



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

Consolidated Financial Statements and  
Supplemental Information

Years Ended June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

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

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Embry-Riddle Aeronautical University, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



### *Emphasis of Matter*

As discussed in note 2(y) to the consolidated financial statements, in fiscal year 2020, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Net Assets Class Disaggregation Schedule, Schedule of Financial Responsibility Composite Ratio Score, and Schedule of Financial Responsibility Data (required by the U.S. Department of Education) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Net Assets Class Disaggregation Schedule, Schedule of Financial Responsibility Composite Ratio Score, and Schedule of Financial Responsibility Data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Net Assets Class Disaggregation Schedule, Schedule of Financial Responsibility Composite Ratio Score, and Schedule of Financial Responsibility Data are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

Tampa, Florida  
October 22, 2020

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

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In thousands)

<b>Assets</b>	<b>2020</b>	<b>2019</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 151,535	84,652
Short-term investments (note 4)	113,269	101,496
Accounts and notes receivable, less allowance for doubtful accounts of \$1,723 and \$1,070, respectively	14,023	11,602
Current portion of student loans receivable, net (note 6)	1,437	1,332
Current portion of contributions receivable, net (note 7)	1,679	4,215
Inventories	3,942	3,562
Prepaid expenses and other current assets	8,328	7,471
Total current assets	294,213	214,330
Deposits and investments held with trustees	71,679	1,772
Long-term accounts and notes receivables, net	1,963	2,200
Student loans receivable, less current portion and allowance for doubtful accounts of \$1,148 and \$814, respectively (note 6)	7,141	9,390
Contributions receivable, net, less current portion (note 7)	3,763	1,884
Other assets	303	329
Long-term investments (note 4)	172,693	159,623
Right-of-use lease assets (note 9)	30,255	—
Land, land improvements, buildings and equipment, net (note 8)	515,924	497,141
Total assets	\$ 1,097,934	886,669
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 49,100	36,361
Advances for student loans and financial aid	8,347	9,851
Student deposits and advance payments	14,362	10,151
Deferred revenue – current portion	16,835	12,013
Current portion of right-of-use lease liability (note 9)	3,644	—
Current portion of long-term debt (note 10)	12,409	11,436
Total current liabilities	104,697	79,812
Deferred revenue, less current portion	16,624	10,607
Right-of-use lease liability, less current portion (note 9)	26,810	—
Long-term debt, net (note 10)	297,594	209,318
Other liabilities	95	93
Total liabilities	445,820	299,830
<b>Net assets (note 16):</b>		
Without donor restrictions	574,441	515,579
With donor restrictions:		
Time or purpose	33,037	31,001
Perpetual	44,636	40,259
Total net assets	652,114	586,839
Total liabilities and net assets	\$ 1,097,934	886,669

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities

Year ended June 30, 2020

(In thousands)

	<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 \$114,166	\$ 318,890	—	318,890
Flight fees	32,327	—	32,327
Other fees	20,276	—	20,276
Grants and contracts	27,209	—	27,209
Private gifts	443	—	443
Sales and services-educational	124	—	124
Auxiliary enterprises	29,406	—	29,406
Investment income, net	3,334	12	3,346
Other revenue	7,261	—	7,261
Investment earnings distributed	—	1,735	1,735
	<u>439,270</u>	<u>1,747</u>	<u>441,017</u>
Total operating revenue and other additions			
Net assets released from restrictions	<u>3,155</u>	<u>(3,155)</u>	<u>—</u>
	<u>442,425</u>	<u>(1,408)</u>	<u>441,017</u>
Total operating revenue and other additions			
Expenses (note 15):			
Salaries and wages	191,899	—	191,899
Fringe benefits	55,366	—	55,366
Other operating expenses	82,632	—	82,632
Insurance	4,413	—	4,413
Utilities	7,077	—	7,077
Interest	7,950	—	7,950
Depreciation	37,278	—	37,278
	<u>386,615</u>	<u>—</u>	<u>386,615</u>
Total operating expenses			
Excess (deficiency) of revenue and other additions over expenses from operating activities	<u>55,810</u>	<u>(1,408)</u>	<u>54,402</u>
Nonoperating activities:			
Private gifts	135	8,309	8,444
Investment return, net	3,425	1,263	4,688
Distribution of prior year investment earnings for spending	—	(1,735)	(1,735)
Loss on extinguishment of debt	(812)	—	(812)
Other nonoperating activities	304	(16)	288
	<u>3,052</u>	<u>7,821</u>	<u>10,873</u>
Total nonoperating activities			
Changes in net assets	58,862	6,413	65,275
Net assets, beginning of year	<u>515,579</u>	<u>71,260</u>	<u>586,839</u>
Net assets, end of year	<u>\$ 574,441</u>	<u>77,673</u>	<u>652,114</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities

Year ended June 30, 2019

(In thousands)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Operating activities:			
Revenue and other additions:			
Tuition, net of institutionally funded scholarships of \$103,019	\$ 300,219	—	300,219
Flight fees	37,052	—	37,052
Other fees	21,192	—	21,192
Grants and contracts	18,929	—	18,929
Private gifts	499	—	499
Sales and services-educational	219	—	219
Auxiliary enterprises	28,889	—	28,889
Investment income, net	3,253	26	3,279
Other revenue	5,887	—	5,887
Investment earnings distributed	—	1,384	1,384
	<hr/>	<hr/>	<hr/>
Total operating revenue and other additions	416,139	1,410	417,549
Net assets released from restrictions	4,110	(4,110)	—
	<hr/>	<hr/>	<hr/>
Total operating revenue and other additions	420,249	(2,700)	417,549
Expenses (note 15):			
Salaries and wages	183,539	—	183,539
Fringe benefits	52,797	—	52,797
Other operating expenses	81,744	—	81,744
Insurance	4,234	—	4,234
Utilities	7,243	—	7,243
Interest	6,249	—	6,249
Depreciation and amortization	35,340	—	35,340
	<hr/>	<hr/>	<hr/>
Total operating expenses	371,146	—	371,146
Excess (deficiency) of revenue and other additions over expenses from operating activities	49,103	(2,700)	46,403
	<hr/>	<hr/>	<hr/>
Nonoperating activities:			
Private gifts	1,405	16,074	17,479
Investment return, net	3,813	3,113	6,926
Distribution of prior year investment earnings for spending	—	(1,384)	(1,384)
Other nonoperating activities	1,354	(10)	1,344
	<hr/>	<hr/>	<hr/>
Total nonoperating activities	6,572	17,793	24,365
Changes in net assets	55,675	15,093	70,768
Net assets, beginning of year	459,904	56,167	516,071
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 515,579	71,260	586,839
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See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 65,275	70,768
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	37,278	35,340
Realized and unrealized gains on investments	(1,570)	(3,794)
Net amortization of bond premium and debt issuance costs	(740)	61
Loss on disposal of equipment	2,615	2,227
Loss on extinguishment of debt	812	—
Amortization of right-of-use lease assets	40	—
Contributed land and equipment	(135)	(1,404)
Contributions restricted for long-term investment	(5,917)	(12,498)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(2,184)	(3,026)
Contributions receivable	657	(4,317)
Inventories	(380)	(227)
Prepaid expenses and other assets	(831)	(878)
Accounts payable and accrued expenses	11,137	(14,654)
Advances for student loans and financial aid	(1,504)	309
Deferred revenue	10,839	6,569
Other liabilities	2	93
Student deposits and advance payments	4,211	3,048
Net cash provided by operating activities	119,605	77,617
Cash flows from investing activities:		
Purchase of Investments	(29,192)	(92,128)
Sale of Investments	8,537	49,122
Principal received on student loan receivable	2,279	1,426
Loans made to students	(135)	(131)
Proceeds from sale of land, land improvements, buildings, and equipment	1,055	374
Capital expenditures	(57,835)	(66,738)
Net cash used in investing activities	(75,291)	(108,075)
Cash flows from financing activities:		
Long-term debt proceeds	147,379	—
Principal payments on long-term debt	(57,270)	(10,337)
Payment of bond issuance costs	(932)	—
Decrease (increase) in deposits and investments with trustees	(69,907)	23,688
Proceeds from contributions restricted for:		
Investment in endowment	4,377	12,463
Investment in plant	1,540	35
Net cash provided by financing activities	25,187	25,849
Change in cash, cash equivalents and restricted cash	69,501	(4,609)
Cash, cash equivalents and restricted cash, beginning of year	87,111	91,720
Cash, cash equivalents and restricted cash, end of year	\$ 156,612	87,111
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position:		
Cash and cash equivalents	\$ 151,535	84,652
Cash and cash equivalents, restricted	5,077	2,459
Total cash, cash equivalents and restricted cash	\$ 156,612	87,111
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 9,040	8,353
Capital asset acquisitions in accounts payable	1,602	1,193

See accompanying notes to consolidated financial statements.



