



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

Consolidated Financial Statements and  
Supplemental Information

Years Ended June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

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

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1-3
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-37
<b>Supplemental Information</b>	
Schedule of Financial Responsibility Composite Ratio Score	38
Schedule of Financial Responsibility Data	39
Notes to Schedule of Financial Responsibility Composite Ratio Score	40-42



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

## Independent Auditors' Report

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

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

#### *Opinion*

We have audited the consolidated financial statements of Embry-Riddle Aeronautical University, Inc. and Subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

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

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

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

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

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

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



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Financial Responsibility Composite Ratio Score and Schedule of Financial Responsibility Data are presented for purposes of additional analysis as required by the U.S. Department of Education, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 17, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an



audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Tampa, Florida  
November 17, 2023

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

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(In thousands)

<b>Assets</b>	<b>2023</b>	<b>2022</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 229,787	201,809
Short-term investments (note 4)	233,949	199,469
Accounts and notes receivable, less allowance for doubtful accounts of \$1,754 and \$1,521, respectively	19,218	20,690
Student loans receivable, net, current portion (note 7)	907	1,169
Contributions receivable, net, current portion (note 8)	13,431	12,837
Inventories	6,412	4,895
Prepaid expenses and other current assets	17,154	14,256
Total current assets	520,858	455,125
<b>Noncurrent assets:</b>		
Deposits and investments held with trustees	3,366	10,024
Long-term accounts and notes receivables, net	934	1,350
Student loans receivable, less current portion and allowance for doubtful accounts of \$337 and \$463, respectively (note 7)	3,200	4,031
Contributions receivable, net, less current portion (note 8)	5,644	12,549
Other assets	304	304
Long-term investments (note 4)	274,605	228,836
Right-of-use lease assets (note 10)	37,177	27,623
Land, land improvements, buildings and equipment, net (note 9)	598,400	586,583
Total noncurrent assets	923,630	871,300
Total assets	\$ 1,444,488	1,326,425
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses, current portion	\$ 45,967	42,340
Advances for student loans and financial aid	6,631	4,703
Student deposits and advance payments	14,727	13,812
Deferred revenue, current portion	20,891	13,848
Right-of-use lease liability, current portion (note 10)	2,909	3,577
Long-term debt, current portion (note 11)	18,953	17,660
Total current liabilities	110,078	95,940
<b>Noncurrent liabilities:</b>		
Accounts payable and accrued expenses, less current portion	—	4,367
Deferred revenue, less current portion	15,018	17,026
Right-of-use lease liability, less current portion (note 10)	34,540	24,047
Long-term debt, net, less current portion (note 11)	284,513	303,466
Other liabilities	116	88
Total noncurrent liabilities	334,187	348,994
Total liabilities	444,265	444,934
<b>Net assets (note 17):</b>		
Without donor restrictions	871,412	768,006
With donor restrictions:		
Time or purpose	57,174	49,291
Perpetual	71,637	64,194
Total net assets	1,000,223	881,491
Total liabilities and net assets	\$ 1,444,488	1,326,425

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities

Year ended June 30, 2023

(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 \$142,815	\$ 361,642	—	361,642
Flight fees	53,435	—	53,435
Other fees	26,245	—	26,245
Grants and contracts	31,766	—	31,766
Private gifts – cash and financial assets	438	—	438
Sales and services-educational	361	—	361
Auxiliary enterprises	46,620	—	46,620
Investment income, net	9,420	—	9,420
Other revenue	13,395	—	13,395
Investment earnings distributed	2,721	2,518	5,239
Total operating revenue and other additions	546,043	2,518	548,561
Net assets released from restrictions	4,277	(4,277)	—
Total operating revenue and other additions	550,320	(1,759)	548,561
Expenses (note 16):			
Salaries and wages	219,912	—	219,912
Fringe benefits	63,770	—	63,770
Other operating expenses	107,494	—	107,494
Insurance	8,062	—	8,062
Utilities	10,093	—	10,093
Interest	10,183	—	10,183
Depreciation and amortization	41,987	—	41,987
Total operating expenses	461,501	—	461,501
Excess (deficiency) of revenue and other additions over expenses from operating activities	88,819	(1,759)	87,060
Nonoperating activities:			
Private gifts – cash and financial assets	31	11,584	11,615
Private gifts – nonfinancial assets	238	—	238
Investment return, net	16,771	8,037	24,808
Distribution of prior year investment earnings for spending	(2,721)	(2,518)	(5,239)
Other nonoperating activities	268	(18)	250
Total nonoperating activities	14,587	17,085	31,672
Changes in net assets	103,406	15,326	118,732
Net assets, beginning of year	768,006	113,485	881,491
Net assets, end of year	\$ 871,412	128,811	1,000,223

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities

Year ended June 30, 2022

(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 \$134,143	\$ 344,040	—	344,040
Flight fees	47,842	—	47,842
Other fees	24,557	—	24,557
Grants and contracts	60,260	—	60,260
Private gifts – cash and financial assets	391	—	391
Private gifts – nonfinancial assets	41	—	41
Sales and services-educational	206	—	206
Auxiliary enterprises	42,178	—	42,178
Investment income, net	1,381	5	1,386
Other revenue	6,458	—	6,458
Investment earnings distributed	1,777	2,342	4,119
	529,131	2,347	531,478
Net assets released from restrictions	3,839	(3,839)	—
	532,970	(1,492)	531,478
Expenses (note 16):			
Salaries and wages	207,079	—	207,079
Fringe benefits	58,662	—	58,662
Other operating expenses	109,280	—	109,280
Insurance	6,537	—	6,537
Utilities	9,185	—	9,185
Interest	9,749	—	9,749
Depreciation and amortization	39,246	—	39,246
	439,738	—	439,738
Excess (deficiency) of revenue and other additions over expenses from operating activities	93,232	(1,492)	91,740
Nonoperating activities:			
Private gifts – cash and financial assets	—	27,902	27,902
Private gifts – nonfinancial assets	19	4,680	4,699
Investment return, net	(27,844)	(10,717)	(38,561)
Distribution of prior year investment earnings for spending	(1,777)	(2,342)	(4,119)
Other nonoperating activities	564	(12)	552
	(29,038)	19,511	(9,527)
Changes in net assets	64,194	18,019	82,213
Net assets, beginning of year	703,812	95,466	799,278
Net assets, end of year	\$ 768,006	113,485	881,491

See accompanying notes to consolidated financial statements.



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

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 118,732	82,213
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,987	39,246
Realized and unrealized (gains)/losses on investments	(15,789)	47,534
Net amortization of bond premium and debt issuance costs	(1,278)	(1,288)
(Gain) loss on disposal of equipment	(3,745)	1,692
Amortization of right-of-use lease assets	271	(328)
Contribution of nonfinancial assets	(238)	(19)
Contributions restricted for long-term investment	(7,887)	(18,929)
Changes in operating assets and liabilities:		
Accounts and notes receivable	1,888	5,017
Contributions receivable	6,311	(19,973)
Inventories	(1,517)	(1,011)
Prepaid expenses and other assets	(2,898)	(3,722)
Accounts payable and accrued expenses	319	(10,306)
Advances for student loans and financial aid	1,928	(2,556)
Deferred revenue	5,035	1,942
Other liabilities	28	(4)
Student deposits and advance payments	915	2,933
Net cash provided by operating activities	144,062	122,441
Cash flows from investing activities:		
Purchase of investments	(552,753)	(483,438)
Sale of investments	489,298	392,517
Principal received on student loan receivables	1,195	1,997
Loans made to students	(102)	(23)
Proceeds from sale of land, land improvements, buildings, and equipment	6,476	59
Capital expenditures	(57,356)	(71,101)
Net cash used in investing activities	(113,242)	(159,989)
Cash flows from financing activities:		
Principal payments on long-term debt	(16,382)	(15,405)
Decrease in deposits and investments with trustees	6,658	20,251
Proceeds from contributions restricted for:		
Investment in endowment	7,443	18,920
Investment in plant	444	9
Net cash (used in) provided by financing activities	(1,837)	23,775
Change in cash, cash equivalents and restricted cash	28,983	(13,773)
Cash, cash equivalents and restricted cash, beginning of year	205,611	219,384
Cash, cash equivalents and restricted cash, end of year	\$ 234,594	205,611
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position:		
Cash and cash equivalents	\$ 229,787	201,809
Cash and cash equivalents, restricted	4,807	3,802
Total cash, cash equivalents and restricted cash	\$ 234,594	205,611
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 11,678	11,983
Change in capital asset acquisitions in accounts payable	(1,059)	1,527

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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 approximately 110 locations throughout the United States, Asia, Europe, and Central/South America. Additionally, the flexibility and accessibility of the multi-modal teaching platforms link students and faculty across the globe, enabling the development and delivery of learning whenever and wherever students and faculty reside. The University offers programs in seven primary fields of study including applied science; aviation; business; computers and technology; engineering; safety, security, and intelligence; and space.

