

#1

IN STUDENT
SUCCESS
PROGRAMS

-U.S. News & World Report

ELON

TOP
100

NATIONAL
UNIVERSITY

-U.S. News & World Report

FINANCIAL
& AUDIT
REPORT

MAY 31, 2020 & 2019

#1

STUDY
ABROAD

-U.S. News & World Report

-Institute of International
Education

-Princeton Review

#2

UNDERGRADUATE
TEACHING

-U.S. News & World Report

#1

BEST-RUN
COLLEGE

-Princeton Review

#1

LEARNING
COMMUNITIES

-U.S. News & World Report



CONTENTS

FINANCIAL OVERVIEW 2019 - 2020.....	2
MANAGEMENT STATEMENT OF RESPONSIBILITY.....	3
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	7
Consolidated Statements of Activities.....	8
Consolidated Statements of Cash Flows.....	10
Notes to Consolidated Financial Statements.....	11
OTHER FINANCIAL INFORMATION (not subjected to auditing procedures)	
Tuition and Fees, Room and Board 2012-2021.....	41
Student Enrollment 2011-2020.....	42
Student Selectivity 2012-2021.....	43
Endowment Market Value 2011-2020.....	44
Net Assets and Liabilities 2011-2020.....	45

ELON UNIVERSITY
FINANCIAL OVERVIEW 2019-2020

We are pleased to share the continued strong financial results of another productive year at Elon University. The institution's financial strength is indicative of accomplishments in all of its programs. Some of these are detailed below.

<https://www.elon.edu/u/bft/accounting/annual-reports/>

Elon University is now classified as a National University in the annual U.S. News & World Report "Best Colleges" guide, ranking #88 among the nation's most prestigious comprehensive universities. Elon University received a #2 ranking for excellence in undergraduate teaching, listed ahead of Princeton, Dartmouth, Duke, Stanford and other elite institutions.

Elon continues to expand its national reputation as the premier student-centered university, characterized by experiential learning and strong relationships between students and their faculty and staff mentors. For the sixth straight year, Elon is the leader in U.S. News & World Report's "Focus on Student Success" feature – the only college or university in the nation recognized for excellence in all eight categories of high-impact academic programs.

These programs include study abroad, internships, service learning, undergraduate research, learning communities, writing, first-year experiences and senior capstone experiences. Elon earns recognition as the nation's best-run college from Princeton Review, with top rankings for its career services, study abroad programs, campus learning environment and residential facilities. For the fourth consecutive year, Elon has been named by the career services site Zippia as North Carolina's leading university in preparing students for employment.

Elon's signature global studies programs are grounded in the university's commitment to produce graduates who can navigate complex cultural issues and bring about positive change. Elon is among the leading producers of Fulbright Student Scholars and is ranked #1 in the nation for the percentage of students who study abroad by the Institute of International Education. Elon has high participation in community service and civic engagement, with 89 percent of students participating in service-learning in the local community and beyond.

On April 5, 2019, Elon launched the public phase of Elon LEADS, a historic fundraising campaign with a goal of raising \$250 million by May 31, 2022. Central to the campaign is a commitment to expanding access to an Elon education, with more than half of the campaign goal dedicated to creating and supporting new scholarships. To date, donors have contributed more than \$194 million in pledges and gifts toward the campaign goal.

On February 11, 2020, Elon University's board of trustees announced the Boldly Elon strategic plan, a blueprint that will guide the university's development over the next 10 years. The plan builds on the accomplishments of the recently completed Elon Commitment strategic plan, which established Elon as a top-100 national university and the premier student-centered environment for experiential learning.

The university faced the first challenges from the COVID-19 pandemic in March 2020, and Elon has responded to these challenges through a public health plan and protocols, reimaged classes and teaching spaces, and modifications of campus spaces. This summer Elon launched its "Ready and Resilient" plan to guide operations, adapt the campus environment, and promote health and safety during the upcoming academic year.

During an unconventional academic year, Elon student-athletes continued to excel academically and athletically in 2019-2020. Twenty-two student-athletes earned CAA All-Conference honors while 34 student-athletes received league weekly accolades throughout the season.

The pivot to remote learning in the spring resulted in issuing housing and meal plan credits and refunds. Even with these refunds and credits, due to Elon's long standing conservative financial management, sufficient reserves were available to offset these credits and keep the resulting financial position strong as evidenced in the following pages. The university endowment remains strong, ending the year with a market value of \$258.9 million on May 31, 2020.

Connie Ledoux Book
President

Gerald Whittington
Senior Vice President and Interim Vice President for Business, Finance and Technology

ELON UNIVERSITY
MANAGEMENT STATEMENT OF RESPONSIBILITY

The management of Elon University has prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles and is responsible for their integrity, objectivity and fair presentation.

The management of Elon University maintains a system of internal control designed to provide reasonable assurance, on a cost effective basis, that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing financial statements. This system of control provides reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or detected within a timely period. Key elements in the system include the communication of policies and procedures, selection and training of qualified personnel, and organizational arrangements that provide an appropriated division of responsibility. Management believes that, as of May 31, 2020 and 2019, Elon University's system of internal control was adequate to accomplish the objectives discussed herein.

Elon University's Board of Trustees addresses its oversight responsibility for the consolidated financial statements through its Audit Committee, which is composed of Trustees who are independent of Elon University management. The Audit Committee meets at least three times annually with the university management and independent auditor to review matters relating to financial reporting, auditing and internal control. To ensure auditor independence, the independent auditor has full and free access to the Audit Committee during the meetings both with management present and in executive session without management present.