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

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

**(1) Nature of Operations**

Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University), is an independent, nonprofit culturally diverse institution providing quality education and research in aviation, aerospace, engineering, and other related fields with residential campuses in Daytona Beach, Florida, and Prescott, Arizona. The University's Worldwide campus provides educational opportunities online and at locations at approximately 130 locations through 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).

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

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

**(b) Classification of Net Assets**

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

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

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

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

**(c) Principles of Consolidation**

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

**(d) Translation of Accounts of Foreign Subsidiaries**

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

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

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

**(e) Cash and Cash Equivalents**

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

**(f) Short-Term Investments**

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

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

**(g) Concentration of Risks**

Financial instruments, which potentially subject the University to significant concentrations of credit risk, consist principally of cash and cash equivalents, and investments. The University maintains its cash in

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

bank deposit accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts. The University believes it is not exposed to any significant credit risk on cash and cash equivalents or concentration risk on investments.

**(h) Pledges Receivable**

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

**(i) Inventories**

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

**(j) Deposits and Investments Held with Trustees**

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

**(k) Long-Term Investments**

Long-term investments in marketable equity and debt securities, including mutual funds, 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) of each investment provided by the investment fund manager. 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) Split-Interest Agreements**

Split-interest agreements with donors consist of gift annuity contracts. Assets associated with split-interest agreements are included in long-term investments. A liability for split-interest obligations is

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(In thousands)

recorded when the agreement is established based on the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments. In subsequent periods, the discount rate is unchanged. At June 30, 2020 and 2019, the University had liabilities of \$95 and \$93, respectively, associated with its gift annuity contracts.

**(m) 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.

**(n) 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.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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(In thousands)

**(o) Asset Retirement Obligations**

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

**(p) Capitalized Interest**

The University capitalizes interest costs incurred on long-term debt during the construction of major projects exceeding one year. During fiscal years 2020 and 2019, the amount of interest capitalized was \$1,136 and \$1,806, respectively.

**(q) 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).

**(r) Unamortized Bond Issuance Costs**

Costs incurred in connection with bond issuances are generally amortized on the effective-yield 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).

**(s) 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 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 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

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Notes to Consolidated Financial Statements

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(In thousands)

statements of financial position, and lease expense is recognized in accordance with the terms of the arrangement over the lease term.

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.

**(t) *Deferred Revenue***

The University has approximately \$18,409 and \$11,881 in deferred revenue recorded as of June 30, 2020 and 2019, 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.

**(u) *Federal and State Income Taxes***

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, is exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2020 and 2019, and there are no uncertain tax positions considered to be material.

**(v) *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.

**(w) *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 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 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

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position. Included in deferred revenue at June 30, 2020 and 2019 are \$826 and \$1,028, respectively, of private grant and contract receipts, that have not been expended.

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

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

**(x) Use of Estimates**

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

**(y) Accounting Pronouncements**

*(i) Revenue Recognition*

During fiscal year 2019, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As a result, enhanced disclosures related to contracts are now presented in these notes to the consolidated financial statements (see Note 11). The University elected the retrospective method of adoption and applied the adoption to its tuition, fees, and auxiliary student contracts; however, no transition adjustment was required as a result of adopting the standard.

*(ii) Accounting for Leases*

During fiscal year 2020, the University early adopted FASB ASU 2016-02, *Leases (Topic 842)*. The University adopted the new standard as of July 1, 2019, and elected to apply the transition requirements as of that date, allowing for a cumulative effect adjustment in the period of adoption with prior periods continuing to be reported in accordance with historic accounting under Accounting Standards Codification (ASC) 840, *Leases*. In addition, the University elected the

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package of practical expedients permitted under the transition guidance within the new standard which does not require reassessment of prior conclusions related to contracts containing a lease, lease classification and initial direct lease costs. As an accounting policy election, the University chose not to apply the standard to certain existing land easements, excluded short-term leases (terms of 12 months or less) from the consolidated statements of financial position and accounts for lease and non-lease components in a contract as separate components for all asset classes. Right-of-use lease assets and related lease obligations of \$32,168 were recognized on July 1, 2019 and are included in the consolidated statements of financial position. The guidance did not materially impact the University's results of operations.

(iii) *Statement of Cash Flows*

During fiscal year 2020, the University adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning period and end-of-period total amounts shown on the statement of cash flows. The University adopted ASU 2016-18 on a retrospective basis. As a result, the University reclassified certain amounts previously reported on its consolidated statement of cash flows for the year ending June 30, 2019 to conform to the requirements of the new standard. The adoption increased beginning of year cash, cash equivalents and restricted cash by \$441, end of year cash, cash equivalents and restricted cash by \$2,459 and net cash used in investing activities by \$2,018. The adoption of this standard had no impact on the University's consolidated statements of financial position and consolidated statements of activities.

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

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

(v) *Implementation Costs Incurred in a Cloud Computing Arrangement*

During fiscal year 2020, the University adopted FASB ASU No. 2018-15, *Intangibles-Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 requires that implementation costs of a cloud computing arrangement be deferred or expensed in accordance with Subtopic 350-40. ASU 2018-15 also requires deferred implementation costs to be expensed



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over the term of the hosting arrangement, which is the non-cancelable period of the cloud computing arrangement and any optional renewal periods that are reasonably certain to be exercised by the customer or for which exercise of the option is controlled by the supplier. The adoption of ASU 2018-15 on a prospective basis did not have a material impact on the University's consolidated financial statements.

**(z) Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**(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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total assets	\$ 1,097,934	886,669
Less nonfinancial assets:		
Land, land improvements, buildings and equipment, net	(515,924)	(497,141)
Right-of-use lease assets	(30,255)	—
Inventories	(3,942)	(3,562)
Prepaid and other current assets	(8,328)	(7,471)
Other assets	(303)	(329)
Total financial assets	<u>539,182</u>	<u>378,166</u>
Less amounts not available for general expenditures within one year:		
Other long-term notes receivable	(1,963)	(2,200)
Restricted by donor with time or purpose restrictions	(13,952)	(11,691)
Board-designated endowment funds	(108,653)	(101,836)
Donor restricted endowment funds	(61,410)	(55,117)
Other contractual restrictions	(84,551)	(17,557)
Total financial assets not available to meet general expenditures within one year	<u>(270,529)</u>	<u>(188,401)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 268,653</u>	<u>189,765</u>

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

As of June 30, 2019, \$189,765 of financial assets consisting primarily of cash and cash equivalents, \$84,652; cash and cash equivalents, restricted, \$2,459; investments, net of time or purpose restrictions, \$89,720; and accounts and notes receivable, \$12,934, are available within one year of the balance sheet date to meet cash needs for general expenditures.

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

Further, the University had additional funds functioning as endowment, which could be available for general expenditures with Board approval. These funds totaled \$108,653 and \$101,836 for the years ended June 30, 2020 and 2019, respectively.

**(4) Investments**

Investments at June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents, restricted	\$ 5,077	2,459
U.S. equity	80,074	67,640
International equity	25,356	29,780
Fixed income	151,241	137,518
Real asset	7,661	7,956
Private partnerships:		
Real estate	8,113	7,859
Hedge funds:		
Multi-strategy	8,440	7,907
Total investments	<u>\$ 285,962</u>	<u>261,119</u>
Short-term investments	\$ 113,269	101,496
Investments, held for long-term purposes	<u>172,693</u>	<u>159,623</u>
Total investments	<u>\$ 285,962</u>	<u>261,119</u>

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

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

	<b>Level 1</b>	<b>Total</b>
Cash and cash equivalents, restricted	\$ 5,077	5,077
U.S. equity	80,074	80,074
International equity	25,356	25,356
Fixed income	151,241	151,241
Real asset	7,661	7,661
	\$ 269,409	269,409
Investments measured at NAV as a practical expedient		16,553
Total investments at fair value		\$ 285,962

The fair value hierarchy of investments as of June 30, 2019 is as follows:

	<b>Level 1</b>	<b>Total</b>
Cash and cash equivalents, restricted	\$ 2,459	2,459
U.S. equity	67,640	67,640
International equity	29,780	29,780
Fixed income	137,518	137,518
Real asset	7,956	7,956
	\$ 245,353	245,353
Investments measured at NAV as a practical expedient		15,766
Total investments at fair value		\$ 261,119

The University had no investments in Levels 2 and 3, and there were no transfers between fair value hierarchy levels for the years ended June 30, 2020 and 2019.