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

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

**(a) Basis of Presentation**

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

**(b) Classification of Net Assets**

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

- Net assets without donor restrictions – Net assets derived from tuition, fees and other institutional resources and related expenses associated with the core activities of the University that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include Board-designated funds functioning as endowment, restricted gifts whose donor-imposed restrictions were met during the same fiscal year as received, as well as previously restricted gifts and grants for capital assets that have been placed in service.
- Net assets with donor restrictions – Net assets that are subject to explicit donor-imposed restrictions on the expenditures of contributions or income and gains on contributed assets and net assets from endowments not yet appropriated for spending by the University. The University records as net assets with donor restrictions the original amounts of gifts which donors have given to be maintained in perpetuity. Restrictions primarily include support of specific colleges or departments of the University for scholarships, research, and faculty support. The expiration of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for capital assets when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(c) Principles of Consolidation**

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

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

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

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

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

**(e) Cash and Cash Equivalents**

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

**(f) Short-Term Investments**

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

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(g) Concentration of Risks**

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

**(h) Pledges Receivable**

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

**(i) Inventories**

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

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

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

**(k) Long-Term Investments**

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

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

Investment income is recorded on the accrual basis.

**(l) Fair Value of Financial Instruments**

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

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

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

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

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

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

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

**(n) Asset Retirement Obligations**

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

**(o) Capitalized Interest**

The University capitalizes interest costs incurred on long-term debt during the construction of major projects exceeding one year. During fiscal years 2023 and 2022, the amount of interest capitalized was \$146 and \$1,031, respectively.

**(p) Unamortized Bond Premium**

Bond premium associated with bond issuances are deferred and amortized on the effective-yield method over the lives of the respective bond issues (see Note 11).

**(q) Unamortized Bond Issuance Costs**

Costs incurred in connection with bond issuances are generally amortized on the effective-interest method over the lives of the respective bond issues, and unamortized balances are presented as a direct deduction from the related debt in the consolidated statements of financial position (see Note 11).

**(r) Leases**

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

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

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

**(s) *Deferred Revenue***

The University has \$17,181 and \$19,069 in deferred revenue recorded as of June 30, 2023 and 2022, respectively, related to food service arrangements to provide and manage the University's dining service program. As part of the agreements, the University received certain advances in the form of financial investments to improve dining facilities, guaranteed commissions and other concessions in exchange for the exclusive rights to use the University's facilities and equipment. These advances are refundable should the University terminate the agreements prior to expiration; the amount of the reimbursement is proportionate to the unamortized portion of the terms. Accordingly, the University recorded the unamortized portion of certain advances received as deferred revenue.

**(t) *Federal Income Taxes***

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, is exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2023 and 2022, and there are no uncertain tax positions considered to be material.

**(u) *Tuition and Fees***

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

**(v) *Gifts, Grants and Contracts***

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

A portion of the University's revenue is derived from cost-reimbursable grants and contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue from government and private grants and contract agreements is recognized as it is earned through expenditures in accordance with the related agreements. Any funding received in advance of expenditures is recorded as deferred revenue on the consolidated statements of financial position. Included in deferred revenue at June 30, 2023 and 2022 are \$5,731 and \$545, respectively, of private grant and contract receipts that have not been expended.

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(w) Use of Estimates**

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

**(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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Total assets	\$ 1,444,488	1,318,644
Less nonfinancial assets:		
Land, land improvements, buildings and equipment, net	(598,400)	(586,583)
Right-of-use lease assets	(37,177)	(27,623)
Inventories	(6,412)	(4,895)
Prepaid expenses and other current assets	(17,154)	(6,475)
Other assets	<u>(304)</u>	<u>(304)</u>
Total financial assets	<u>785,041</u>	<u>692,764</u>
Less amounts not available for general expenditures within one year:		
Other long-term accounts and notes receivable	(934)	(1,350)
Restricted by donor with time or purpose restrictions	(28,851)	(26,287)
Board-designated endowment funds	(181,601)	(153,878)
Donor-restricted endowment funds	(106,414)	(75,198)
Other contractual restrictions	<u>(25,993)</u>	<u>(39,733)</u>
Total financial assets not available to meet general expenditures within one year	<u>(343,793)</u>	<u>(296,446)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 441,248</u>	<u>396,318</u>



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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

As of June 30, 2023, \$441,248 of financial assets consisting primarily of cash and cash equivalents, \$229,787; cash and cash equivalents, restricted, \$4,807; investments, net of time or purpose restrictions, \$186,529; and accounts and notes receivable, net, \$20,125, is available within one year of the balance sheet date to meet cash needs for general expenditures.

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

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 Board-designated funds functioning as endowment, which could be available for general expenditures with Board of Trustees' (Board) approval. These funds totaled \$181,601 and \$153,878 for the years ended June 30, 2023 and 2022, respectively.

**(4) Investments**

Investments at June 30, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, restricted	\$ 4,807	3,802
U.S. equity	122,474	103,849
International equity	41,110	35,639
Fixed income	281,743	237,029
Real asset	13,785	14,211
Hedge funds:		
Multi-strategy	16,151	15,413
Private partnerships:		
Private equity:		
Buyout	977	570
Real estate	15,510	15,216
Private credit:		
Distressed debt	2,945	1,803
Senior direct lending	9,052	773
Total investments	<u>\$ 508,554</u>	<u>428,305</u>

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

	<b>2023</b>	<b>2022</b>
Short-term investments	\$ 233,949	199,469
Investments, held for long-term purposes	274,605	228,836
Total investments	\$ 508,554	428,305

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

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

	Level 1	Total	Redemption terms	Redemption notice period	Redemption restrictions and terms period
Cash and cash equivalents, restricted	\$ 4,807	4,807	Daily	N/A	
U.S. equity	122,474	122,474	Daily	N/A	
International equity	41,110	41,110	Daily	N/A	
Fixed income	281,743	281,743	Daily	N/A	
Real asset	13,785	13,785	Daily	N/A	
	\$ 463,919	463,919			
Investments measured at net asset value (NAV):					
Hedge funds: (a)					
Multi-strategy		16,151	Semi-annual	95 days	Various initial lockup periods for each capital contribution, limits on redeemable proportion of outstanding balances and provisions allowing partial redemptions despite lockups
Private partnerships:					
Private equity: (b)					
Buyout		977	Not permitted	N/A	N/A; redemptions not permitted
Real estate		15,510	Monthly	30 days	None
Private credit: (c)					
Distressed debt		2,945	Not permitted	N/A	N/A; redemptions not permitted
Senior direct lending		9,052	Not permitted	N/A	N/A; redemptions not permitted
Total investments measured at NAV		44,635			
Total investments at fair value		508,554			

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

	<u>Level 1</u>	<u>Total</u>	<u>Redemption terms</u>	<u>Redemption notice period</u>	<u>Redemption restrictions and terms period</u>
Cash and cash equivalents, restricted	\$ 3,802	3,802	Daily	N/A	
U.S. equity	103,849	103,849	Daily	N/A	
International equity	35,639	35,639	Daily	N/A	
Fixed income	237,029	237,029	Daily	N/A	
Real asset	14,211	14,211	Daily	N/A	
	<u>\$ 394,530</u>	<u>394,530</u>			
Investments measured at net asset value (NAV):					
Hedge funds: (a)					
Multi-strategy		15,413	Semi-annual	95 days	Various initial lockup periods for each capital contribution, limits on redeemable proportion of outstanding balances and provisions allowing partial redemptions despite lockups
Private partnerships:					
Private equity: (b)					
Buyout		570	Not permitted	N/A	N/A; redemptions not permitted
Real estate		15,216	Monthly	30 days	None
Private credit: (c)					
Distressed debt		1,803	Not permitted	N/A	N/A; redemptions not permitted
Senior direct lending		773	Not permitted	N/A	N/A; redemptions not permitted
Total investments measured at NAV		<u>33,775</u>			
Total investments at fair value		<u>\$ 428,305</u>			

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

- (a) Generate long-term capital appreciation with relatively low volatility and a low correlation with traditional equity and fixed-income markets.
- (b) Earn higher returns than the public equity markets over the long term and take advantage of the illiquidity premium.
- (c) Earn higher returns than the public debt markets over the long term by taking advantage of preferential yields, terms and characteristics available through private transactions.

Private equity and private credit investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital is called by managers. These partnerships have a limited existence, generally between 10 and 15 years, and provide for annual one-year extensions after the initial contract period for the purpose of systematically liquidating portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

or reduce the term of a fund from that which was originally anticipated. As a result, the timing and amount of future capital calls expected to be exercised in any particular future year is uncertain. The aggregate amount of the unfunded commitments associated with the private equity and credit investments as of June 30, 2023 and 2022 were \$21,550 and \$13,902, respectively.

