvements, buildings and equipment	$	1,459	22,709
Less accumulated depreciation		—	(11,504)
Finance lease assets, net	$	1,459	11,205
Current portion	$	174	205
Long-term portion		266	440
Total finance lease liabilities	$	440	645

(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:

	2024	2023
Weighted average remaining lease term (years):		
Operating leases	20.90	21.99
Finance leases	1.92	2.75
Discount rate:		
Operating leases (weighted average)	3.94 %	3.91 %
Finance leases	4.82	4.67

(In thousands)

(e) Maturities

The maturities of lease liabilities at June 30, 2024 are as follows:

		Operating leases
2025	$	4,538
2026		4,062
2027		3,759
2028		3,653
2029		3,512
Thereafter		42,894
Total future undiscounted lease payments		62,418
Less interest		(23,654)
Present value of lease liabilities	$	38,764

(10) Long-Term Debt

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

	Interest %	Maturity		2024	2023
Finance lease obligations					
Land – 501 S. Clyde Morris Blvd.	4.82 %	2026	$	440	606
Aircraft – Banc of America Leasing	2.28%–3.02%	2023		—	39
Total finance lease obligations				440	645
Notes payable:					
Promissory note – PNC Bank	3.03 %	2037		15,761	16,171
Promissory note – Truist Bank	1.68 %	2028		23,800	29,500
Total notes payable				39,561	45,671

(Continued)

(In thousands)

	Interest %	Maturity		2024	2023
Bonds payable:					
Volusia County Educational:					
Facilities revenue bonds					
Series 2015A	2.91 %	2031	$	25,480	28,720
Series 2015B	5.00 %	2035		37,130	40,935
Series 2015C	2.28 %	2027		8,565	11,295
Series 2017	5.00 %	2048		45,965	46,355
Series 2020A	4.00%-5.00%	2050		95,665	96,855
Series 2020B (taxable)	3.43 %	2037		10,000	10,000
Total bonds payable – principal				222,805	234,160
Bond premium:					
Series 2015B				2,156	2,546
Series 2017				5,687	6,055
Series 2020A				15,217	15,854
Total premium				23,060	24,455
Bond issuance costs:					
Series 2015A				47	62
Series 2015B				285	313
Series 2015C				6	11
Series 2017				257	283
Series 2020A				637	663
Series 2020B (taxable)				51	55
Promissory note – PNC Bank				70	78
Total bond issuance costs				1,353	1,465
Total long-term debt, net			$	284,513	303,466
Current portion			$	19,450	18,953
Long-term portion				265,063	284,513
Total long-term debt, net			$	284,513	303,466

(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 expired September 2023, the University exercised the bargain purchase option and acquired 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.

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 $45 and $3,366 are included in deposits and investments held with trustees on the consolidated statements of financial position as of June 30, 2024 and 2023, 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%.

(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, 2024 and 2023, amounted to $28,861 and $28,060, respectively.

(In thousands)

Maturities of long-term debt in each of the next five years, and thereafter at June 30, 2024, are as follows:

Year ending June 30:		
2025	$	18,189
2026		18,742
2027		19,060
2028		17,885
2029		14,120
Thereafter		174,810
Unamortized bond premium		23,060
Unamortized bond issue costs		(1,353)
Total long-term debt, net	$	284,513

(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 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

(In thousands)

University after add/drop are eligible for a pro rata refund of tuition and fees based on their last day of attendance. At the Worldwide campus, students are entitled to receive a refund of 100% of tuition and fees if they officially withdraw within the first four days of class; Worldwide campus students are not eligible to receive a pro rata refund of tuition and fees thereafter, unless required by the student's state of residency.

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

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

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

(12) Grants and Contracts Revenue

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

		2024	2023
Federal	$	32,796	25,917
State		29,143	3,654
Private		1,723	2,186
Other		983	9
Total grants and contracts revenue	$	64,645	31,766

(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, 2024 and 2023 were $18,953 and $17,412, respectively.

(14) Commitments and Contingencies

(a) Unionized Labor Force

The University employs, on average, 189 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) 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 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, 2024 and 2023, self-insurance reserves amounted to approximately $1,891 and $1,536, respectively, which are included in accounts payable and accrued expenses in the consolidated statements of financial position.

(In thousands)

(15) Functional Classification of Expenses

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

	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

	2023							
	Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	Total
Salaries and wages	$ 118,411	10,376	16,956	31,017	39,704	149	3,299	219,912
Fringe benefits	30,292	1,556	4,681	8,830	17,615	—	796	63,770
Other operating expenses	29,567	14,149	7,448	16,834	29,820	3,204	6,472	107,494
Insurance	2,641	12	—	229	4,350	—	830	8,062
Utilities	1,161	405	415	891	1,192	—	6,029	10,093
Interest	1,523	45	192	2,254	1,242	—	4,927	10,183
Depreciation	14,649	4,343	1,009	7,779	2,963	—	11,244	41,987
Total	$ 198,244	30,886	30,701	67,834	96,886	3,353	33,597	461,501

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

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

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

(In thousands)

(16) Net Assets

Net assets consisted of the following at June 30:

		2024	2023
Without donor restrictions:			
Board-designated endowment funds	$	209,043	181,601
Net investment in plant		384,436	298,299
Undesignated		433,497	391,512
Total net assets without donor restriction		1,026,976	871,412
With donor restrictions:			
Time or purpose restricted		63,599	44,274
Time or purpose restricted pledges		1,640	12,621
Split-interest agreements		269	279
Donor-restricted endowment funds		68,373	65,183
Donor-restricted endowment funds pledges		4,013	6,454
Total net assets with donor restrictions		137,894	128,811
Total net assets	$	1,164,870	1,000,223

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:

		2024	2023
Donations restricted for capital asset construction or acquisition	$	21	—
Donations restricted for scholarships		3,980	3,304
Donations restricted for noncapital programs or acquisitions		2,202	973
Net assets released from restrictions	$	6,203	4,277

(17) Related Party Transactions

All members of the Board of Trustees and 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 a significant ownership interest. Payments to organizations where a related party has a 35% or more ownership interest during the years ending June 30, 2024 and 2023 totaled $884 and $859, 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.

(18) Subsequent Events

Management of the University has reviewed subsequent events from June 30, 2024, through October 24, 2024 (the date the accompanying consolidated financial statements were issued) and determined there were no items to disclose.