The University had no unfunded commitments as of June 30, 2020 and 2019.

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Fair value estimates and redemption information for investment funds valued at NAV (or its equivalent) as a practical expedient at June 30, 2020 and 2019 are as follows:

Investment type	Fair value at June 30, 2020	Fair value at June 30, 2019	Redemption frequency	Redemption notice period	Other redemption restrictions
Private equity – real estate (a)	\$ 8,113	7,859	Quarterly	90 days	None
Hedge fund – multi-strategy (b)	8,440	7,907	Semi-annual	95 days	Various initial lockup periods for each capital contribution, limits on redeemable proportion of outstanding balances and provisions allowing partial redemptions despite lockups
Total	<u>\$ 16,553</u>	<u>15,766</u>			

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

- (a) Pursues a nationally diversified portfolio of high-quality assets through an “enhanced” or “core plus” investment strategy
- (b) Capital appreciation with limited variability of returns

Investment return is summarized as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Income from interest and dividends	\$ 7,523	7,006
Net realized and unrealized gains on investments	1,569	3,949
Investment fees	<u>(1,058)</u>	<u>(750)</u>
Total investment return	<u>\$ 8,034</u>	<u>10,205</u>

Investment return is included in the consolidated statements of activities as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating	\$ 3,346	3,279
Nonoperating	<u>4,688</u>	<u>6,926</u>
Total investment return	<u>\$ 8,034</u>	<u>10,205</u>

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**(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 "true" endowment funds.

For accounting and reporting purposes, the University classifies as net assets with donor restrictions the historical value of donor-restricted "true" endowment funds which includes (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 "true" endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

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

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

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Changes in the fair value of the University's endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2019:

	<b>2019</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 89,140	45,358	134,498
Investment return, net	2,678	3,102	5,780
Appropriation for expenditure	—	(1,354)	(1,354)
Endowment return, net of appropriation	<u>2,678</u>	<u>1,748</u>	<u>4,426</u>
Other changes in endowment investments:			
Contributions	—	12,463	12,463
Transfers to create funds functioning as endowment	<u>10,018</u>	<u>—</u>	<u>10,018</u>
Total other changes in endowment investments	<u>10,018</u>	<u>12,463</u>	<u>22,481</u>
Endowment net assets, end of year	<u>\$ 101,836</u>	<u>59,569</u>	<u>161,405</u>

Endowment net assets as of June 30, 2020 and 2019 are classified as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
2020:			
Donor-restricted endowment funds	\$ —	63,721	63,721
Board-designated funds functioning as endowment funds	<u>108,653</u>	<u>—</u>	<u>108,653</u>
Total	<u>\$ 108,653</u>	<u>63,721</u>	<u>172,374</u>
2019:			
Donor-restricted endowment funds	\$ —	59,569	59,569
Board-designated funds functioning as endowment funds	<u>101,836</u>	<u>—</u>	<u>101,836</u>
Total	<u>\$ 101,836</u>	<u>59,569</u>	<u>161,405</u>

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**(a) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. At June 30, 2020 and 2019, funds with an original gift value of \$1,003 and \$50 were underwater by \$31 and \$1, respectively.

**(b) Endowment Appropriation**

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

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

**(6) Student Loans Receivable**

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

	2020	2019
Federal Perkins Loan Program	\$ 8,455	10,156
Other student loans	1,271	1,380
Less allowance for doubtful accounts	(1,148)	(814)
Total student loans receivable, net	8,578	10,722
Current portion	1,437	1,332
Long-term portion	\$ 7,141	9,390

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, as reported in the consolidated statements of financial position, was \$8,227 and \$9,731 at June 30, 2020 and 2019, respectively, and is included as a component of advances for student loans and financial aid in the consolidated statements of financial position.

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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 at June 30 are as follows:

	<b>2020</b>	<b>2019</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,744	4,376
One year to five years	3,093	1,004
More than five years	1,750	1,625
	6,587	7,005
Less:		
Allowance for uncollectible pledges	359	386
Discount for present value (3.57% and 4.46% at June 30, 2020 and 2019, respectively)	786	520
Contribution receivable, net	\$ 5,442	6,099

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

	<b>2020</b>	<b>2019</b>
Current portion	\$ 1,679	4,215
Long-term portion	3,763	1,884
Contribution receivable, net	\$ 5,442	6,099



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

Components of land, land improvements, buildings and equipment at June 30, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Land and land improvements	\$ 75,140	69,670
Buildings	581,161	543,082
Equipment	233,839	217,502
Construction in progress	29,820	41,245
Total	919,960	871,499
Less accumulated depreciation	(404,036)	(374,358)
Land, land improvements, buildings, and equipment, net	\$ 515,924	497,141

At June 30, 2020, the University had commitments of \$77,395 related to various capital projects.

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**(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 26 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 assets or lease liabilities. The University's lease agreements do not contain any material restrictive covenants.

**(a) Lease Cost**

The components of lease cost for operating and finance leases for the year ended June 30, 2020 is as follows:

Operating lease cost	\$	5,163
Finance lease cost:		
Amortization of ROU assets		2,005
Interest on lease liabilities		329
Total finance lease cost		2,334
Short-term lease cost		769
Variable and nonlease cost		705
Total lease cost	\$	8,971

Operating lease expense for the year ended June 30, 2019 was \$6,832.

Land, land improvements, buildings and equipment accounted for under ASC 840, *Leases*, include assets held under capital leases at June 30, 2019, as follows:

		<b>2019</b>
Land and land improvements	\$	1,235
Equipment		28,646
Less accumulated depreciation		(8,059)
Assets under capital leases, net	\$	21,822

The net minimum lease payments accounted for under ASC 840, *Leases*, are reflected in the consolidated statements of financial position as a component of current and noncurrent long-term debt in the amounts of \$4,788 and \$9,142, respectively, for the year ended June 30, 2019.

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**(b) Other Lease Information**

Supplemental cash flow information related to leases for the year ended June 30, 2020 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	4,973
Operating cash flows from finance leases		329
Financing cash flows from finance leases		4,236
Noncash impacts on lease modification		1,897

**(c) Lease Position**

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

	<u>2020</u>
Operating leases:	
Operating lease ROU assets	\$ 30,255
Total operating lease liabilities	\$ 30,454
Current portion	3,644
Long-term portion	26,810
Finance leases:	
Land, land improvements, buildings and equipment	\$ 29,881
Less accumulated depreciation	<u>(10,064)</u>
Finance lease assets, net	<u>\$ 19,817</u>
Total finance lease liabilities	\$ 9,143
Current portion	4,355
Long-term portion	4,788

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**(d) Lease Terms and Discount Rates**

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

	<b>2020</b>
Weighted average remaining lease term (years):	
Operating leases	13.76
Finance leases	2.56
Discount rate:	
Operating leases (weighted average)	4.40 %
Finance leases	2.89 %

**(e) Maturities**

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

	<b>2020</b>	
	<b>Operating leases</b>	<b>Finance leases</b>
2021	\$ 5,018	4,564
2022	4,142	2,985
2023	3,841	1,453
2024	2,967	182
2025	2,551	143
Thereafter	22,444	239
Total future undiscounted lease payments	40,963	9,566
Less interest	(10,509)	(423)
Present value of lease liabilities	\$ 30,454	9,143

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Future minimum lease payments for operating leases accounted for under ASC 840, *Leases*, with remaining non-cancelable terms in excess of one year at June 30, 2019, were as follows:

	<b>Amount</b>
Year ending June 30:	
2020	\$ 5,166
2021	4,844
2022	4,516
2023	4,520
2024	4,246
Thereafter	8,029
Total	\$ 31,321