The total investment return, net, is summarized as follows for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Income from interest and dividends	\$ 20,151	12,072
Net realized and unrealized gains/(losses)	15,909	(47,461)
Investment fees	(1,832)	(1,786)
Total investment return, net	\$ 34,228	(37,175)

Investment return, net is included in the consolidated statements of activities as follows for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Operating	\$ 9,420	1,386
Nonoperating	24,808	(38,561)
Total investment return, net	\$ 34,228	(37,175)

**(5) Endowment**

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

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

The University classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds including (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds that is

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

Changes in the fair value of the University's endowment net assets by type of fund were as follows for the year ended June 30, 2023:

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

Changes in the fair value of the University's endowment net assets by type of fund were as follows for the year ended June 30, 2022:

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

Endowment net assets as of June 30, 2023 and 2022 are classified as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>2023:</b>			
Donor-restricted endowment funds	\$ —	99,960	99,960
Board-designated funds functioning as endowment funds	181,601	—	181,601
Total	\$ <u>181,601</u>	<u>99,960</u>	<u>281,561</u>
<b>2022:</b>			
Donor-restricted endowment funds	\$ —	87,198	87,198
Board-designated funds functioning as endowment funds	153,878	—	153,878
Total	\$ <u>153,878</u>	<u>87,198</u>	<u>241,076</u>

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(a) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. At June 30, 2023 and 2022, funds with an original gift value \$6,210 and \$35,139 were underwater by \$88 and \$2,424, 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) Contributed Nonfinancial Assets**

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

Contributions of nonfinancial assets included in the consolidated statements of activities for the years ended June 30, 2023 and 2022 are as follows:

<u>Nonfinancial asset</u>	<u>2023</u>	<u>Utilization in programs/activities</u>	<u>Donor restriction</u>	<u>Fair value techniques</u>
Art and collectibles	\$ 6	Institutional support	No associated donor restriction	Estimated prices of identical or similar products
Boats and planes	5	Academic instruction	No associated donor restriction	Estimated prices of identical or similar products
Clothing and household goods	6	Student services	No associated donor restriction	Estimated prices of identical or similar products
Equipment	216	Academic instruction and student services	No associated donor restriction	Estimated prices of identical or similar products
Other	5	Institutional support	No associated donor restriction	Estimated prices of identical or similar products
Total	<u>\$ 238</u>			

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

**(7) Student Loans Receivable**

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

	<u>2023</u>	<u>2022</u>
Federal Perkins Loan Program	\$ 3,671	4,820
Other student loans	773	843
Less allowance for doubtful accounts	<u>(337)</u>	<u>(463)</u>
Total student loans receivable, net	4,107	5,200
Current portion	<u>907</u>	<u>1,169</u>
Long-term portion	<u>\$ 3,200</u>	<u>4,031</u>

The Federal Perkins Loan Program expired on September 30, 2017 with final loan disbursements permitted through June 30, 2018. Although no new Perkins loans are permitted, recipients of the Perkins loans have an obligation to repay the University, which in turn pays the federal government. The liability for refundable federal government loans was \$4,255 and \$5,409 at June 30, 2023 and 2022, respectively, and is included as a component of advances for student loans and financial aid in the consolidated statements of financial position.



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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

**(8) Contributions Receivable**

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

	<b>2023</b>	<b>2022</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 13,534	12,903
One year to five years	6,374	13,935
More than five years	215	215
	20,123	27,053
Less:		
Allowance for uncollectible pledges	291	426
Discount for present value (ranging from 3.49% and 4.50% at June 30, 2023 and 2022)	757	1,241
Contributions receivable, net	\$ 19,075	25,386

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

	<b>2023</b>	<b>2022</b>
Current portion	\$ 13,431	12,837
Long-term portion	5,644	12,549
Contributions receivable, net	\$ 19,075	25,386

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

Components of land, land improvements, buildings and equipment at June 30, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Land and land improvements	\$ 79,711	79,492
Buildings	682,117	666,499
Equipment	284,830	261,046
Construction in progress	37,843	27,265
Total	1,084,501	1,034,302
Less accumulated depreciation and amortization	(486,101)	(447,719)
Land, land improvements, buildings, and equipment, net	\$ 598,400	586,583

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$41,987 and \$39,246, respectively. At June 30, 2023, the University had commitments of approximately \$215,970 related to various capital projects.

**(10) Leases**

The University has operating and finance leases primarily for parcels of land, educational facilities, administrative offices, and equipment. Remaining lease terms range from 1 to 45 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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

**(a) Lease Cost**

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

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 5,364	4,422
Finance lease cost:		
Amortization of ROU assets	1,576	1,624
Interest on lease liabilities	<u>49</u>	<u>106</u>
Total finance lease cost	1,625	1,730
Short-term lease cost	154	530
Variable and nonlease cost	<u>1,083</u>	<u>818</u>
Total lease cost	<u>\$ 8,226</u>	<u>7,500</u>

**(b) Other Lease Information**

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

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,797	4,457
Operating cash flows from finance leases	49	106
Financing cash flows from finance leases	1,452	2,855
Gain on operating lease modifications	—	(11)
Loss on finance lease disposals	2,836	264
Noncash impacts:		
Noncash impacts on operating lease modifications	(1,732)	(524)
Noncash impacts on finance lease modifications	—	(61)
Noncash impacts on new operating leases initiated	13,571	3,233
Noncash impacts on operating lease amortization	139	168

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(c) Lease Position**

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

	<b>2023</b>	<b>2022</b>
Operating leases:		
Operating lease ROU assets	\$ 37,177	27,623
Total operating lease liabilities	\$ 37,449	27,624
Current portion	2,909	3,577
Long-term portion	34,540	24,047
Finance leases:		
Land, land improvements, buildings and equipment	\$ 22,709	27,643
Less accumulated amortization	(11,504)	(12,721)
Finance lease assets, net	\$ 11,205	14,922
Total finance lease liabilities	\$ 645	2,096
Current portion	205	1,452
Long-term portion	440	644

**(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>2023</b>	<b>2022</b>
Weighted average remaining lease term (years):		
Operating leases	21.99	12.95
Finance leases	2.75	2.39
Discount rate:		
Operating leases (weighted average)	3.91 %	4.14 %
Finance leases	4.67	3.23

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(e) Maturities**

The maturities of lease liabilities at June 30, 2023 are as follows:

		<b>Operating leases</b>	<b>Finance leases</b>
2024	\$	4,321	229
2025		3,855	191
2026		3,329	275
2027		3,151	—
2028		3,113	—
Thereafter		43,617	—
Total future undiscounted lease payments		61,386	695
Less interest		(23,937)	(50)
Present value of lease liabilities		\$ 37,449	645

**(11) Long-Term Debt**

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

	<b>Interest%</b>	<b>Maturity</b>		<b>2023</b>	<b>2022</b>
Finance lease obligations:					
Land – 501 S. Clyde Morris Blvd.	4.82 %	2026	\$	606	763
Aircraft – Banc of America Leasing	2.28%–3.02%	2023		39	1,333
Total finance lease obligations				645	2,096
Notes payable:					
Promissory note – PNC Bank	3.03 %	2037		16,171	18,546
Promissory note – Truist Bank	1.68 %	2028		29,500	35,105
Total notes payable				45,671	53,651

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

	Interest%	Maturity	2023	2022
Bonds payable:				
Volusia County Educational:				
Facilities revenue bonds:				
Series 2015A	2.91 %	2031	\$ 28,720	31,870
Series 2015B	3.00%–5.00%	2035	40,935	41,010
Series 2015C	2.28 %	2027	11,295	13,885
Series 2017	5.00 %	2048	46,355	46,355
Series 2020A	4.00%–5.00%	2050	96,855	97,990
Series 2020B (taxable)	3.43 %	2037	10,000	10,000
Total bonds payable – principal			234,160	241,110
Bond premium:				
Series 2015B			2,546	2,954
Series 2017			6,055	6,413
Series 2020A			15,854	16,483
Total premium			24,455	25,850
Bond issuance costs:				
Series 2015A			62	79
Series 2015B			313	341
Series 2015C			11	17
Series 2017			283	309
Series 2020A			663	689
Series 2020B			55	60
Promissory note – PNC Bank			78	86
Total bond issuance costs			1,465	1,581
Total long-term debt, net			303,466	321,126
Current portion			18,953	17,660
Long-term portion			\$ 284,513	303,466

**(a) Finance Lease Obligations**

In March 2000, the University entered into a finance lease obligation with Volusia County for land leased in the amount of \$2,157. The lease was entered into as part of a multiparty real estate transaction whereby the University exchanged a building with a book value of approximately \$1,600, for a building located on the land under lease, along with the assumption of the land lease.

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

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

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

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

Deposits with bond trustees consist of debt service funds and unexpended proceeds of certain debt. These funds will be used for capital projects, or payment of, debt service on certain facilities. Deposits with trustees of \$3,366 and \$10,024 are included in deposits and investments held with trustees on the consolidated statements of financial position as of June 30, 2023 and 2022, respectively.

Series 2015A bond was issued at par in the original amount of \$50,740 to partially refund Series 2005 bonds. This transaction was accounted for as an extinguishment of debt. The effective interest rate of the bond issue is 2.91%.

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

Series 2015C bond was issued at par in the original amount of \$26,535 to refund outstanding Series 2005 bonds. This transaction was accounted for as an extinguishment of debt. The effective interest rate of the bond issue is 2.28%.

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

The portion of the proceeds from the Series 2017 bonds (\$11,982) and other sources of funds (\$22,236) were placed in an irrevocable escrow account to provide for debt service payments and

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

redemption of the bonds as of the call date on October 15, 2021. Accordingly, the refunded Series 2011 bonds were legally defeased and neither the indebtedness nor the assets of the irrevocable trust are included on the consolidated statements of financial position.