The independent accounting firm is engaged to audit, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Elon University. The auditor was given unrestricted access to all financial records and related data including minutes of all meetings of the Board of Trustees and its committees. All representations made to the independent auditor by university management during the audit were true and accurate and to the best of their knowledge and belief.

Connie Ledoux Book
President

Gerald Whittington
Senior Vice President and Interim Vice President for Business, Finance and Technology

GRANT THORNTON LLP

75 State St., 13th Floor
Boston, MA 02109-1827

D +1 617 723 7900

F +1 617 723 3640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Elon University

We have audited the accompanying consolidated financial statements of Elon University (the "University") (a North Carolina Nonprofit Organization) and subsidiaries, which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elon University and subsidiaries as of May 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying graphs of tuition and fees, room and board 2012-2021, student enrollment 2011-2020, student selectivity 2012-2021, endowment market value 2011-2020 and net assets and liabilities 2011-2020 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Boston, Massachusetts
September 24, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

ELON UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2020 and 2019

	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 38,585,725	\$ 36,493,788
Accounts receivable, net	4,477,634	3,885,236
Prepaid expenses and other assets	4,830,486	5,240,244
Deposits with bond trustee	-	5,098,014
Interest rate cap	291	103,586
Contributions receivable, net	6,462,194	9,674,631
Investments	365,748,368	364,306,366
Loans to students, net	2,082,805	2,536,982
Construction in progress	2,739,179	6,013,295
Property and equipment, net	468,810,550	467,689,803
 Total Assets	 \$ 893,737,232	 \$ 901,041,945
 LIABILITIES:		
Accounts payable	\$ 2,767,656	\$ 12,568,228
Accrued liabilities	17,370,605	16,983,831
Student deposits	13,588,651	6,252,165
Deferred revenue	7,497,764	3,501,562
Other liabilities	18,222,343	18,961,434
Obligation under capital leases	10,933,404	10,427,049
Notes payable	1,100,000	-
Bonds payable, net	170,068,089	183,423,537
Obligation under interest rate swap agreements	3,650,995	3,374,237
U.S. Government advances for student loans	2,262,461	2,689,861
 Total Liabilities	 247,461,968	 258,181,904
 NET ASSETS:		
Without Donor Restrictions		
Undesignated	369,001,639	349,949,060
Designated by the Board for endowment	95,537,037	101,557,278
With Donor Restrictions	181,736,588	191,353,703
 Total Net Assets	 646,275,264	 642,860,041
 Total Liabilities and Net Assets	 \$ 893,737,232	 \$ 901,041,945

The accompanying notes are an integral part of these consolidated financial statements.

ELON UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:			
Revenues and gains:			
Student revenues, net	\$ 236,915,452	-	\$ 236,915,452
Sales and service of auxiliary enterprises	2,461,642	-	2,461,642
Federal grants	2,372,286	-	2,372,286
State grants	1,877,230	-	1,877,230
Other grants	324,367	-	324,367
Contributions	2,759,880	11,180,433	13,940,313
Contributions - pledges	-	1,153,455	1,153,455
Investment return	(7,428,212)	(2,363,735)	(9,791,947)
Loss on disposal of property and equipment	(62,024)	-	(62,024)
Athletics	3,782,772	369,854	4,152,626
Other sources	2,562,482	1,393,311	3,955,793
Total Revenues and Gains	245,565,875	11,733,318	257,299,193
Net Assets Released To/(From) Restrictions	21,350,433	(21,350,433)	-
Total Revenues and Gains and Other Support	266,916,308	(9,617,115)	257,299,193
Expenses:			
Instruction	118,898,766	-	118,898,766
Student services	45,943,422	-	45,943,422
Auxiliary enterprises	39,497,447	-	39,497,447
Academic support	8,339,570	-	8,339,570
Institutional support	40,824,712	-	40,824,712
Total Expenses	253,503,917	-	253,503,917
Increase (Decrease) in Net Assets before change in interest rate swap and cap agreements	13,412,391	(9,617,115)	3,795,276
Change in value of interest rate swap and cap agreements	(380,053)	-	(380,053)
Increase (Decrease) in Net Assets	13,032,338	(9,617,115)	3,415,223
Net Assets - Beginning of Year	451,506,338	191,353,703	642,860,041
Net Assets - End of Year	\$ 464,538,676	\$ 181,736,588	\$ 646,275,264

The accompanying notes are an integral part of these consolidated financial statements.

ELON UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:			
Revenues and gains:			
Student revenues, net	\$ 240,349,506	-	\$ 240,349,506
Sales and service of auxiliary enterprises	2,721,511	-	2,721,511
Federal grants	1,367,528	98,685	1,466,213
State grants	1,721,904	1,250	1,723,154
Other grants	479,877	-	479,877
Contributions	4,697,102	13,702,634	18,399,736
Contributions - pledges	-	3,745,858	3,745,858
Investment return	5,775,018	3,907,648	9,682,666
Loss on disposal of property and equipment	(18,486)	-	(18,486)
Athletics	4,538,004	368,122	4,906,126
Other sources	2,134,645	857,012	2,991,657
Total Revenues and Gains	263,766,609	22,681,209	286,447,818
Net Assets Released To/(From) Restrictions	38,772,669	(38,772,669)	-
Total Revenues and Gains and Other Support	302,539,278	(16,091,460)	286,447,818
Expenses:			
Instruction	119,335,645	-	119,335,645
Student services	46,393,536	-	46,393,536
Auxiliary enterprises	41,703,798	-	41,703,798
Academic support	8,671,492	-	8,671,492
Institutional support	38,388,995	-	38,388,995
Total Expenses	254,493,466	-	254,493,466
Increase (Decrease) in Net Assets before change in interest rate swap and cap agreements	48,045,812	(16,091,460)	31,954,352
Change in value of interest rate swap and cap agreements	(503,436)	-	(503,436)
Increase (Decrease) in Net Assets	47,542,376	(16,091,460)	31,450,916
Net Assets - Beginning of Year	403,963,962	207,445,163	611,409,125
Net Assets - End of Year	\$ 451,506,338	\$ 191,353,703	\$ 642,860,041

The accompanying notes are an integral part of these consolidated financial statements.