**(10) Long-Term Debt**

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

	<b>Interest %</b>	<b>Maturity</b>	<b>2020</b>	<b>2019</b>
Finance lease obligations:				
Land – 501 S. Clyde Morris Blvd.	2.87%	2026	\$ 773	862
Aircraft – Banc of America Leasing	2.28%–3.03%	2023	8,370	12,517
			9,143	13,379
Notes payable:				
Promissory note	3.03%	2037	19,291	—
Bonds payable:				
Volusia County Educational:				
Facilities revenue bonds:				
Series 2013	3.55%	2028	—	18,189
Series 2015A	2.91%	2031	37,905	40,795
Series 2015B	2.00%–5.00%	2046	41,605	68,220
Series 2015C	2.28%	2027	18,900	21,325
Series 2017	5.00%	2048	46,355	46,355
Series 2020A	3.00%–5.00%	2050	100,135	—
Series 2020B (taxable)	3.43%	2037	10,000	—
Total long-term debt – principal			254,900	194,884

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

	<b>Interest %</b>	<b>Maturity</b>	<b>2020</b>	<b>2019</b>
Bond premium:				
Series 2015B			\$ 3,721	6,427
Series 2017			7,091	7,411
Series 2020A			17,689	—
Total premium			28,501	13,838
Bond issuance costs:				
Series 2013			—	82
Series 2015A			119	142
Series 2015B			396	679
Series 2015C			34	45
Series 2017			368	399
Series 2020A			741	—
Series 2020B			68	—
Promissory note			106	—
Total bond issuance costs			1,832	1,347
Total long-term debt, net			310,003	220,754
Current portion			12,409	11,436
Long-term portion			\$ 297,594	209,318

**(a) Finance Lease Obligations**

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

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

**(b) Tax-Exempt and Taxable Revenue Bonds**

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

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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(In thousands)

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 bond trustees of \$71,679 and \$1,772 are included in deposits and investments held with trustees on the consolidated statements of financial position as of June 30, 2020 and 2019, respectively.

Series 2013 bonds were issued at par in the original amount of \$25,820 to refund outstanding Series 2003 bonds. In January 2020 the University current refunded the outstanding Series 2013 bonds at a redemption price of 100% of the principal amount plus accrued interest to the redemption date. The transaction was accounted for as an extinguishment of debt with remaining deferred financing fees and other costs recorded as a loss on extinguishment of debt.

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

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

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

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

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

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(In thousands)

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 bonds were 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 during February 2020 in the amount of \$19,291 to legally defease \$16,205 of its outstanding Series 2015B bonds. The obligations of the University under the promissory note are 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 were legally defeased and neither the indebtedness nor the assets of the irrevocable trust are included on the consolidated statements of financial position.

**(d) Annual Debt Service**

The University's debt service, including principal and interest payments made during the fiscal years ended June 30, 2020, and 2019, amounted to \$20,061 and \$18,690, respectively.

Maturities of long-term debt in each of the next five years and thereafter at June 30, 2020, are as follows:

Year ending June 30:		
2021	\$	11,235
2022		10,533
2023		10,728
2024		11,920
2025		12,339
Thereafter		226,579
Unamortized bond premium		28,501
Unamortized bond issue costs		(1,832)
Total long-term debt, net	\$	<u>310,003</u>



**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

**(11) Revenue from Contracts with Customers**

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

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

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

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

The University bills tuition and fees in advance of each academic term and recognizes the tuition and fees revenue on a straight-line basis, as the educational services are performed, over the academic term or program. Students that withdraw by the last day of add/drop receive a full refund for the academic term. Per University policy, during the fall and spring terms, residential students who officially withdraw from the University are eligible for a pro rata refund based on their last day of attendance.

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.

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

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:

	<b>2020</b>	<b>2019</b>
Federal	\$ 18,506	12,382
State	5,916	5,144
Private	2,787	1,403
Total grants and contract revenue	\$ 27,209	18,929

**(13) Retirement**

Retirement benefits are provided through a noncontributory defined contribution plan (Plan) covering all qualified employees. The Plan is administered through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions for the year June 30, 2020 and 2019. Retirement plan expenses for the years ended June 30, 2020 and 2019 were \$14,608 and \$13,886, respectively.

**(14) Commitments and Contingencies**

**(a) Unionized Labor Force**

The University employs approximately 140 full-time flight instructors in the Daytona Beach area who are part of a collective bargaining unit covered by the International Association of Machinists and Aerospace Workers Union, AFL-CIO, whose contract expires on June 30, 2022.

**(b) Litigation**

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

**(c) Guarantee Liability**

The University participated in the Guaranteed Access to Education (GATE) Loan Program, which is administered by a third-party vendor. The University entered into a limited guarantee agreement through 2022 for student loans, which is triggered when a student defaults. At June 30, 2020, the maximum potential amount of future payments under this program is \$457, undiscounted. At June 30, 2020, the University established a liability of \$152 to estimate student loan defaults under this program.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

**(d) Self-Insurance Reserves**

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

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

Self-insurance reserves are based on estimates of historical claims experience, and while management believes the reserves are adequate, aggregate liabilities may be more or less than the amounts provided. As of June 30, 2020 and 2019, self-insurance reserves amounted to approximately \$1,221 and \$1,367, respectively, which are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

**(e) Other**

In March 2020, the World Health Organization declared the global 2019 Novel Coronavirus (COVID-19) outbreak a pandemic. Management has since taken precautionary measures in accordance with federal and state guidelines. Although scope and duration of the pandemic is still unknown, management has determined that, to date, COVID-19 has not had a significant impact on the University's financial position, results of operations, or cash flows. Management will continue strong oversight of the University's performance outlook and has taken necessary steps to ensure a comprehensive contingency plan is in place.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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:

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

  

		2019							
		Academic instruction	Research	Academic support	Student services	Institutional support	Scholarships	Auxiliary	Total
Salaries and wages	\$	106,663	5,613	12,237	23,320	32,945	132	2,629	183,539
Fringe benefits		29,117	1,171	3,724	7,270	10,783	—	732	52,797
Other operating expenses		26,592	5,189	6,885	14,497	21,270	1,872	5,439	81,744
Insurance		1,018	13	—	167	2,643	—	393	4,234
Utilities		1,121	308	134	1,052	673	—	3,955	7,243
Interest		1,126	26	118	1,769	417	—	2,793	6,249
Depreciation		14,216	2,816	1,621	6,185	4,411	—	6,091	35,340
Total	\$	<u>179,853</u>	<u>15,136</u>	<u>24,719</u>	<u>54,260</u>	<u>73,142</u>	<u>2,004</u>	<u>22,032</u>	<u>371,146</u>

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.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

**(16) Net Assets**

Net assets consisted of the following at June 30:

	<b>2020</b>	<b>2019</b>
Without donor restrictions:		
Board-designated endowment funds	\$ 108,653	101,836
Net investment in plant	277,600	278,159
Undesignated	188,188	135,584
Total net assets without donor restriction	574,441	515,579
With donor restrictions:		
Time or purpose restricted	29,406	28,839
Time or purpose restricted pledges	3,420	1,942
Split interest agreements	211	220
Donor-restricted endowment funds	42,324	35,806
Donor-restricted endowment funds pledges	2,312	4,453
Total net assets with donor restrictions	77,673	71,260
Total net assets	\$ 652,114	586,839

Net assets released from restrictions met purpose restrictions in the following categories:

	<b>2020</b>	<b>2019</b>
Donations restricted for capital asset construction or acquisition	\$ 124	1,351
Donations restricted for scholarships	2,335	1,785
Donations restricted for noncapital programs or acquisitions	696	974
Net assets released from restrictions	\$ 3,155	4,110

**(17) Subsequent Events**

Management of the University has reviewed subsequent events from June 30, 2020, through October 22, 2020 (the date the accompanying consolidated financial statements were issued). No material recognizable subsequent events were identified.