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

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

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

**(c) Note Payable**

The University entered into a promissory note obligation in February 2020 with BBVA USA, which was acquired by PNC Bank in 2021, in the amount of \$19,291 to legally defease \$16,205 of its outstanding Series 2015B bonds. The obligation of the University under the promissory note is secured by a master note issued under the Master Indenture. The effective interest rate on the promissory note is 3.10%. The proceeds from the promissory note were placed in an irrevocable escrow account to provide for debt service payments and redemption of the bonds as of the call date on April 15, 2025. Accordingly, this portion of the Series 2015B bonds was legally defeased and neither the indebtedness nor the assets of the irrevocable trust are included on the consolidated statements of financial position.

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

**(d) Annual Debt Service**

The University's debt service, including principal and interest payments made during the fiscal years ended June 30, 2023 and 2022, amounted to \$28,060 and \$27,388, respectively.



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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

Maturities of long-term debt in each of the next five years, and thereafter at June 30, 2023, are as follows:

Year ending June 30:			
2024	\$		17,669
2025			18,189
2026			18,742
2027			19,060
2028			17,885
Thereafter			188,931
Unamortized bond premium			24,455
Unamortized bond issue costs			<u>(1,465)</u>
Total long-term debt, net	\$		<u><u>303,466</u></u>

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

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

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

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

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

**(13) Grants and Contracts Revenue**

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

	<u>2023</u>	<u>2022</u>
Federal	\$ 25,917	54,562
State	3,654	5,039
Private	2,186	609
Foreign	<u>9</u>	<u>50</u>
Total grants and contracts revenue	<u>\$ 31,766</u>	<u>60,260</u>

Foreign grants and contracts revenue for the year ended June 30, 2023 and 2022 includes \$9 and \$50, respectively, in grants provided by the Singapore government to ERAU Asia Ltd.

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(14) Retirement**

Retirement benefits are provided through a defined contribution plan (Plan) covering all qualified employees. The Plan is administered through the Teachers Insurance and Annuity Association (TIAA), a national organization used to fund pension benefits for educational institutions. Retirement plan expenses for the years ended June 30, 2023 and 2022 were \$17,412 and \$16,242, respectively.

**(15) Commitments and Contingencies**

**(a) Unionized Labor Force**

The University employs, on average, 181 full-time flight instructors in the Daytona Beach area who are part of a collective bargaining unit covered by the International Association of Machinists and Aerospace Workers Union, AFL-CIO, whose contract expires on June 30, 2025.

**(b) Litigation**

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

**(c) Self-Insurance Reserves**

Since May 1989, the University has been providing medical (including pharmacy), dental, and vision insurance benefits for its employees. Currently, the University has both fully insured and self-insured medical 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, 2023 and 2022, self-insurance reserves amounted to approximately \$1,536 and \$1,267, respectively, which are included in accounts payable and accrued expenses in the consolidated statements of financial position.

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(16) Functional Classification of Expenses**

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

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

  

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

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(17) Net Assets**

Net assets consisted of the following at June 30:

	<b>2023</b>	<b>2022</b>
Without donor restrictions:		
Board-designated endowment funds	\$ 181,601	153,878
Net investment in plant	298,299	275,480
Undesignated	391,512	338,648
Total net assets without donor restriction	871,412	768,006
With donor restrictions:		
Time or purpose restricted	44,274	35,392
Time or purpose restricted pledges	12,621	13,679
Split interest agreements	279	220
Donor-restricted endowment funds	65,183	52,194
Donor-restricted endowment funds pledges	6,454	12,000
Total net assets with donor restrictions	128,811	113,485
Total net assets	\$ 1,000,223	881,491

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

	<b>2023</b>	<b>2022</b>
Donations restricted for capital asset construction or acquisition	\$ —	(26)
Donations restricted for scholarships	3,304	2,590
Donations restricted for noncapital programs or acquisitions	973	1,275
Net assets released from restrictions	\$ 4,277	3,839

**(18) Financial Responsibility Standards**

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

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended June 30, 2023.

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

<u>Data element</u>	<u>Direct input to ratio</u>	<u>Amount</u>
Composition of long-term debt:		
Pre-implementation obligations under finance lease obligations used for capital	Primary reserve \$	645
Pre-implementation obligations under notes payable used for capital	Primary reserve	16,171
Pre-implementation obligations under bonds payable used for capital	Primary reserve	234,160
Post-implementation obligations under notes payable used for capital	Primary reserve	<u>29,500</u>
Total long-term debt		<u>\$ 280,476</u>
Composition of land, land improvements, buildings and equipment, net:		
Pre-implementation land, land improvements, buildings and equipment, net	Primary reserve \$	517,182
Pre-implementation construction in progress	Primary reserve	15,607
Post-implementation land, land improvements, buildings and equipment, net with long-term debt	Primary reserve	35,423
Post-implementation land, land improvements, buildings and equipment, net without long-term debt	Primary reserve	7,952
Post-implementation construction in progress with long-term debt	Primary reserve	69
Post-implementation construction in progress without long-term debt	Primary reserve	<u>22,167</u>
Total land, land improvements, buildings and equipment, net		<u>\$ 598,400</u>

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(In thousands)

**(19) Related Party Transactions**

Several members of the Board of Trustees are employed by organizations that provide services to the University, primarily banking and insurance services. All members of the Board of Trustees or Officers of the University are required to disclose annually any information about possible conflicts of interests affecting the University including interests or family members and organizations in which the Board member or Officer (or member of his or her family) has significant management function or a significant ownership interest. Payments to organizations that employ related parties during the years ending June 30, 2023 and 2022 totaled \$859 and \$775, respectively. Certain gifts and pledges to the University are received annually by Board members and are not material to the financial statements. All such business activity is conducted in accordance with the University's normal business practices.

**(20) Subsequent Events**

Management of the University has reviewed subsequent events from June 30, 2023, through November 17, 2023 (the date the accompanying consolidated financial statements were issued), and determined there were no items to disclose.

## **SUPPLEMENTAL INFORMATION**



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

Schedule of Financial Responsibility Composite Ratio Score

June 30, 2023

(In thousands)

<b>Primary Reserve Ratio</b>				
Expendable net assets		\$	<u>607,289</u>	
Total expenses		\$	461,501	<u>1.3159</u>
<b>Equity Ratio</b>				
Modified net assets		\$	<u>1,000,223</u>	
Modified assets		\$	1,444,488	<u>0.6924</u>
<b>Net Income Ratio</b>				
Change in net assets without donor restrictions		\$	<u>103,406</u>	
Total revenues without donor restrictions		\$	550,320	<u>0.1879</u>
Primary reserve	1.3159	3.0000	40 %	1.2000
Equity	0.6924	3.0000	40 %	1.2000
Net income	0.1879	10.3951	20 %	<u>0.6000</u>
Composite score				<u><u>3.00</u></u>

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

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

Schedule of Financial Responsibility Data

Year ended June 30, 2023

(In thousands)

<b>Location in audited financial statements</b>	<b>Financial element</b>	<b>Amount used as ratio input</b>
Primary reserve ratio – expendable net assets:		
Statement of financial position	Net assets without donor restrictions	\$ 871,412
Statement of financial position	Net assets with donor restrictions	128,811
Statement of financial position	Net assets with donor restrictions – perpetual	(71,637)
Note 17, net assets	Annuities with donor restrictions – time/purpose investments under split interest agreements	(279)
Note 18, financial responsibility standards	Pre-implementation land, land improvements, buildings and equipment, net	(517,182)
Note 18, financial responsibility standards	Pre-implementation construction in progress	(15,607)
Note 18, financial responsibility standards	Post-implementation land, land improvements, buildings and equipment, net with long-term debt	(35,423)
Note 18, financial responsibility standards	Post-implementation land, land improvements, buildings and equipment, net without long-term debt	(7,952)
Note 18, financial responsibility standards	Post-implementation construction in progress with long-term debt	(69)
Note 18, financial responsibility standards	Post-implementation construction in progress without long-term debt	(22,167)
Statement of financial position	Right-of-use lease assets	(37,177)
Statement of financial position	Deposits and investments held with trustees under debt agreements – unexpended project funds	(3,366)
Statement of financial position	Right-of-use lease liabilities	37,449
Note 18, financial responsibility standards	Pre-implementation obligations under finance lease obligations	645
Note 18, financial responsibility standards	Pre-implementation obligations under notes payable	16,171
Note 18, financial responsibility standards	Post-implementation obligations under notes payable	29,500
Note 18, financial responsibility standards	Pre-implementation obligations under bonds payable	234,160
Primary reserve ratio – expenses and losses:		
Statement of activities	Total operating expenses without donor restrictions	\$ 461,501
Equity ratio: modified net asset:		
Statement of financial position	Net assets without donor restrictions	\$ 871,412
Statement of financial position	Net assets with donor restrictions	128,811
Equity ratio: modified assets:		
Statement of financial position	Total assets	\$ 1,444,488
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	\$ 103,406
Statement of activities	Total operating revenues without donor restrictions	550,320

See accompanying independent auditors' report.