ELON UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
May 31, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	2020	2019
Increase in Net Assets	\$ 3,415,223	\$ 31,450,916
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	15,410,361	14,957,874
Change in fair value of interest rate swap agreements	380,053	503,436
Amortization of bond issue costs	80,552	80,552
Contributions of assets - other	(2,031,116)	(1,010,224)
Contributions of assets - capital projects	(2,465,123)	(1,419,193)
Contributions of assets - endowment	(1,148,073)	(3,013,284)
Contributions restricted to endowment	(2,832,001)	(3,014,172)
Loss (Gain) on investments	11,912,486	(7,344,900)
Loss on disposal of property and equipment	62,024	18,486
Provision for bad debt	522,545	82,048
(Increase) decrease in:		
Accounts receivable	(733,398)	495,014
Prepaid expenses and other assets	409,758	(802,364)
Contributions receivable	2,845,892	278,185
Loans to students, net	439,177	545,972
Increase (decrease) in:		
Accounts payable	(9,800,572)	(389,225)
Accrued liabilities	361,060	477,045
Student deposits	7,336,486	(173,182)
Deferred revenue	3,996,202	95,420
Other liabilities	(739,091)	(811,458)
U.S. government advances for student loans	(427,400)	(296,199)
Net cash provided by operating activities	26,995,045	30,710,747
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	57,638,747	37,972,870
Purchases of investments	(68,962,119)	(56,349,451)
Proceeds from disposal of property and equipment	11,260	7,700
Purchases of property and equipment	(11,922,947)	(37,351,019)
Decrease in deposits with bond trustee	5,098,014	22,238,974
Net cash used by investing activities	(18,137,045)	(33,480,926)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new debt	1,100,000	-
Reduction of capital lease liabilities	(875,260)	(880,284)
Principal payments on bonds	(13,436,000)	(15,225,000)
Contributions restricted to capital projects	2,465,123	1,419,193
Contributions restricted to endowment	3,980,074	6,027,456
Net cash used by financing activities	(6,766,063)	(8,658,635)
Net increase (decrease) in cash and cash equivalents	2,091,937	(11,428,814)
Cash and cash equivalents, Beginning of year	36,493,788	47,922,602
Cash and cash equivalents, End of year	\$ 38,585,725	\$ 36,493,788

The accompanying notes are an integral part of these consolidated financial statements.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 1: Summary of Significant Accounting Policies

(a) Organization

Elon University is a private institution of higher education located in Elon, North Carolina.

(b) Tax Status

The university is a not-for-profit organization that is exempt from federal and North Carolina income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

(c) Consolidation

Occasionally the university will establish separate entities for use in specific investment transactions. To date, these entities have been limited in form to single-member Delaware limited liability companies (LLC), with the university as the single member. The consolidated financial statements include the accounts of the university and all such single-member LLCs. All inter-organizational balances and transactions have been eliminated.

(d) Basis of Presentation

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

In 2019, the university adopted Accounting Standards Codification (ASU) 2016-14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit (NFP) Entities. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the university to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. In addition, the guidance requires enhanced disclosures about the composition of net assets with donor restrictions; the university's liquidity and availability of financial resources and requires expenses be reported both by natural and functional classification.

In 2019, the university adopted ASU 2014-09 – Revenue from Contracts with Customers. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration in which the entity expects to be entitled in exchange for those goods or services.

In 2020, the university adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* utilizing the modified prospective approach. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance. Topic 958 also provides guidance for determining whether a contribution is conditional.

(e) Classification of Net Assets

The accompanying consolidated financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. All revenues, gains, and losses that are not restricted by donors are included in this classification. Net Assets Without Donor Restrictions may be designated for specific purposes by actions of the Board of Trustees.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations as follows: stipulations that will be met either by actions of the university and/or the passage of time, including the portion of time restricted perpetual endowment funds that are subject to an enacted version of the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) and donor imposed stipulations on net assets that are used for a specific purpose, preserved and not sold or if sold, reinvested in other similar assets. Such assets primarily include the university's permanent endowment funds.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless use is restricted by donor stipulations or by law. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as a reclassification between applicable classes of net assets (assets released from/to restriction).

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investment accounts with original maturities of three months or less. Such assets, reported at fair value, primarily consist of depository account balances, money market funds and accounts. The university maintains its cash and cash equivalents with several financial institutions covered by the Federal Depository Insurance Corporation (FDIC). At various times throughout the year, the university may maintain bank accounts in excess of the FDIC-insured limit. Management believes the risk associated with these bank accounts is minimal.

(g) Accounts Receivable

Accounts receivable include obligations from students in the normal course of operations and consist principally of billings for Summer Session I, post graduate programs and summer trips. Student receivables are stated at the amount billed, are uncollateralized and unpaid accounts bear no interest.

Payment for all classes is due on or before registration day of each semester. Students are not allowed to register until payment has been made. The university does not extend credit plans to its students in the normal course of business. These credit plans must be pre-arranged and all payments are due before the close of the semester. The total amount included in accounts receivable at May 31, 2020 past due 180 days is \$1,092,559. Payments of accounts receivable are allocated to the specific student account.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 180 days from the billing date and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The total of the allowance is \$201,000 and \$60,000 at May 31, 2020 and 2019, respectively.