## **SUPPLEMENTAL INFORMATION**

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

Net Assets Class Disaggregation Schedule

June 30, 2020

(In thousands)

<b>Assets</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 151,535	—	151,535
Short-term investments (note 4)	113,269	—	113,269
Accounts and notes receivable, less allowance for doubtful accounts of \$1,723	14,023	—	14,023
Current portion of student loans receivable, net (note 6)	1,437	—	1,437
Current portion of contributions receivable, net (note 7)	—	1,679	1,679
Inventories	3,942	—	3,942
Prepaid expenses and other current assets	8,328	—	8,328
Total current assets	292,534	1,679	294,213
Deposits and investments held with trustees	71,679	—	71,679
Long-term accounts and notes receivable, net	1,963	—	1,963
Student loans receivable, less current portion and allowance for doubtful accounts of \$1,148 (note 6)	7,141	—	7,141
Contributions receivable, net, less current portion (note 7)	—	3,763	3,763
Other assets	303	—	303
Long-term investments (note 4)	100,367	72,326	172,693
Operating lease right-of-use assets (note 9)	30,255	—	30,255
Land, land improvements, buildings and equipment, net (note 8)	515,924	—	515,924
Total assets	\$ 1,020,166	77,768	1,097,934
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 49,100	—	49,100
Advances for student loans and financial aid	8,347	—	8,347
Student deposits and advance payments	14,362	—	14,362
Deferred revenue – current portion	16,835	—	16,835
Current portion of operating lease liability (note 9)	3,644	—	3,644
Current portion of long-term debt (note 10)	12,409	—	12,409
Total current liabilities	104,697	—	104,697
Deferred revenue, less current portion	16,624	—	16,624
Operating lease liability (note 9)	26,810	—	26,810
Long-term debt (note 10)	297,594	—	297,594
Other liabilities	—	95	95
Total liabilities	445,725	95	445,820
<b>Net assets (note 16):</b>			
Without donor restrictions	574,441	—	574,441
With donor restrictions:			
Time or purpose	—	33,037	33,037
Perpetual	—	44,636	44,636
Total net assets	574,441	77,673	652,114
Total liabilities and net assets	\$ 1,020,166	77,768	1,097,934

See accompanying independent auditors' report.

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

Schedule of Financial Responsibility Composite Ratio Score

June 30, 2020

(In thousands)

<b>Primary Reserve Ratio</b>				
Expendable net assets		\$	<u>303,197</u>	
Total expenses		\$	<u>386,615</u>	<u>0.7842</u>
<b>Equity Ratio</b>				
Modified net assets		\$	<u>652,114</u>	
Modified assets		\$	<u>1,097,934</u>	<u>0.5939</u>
<b>Net Income Ratio</b>				
Change in unrestricted net assets		\$	<u>58,862</u>	
Total unrestricted revenues		\$	<u>442,425</u>	<u>0.1330</u>
Primary reserve	0.7842	3.0000	40%	1.20
Equity	0.5939	3.0000	40%	1.20
Net income	0.1330	3.0000	20%	<u>0.60</u>
Composite score				<u><u>3.00</u></u>

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



**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2020

(in thousands)

<u>Location in audited financial statements</u>	<u>Financial element</u>	<u>Amount used as ratio input</u>
Primary reserve ratio – expendable net assets:		
Statement of financial position	Net assets without donor restrictions	\$ 574,441
Statement of financial position	Net assets with donor restrictions	77,673
Statement of financial position	Net assets with donor restrictions – perpetual	(44,636)
Note 16, net assets	Annuities with donor restrictions – time/purpose investments under split interest agreements	(211)
Statement of financial position	Land, land improvements, buildings and equipment, net	(515,924)
Statement of financial position	Right-of-use lease assets	(30,255)
Statement of financial position	Deposits and investments held with trustees under debt agreements – unexpended project funds	(71,679)
Statement of financial position	Right-of-use lease liabilities	30,454
Note 10, long-term debt	Obligations under finance lease obligations	9,143
Note 10, long-term debt	Obligations under notes payable	19,291
Note 10, long-term debt	Obligations under bonds payable	254,900
Primary reserve ratio – expenses and losses:		
Statement of activities	Total operating expenses without donor restrictions	\$ 386,615
Equity ratio: modified net asset:		
Statement of financial position	Net assets without donor restrictions	\$ 574,441
Statement of financial position	Net assets with donor restrictions	77,673
Equity ratio: modified assets:		
Statement of financial position	Total assets	\$ 1,097,934
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	\$ 58,862
Statement of activities	Total operating revenues without donor restrictions	442,425

See accompanying independent auditors' report.

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2020

**(1) Background**

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

The Schedule of Financial Responsibility Composite Ratio Score (the Schedule) is prepared and submitted to the State of Florida Department of Education and U.S. Department of Education and is prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L, Ratio Methodology for Private Nonprofit Institutions (U.S. Department of Education) (the Code). The Schedule contains only the financial responsibility composite ratio scores required by the Code and are not intended to present the financial position or the results of operations of the University for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

**(2) Financial Responsibility Composite Ratio Score**

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

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

**(a) Ratios**

*(i) Primary Reserve Ratio*

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

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

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

*(ii) Equity Ratio*

The Equity Ratio represents modified net assets over modified assets.

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

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2020

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

*(iii) Net Income Ratio*

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

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

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

**(b) Strength Factors**

The strength factor for each ratio is calculated as follows:

*(i) Primary Reserve Ratio*

10 x Primary Reserve Ratio result

*(ii) Equity Ratio*

6 x Equity Ratio Result

*(iii) Net Income Ratio*

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

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

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

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

**EMBRY-RIDDLE AERONAUTICAL UNIVERSITY, INC.  
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Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2020

**(c) Weight Factors**

The weight factor for each ratio is as follows:

(i) *Primary Reserve Ratio*

40%

(ii) *Equity Ratio*

40%

(iii) *Net Income Ratio*

20%



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

Reports Required by *Government Auditing Standards*,  
the Uniform Guidance, and Chapter 10.650,  
*Rules of the Florida Auditor General* and  
Schedule of Expenditures of Federal Awards  
and State Projects

Year Ended June 30, 2020

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

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KPMG LLP  
Suite 1700  
100 North Tampa Street  
Tampa, FL 33602-5145

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Embry-Riddle Aeronautical University, Inc. (the University), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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



**Purpose of this Report**

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

KPMG LLP

Tampa, Florida  
October 22, 2020





KPMG LLP  
Suite 1700  
100 North Tampa Street  
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**Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project;  
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of  
Federal Awards and State Projects Required by the Uniform Guidance and Chapter 10.650,  
*Rules of the Florida Auditor General***

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

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Embry-Riddle Aeronautical University, Inc.’s (the “University”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs and state projects for the year ended June 30, 2020. The University’s major federal programs and state projects are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

*Management’s Responsibility*

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

*Auditors’ Responsibility*

Our responsibility is to express an opinion on compliance for each of the University’s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Florida Auditor General* (Chapter 10.650). Those standards, the Uniform Guidance and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the University’s compliance.



### *Opinion on Each Major Federal Program and State Project*

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2020.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and Chapter 10.650 and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program and state project is not modified with respect to these matters.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.



The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards and State Projects Required by the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General**

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2020, and have issued our report thereon dated October 22, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state projects is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Tampa, Florida  
March 31, 2021

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

Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Contract or Pass-Through entity identifying number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
Department of Education:				
Student Financial Assistance Cluster:				
Office of Student Education Assistance Programs:				
Federal Direct Student Loans	84.268		\$ 94,734,486	—
Federal Pell Grant Program	84.063		22,630,741	—
Federal Perkins Loan	84.038		8,455,045	—
Federal Supplemental Educational Opportunity Grants	84.007		1,062,995	—
Federal Work Study Program	84.033		742,671	—
Total Student Financial Assistance Cluster			<u>127,625,938</u>	<u>—</u>
Office of Post-Secondary Education:				
TRIO Upward Bound	84.047A	P047A170602	177,225	—
Graduate Assistance in Areas of National Need	84.200A	P200A180060	143,377	—
Total Office of Post-Secondary Education			<u>320,602</u>	<u>—</u>
Higher Education Emergency Relief Fund				
COVID-19: Education Stabilization Fund - Student Portion	84.425E	P425E202173	1,831,891	—
COVID-19: Education Stabilization Fund - Institutional Portion	84.425F	P425F200262	1,446,522	—
Total Office of Post-Secondary Education			<u>3,278,413</u>	<u>—</u>
Total Department of Education			<u>131,224,953</u>	<u>—</u>
Research and Development Cluster:				
Department of Agriculture:				
Wildlife Services	10.028	AP19WSHQ0000C008	26,476	—
Wildlife Services	10.028	AP20WSHQ0000C001	37,706	—
Agricultural and Food Research Initiative (AFRI)	10.310	2019-67022-29929	115,162	25,931
Total Department of Agriculture			<u>179,344</u>	<u>25,931</u>
Department of Commerce:				
Economic Development Administration:				
Investments for Public Works and Economic Development Facilities	11.300	04-01-07242	429,289	—
Subtotal Economic Development Administration			<u>429,289</u>	<u>—</u>