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

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2023

**(1) Background**

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

The Schedule of Financial Responsibility Composite Ratio Score (the Schedule) is prepared and submitted to the State of Florida Department of Education and U.S. Department of Education and is prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L, Ratio Methodology for Private Nonprofit Institutions (U.S. Department of Education) (the Code). The Schedule contains only the financial responsibility composite ratio scores required by the Code and are not intended to present the financial position or the results of operations of the University as of and for the year ended June 30, 2023, in accordance with U.S. GAAP.

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

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

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

**(a) Ratios**

*(i) Primary Reserve Ratio*

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

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

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

*(ii) Equity Ratio*

The Equity Ratio represents modified net assets over modified assets.

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

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

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2023

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

*(iii) Net Income Ratio*

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

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

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

**(b) Strength Factors**

The strength factor for each ratio is calculated as follows:

*(i) Primary Reserve Ratio*

10 x Primary Reserve Ratio result

*(ii) Equity Ratio*

6 x Equity Ratio result

*(iii) Net Income Ratio*

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

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

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

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

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

Notes to Schedule of Financial Responsibility Composite Ratio Score

June 30, 2023

**(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, 2023

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

**Table of Contents**

	<b>Page(s)</b>
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 <i>Government Auditing Standards</i>	1–2
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3–5
Schedule of Expenditures of Federal Awards	6–12
Independent Auditors' Report on Compliance for Each Major State Project; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Projects Required by Chapter 10.650, <i>Rules of the Florida Auditor General</i>	13–15
Schedule of Expenditures of State Projects	16
Notes to Schedules of Expenditures of Federal Awards and State Projects	17–20
Schedule of Findings and Questioned Costs	21–24
State of Florida Student Financial Assistance Programs – Schedule of Populations, Samples Tested, and Questioned Costs	25



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. and Subsidiaries (the University), which comprise the University's consolidated statement of financial position as of June 30, 2023, 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 November 17, 2023.

### **Report on 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

### **Report on 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*.





### **The University's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the University's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Tampa, Florida  
November 17, 2023



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

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited Embry-Riddle Aeronautical University, Inc.'s (the University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards, and the Uniform Guidance, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

*Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS,



*Government Auditing Standards*, and the Uniform Guidance, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the noncompliance finding identified in our compliance audit 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 other 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**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit 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 responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses 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. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2023, and have issued our report thereon dated November 17, 2023, 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Tampa, Florida  
November 17, 2023

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Department of Education:				
Student Financial Assistance Cluster:				
Office of Student Education Assistance Programs:				
Federal Direct Student Loans	84.268		\$ 95,302,346	—
Federal Pell Grant Program	84.063		20,679,294	—
Federal Perkins Loan	84.038		4,819,949	—
Federal Supplemental Educational Opportunity Grants	84.007		1,345,338	—
Federal Work Study Program	84.033		924,127	—
Total Student Financial Assistance Cluster			<u>123,071,054</u>	<u>—</u>
Office of Post-Secondary Education:				
TRIO Upward Bound:				
TRIO Upward Bound	84.047A	P047A170602	37,160	—
TRIO Upward Bound	84.047A	P047A221492	154,147	—
Subtotal ALN 84.047A TRIO Upward Bound			<u>191,307</u>	<u>—</u>
Graduate Assistance in Areas of National Need:				
Graduate Assistance in Areas of National Need	84.200A	P200A180060	20,969	—
Graduate Assistance in Areas of National Need	84.200A	P200A210078	388,713	—
Subtotal ALN 84.200A Graduate Assistance in Areas of National Need			<u>409,682</u>	<u>—</u>
Total Office of Post-Secondary Education			600,989	—
COVID-19: Education Stabilization Fund – Institutional Portion	84.425F	P425F200262	446,962	—
Total Department of Education			<u>124,119,005</u>	<u>—</u>
Research and Development Cluster:				
Department of Agriculture:				
Agricultural and Food Research Initiative (AFRI)	10.310	2019-67022-29929	106,825	31,187
Total Department of Agriculture			<u>106,825</u>	<u>31,187</u>
Department of Commerce:				
National Oceanic and Atmospheric Administration:				
Weather and Air Quality Research:				
Weather and Air Quality Research	11.459	NA19OAR4590135	7,296	—
Weather and Air Quality Research	11.459	NA22OAR4590185	26,123	—
Subtotal ALN 11.459 Weather and Air Quality Research			<u>33,419</u>	<u>—</u>
Pass-Through University Corporation for Atmospheric Research:				
Meteorologic and Hydrologic Modernization Development	11.467	NA16NWS4670042	2,335	—
Pass-Through North Carolina State University:				
National Oceanic and Atmospheric Administration	11.431	NA22OAR4310136	24,451	—
Subtotal National Oceanic and Atmospheric Administration			<u>60,205</u>	<u>—</u>
Pass-Through Stetson University:				
Sea Grant Support	11.417	NA22OAR4170091	7,995	—
Total Department of Commerce			<u>68,200</u>	<u>—</u>
Department of Defense:				
Basic and Applied Scientific Research:				
Basic and Applied Scientific Research	12.300	N00014-17-1-2492	46,988	—
Basic and Applied Scientific Research	12.300	N00174-19-1-0018	2,089	—
Basic and Applied Scientific Research	12.300	N00014-20-1-2683	166,622	74,815
Basic and Applied Scientific Research	12.300	N00014-21-1-2102	86,335	—

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Basic and Applied Scientific Research	12.300	N00014-20-1-2515	\$ 19,886	—
Basic and Applied Scientific Research	12.300	N00174-22-1-0012	87,804	—
Subtotal ALN 12.300 Basic and Applied Scientific Research			<u>409,724</u>	<u>74,815</u>
Basic and Applied Scientific Research	12.330	N00014-21-1-2020	12,765	—
Subtotal ALN 12.330 Basic and Applied Scientific Research			<u>12,765</u>	<u>—</u>
Basic Scientific Research:				
Pass- Through Texas A&M Engineering Experiment Station:				
Basic Scientific Research	12.431	W911NF2020208	18,518	—
Basic Scientific Research	12.431	W911NF2210253	49,410	—
Subtotal ALN 12.431 Basic Scientific Research			<u>67,928</u>	<u>—</u>
Center for Academic Excellence:				
Pass-Through Regents of the University System of Georgia by and on behalf of Georgia Institute of Technology Center for Academic Excellence	12.598	AWD-002983-G1	203,974	—
Subtotal ALN 12.357 Information Security Grants			<u>203,974</u>	<u>—</u>
Basic, Applied, and Advanced Research in Science and Engineering:				
Basic and Applied Scientific Research in Science and Engineering	12.630	FA8651-21-1-0004	89,389	—
Pass-Through Pennsylvania State University: US Army Contracting Command	12.630	W911W6-17-2-0003	736	—
Subtotal ALN 12.630 Basic, Applied, and Advanced Research in Science and Engineering			<u>90,125</u>	<u>—</u>
Air Force Defense Research Sciences Program:				
Air Force Defense Research Sciences Program	12.800	FA9550-17-1-0235	5,906	5,906
Air Force Defense Research Sciences Program	12.800	FA9550-19-1-0052	36,595	—
Air Force Defense Research Sciences Program	12.800	FA9453-19-1-0012	29,187	—
Air Force Defense Research Sciences Program	12.800	FA9550-22-1-0104	142,913	—
Air Force Defense Research Sciences Program	12.800	FA9453-21-2-0039	36,447	—
Pass-Through Regents of the University of Colorado:				
Air Force Defense Research Sciences Program	12.800	FA9550-18-1-0009	285,304	—
Pass-Through Regents of the University of Florida:				
Air Force Defense Research Sciences Program	12.800	FA9550-20-1-0200	107,931	—
Subtotal ALN 12.800 Air Force Defense Research Sciences Program			<u>644,283</u>	<u>5,906</u>
CyberSecurity Core Curriculum:				
CyberSecurity Core Curriculum	12.905	H98230-20-1-0393	68,095	—
CyberSecurity Core Curriculum	12.905	H98230-21-1-0239	47,234	—
CyberSecurity Core Curriculum	12.905	H98230-22-1-0264	344,640	—
Subtotal ALN 12.905 CyberSecurity Core Curriculum			<u>459,969</u>	<u>—</u>
Research and Technology Development:				
Research and Technology Development	12.910	HR00112120003	2,720,334	1,758,654
Subtotal ALN 12.910 Research and Technology Development			<u>2,720,334</u>	<u>1,758,654</u>
Pass-Through Tier1 Performance Solutions:				
Defense Health Agency	12.RD	W81XWH19C0016	1,932	—
Subtotal ALN 12.RD Defense Health Agency			<u>1,932</u>	<u>—</u>
Total Department of Defense			<u>4,611,034</u>	<u>1,839,375</u>