(h) Deposits with Bond Trustee

In 2019, deposits with bond trustee consisted of unexpended proceeds from the 2017A and 2018A bond issues. These funds were invested in short-term, highly liquid securities and were used for construction of certain facilities. There were no deposits with bond trustees for 2020.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

(i) Contributions Receivable

Contributions receivable are stated at present value, net of an allowance for uncollectible contributions receivable. The allowance is based on management's analysis of specific promises made. Present value is calculated using 3.25% and 5.50% discount rates at May 31, 2020 and 2019, respectively.

(j) Investments

The university's investments include a diverse portfolio of securities and investment vehicles. The university reports investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the Consolidated Statements of Financial Position. Alternative investments, predominately a minority ownership interest in a limited partnership investment fund, are reported at net asset value (NAV) as provided by the investees and in accordance with GAAP. Gains or losses on investments are included in the change in net assets in the accompanying Consolidated Statements of Activities. The university reports its real estate investments at fair value as of the dates the investments are purchased by or donated to the university and are periodically subject to external appraisals. The university's investment in the Inn at Elon is revalued each year and adjusted to fair market value, which is measured based on operations, projected revenue, expected occupancy and other operating entity metrics.

(k) Endowment Funds

A donor's stipulation that a gift be invested in perpetuity or for a specified term creates an endowment fund. Net appreciation on endowment funds is generally classified in the consolidated financial statements as part of net assets with donor restrictions until spent or deemed spent through the spending policy. It is the practice of the university to prudently invest pooled endowment funds consistent with the endowment asset allocation policy approved by the Board of Trustees. The university's spending policy is based on the moving three-year average of the market value of the pooled endowment which equates to a spending policy rate of 5.0% for scholarships and 4.5% for all other endowments as of May 31, 2020 and 2019. See Note 6 for further information.

(l) Split-Interest Agreements

Split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities. Assets held in trusts are included in investments. The contribution is recognized when the agreement is signed and the asset is received or the university is notified of the arrangement. Annuity and other split-interest obligations are adjusted annually at the end of each fiscal year.

(m) Loans to Students

Loans to students include Federal Perkins and institutional loans which are reported at estimated net realizable amounts.

(n) Bond Issue Costs

Bond issue costs have been capitalized and are amortized over the life of the underlying bonds using the straight-line method, which is not materially different than the effective interest method.

(o) Interest Rate Derivative Agreements

Cash flows from hedging transactions are classified in the same category as the cash flow of the related hedged item.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

(p) Property and Equipment

It is the university's policy to capitalize property and equipment valued over \$5,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with explicit restrictions on use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. In the absence of donor stipulations regarding how long donated assets must be maintained, the university reports expirations of donor restrictions when the donated or acquired assets are placed in service. The university reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years.

Works of art are capitalized by the university at cost, or fair value if donated. As these items are not subject to normal wear or obsolescence, depreciation is not recognized. In the event a collection item is sold, the proceeds from the sale will be used to acquire new collection items or for the care of the existing collection.

Library resources are capitalized at cost, or fair value if donated. Depreciation is recorded using the straight-line method over estimated useful lives.

(q) Revenue Recognition

On June 1, 2018 the University adopted ASU 2014-09 utilizing the full retrospective method. Under this method ASU 2014-09 was applied to all contracts that were not completed as of the date of adoption. The university has determined its primary revenue contracts relate to student tuition and fees (net of scholarships), student housing and meal plans. The adoption of this guidance did not impact the timing of the university's revenue recognition for these sources of revenue.

Contract Balances

Receivables from student tuition and fees, student housing and meal plans are included in the accounts receivable section of the Consolidated Statement of Financial Position. Payment for all classes is due before registration day of each semester. Students are not allowed to register until payment has been made and the university does not extend credit plans to its students in the general course of business. These balances were \$1,887,352 and \$1,156,355 at May 31, 2020 and 2019, respectively. At May 31, student receivable credit balances that relate to future services which will be provided during the summer and fall semesters are reclassified to student deposits in the liability section of the Consolidated Statement of Financial Position.

Sales tax collected on meal plans is excluded from net revenues. Collected but unremitted sales tax is included in other liabilities in the Consolidated Statement of Financial Position.

Disaggregation of Revenue

Disaggregated revenue from student tuition and fees, student housing and meal plans is disclosed at footnote 16. These categories reflect the nature, amount and timing of these sources of revenue.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Performance Obligations

The university has identified one performance obligation for each revenue stream associated with the provision of educational instruction and other educational services, housing and meal plan services. Students simultaneously receive and consume all the benefits provided by the university's performance as the institution provides instruction, housing and food service to the students throughout the academic period. The university recognizes tuition, housing and meal plan revenues over the academic semester to which the services relate.

Student revenue, net

Student revenue includes tuition and fees, student housing and meal plans.

Tuition for the fall and spring semesters is recognized in the academic semester to which it relates. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw receive refunds on a pro-rata basis through a specified week of the semester (this may vary based on undergraduate and graduate programs). Historically, the majority of refunds occur in the first weeks of the semester and are not material to total revenue. Refunds issued reduce the amount of revenue recognized.

Revenues relating to summer session activities completed prior to fiscal year end are recognized in the current fiscal year.

Revenues for student housing and meal plans (room and board) are recognized over the period in which the services are provided. Room and board refunds are issued on a weekly pro-rata basis. Historically room and board refunds occur at the beginning of the semester and are not material to total revenue.