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

Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Contract or Pass-Through entity identifying number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
National Oceanic and Atmospheric Administration:				
Applied Meteorological Research	11.468	NA18NWS4680066	\$ 72,582	59,209
Weather and Air Quality Research	11.459	NA19OAR4590135	21,549	—
Meteorologic and Hydrologic Modernization Development	11.467	NA16NWS4670042	2,870	—
Subtotal National Oceanic and Atmospheric Administration			<u>97,001</u>	<u>59,209</u>
Total Department of Commerce			<u>526,290</u>	<u>59,209</u>
Department of Defense:				
Basic and Applied Scientific Research:				
Basic and Applied Scientific Research	12.300	N00014-17-1-2492	160,194	—
Basic and Applied Scientific Research	12.300	N00174-19-1-0018	62,283	—
Subtotal CFDA 12.300 Basic and Applied Scientific Research			<u>222,477</u>	<u>—</u>
Basic, Applied, and Advanced Research in Science and Engineering:				
Basic and Applied Scientific Research	12.630	FA8651-20-1-0004	11,006	—
Subtotal CFDA 12.630 Basic, Applied, and Advanced Research in Science and Engineering			<u>11,006</u>	<u>—</u>
Air Force Defense Research Sciences Program:				
Air Force Defense Research Sciences Program	12.800	FA9550-16-1-0194	36,065	—
Air Force Defense Research Sciences Program	12.800	FA9550-17-1-0171	97,129	—
Air Force Defense Research Sciences Program	12.800	FA9550-19-1-0052	41,465	—
Air Force Defense Research Sciences Program	12.800	FA9453-19-1-0012	25,180	—
Pass-Through Regents of the University of Colorado:				
Air Force Defense Research Sciences Program	12.800	FA9550-18-1-0009	421,941	—
Subtotal CFDA 12.800 Air Force Defense Research Sciences Program			<u>621,780</u>	<u>—</u>
National Security Agency:				
Information Security Grants	12.902	H98230-19-1-0287	55,333	—
Subtotal CFDA 12.902 National Security Agency			<u>55,333</u>	<u>—</u>
Pass-Through Purdue University:				
Scientific Research - Combating Weapons of Mass Destruction	12.351	HDTRA1-16-1-0046	35,553	—
Pass-Through Tier1 Performance Solutions:				
Defense Health Agency	12.RD	W81XWH19C0016	77,171	—
Pass-Through CACI Technologies				
Air Force Research Laboratory	12.RD	FA875018C0073	48,298	—
Pass-Through Pennsylvania State University:				
US Army Materiel Command	12.RD	W911 W6-17-2-0003	70,808	—
Pass-Through University of Southern California				
US Army Research Laboratory (ARL)	12.RD	W911NF-14-D-0005-0009	81,532	—
Total Department of Defense			<u>1,223,958</u>	<u>—</u>

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

Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Contract or Pass-Through entity identifying number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
Department of the Interior:				
Cooperative Research and Training Programs - Resources of the National Park System	15.945	P17AC00443	\$ 14,633	—
Total Department of the Interior			<u>14,633</u>	<u>—</u>
Department of Justice:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2017-CK-BX-0003	99,393	—
Total Department of Justice			<u>99,393</u>	<u>—</u>
Office of the Under Secretary for Public Diplomacy and Public Affairs:				
Public Diplomacy Programs	19.040	SKV42019GR0039	3,144	—
Total Office of the Under Secretary for Public Diplomacy and Public Affairs			<u>3,144</u>	<u>—</u>
Department of Transportation:				
Federal Aviation Administration:				
Air Transportation Centers of Excellence	20.109	14-G-010	16,897	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-001	3,923	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-011	1,869	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-012	6,872	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-013	43,095	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-019	(178)	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-020	(177)	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-041	46,241	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-042	162	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-044	30,479	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-09	66,635	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-010	21,616	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-012	66,654	—
Subtotal CFDA 20.109 Federal Aviation Administration			<u>304,088</u>	<u>—</u>
Pass-Through The University of Chicago:				
Aviation Research Grants	20.108	692M151940006	28,171	—
Subtotal CFDA 20.108 Federal Aviation Administration			<u>28,171</u>	<u>—</u>
Federal Highway Administration:				
Highway Training & Education	20.215	693JJ32045085	5,000	—
Highway Training & Education	20.215	693JJ32045082	5,000	—
Subtotal CFDA 20.215 Federal Highway Administration			<u>10,000</u>	<u>—</u>

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

Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Contract or Pass-Through entity identifying number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
Office of the Secretary:				
Pass-Through North Carolina Agricultural & Technical State University: University Transportation Centers Program	20.701	69A3551747125	\$ 252,308	—
Pass-Through The Board of Supervisors of Louisiana State University and A&M College: University Transportation Centers Program	20.701	69A3551747130	(1,077)	—
Pass-Through Florida Atlantic University Board of Trustees: University Transportation Centers Program	20.701	69A3551747120	<u>8,908</u>	<u>—</u>
Subtotal CFDA 20.701 Office of the Secretary			<u>260,139</u>	<u>—</u>
Total Department of Transportation			<u>602,398</u>	<u>—</u>
National Aeronautics and Space Administration:				
Science:				
Science	43.001	NNX15AR04G	53,229	—
Science	43.001	NNX16AF06G	20,916	—
Science	43.001	NNX16AF89G	63,918	—
Science	43.001	NNX17A150G	190,591	93,964
Science	43.001	80NSSC18K1037	135,594	—
Science	43.001	80NSSC18M1108	147,562	42,045
Science	43.001	80NSSC18K1381	168,286	30,278
Science	43.001	80NSSC19K0773	168,458	38,641
Science	43.001	80NSSC19K1089	718	—
Science	43.001	80NSSC20K0495	47,686	—
Pass-Through California Institute of Technology: Jet Propulsion Laboratory: Science	43.001	NNN12AA01C	7,479	—
Pass-Through Regents of the University of Colorado: Science	43.001	NNH10CC04C	39,634	—
Pass-Through University of Alaska, Fairbanks: Science	43.001	80NSSC18K1066	18,455	—
Pass-Through Clemson University: Science	43.001	80NSSC19K0776	21,199	—
Pass-Through Space Telescope Science Institute: Science	43.001	HST-GO-15611.014-A	<u>25,783</u>	<u>—</u>
Subtotal CFDA 43.001 Science			<u>1,109,508</u>	<u>204,928</u>
Education:				
Pass-Through University of Arizona: Office of STEM Engagement (OSTEM)	43.008	NNX15AJ17H	53,448	—
Pass-Through University of Central Florida: Office of STEM Engagement (OSTEM)	43.008	NNX15AH10H	<u>7,620</u>	<u>—</u>
Subtotal CFDA 43.008 Education			<u>61,068</u>	<u>—</u>

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

Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Contract or Pass-Through entity identifying number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
Cross Agency Support:				
Pass-Through The Regents of the University of California, Berkeley:				
NASA	43.RD	80MSFC19C0041	\$ 119,457	—
Pass-Through Space Dynamics Laboratory				
NASA	43.RD	80GSFC18C0007	2,098	—
Subtotal CFDA 43.RD Cross Agency Support			<u>121,555</u>	<u>—</u>
Total National Aeronautics and Space Administration			<u>1,292,131</u>	<u>204,928</u>
National Science Foundation:				
Engineering Grants:				
Engineering	47.041	ECCS-1809790	59,803	—
Engineering	47.041	CMMI-1847133	21,897	—
Engineering	47.041	IIP-1929371	20,534	—
Engineering	47.041	EEC-1927284	18,006	—
Engineering	47.041	ECCS-1944599	19,525	—
Engineering	47.041	EEC-1927149	12,659	—
Pass-Through The Florida International University Board of Trustees:				
Engineering	47.041	ECCS-1902283	29,310	—
Subtotal CFDA 47.041 Engineering Grants			<u>181,734</u>	<u>—</u>
Mathematical and Physical Sciences Grants:				
Mathematical and Physical Sciences	47.049	AST-1715718	49,079	—
Mathematical and Physical Sciences	47.049	AST-1940634	24,165	—
Mathematical and Physical Sciences	47.049	DMS-1927370	23,000	—
Mathematical and Physical Sciences	47.049	AST-1910396	50,958	—
Mathematical and Physical Sciences	47.049	PHY-1806885	39,249	—
Mathematical and Physical Sciences	47.049	PHY-1806871	36,222	—
Subtotal CFDA 47.049 Mathematical and Physical Sciences Grants			<u>222,673</u>	<u>—</u>
Geoscience:				
Geoscience	47.050	AGS-1255181	19,499	—
Geoscience	47.050	AGS-1352311	31,685	—
Geoscience	47.050	AGS-1651410	52,976	—
Geoscience	47.050	AGS-1707521	66,956	—
Geoscience	47.050	AGS-1759471	104,873	—
Geoscience	47.050	AGS-1803702	72,885	—
Geoscience	47.050	AGS-1822551	30,976	—
Geoscience	47.050	AGS-1828589	173,287	—
Geoscience	47.050	AGS-1848207	37,584	—
Geoscience	47.050	AGS-2024250	59,414	—
Pass-Through North Carolina Agricultural & Technical State University				
Geoscience	47.050	AGS-1900621	17,007	—
Subtotal CFDA 47.050 Geoscience			<u>667,142</u>	<u>—</u>
Computer and Information Science and Engineering:				
Computer and Information Science and Engineering	47.070	CNS-1757781	95,406	—
Computer and Information Science and Engineering	47.070	OAC-1931483	9,111	—
Computer and Information Science and Engineering	47.070	OAC-2027518	2,782	—
Subtotal CFDA 47.070 Computer and Information Science Engineering			<u>107,299</u>	<u>—</u>