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Department of Transportation:				
Federal Aviation Administration:				
Aviation Research Grants	20.108	692M152040004	\$ 108,681	—
Pass-Through The University of Chicago:				
Aviation Research Grants	20.108	692M151940006	20,864	—
Subtotal ALN 20.108 Federal Aviation Administration			<u>129,545</u>	<u>—</u>
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-041	18,584	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-050	101,073	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-054	70,969	11,342
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-016	14,345	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-017	68,890	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-019	38,262	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-020	47,137	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-021	47,394	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-022	22,854	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-026	385,523	203,218
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-028	157,297	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-029	137,178	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-031	137,526	—
Air Transportation Centers of Excellence	20.109	15-C-UAS-ERAU-037	143,029	—
Air Transportation Centers of Excellence	20.109	16-C-TTHP-ERAU-056	153,645	—
Subtotal ALN 20.109 Federal Aviation Administration			<u>1,543,706</u>	<u>214,560</u>
Federal Highway Administration:				
Highway Training & Education	20.215	693JJ32245015	3,560	—
Highway Training & Education	20.215	693JJ32345075	783	—
Highway Training & Education	20.215	693JJ32345086	3,500	—
Highway Training & Education	20.215	693JJ32345084	3,500	—
Subtotal ALN 20.215 Federal Highway Administration			<u>11,343</u>	<u>—</u>
Pass-Through North Carolina Agricultural & Technical State University:				
Local Technical Assistance Program	20.RD	A249-20-0N190110	5,625	—
Subtotal ALN 20.RD Local Technical Assistance Program			<u>5,625</u>	<u>—</u>
Office of the Secretary:				
Pass-Through North Carolina Agricultural & Technical State University:				
University Transportation Centers Program	20.701	69A3551747125	275,559	—
Pass-Through The Board of Supervisors of Louisiana State University and A&M College:				
University Transportation Centers Program	20.701	69A3551747130	14,234	—
Subtotal ALN 20.701 Office of the Secretary			<u>289,793</u>	<u>—</u>
Total Department of Transportation			<u>1,980,012</u>	<u>214,560</u>
National Aeronautics and Space Administration:				
Science:				
Science	43.001	NNX15AR04G	31	—
Science	43.001	80NSSC18K1108	61,137	1,300
Science	43.001	80NSSC18K1381	32,767	14,385

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Science	43.001	80NSSC19K0773	\$ 522,706	72,769
Science	43.001	80NSSC19K1089	131,789	—
Science	43.001	80NSSC20K0495	26,924	26,924
Science	43.001	80NSSC21K0245	1,015	—
Science	43.001	80NSSC21K0291	45,539	—
Science	43.001	80NSSC21K1354	280,547	199,877
Science	43.001	80NSSC22K0304	183,410	79,391
Science	43.001	80NSSC22K0310	67,104	15,605
Science	43.001	80NSSC22K0507	77,853	—
Science	43.001	80NSSC22K0622	17,758	—
Science	43.001	80NSSC22K1022	118,752	—
Science	43.001	80NSSC22K0939	69,235	—
Science	43.001	80NSSC22K1289	13,047	—
Science	43.001	80NSSC22K1863	24,778	—
Pass-Through Regents of the University of Colorado: Science	43.001	80NSSC20K1278	17,525	—
Pass-Through University of Alaska, Fairbanks: Science	43.001	80NNSC20K1279	13,959	—
Pass-Through University of New Hampshire: Science	43.001	80NSSC21K0972	(89)	—
Pass-Through Space Telescope Science Institute: Science	43.001	HST-GO-15611.014-A	9,165	—
Science	43.001	HST-GO-15992.009-A	15,084	—
Pass-Through Universities Space Research Association: Science	43.001	NNA17BF53C	3,420	—
Pass-Through Space Science Institute: Science	43.001	NNX16AE30A	235	—
Pass-Through Regents of the University of Colorado: Science	43.001	80NSSC21K1921	49,527	—
Pass-Through University of Florida: Science	43.001	80NSSC22K0288	19,198	—
Pass-Through Andrews University: Science	43.001	80NSSC22K0515	28,943	—
Pass-Through National Space Grant Foundation: Science	43.001	80NSSC22M0003	2,902	—
Subtotal ALN 43.001 Science			<u>1,834,261</u>	<u>410,251</u>
Aeronautics: Aeronautics	43.002	80NSSC20K1444	3,818	3,818
Subtotal ALN 43.002 Aeronautics			<u>3,818</u>	<u>3,818</u>
Education: Pass-Through University of Arizona: Office of STEM Engagement (OSTEM)	43.008	80NSSC20M0041	120,768	—
Pass-Through Bucknell University: Office of STEM Engagement (OSTEM)	43.008	80NSSC20K0992	2,711	—
Pass-Through University of Central Florida: Office of STEM Engagement (OSTEM)	43.008	80NSSC20M0093	4,101	—
Pass-Through University of Central Florida Trustees: Office of STEM Engagement (OSTEM)	43.008	80NSSC20M0093	105,812	—
Subtotal ALN 43.008 Education			<u>233,392</u>	<u>—</u>



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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Cross Agency Support:				
Pass-Through The Regents of the University of California, Berkeley:				
NASA	43.RD	80MSFC19C0041	\$ 119,160	—
Pass-Through Space Dynamics Laboratory:				
NASA	43.RD	80GSFC18C0007	26,555	—
Pass-Through Universities Space Research Association (URSA):				
NASA	43.RD	NNA17BF53C	18,036	—
Subtotal ALN 43.RD Cross Agency Support			<u>163,751</u>	<u>—</u>
Science:				
Jet Propulsion Laboratory	43.RD	80NM0018D004	73,842	—
Subtotal ALN 43.RD Jet Propulsion Laboratory			<u>73,842</u>	<u>—</u>
Total National Aeronautics and Space Administration			<u>2,309,064</u>	<u>414,069</u>
National Science Foundation:				
Engineering Grants:				
Engineering	47.041	CMMI-1847133	74,807	—
Engineering	47.041	CMMI-2001038	126,765	—
Engineering	47.041	CMMI-2018375	38,662	—
Engineering	47.041	ECCS-1809790	18,178	—
Engineering	47.041	ECCS-1944599	81,405	81,405
Engineering	47.041	EEC-1927149	14,021	—
Engineering	47.041	EEC-1927284	13,873	—
Engineering	47.041	EEC-2024973	25,300	—
Engineering	47.041	EEC-2050887	104,563	—
Engineering	47.041	IIP-2205797	35,010	—
Engineering	47.041	2224849	53,547	—
Subtotal ALN 47.041 Engineering Grants			<u>586,131</u>	<u>81,405</u>
Mathematical and Physical Sciences Grants:				
Mathematical and Physical Sciences	47.049	AST-1715718	4,069	—
Mathematical and Physical Sciences	47.049	AST-1910396	48,399	—
Mathematical and Physical Sciences	47.049	AST-2009276	100,972	—
Mathematical and Physical Sciences	47.049	AST-2108975	44,045	—
Mathematical and Physical Sciences	47.049	DMS-2050754	147,519	—
Mathematical and Physical Sciences	47.049	PHY-1806885	14,264	—
Mathematical and Physical Sciences	47.049	PHY-2110555	47,051	—
Mathematical and Physical Sciences	47.049	PHY-2110598	28,766	—
Mathematical and Physical Sciences	47.049	2,154,557	43,730	—
Mathematical and Physical Sciences	47.049	2207734	20,176	—
Mathematical and Physical Sciences	47.049	2,308,853	215	—
Mathematical and Physical Sciences	47.049	2,308,602	843	—
Subtotal ALN 47.049 Mathematical and Physical Sciences Grants			<u>500,049</u>	<u>—</u>
Geoscience:				
Geoscience	47.050	AGS-1707521	4,632	—
Geoscience	47.050	AGS-1759471	200,709	—
Geoscience	47.050	AGS-1803702	61,120	—
Geoscience	47.050	AGS-1822551	4,669	—
Geoscience	47.050	AGS-1828589	98,606	—
Geoscience	47.050	AGS-1848207	85,665	—
Geoscience	47.050	AGS-2017339	80,302	—

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Geoscience	47.050	AGS-2024250	\$ 207,857	—
Geoscience	47.050	AGS-2027308	84,795	—
Geoscience	47.050	AGS-2050077	45,383	—
Geoscience	47.050	2149696	11,264	—
Geoscience	47.050	2,307,203	10,885	—
Pass-Through North Carolina Agricultural & Technical State University:				
Geoscience	47.050	AGS-1900621	22,274	—
Subtotal ALN 47.050 Geoscience			<u>918,161</u>	<u>—</u>
Computer and Information Science and Engineering:				
Computer and Information Science and Engineering	47.070	OAC-1931483	42,315	—
Computer and Information Science and Engineering	47.070	2229155	26,955	—
Computer and Information Science and Engineering	47.070	2229473	7,532	—
Subtotal ALN 47.070 Computer and Information Science Engineering			<u>76,802</u>	<u>—</u>
Education and Human Resources:				
Education and Human Resources	47.076	CNS-2150213	108,507	—
Education and Human Resources	47.076	DGE-1956193	57,979	40,076
Education and Human Resources	47.076	DGE-2002760-001	—	—
Education and Human Resources	47.076	DGE-2041850	5,667	—
Education and Human Resources	47.076	DGE-2146462	295,813	—
Education and Human Resources	47.076	DUE-1625771	169,116	75,813
Education and Human Resources	47.076	DUE-1920780	273,541	41,205
Education and Human Resources	47.076	DUE-2021221	82,530	—
Education and Human Resources	47.076	DUE-2044302	116,700	—
Education and Human Resources	47.076	DUE-2120807	79,540	—
Education and Human Resources	47.076	2216325	59,676	—
Education and Human Resources	47.076	2221602	92,162	—
Education and Human Resources	47.076	2142514	75,535	—
Pass-Through Whatcom Community College:				
Education and Human Resources	47.076	DUE-1902329	22,261	—
Pass-Through Oklahoma State University:				
Education and Human Resources	47.076	2055590	41,747	—
Pass-Through Virginia Polytechnic Institute and State University:				
Education and Human Resources	47.076	HRD-2015286	29,940	—
Subtotal ALN 47.076 Education and Human Resources			<u>1,510,714</u>	<u>157,094</u>
Total National Science Foundation			<u>3,591,857</u>	<u>238,499</u>
Department of Energy:				
Office of Science Financial Assistance Program	81.049	DE-SC0022952	137,334	—
Subtotal ALN 81.049 Office of Science Financial Assistance Program			<u>137,334</u>	<u>—</u>
Pass-Through University of Central Florida:				
Fossil Energy Research and Development	81.089	DE-FE0032072	32,313	—
Subtotal ALN 81.089 Fossil Energy Research and Development			<u>32,313</u>	<u>—</u>
Total Department of Energy			<u>169,647</u>	<u>—</u>
Department of Health and Human Services:				
Substance Abuse and Mental Health Services Administration:				
Substance Abuse and Mental Health Services Administration	93.243	1H79SM086280-01	130,773	—
Subtotal ALN 93.243 Substance Abuse and Mental Health Services Administration			<u>130,773</u>	<u>—</u>