Deferred Revenue

At May 31, tuition revenue which relates to future performance (summer and fall) is reclassified to the deferred revenue line in the Consolidated Statement of Financial Position.

(r) Contributions

Contributions are recognized when the donor makes a promise to give a gift to the university that is, in substance, unconditional. Contributions, on which the donor imposes no restrictions, are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

If the university is able to satisfy a donor's restrictions in the same period the contribution is received, the restricted contribution is reported as unrestricted support. The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(s) Use of Estimates

The preparation of consolidated financial statements in conformity 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. Actual results could differ from those estimates.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

(t) Reclassification

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current year. These reclassifications have no effect on previously reported net income, total assets, total liabilities or total net assets.

NOTE 2: Liquidity and Availability

Financial assets and liquidity resources available within one year for operating expenses, scheduled principal and interest payments on debt and capital construction costs not financed with debt were as follows:

	2020	2019
Total assets at year-end:	\$ 893,737,232	\$ 901,041,945
Less amounts not available to be used for general expenditures within one year		
Non-financial assets	(490,156,084)	(488,354,430)
Endowment subject to donor restrictions	(159,415,939)	(165,000,773)
Net assets subject to purpose restrictions	(30,252,618)	(27,003,840)
Cash restricted for the Perkins loan program	(2,782,158)	(2,772,838)
Total financial assets available to meet general expenditures over next 12 months	\$ 211,130,433	\$ 217,910,064

Financial assets available to meet general expenditures over the next 12 months consist of the following:

Cash and cash equivalents	\$ 33,221,552	\$ 36,003,901
Accounts receivable, net	4,477,634	3,885,236
Investments not encumbered by donor or board restrictions	173,431,247	178,020,927
Financial assets available to meet general expenditures over the next 12 months	\$ 211,130,433	\$ 217,910,064

The university's cash flows have seasonal variations during the year attributable to tuition billing and annual bond principal payments. In addition to financial assets available to meet available expenditures over the next 12 months, the university operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The university regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. As part of this practice, the university invests cash in excess of daily requirements in short-term investments and money market funds with varying liquidities. The university has board-designated endowment investments that are available to be liquidated. Although the university does not intend to spend from the board-designated endowment funds, other than the amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts from the board-designated endowment funds could be made available at the board's discretion.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 3: Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure about fair value measurements. It does not supersede all applications of fair value in other pronouncements, but creates a fair value hierarchy and prioritizes the inputs to valuation techniques for use in most pronouncements. It requires entities to assess the significance of an input to the fair value measurement in its entirety. ASC 820, as amended, also requires entities to disclose information to enable users of financial statements to assess the inputs used to develop the fair value measurements. The university applies the provisions of ASC 820 for financial assets and financial liabilities.

ASC 820 is a technical standard which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Valuation techniques are the market, cost or income approach.

As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and model-based valuations in which significant inputs are corroborated by observable market data; and
- Level 3 – Valuation techniques in which significant inputs are unobservable.

Investments include items valued at the net asset value (NAV) of the underlying funds at May 31, 2020 and 2019. The fair value of certain investments held by the underlying investment, which may include private placements and other securities for which values are not readily available, is determined in good faith by the respective underlying investment entity. The estimated fair values may differ from the values that would have been used had a ready market existed for this investment, and the differences could be material. The university's investment in the Inn at Elon is revalued each year and adjusted to fair market value as noted in Note 1. Other real estate investments are revalued periodically and adjusted to fair market value.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

At May 31, 2020, fair value of financial assets and financial liabilities is as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash & cash equivalents	\$ 48,109,036	\$ -	\$ -	\$ 48,109,036
Equities	10,249,799	-	-	10,249,799
Asset backed	-	10,141,652	-	10,141,652
Government and corporate bonds	36,182,774	-	-	36,182,774
U.S. government	1,031,586	-	-	1,031,586
Real estate	-	-	22,007,694	22,007,694
REITs	54,743	-	-	54,743
Other	906,444	-	-	906,444
Alternative Investments (valued at NAV)	-	-	-	233,114,323
Outside perpetual trusts	-	-	3,950,317	3,950,317
Financial Assets	<u>\$ 96,534,382</u>	<u>\$ 10,141,652</u>	<u>\$ 25,958,011</u>	<u>\$ 365,748,368</u>
Split-interest agreements (accrued liabilities)	\$ -	\$ 593,851	\$ -	\$ 593,851
Refundable advances (CRUTs) (other liabilities)	-	1,957,436	-	1,957,436
Obligation under interest rate swap agreements	-	3,650,995	-	3,650,995
Financial Liabilities	<u>\$ -</u>	<u>\$ 6,202,282</u>	<u>\$ -</u>	<u>\$ 6,202,282</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

At May 31, 2019, fair value of financial assets and financial liabilities is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash & cash equivalents	\$ 32,307,137	\$ -	\$ -	\$ 32,307,137
Equities	9,383,893	-	-	9,383,893
Asset backed	-	16,477,026	-	16,477,026
Government and corporate bonds	44,778,860	-	-	44,778,860
U.S. government	986,069	-	-	986,069
Real estate	-	-	17,557,694	17,557,694
REITs	70,705	-	-	70,705
Other	881,336	-	-	881,336
Alternative Investments (valued at NAV)	-	-	-	237,488,012
Outside perpetual trusts	-	-	4,375,634	4,375,634
Financial Assets	<u>\$ 88,408,000</u>	<u>\$ 16,477,026</u>	<u>\$ 21,933,328</u>	<u>\$ 364,306,366</u>
Split-interest agreements (accrued liabilities)	\$ -	\$ 654,221	\$ -	\$ 654,221
Refundable advances (CRUTs) (other liabilities)	-	1,525,703	-	1,525,703
Obligation under interest rate swap agreements	-	3,374,237	-	3,374,237
Financial Liabilities	<u>\$ -</u>	<u>\$ 5,554,161</u>	<u>\$ -</u>	<u>\$ 5,554,161</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

There were no significant transfers between Level 1 and Level 2 and there were no transfers in or out of Level 3.