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

Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Contract or Pass-Through entity identifying number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
Education and Human Resources:				
Education and Human Resources	47.076	DUE-1827392	\$ 29,198	—
Education and Human Resources	47.076	DUE-1920780	134,362	—
Education and Human Resources	47.076	DGE-1956193	6,347	—
Education and Human Resources	47.076	DUE-1625771	120,391	21,831
Education and Human Resources	47.076	DUE-1900348	132,078	109,052
Education and Human Resources	47.076	DGE-2002760	60,158	—
Education and Human Resources	47.076	DUE-2029754	6,868	—
Pass-Through Adams State University:				
Education and Human Resources	47.076	DUE-1626602	29,318	—
Pass-Through Whatcom Community College				
Education and Human Resources	47.076	DUE-1902329	24,027	—
Subtotal CFDA 47.076 Education and Human Resources			<u>542,747</u>	<u>130,883</u>
Total National Science Foundation			<u>1,721,595</u>	<u>130,883</u>
Department of Energy:				
Pass-Through University of Central Florida:				
Fossil Energy Research and Development	81.089	DE-FE0031227	312,763	252,173
Total Department of Energy			<u>312,763</u>	<u>252,173</u>
Department of Health and Human Services:				
Pass-Through The University of South Florida Board of Trustees:				
Occupational Safety and Health Program	92.262	T42OH008438-15-00	142,387	—
Pass-Through University of Arkansas Systems:				
Biomedical Research and Research Training	93.859	P20GM125503	3,969	—
Total Department of Health and Human Services			<u>146,356</u>	<u>—</u>
Department of Homeland Security:				
Pass-Through University of North Carolina at Chapel Hill:				
Centers for Homeland Security	97.061	15STCRC00001-05-00	22,619	—
Total Department of Homeland Security			<u>22,619</u>	<u>—</u>
Total Research and Development Cluster			<u>6,144,624</u>	<u>673,124</u>
Department of Defense – Other Projects:				
Pass-Through Institute of International Education:				
ROTC Language and Culture Training Grants	12.357	H98210-18-2-0002	43,200	—
Total Department of Defense – Other Projects			<u>43,200</u>	<u>—</u>
Department of Homeland Security:				
Pass-Through State of Florida:				
Disaster Assistance – Public Assistance (Presidentially Declared Disasters) – Hurricane Dorian	97.036	Z1712	376,804	—
Total Department of Homeland Security			<u>376,804</u>	<u>—</u>
Total Expenditures of Federal Awards			<u>\$ 137,789,581</u>	<u>673,124</u>

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

Schedule of Expenditures of Federal Awards and State Projects

Year ended June 30, 2020

<u>State/grantor/pass-through grantor/program or cluster title</u>	<u>CSFA number</u>	<u>Expenditures</u>
Florida Department of Education:		
Office of Student Financial Assistance:		
Effective Access to Student Education	48.064	\$ 3,931,835
Florida Student Assistance Grant	48.054	638,889
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055	86,072
Florida Academic Top Scholars Award	48.059	2,244
Florida Academic Scholars Award	48.059	2,786,130
Florida Medallion Scholars Award	48.059	<u>1,273,796</u>
Total Florida Bright Futures Scholarship Program		4,062,170
Florida Jose Marti Scholarship Challenge Grant	48.052	4,000
Florida Benacquisto Scholarship	48.114	<u>106,622</u>
Total Office of Student Financial Assistance		<u>8,829,588</u>
Florida Department of Education – Other:		
Aerospace Career Academy 2018-2019	48.109	38,416
Aerospace Career Academy 2019-2020	48.109	<u>2,929,434</u>
Total CSFA 48.109		2,967,850
Fixed Capital Outlay – ERAU Eagle Flight Research Center	48.127	(170,885)
Fixed Capital Outlay – ERAU Unmanned Autonomous Systems	48.153	305,199
Fixed Capital Outlay – ERAU Applied Aviation and Engineering Research Hangar	48.154	999,999
Embry-Riddle Aeronautical University – Hybrid Propulsion Test Cell	48.158	<u>688,599</u>
Total Florida Department of Education – Other		<u>4,790,762</u>
Florida Department of Highway Safety and Motor Vehicles:		
Embry-Riddle Aeronautical College License Plate Project	76.045	<u>46,525</u>
Total Florida Department of Highway Safety and Motor Vehicles		<u>46,525</u>
Total Expenditures of State Projects		<u>13,666,875</u>
Total Expenditures of Federal Awards and State Projects		\$ <u><u>151,456,456</u></u>

See accompanying notes to the schedule of expenditures of federal awards and state projects.

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

Notes to Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state projects (the Schedule) includes the federal award and state project activity of Embry-Riddle Aeronautical University, Inc. (the University) under programs of the federal government and State of Florida for the year ended June 30, 2020. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and Chapter 10.650, *Rules of the Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

The reimbursement of costs reflected in the accompanying financial statements as federal grant revenue is subject to final approval by federal and state grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the University's financial position or change in net assets.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**(3) Federal Perkins Loan Program**

The University administers the Federal Perkins Loan Program. The program has ended, therefore, no new loans were awarded nor did the University receive federal capital contribution during the year ended June 30, 2020. The amount included in the Schedule includes the outstanding balance as of June 30, 2019 of \$10,156,414, cancellations of \$4,149, assignments of \$66,192 and collections on principal of \$1,631,028. The outstanding balance of loans receivable under this program was \$8,455,045 at June 30, 2020.

**(4) Federal Direct Student Loans Program**

The University participated in the Federal Direct Student Loans Program beginning in May 2010 (which includes subsidized Stafford loans, unsubsidized Stafford loans and Plus loans). Such programs are considered a component of the Student Financial Assistance Cluster. New loans processed for the students during the year ended June 30, 2020 were \$94,734,486 consisting of Federal Direct Loans of \$19,225,036, Federal Direct Unsubsidized Loans of \$32,905,487, Federal Direct Parent PLUS Loans of \$41,332,857, Federal Direct Graduate PLUS Loans of \$841,674, and Federal Direct Flight PLUS Loans of \$429,432.

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

Notes to Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

**(5) Matching**

Under the Federal Work-Study Program, the University matched \$123,523 in total compensation for the year ended June 30, 2020, in addition to the federal share of expenditures included in the accompanying Schedule. Under the Federal Supplemental Educational Opportunity Grant Program, the University matched \$423,236 in funds awarded to students for the year ended June 30, 2020, in addition to the federal share of expenditures included in the accompanying Schedule.

**(6) Administrative Cost Allowance**

The University claimed an administrative cost allowance of \$109,352 for the year ended June 30, 2020. This amount is included in the accompanying Schedule as federal expenditures under the Federal Work-Study Program.