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal ALN	Prime Award # – Contract or pass-through entity identifying number	Expenditures	Provided to subrecipients
Occupational Safety and Health Program:				
Pass-Through The University of South Florida Board of Trustees:				
Occupational Safety and Health Program	93.262	T42OH008438-15-00	\$ (4,310)	—
Occupational Safety and Health Program	93.262	5 T42OH008438-18-00	183,363	—
Subtotal ALN 93.262 Occupational Safety and Health Program			<u>179,053</u>	<u>—</u>
Pass-Through Childrens Heart Foundation:				
Rare Disorders: Research, Surveillance, Health Promotion & Education	93.315	CHF 12-2020	20,289	5,000
Subtotal ALN 93.315 Rare Disorders: Research, Surveillance, Health Promotion & Education			<u>20,289</u>	<u>5,000</u>
National Library of Medicine:				
National Library of Medicine	93.879	1R15LM013382-01A1	91,627	32,379
Subtotal ALN 93.879 National Library of Medicine			<u>91,627</u>	<u>32,379</u>
Total Department of Health and Human Services			<u>421,742</u>	<u>37,379</u>
Department of Homeland Security:				
Financial Assistance for Targeted Violence and Terrorism Prevention:				
Targeted Violence and Terrorism Prevention	97.132	EMW-2021-GR-00120-S01	43,449	—
Subtotal ALN 97.132 Financial Assistance for Targeted Violence and Terrorism Prevention			<u>43,449</u>	<u>—</u>
Total Department of Homeland Security			<u>43,449</u>	<u>—</u>
University of Wisconsin Madison:				
Issue of Department Of Defense excess equipment	12.000	W911NF20D0002	356,810	—
Total University of Wisconsin Madison			<u>356,810</u>	<u>—</u>
National Endowment for the Humanities (NEH):				
Instruction	45.162	AV-291049-23	6,398	—
Total National Endowment for the Humanities (NEH)			<u>6,398</u>	<u>—</u>
Environmental Protection Agency:				
P3 Award: National Student Design Competition for Sustainability	66.516	84040701	18,655	—
Total Environmental Protection Agency			<u>18,655</u>	<u>—</u>
National Institute of Health:				
Development and Coordination of Rural Health Services	93.223	1R43HL164225-01A1	23,299	—
Total National Institute of Health			<u>23,299</u>	<u>—</u>
Total Research and Development Cluster			<u>13,706,992</u>	<u>2,775,069</u>
Department of Defense – Other Projects:				
Pass-Through Institute of International Education:				
ROTC Language and Culture Training Grants	12.357	H98210-18-2-0002	765,922	—
Total Department of Defense – Other Projects			<u>765,922</u>	<u>—</u>
Total Expenditures of Federal Awards			<u>\$ 138,591,919</u>	<u>2,775,069</u>

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



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

**Independent Auditors' Report on Compliance for Each Major State Project; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Projects Required by Chapter 10.650, Rules of the Florida Auditor General**

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

**Report on Compliance for Each Major State Project**

*Opinion on Each Major State Project*

We have audited Embry-Riddle Aeronautical University, Inc.'s (the University) compliance with the types of compliance requirements identified as subject to audit 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 state projects for the year ended June 30, 2023. The University's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2023.

*Basis for Opinion on Each Major State Project*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Florida Auditor General* (Chapter 10.650). Our responsibilities under those standards, and Chapter 10.650, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's state projects.

*Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error,



as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Chapter 10.650. Accordingly, this report is not suitable for any other purpose.



**Report on Schedule of Expenditures of State Projects Required by 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, 2023, and have issued our report thereon dated November 17, 2023, 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 state projects is presented for purposes of additional analysis as required by 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 GAAS. In our opinion, the schedule of expenditures of state projects is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Tampa, Florida  
November 17, 2023

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

Schedule of Expenditures of State Projects

Year ended June 30, 2023

<u>State/grantor/pass-through grantor/program or cluster title</u>	<u>CSFA number</u>	<u>Expenditures</u>	<u>Provided to subrecipients</u>
Florida Department of Education:			
Office of Student Financial Assistance:			
Effective Access to Student Education	48.064	\$ 3,278,029	—
Florida Student Assistance Grant	48.054	659,791	—
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055	221,761	—
Florida Academic Scholars Award	48.059	3,149,783	—
Florida Medallion Scholars Award	48.059	1,569,434	—
Florida Academic Top Scholars Award	48.059	<u>2,420</u>	<u>—</u>
Total Florida Bright Futures Scholarship Program		4,721,637	—
Florida Benacquisto Scholarship	48.114	<u>350,119</u>	<u>—</u>
Total Office of Student Financial Assistance		<u>9,231,337</u>	<u>—</u>
Florida Department of Education – Other:			
Aerospace Career Academy 2021-2022	48.109	21,160	—
Aerospace Career Academy 2022-2023	48.109	<u>2,918,549</u>	<u>—</u>
Total CSFA 48.109		<u>2,939,709</u>	<u>—</u>
Total Florida Department of Education – Other		<u>2,939,709</u>	<u>—</u>
Florida Department of Highway Safety and Motor Vehicles:			
Embry-Riddle Aeronautical College License Plate Project	76.045	<u>49,731</u>	<u>—</u>
Total Florida Department of Highway Safety and Motor Vehicles		<u>49,731</u>	<u>—</u>
Total expenditures of state projects		<u>\$ 12,220,777</u>	<u>—</u>

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

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

Notes to Schedules of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2023

**(1) Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state projects (the Schedules) include 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, 2023. The information in the schedules 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 Schedules present 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 grants and contracts 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 Schedules 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 Schedules represent adjustments or credits 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 amount included in the Schedules includes the outstanding balance as of June 30, 2022 of \$4,819,949. The outstanding balance of loans receivable under this program was \$3,671,156 at June 30, 2023, which includes cancellations of \$23,424, assignments of \$124,028 and collections on principal of \$1,001,341.

As required by Uniform Guidance, the amount shown on the Schedules as expenditures for the Perkins Loan Program is equal to the balance of loans outstanding at June 30, 2022. Under federal law, the Perkins Loan Program ended on September 30, 2017, and final disbursements under the program were permitted through June 30, 2018.

**(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 students during the year ended June 30, 2023 were \$95,302,346 consisting of Federal Direct Loans of \$17,420,360, Federal Direct Unsubsidized Loans of \$29,087,352, Federal Direct Parent PLUS Loans of \$46,816,142, Federal Direct Graduate PLUS Loans of \$1,094,719, and Federal Direct Flight PLUS Loans of \$883,773.



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

Notes to Schedules of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2023

**(5) Matching**

Under the Federal Work-Study Program, the University matched \$158,728 in total compensation for the year ended June 30, 2023, in addition to the federal share of expenditures included in the accompanying Schedules. Under the Federal Supplemental Educational Opportunity Grant Program, the University matched \$527,043 in funds awarded to students for the year ended June 30, 2023, in addition to the federal share of expenditures included in the accompanying Schedules.