Valuation methodologies used to measure fair value of financial assets and financial liabilities are as follows:

Contributions receivable and loans to students – Valuation is based on the present value of promised or contractually obligated future cash flows, net of an estimated collection allowance. The collection allowance is based on historical trends of collection, the type of obligor (individual or corporation/foundation), general economic conditions and the university's internal policies.

Investments – To the extent that the university directly owns and controls the investment, valuation is based on unadjusted quoted prices for identical assets in active markets that the university can access. Real estate is recorded at the acquisition price if purchased and appraised value if donated. The university's investment in the Inn at Elon is revalued each year and adjusted to fair market value. Other real estate investments are revalued periodically and adjusted to fair market value. For other investments, predominately "alternative investments", valuation is based on information supplied by external investment managers. Management of the university believes this information is a reasonable estimate of fair value; however, because the alternative investments are not readily marketable and subject to redemption restrictions, the fair value is subject to uncertainty and therefore may differ from the amounts ultimately realized from these investments.

Outside perpetual trusts – The university holds beneficial interests in perpetual trusts administered by outside trustees. The fair value of these interests is based on the values of the underlying investments in the trusts which are established by the trustees using unadjusted quoted prices for identical assets in active markets. The university revalues its interest annually in these trusts based on information provided by the trustees.

Split-interest agreements – Valuation is based on the present value of estimated future payments to the beneficiaries over their life expectancies.

Refundable advances - CRUTs – Valuation is based on the value of assets held by the university as trustee of the respective trusts. Assets consist of cash and investments.

Obligations under interest rate swap agreements – Valuation is provided by an experienced financial institution on a mark-to-market basis and, whenever possible, utilizes observable market data including yields and spreads, but may be based in part on assumptions concerning interest rates, credit rates, discount rates and other factors.

Change in value of contributions receivable is included in contributions on the Consolidated Statements of Activities. Changes in the value of real estate, alternative investments and outside trusts are included in gain/loss on investments on the Consolidated Statements of Activities.

Both observable and unobservable inputs may be used to determine the fair value of positions classified within the Level 3 category. As a result, unrealized gains and losses for assets within the Level 3 category in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Alternative investments consist predominantly of a minority ownership interest in a limited partnership investment fund (Fund) whose investment strategy focuses on varied and nontraditional investment opportunities in an effort to provide a diversified, single-portfolio for investors. The Fund invests primarily in investment vehicles (e.g. hedge funds and private equity funds) or pooled accounts managed by unaffiliated third parties mainly through master trading vehicles, as well as direct investments in securities and other assets.

Specifically, the Fund has two long-term return goals which are consistent with the university's objective for endowment returns: (1) to outperform a traditional 70% equities/30% bonds portfolio with less downside volatility and (2) to preserve purchasing power by generating at least a 5% return after inflation. The Fund's portfolio is globally diversified and allocated across multiple asset classes including equities, real assets, commodities/resources and fixed income instruments and is invested for total return; generating current income is not an objective. The long-term, total return objective dictates a significant allocation to asset classes expected to generate equity-like returns. The risks inherent in higher returning asset classes can normally be reduced through diversification, which is a key principle of the Fund's asset allocation approach.

A majority of the Fund's investments include limited partnership interests (sub-partnerships) whose investments are principally comprised of illiquid, non-publicly traded securities. Other Fund investments include exchange traded funds and derivative contracts (e.g. futures contracts, options, forward currency contracts and swap agreements). These and other investments are subject to various risk factors including market, credit and industry risk. Market risk represents the potential loss in value of financial instruments caused by movements in market variables, such as interest rates. Other risks affecting these investments include, but are not limited to, increasing competition, rapid changes in technology and changes in economic conditions.

Generally, the university's alternative investments are redeemable once annually at net asset value, but require a written redemption request at least 180 days prior to the annual redemption date. Due to the illiquid nature of alternative investments, all redemptions are subject to the general partner's approval and may be limited or suspended entirely. Additionally, sale of all or part of the alternative investments to a third party is not allowed.

NOTE 4: Contributions Receivable

The payment timing of outstanding contributions receivable at May 31, 2020, is estimated to be:

	With Donor Restrictions	Without Donor Restrictions	Total
One Year	\$ 3,759,731	\$ -	\$ 3,759,731
2 - 4 Years	1,737,274	-	1,737,274
5 + Years	965,189	-	965,189
Total	<u>\$ 6,462,194</u>	<u>\$ -</u>	<u>\$ 6,462,194</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

The payment timing of outstanding contributions receivable at May 31, 2019, is estimated to be:

	With Donor Restrictions	Without Donor Restrictions	Total
One Year	\$ 4,938,480	\$ -	\$ 4,938,480
2 - 4 Years	3,804,774	-	3,804,774
5 + Years	931,377	-	931,377
Total	\$ 9,674,631	\$ -	\$ 9,674,631

Contributions receivable are shown net of a collection allowance of \$690,378 and \$964,161 and a discount of \$246,404 and \$544,847 at May 31, 2020 and 2019, respectively.