**(7) Subrecipients**

The following awards were received directly by the University and passed through to subrecipients during the year ended June 30, 2020:

<u>Program</u>	<u>Reference</u>	<u>Number</u>	<u>Expenditures</u>
National Aeronautics and Space:			
Administration:			
University of Alaska	(1)	NNX17A150G	\$ 27,501
Princeton University	(1)	NNX17A150G	46,760
Andrews University	(1)	NNX17A150G	19,703
University of Alaska	(2)	80NSSC18M1108	24,528
University of Colorado – Boulder	(2)	80NSSC18M1108	17,517
Johns Hopkins University	(3)	80NSSC18K1381	30,278
Trustees of Boston College	(4)	80NSSC19K0773	20,224
Clemson University	(4)	80NSSC19K0773	18,417
National Science Foundation:			
Research Foundation of the CUNY	(5)	DUE-1625771	21,831
North Carolina State University	(6)	DUE-1900348	74,562
Texas Tech University	(6)	DUE-1900348	34,490
Department of Agriculture:			
Regents of the University of Michigan	(7)	2019-67022-29929	25,931
Department of Energy:			
University of Central Florida	(8)	DE-FE0031227	252,173
Department of Commerce:			
University Corporation of Atmospheric Research	(9)	NA18NWS4680066	59,209
Total Federal Award			\$ <u>673,124</u>

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

Notes to Schedule of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2020

- (1) Cross-Scale Wave Coupling Processes in Kelvin-Helmholtz Structures in the Magnetospheric Boundary Layer
- (2) Modeling and Observation of the Three-Dimensional Nonlinear Interaction Between Kelvin-Helmholtz Instability and Magnetic Reconnection
- (3) Magnetospheric Multi-Scale (MMS) Observations and Simulations of High-Energy Electrons in the Dayside Magnetosheath
- (4) Sporadic E ElectroDynamics (SEED)
- (5) Collaborative Research: A National Consortium for Synergistic Undergraduate Mathematics via Multi-institutional Interdisciplinary Teaching Partnerships (SUMMIT-P)
- (6) Active Learning Modules to Support Problem-Based Learning: Effects on Engineering Retention and Academic Outcomes of At-Risk Students
- (7) FACT: Fusing Satellite and Drone Data with GIS to Create New Analytical Decision Support Tools for Varying Farm Types
- (8) Improving NOx Entitlement with Axial Staging
- (9) Adding Tropical cyclone genesis verification capabilities to the Model Evaluation Tools for Tropical Cyclone

**(8) State License Plate**

The University has entered into an agreement with the State of Florida's Department of Highway Safety and Motor Vehicles to issue University specialty license plates through the Embry-Riddle Aeronautical College License Plate Project (CSFA No. 76.045). Revenues generated by this project are remitted to the University by the State and are placed into an endowed scholarship fund. The earnings from this fund are used to award scholarships to deserving students.

The total funds received and accumulated unspent earnings at July 1, 2019, amounted to \$652,946. During the fiscal year ended June 30, 2020, the University received \$39,973 in additional funds from the State of Florida, recognized interest of \$14,531, recognized a net gain of \$1,076, recognized management fees of \$2,519 and awarded \$46,525 in scholarships. The balance of the funds remaining in the endowment fund from the project at June 30, 2020, is \$659,482.

**(9) COVID 19 HEERF Educational Stabilization Fund – Institutional Portion**

The amounts presented in the accompanying Schedule of Expenditures of Federal Awards and State Projects for the institutional portion of the Higher Education Emergency Relief Fund are based on actual expenditures incurred and may be different from the amounts recorded as revenue in the consolidated financial statements due to the matching requirements of the program.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**(1) Summary of Auditors' Results**

- |  |                       |
|--|-----------------------|
| (a) Type of report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:       | Unmodified            |
| (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:   |                       |
| • Material weaknesses  | No                    |
| • Significant deficiencies identified  | None reported         |
| (c) Noncompliance material to the financial statements   | No                    |
| (d) Internal control deficiencies over major programs disclosed by the audit:  |                       |
| • Material weaknesses  | No                    |
| • Significant deficiencies   | Yes, finding 2020-001 |
| (e) Type of report issued on compliance for major programs:  | Unmodified            |
| (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650, <i>Rules of the Florida Auditor General</i> | Yes                   |
| (g) Major Programs and State Projects  |                       |

<b>Federal Programs</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.268
Higher Education Emergency Relief Fund	84.425E, 84.425F

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

<b>State projects</b>	<b>CSFA number</b>
Florida Bright Futures Scholarship Program*	48.059
Florida Student Assistance Grant	48.054
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055
Florida Jose Marti Scholarship	48.052
Florida Benacquisto Scholarship	48.114
Aerospace Career Academy	48.109
Fixed Capital Outlay – ERAU Applied Aviation and Engineering Research Hangar	48.154

\* (Medallion Scholars Award, Academic Scholars Award and Academic Top Scholars Award)

(h) Dollar threshold used to distinguish between  
Type A and Type B programs:

Federal Programs	\$750,000
State projects	\$750,000

(i) Auditee qualified as low-risk auditee? Yes

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None

**(4) Findings and Questioned Costs Relating to State Projects**

<b>Finding 2020-001:</b>	Eligibility
<b>State Agency:</b>	Florida Department of Education
<b>State Program:</b>	Florida Bright Futures Medallion Scholars Award (CSFA # 48.059)
<b>State Award Year:</b>	July 1, 2019 to June 30, 2020

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

*Criteria or Specific Requirement*

Per Section 215.97, Florida Statutes, an entity must establish and maintain effective internal control over the state project that provides reasonable assurance that the entity is managing the state project in compliance with the state statutes, regulations, and the terms and conditions of the State project.

Per Florida Statute 1009.53, within 30 days after the end of regular registration each semester, the educational institution shall certify to the department the eligibility status of each student who receives an award. After the end of the drop and add period, an institution is not required to reevaluate or revise a student's eligibility status; however, an institution must make a refund to the department within 30 days after the end of the semester of any funds received for courses dropped by a student or courses from which a student has withdrawn after the end of the drop and add period, unless the student has been granted an exception by the department pursuant to subsection (11).

*Condition Found*

Of the 50 students selected for the Florida Medallion Scholars Award testing, we identified 9 students who withdrew from at least one class during the year whose aid for that class was not refunded to the University or to the Florida Department of Education.

*Cause and Possible Asserted Effect*

The University has a process in place to review student's hours enrolled and payment received at the end of each semester. This process was not properly performed during the year, causing the Medallion Scholars Awards to not properly be returned.

*Questioned Costs*

Known questioned costs were \$3,792 for the nine students of our sample. Additionally, \$27,202 of questioned costs were identified by the University based on an analysis of students who had enrollment changes or late drops for which Medallion Scholars Awards were not properly returned.

*Whether the Sample Was a Statistically Valid Sample*

The sample was not intended to be, and was not, a statistically valid sample.

*Identification of Whether the Audit Finding Was a Repeat Finding in the Immediately Prior Audit*

No similar findings were noted in the prior year audit.

*Recommendation*

We recommend the University strengthen its process to review student credit hour changes to ensure timely refunds of awards are made.



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

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

*View of Responsible Officials*

The University has implemented a quality control process for Bright Futures awards where reports are generated monthly after the Disbursement Eligibility Report is submitted. All student records will be reviewed to verify correct payment and reporting to the State of Florida. Monthly reports will be archived for reference. Management will monitor the reports to confirm student records are updated in a timely manner and meet the required repayment timeline.

There are no items related to state projects required to be reported in a management letter pursuant to Chapter 10.650, Rules of the Auditor General.

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

State of Florida Student Financial Assistance Programs  
Schedule of Populations, Samples Tested, and Questioned Costs

Year ended June 30, 2020

	<u>Award population</u>		<u>Award sample</u>			<u>Questioned costs</u>				
	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>	<u>% of Population amount</u>	<u>Recipients</u>	<u>% of Population Recipients</u>	<u>Amount</u>	<u>% of Sample amount</u>	<u>Recipients</u>	<u>% of Sample recipients</u>
Florida Student Assistance Grant	\$ 638,889	306	\$ 117,592	18 %	50	16 %	\$ —	—	—	—
Florida Medallion Scholars Award	1,273,796	296	215,196	17	50	17	3,792	2%	9	18%
Florida Academic Scholars Award	2,786,130	429	313,894	11	50	12	—	—	—	—
Florida Academic Top Scholar Scholarship for Children and Spouse of Deceased or Disabled Veterans and Service Members	2,244	2	2,244	100	2	100	—	—	—	—
Florida Jose Marti Scholarship Challenge Grant	86,072	14	61,268	71	10	71	—	—	—	—
Florida Benacquisto Scholarship	4,000	2	4,000	100	2	100	—	—	—	—
	106,622	5	106,622	100	5	100	—	—	—	—
<b>Total</b>	<b>\$ 4,897,753</b>	<b>1,054</b>	<b>\$ 820,816</b>		<b>169</b>		<b>\$ 3,792</b>		<b>9</b>	

This schedule is presented in accordance with Rule 6A-20.0021 of the Florida Administrative Code and is derived from the schedule of expenditures of federal awards and state projects.

See accompanying independent auditors' report.