**(6) Administrative Cost Allowance**

The University claimed an administrative cost allowance of \$137,154 for the year ended June 30, 2023. This amount is included in the accompanying Schedules 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, 2023:

<u>Program</u>	<u>Reference</u>	<u>Number</u>	<u>Expenditures</u>
National Aeronautics and Space Administration:			
University of Alaska	(1)	80NSSC18K1108	\$ 1,300
Johns Hopkins University	(2)	80NSSC18K1381	14,385
Clemson University	(3)	80NSSC19K0773	24,696
Trustees of Dartmouth College	(3)	80NSSC19K0773	29,719
Massachusetts Institute of Technology	(3)	80NSSC19K0773	18,354
Boise State University	(4)	80NSSC20K0495	26,924
University of Alaska	(5)	80NSSC21K1354	42,455
SRI International	(5)	80NSSC21K1354	73,022
Illinois Institute of Technology	(5)	80NSSC21K1354	84,400
Johns Hopkins University	(6)	80NSSC22K0304	25,465
Andrews University	(6)	80NSSC22K0304	16,793
University of Alaska	(6)	80NSSC22K0304	37,133
Johns Hopkins University	(7)	80NSSC22K0310	6,769
University of Alaska	(7)	80NSSC22K0310	8,836
NASA Shared Services Center (NSSC)	(8)	80NSSC20K1444	3,818
National Science Foundation:			
Laguardia Community College	(9)	DUE-1625771	7,120
Norfolk State University	(9)	DUE-1625771	37,625
Lee University	(9)	DUE-1625771	2,749
Augsburg University	(9)	DUE-1625771	26,882
Ferris State University	(9)	DUE-1625771	1,437
University of Texas at Arlington	(10)	DUE-1920780	41,205
University of Massachusetts Dartmouth	(11)	DGE-1956193	40,076
Electrical, Communications and Cyber Systems (ECCS)	(12)	ECCS-1944599	81,405

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

Notes to Schedules of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2023

Program	Reference	Number	Expenditures
Department of Agriculture:			
Regents of the University of Michigan	(13)	2019-67022-29929	\$ 31,187
Department of Defense:			
Arizona State University	(14)	HR00112120003	89,564
Boise State University	(14)	HR00112120003	295,782
Boston University	(14)	HR00112120003	95,440
Duke University	(14)	HR00112120003	354,419
Florida Institute of Technology	(14)	HR00112120003	25,667
National Aeronautics and Space Administration	(14)	HR00112120003	426,080
Rheinische Friedrich Wilhelms Universitat Bonn	(14)	HR00112120003	252,754
University System of New Hampshire	(14)	HR00112120003	169,893
Utah State University	(14)	HR00112120003	49,055
University of Texas – Austin	(15)	N00014-20-1-2683	74,815
Texas A&M University	(16)	FA9550-17-1-0235	5,906
Department of Health and Human Services:			
University of Central Florida	(17)	CHF 12-2020	5,000
University of West Florida	(18)	1R15LM013382-01A1	32,379
Department of Transportation:			
University of Central Florida	(19)	15-C-UAS-ERAU-026	203,218
Kent State University	(20)	16-C-TTHP-ERAU-054	11,342
Total federal awards			<u>\$ 2,775,069</u>

- (1) Modeling and Observation of the Three-Dimensional Nonlinear Interaction Between Kelvin-Helmholtz Instability and Magnetic Reconnection
- (2) Magnetospheric Multi-Scale (MMS) Observations and Simulations of High-Energy Electrons in the Dayside Magnetosheath
- (3) Sporadic E ElectroDynamics (SEED)
- (4) Quantitative Imaging of Acoustic Shocks in the Atmosphere and Ionosphere for the Mapping and Measurement of Earthquake Surface Displacements
- (5) Contributions of auroral electron precipitation and plasma fluid instabilities to the formation of high-latitude ionospheric density structures and scintillation
- (6) On the Origin and Transport of Energetic Particles at the High-Latitude Magnetosphere
- (7) Plasma Radial Transport Processes in Saturn's Magnetosphere
- (8) Redundant Flight Control System for BVLOS UAV
- (9) Collaborative Research: A National Consortium for Synergistic Undergraduate Mathematics via Multi-institutional Interdisciplinary Teaching Partnerships (SUMMIT-P)
- (10) IUSE/PFE: RED Innovation: Using Scrum to Develop an Agile Department

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

Notes to Schedules of Expenditures of Federal Awards and State Projects  
Year ended June 30, 2023

<u>Program</u>	<u>Reference</u>	<u>Number</u>	<u>Expenditures</u>
(11) SaTC:EDU: Collaborative: Bolstering UAV Cybersecurity Education through Curriculum Development with Hands-on Laboratory Framework			
(12) Additively Manufactured 3D Reconfigurable Antennas			
(13) FACT: Fusing Satellite and Drone Data with GIS to Create New Analytical Decision Support Tools for Varying Farm Types			
(14) AIRWaveS: Atmosphere-Ionosphere Responses to Wave Signals			
(15) Topology and Morphology Optimization of 3D Printed Continuous Fiber Composites			
(16) Reduction of Decoherence in Quantum Information Systems Using Infinite-Dimensional Direct Adaptive Control			
(17) Investigation of an Injection-Jet Self-Powered Fontan Circulation: A Novel Bridge and Destination Therapy for the Failing Fontan			
(18) A data analytics framework for the application of pedestrian dynamics to public health			
(19) A50 Small Unmanned Aerial Systems (UAS) Traffic Analysis – A50			
(20) Human Factors Training for FAA Aviation Safety Specialists within Aircraft Certification and Flight Standards – HF018			

**(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). Revenue generated by this project is remitted to the University by the State and is placed into an endowed scholarship fund. The earnings from this fund are used to award scholarships to deserving students.

Accumulated unspent earnings at July 1, 2022, amounted to \$758,842. During the fiscal year ended June 30, 2023, the University received \$40,305 in additional funds from the State of Florida, recognized interest of \$24,118, recognized a net gain of \$51,021, recognized management fees of \$3,346 and awarded \$49,731 in scholarships. The balance of the funds remaining in the endowment fund from the project at June 30, 2023, is \$821,209.

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

The amounts presented in the accompanying Schedule of Expenditures of Federal Awards 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, 2023

**(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 Yes, finding 2023-001
- (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 2023-002
- (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, *Rules of the Florida Auditor General* Yes
- (g) Major Programs and State Projects

<b>Federal programs</b>	<b>Federal ALN</b>
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.268
Education Stabilization Fund	84.425F
ROTC Language and Culture Training Grants	12.357
<b>State projects</b>	<b>CSFA number</b>
Florida Bright Futures Scholarship Program*	48.059
Effective Access to Student Education	48.064
Aerospace Career Academy	48.109

\* (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 |

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

Schedule of Findings and Questioned Costs  
Year ended June 30, 2023

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

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

**Finding 2023-001:**

*Criteria or Specific Requirement*

Management is responsible for establishing a system of internal control that is designed to ensure that financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

*Condition Found*

At June 30, 2023 the University’s operating bank account had not been completely reconciled to the related cash balance recorded in the general ledger. Upon completion of the bank reconciliation in October 2023, management identified an error in the recorded cash balance.

*Cause and Possible Asserted Effect*

As a result of the implementation of the new general ledger system along with the change in banking relationship during the fiscal year, the University’s general ledger system was not appropriately configured to record the virtual card travel transactions, resulting in cash and accounts payable being overstated.

*Recommendation*

We recommend the University strengthen its internal controls surrounding the bank reconciliation process to ensure timely reconciliations are performed in order to appropriately identify reconciling items that should be recorded in the general ledger.

*View of Responsible Officials*

Management acknowledges that bank account administration and reconciliations are important operational controls. The University’s Controller’s Office will ensure that bank accounts are reconciled to the general ledger on a monthly basis and that reconciling items are resolved in a timely manner.

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

**Finding 2023-002:** Enrollment Reporting

**Federal Agency:** U.S. Department of Education

**Federal Program:** Federal Direct Student Loans (ALN 84.268)

Federal Pell Grant Program (ALN 84.063)

**Award Year:** July 1, 2022 to June 30, 2023

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

*Criteria or Specific Requirement*

Per 2 CFR 200.303, a non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS) (OMB No. 1845-0035). Although FFEL loans are no longer made or a part of the SFA Cluster, a student may have a FFEL loan from previous years that would require enrollment reporting for that student (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309; Perkins 34 CFR 674.19(f)). The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions. Institutions must review, update, and certify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institution's Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment. There are two categories of enrollment information, "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types.

*Condition Found*

Of the 50 students selected for enrollment reporting testing, 7 students who had graduated from the University did not have the proper Graduation (G) status submitted to the NSLDS.

*Cause and Possible Asserted Effect*

The University transmits student status changes to the National Student Clearinghouse (NSC) who then transmits the changes to the NSLDS. The University was submitting the status changes to the NSC, but these changes were sent back to the University on a Graduation Not Reported listing by the NSLDS. The University did not follow-up on these returned items in a timely manner.

*Questioned Costs*

None.

*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 controls surrounding the review of student status changes that were not reported or were returned to ensure enrollment reporting requirements are accurately completed in a timely manner.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

*View of Responsible Officials*

The Office of the Registrar will implement new NSC file submission and review procedures to ensure that enrollment and graduate records are submitted to NSLDS in a timely and accurate manner.

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

None

There are no items related to state financial assistance 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, 2023

	<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>
Effective Access to Student Education	\$ 3,278,029	1,764	\$ 98,000	3 %	50	3 %	\$ —	— %	—	— %
Florida Medallion Scholars Award	1,569,434	359	215,512	14	50	14	—	—	—	—
Florida Academic Scholars Award	3,149,783	537	218,385	7	50	9	—	—	—	—
Florida Academic Top Scholar	2,420	2	2,420	100	2	100	—	—	—	—
Total	<u>\$ 7,999,666</u>	<u>2,662</u>	<u>\$ 534,317</u>		<u>152</u>		<u>\$ —</u>		<u>—</u>	

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.