A concentration exists when a pledge balance from an individual donor, to include entities under the donor's control, exceeds 10% of the total amounts receivable. These concentrations amounted to \$3,050,000 and \$5,131,782 at May 31, 2020 and 2019, respectively.

NOTE 5: Investments

Major categories of investments at May 31, 2020 and 2019, are as follows:

	2020		2019	
	Cost	Market	Cost	Market
<u>Non-endowment funds:</u>				
Money market funds	\$ 42,703,198	\$ 42,703,198	\$ 25,394,295	\$ 25,394,295
Certificates of deposit	2,096,037	2,096,037	2,079,822	2,079,822
Equities	4,487,118	4,723,247	4,271,150	4,694,516
Fixed income	43,664,484	44,231,189	58,707,462	58,817,929
U.S. government obligations	1,146,485	1,031,586	1,120,569	986,069
Real estate	15,103,793	10,506,791	1,103,793	1,103,793
Other	709,544	709,544	668,228	668,228
Alternative investments	491,842	579,783	491,842	613,047
	<u>110,402,501</u>	<u>106,581,375</u>	<u>93,837,161</u>	<u>94,357,699</u>
<u>Endowment and similar funds:</u>				
Money market funds	\$ 3,309,203	\$ 3,309,801	\$ 4,835,668	\$ 4,833,020
Equities	4,342,084	5,526,552	3,371,682	4,689,377
Fixed income	1,977,581	2,093,237	2,377,643	2,437,957
Real estate	16,453,901	11,500,903	16,453,901	16,453,901
Other	273,216	251,643	296,606	283,813
Alternative investments	148,984,369	232,534,540	139,271,749	236,874,965
Outside perpetual trusts	3,379,069	3,950,317	3,578,665	4,375,634
	<u>178,719,423</u>	<u>259,166,993</u>	<u>170,185,914</u>	<u>269,948,667</u>
Total	\$ 289,121,924	\$ 365,748,368	\$ 264,023,075	\$ 364,306,366

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

The university has investments of \$13,274,964 and \$13,483,268 at May 31, 2020 and 2019, respectively, that are managed by a third party vendor at which a trustee of Elon holds an employment position.

All investments are subject to risk of loss or decline in value. As such, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amount reported in the university's consolidated financial statements.

NOTE 6: Endowment and Similar Funds

The university's endowment consists of individual funds established for a variety of educational purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2008, North Carolina adopted UPMIFA, which the university has interpreted as requiring the preservation of the historical value (corpus) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the university classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' historical value, that excess is available for appropriation and, therefore, classified as net assets with donor restrictions until appropriated for expenditure. The university records the investment returns on the specific-purpose endowment funds in net assets with donor restrictions and makes those earnings available for expenditure for the donor-restricted purposes.

In accordance with UPMIFA, the university considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the donor-restricted endowment fund;
3. General economic conditions;
4. Effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the university; and
7. The investment policies of the university.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

The endowment pool utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). External investment managers are employed to oversee the endowment and tasked with the objective of achieving returns that equal or exceed five percentage points (net of fees and in excess of spending and inflation). These investment managers utilize a highly diversified mixture of equities, fixed income and alternative investments. The university's primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

The Board of Trustees has approved an endowment spending policy whereby distributions are based on the moving three-year average of the market value of the pooled endowment. For programs and professorships, the applicable rate is 4.5% for the years ended May 31, 2020 and 2019. The applicable rate for scholarships is 5.0% for the years ended May 31, 2020 and May 31, 2019. Actual endowment return earned in excess of distributions under this policy is reinvested as part of the university's endowment. For years where actual endowment return is less than distributions under the policy, the shortfall is covered by available gains from prior years. Specific appropriation for expenditure of unrestricted funds under the university's endowment spending policy occurs each spring when the Board approves the university's operating budget for the ensuing fiscal year.

Endowment totals as of May 31 are as follows:

	2020	2019
Contributions receivable, net	\$ 2,307,668	\$ 2,183,435
Investments	259,166,993	269,948,667
Accrued and other liabilities	(2,551,286)	(2,179,923)
Total	\$ 258,923,375	\$ 269,952,179

Endowment net asset compositions as of May 31 are as follows:

	2020	2019
Designated by the Board for Endowment	\$ 95,537,037	\$ 101,557,278
Without Donor Restrictions	3,266,690	3,390,616
With Donor Restrictions	160,119,648	165,004,285
Total	\$ 258,923,375	\$ 269,952,179

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Changes in endowment net assets during the years ended May 31, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, May 31, 2018	\$ 97,597,324	\$ 160,308,282	\$ 257,905,606
Contributions - Donors	-	6,280,774	6,280,774
Contributions - Board designated	10,000,000	-	10,000,000
Investment income	-	213,231	213,231
Gain on investments	2,573,210	4,116,473	6,689,683
Spending policy	(4,226,640)	(6,827,647)	(11,054,287)
Transfers	(996,000)	913,172	(82,828)
Balance, May 31, 2019	\$ 104,947,894	\$ 165,004,285	\$ 269,952,179
Contributions - Donors	-	3,980,074	3,980,074
Contributions - Board designated	4,000,000	-	4,000,000
Investment income	-	(9,790)	(9,790)
Loss on investments	(5,927,855)	(1,983,957)	(7,911,812)
Spending policy	(4,216,312)	(7,492,636)	(11,708,948)
Transfers	-	621,672	621,672
Balance, May 31, 2020	<u>\$ 98,803,727</u>	<u>\$ 160,119,648</u>	<u>\$ 258,923,375</u>

The fair value of assets associated with individual donor-restricted endowment funds may fall below the historic gift value. These deficiencies amounted to \$433,816 and \$22,421 at May 31, 2020 and 2019, respectively. In accordance with GAAP, deficiencies of this nature reduce net assets with donor restrictions. While UPMIFA allows spending from these so-called underwater funds, the university's policy restricts spending from underwater funds.

Deficiencies of this nature exist in seventy-two donor-restricted endowment funds, which together have an original gift value of \$14,156,363, a current fair value of \$13,722,547, and a deficiency of \$433,816 as of May 31, 2020 and in three donor-restricted endowment funds, which together have an original gift value of \$2,646,172, a current fair value of \$2,623,751, and a deficiency of \$22,421 as of May 31, 2019.

NOTE 7: Financing Receivables

The university makes uncollateralized loans to students based on financial need through a federal government loan program and institutional resources. The university participates in the Perkins federal revolving loan program, wherein the university acts as an agent for the federal government in administering the loan program. As of October 2017, the Perkins loan has not been reauthorized by the Department of Education. Funds advanced by the federal government for use in this program are ultimately refundable to the government and are classified as liabilities in the Consolidated Statements of Financial Position (U.S. government advances for student loans). Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Institutional loans are funded with donor funds restricted for student loan purposes and university funds made available to meet demonstrated need.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Allowances for doubtful accounts are established by considering a variety of factors including prior collection experience, analysis of past due loans, the financial condition of specific borrowers and other current economic factors which could influence the ability of loan recipients to repay amounts due. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

At May 31, student loans are as follows:

	2020	2019
Federal Perkins loan program	\$ 1,871,230	\$ 2,322,951
Institutional loans	291,575	279,031
	<u>2,162,805</u>	<u>2,601,982</u>
Less allowance for doubtful accounts:		
Beginning of the year	(65,000)	(69,500)
Decrease (increase)	(15,063)	(2,582)
Charge offs	63	7,082
End of year	<u>(80,000)</u>	<u>(65,000)</u>
Student loans receivable, net	<u>\$ 2,082,805</u>	<u>\$ 2,536,982</u>

At May 31, past due amounts are as follows:

	1-60 Days Past Due	60-90 Days Past Due	Over 90 Days Past Due	Total
2020	\$ 3,691	\$ 708	\$ 266,876	\$ 271,275
2019	\$ 101,501	\$ 17,735	\$ 393,135	\$ 512,371

A default rate is defined as the failure of a borrower to make an installment payment when due or to comply with a written repayment agreement. At May 31, default rates are as follows:

	2020	2019
Federal Perkins loan program	0.99%	1.15%
Institutional loans - Undergraduate	0.00%	0.00%
Institutional loans - Graduate	3.57%	2.12%

ELON UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended May 31, 2020 and 2019

NOTE 8: Construction in Progress

Projects in process at May 31 are as follows:

<u>2020 Project Description</u>	<u>Costs Incurred Through 5/31/20</u>	<u>Estimated Date of Completion</u>
Carolina Hall Renovation	186,532	Summer 2021
Innovation Quad Buildings 1 & 2	1,434,963	August 2022
Smith Renovation	489,927	August 2022
Other Projects	<u>627,757</u>	Various
Total	<u>\$ 2,739,179</u>	
<u>2019 Project Description</u>	<u>Costs Incurred Through 5/31/19</u>	<u>Estimated Date of Completion</u>
Studio D Arts West	248,271	August 2019
Virginia Renovation	887,514	August 2019
LaRose Commons	3,884,178	September 2019
Smith Renovation	127,418	August 2020
Other Projects	<u>865,914</u>	Various
Total	<u>\$ 6,013,295</u>	

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 9: Property and Equipment

Property and equipment at May 31 are as follows:

	2020	2019
Land and land improvements	\$ 87,685,163	\$ 65,845,787
Buildings	494,237,745	503,330,449
Computers and related equipment	6,203,264	6,292,734
Library resources	2,077,594	2,427,624
Vehicles	6,035,341	5,800,668
Audiovisual equipment	5,300,949	5,289,414
Science equipment	3,179,334	2,883,012
Software	2,020,962	2,271,287
Telephone systems and equipment	129,709	129,709
Other moveable assets	17,918,683	17,733,177
Collections	3,272,849	2,327,532
	628,061,593	614,331,393
Less: Accumulated depreciation	159,251,043	146,641,590
Total	\$ 468,810,550	\$ 467,689,803

Depreciation expense is \$15,410,361 and \$14,957,874 for the years ended May 31, 2020 and 2019, respectively.

NOTE 10: Accrued Liabilities

Accrued liabilities at May 31 are as follows:

	2020	2019
Salaries and wages	\$ 10,395,465	\$ 10,310,496
Compensated absences	4,544,630	4,117,599
Split-interest agreements	593,851	654,221
Employee benefits and payroll taxes	1,066	(4,904)
Conditional asset retirement obligations	556,994	553,964
Accrued other liabilities	1,278,599	1,352,455
Total	\$ 17,370,605	\$ 16,983,831

Compensated Absences

Eligibility for vacation is based on continuous service with the university. Staff members earn vacation based on their length of service. The maximum number of accumulated vacation days a staff member may carry forward into each calendar year is 20. Accumulated vacation time may be used or paid at time of separation. Other accrued compensated absences are by individual contract.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

The university also provides two additional paid days off each year, which are designated as personal leave days. The personal leave days must be used within the calendar year and will not carry over into the next calendar year. Since the university has no obligation for the accumulated personal leave until it is taken, no liability for unpaid personal leave has been recorded in the consolidated financial statements.

Sick leave accrues at the rate of one day per month. Unused sick leave may accumulate up to 130 days; however, accumulated sick leave will not be paid at separation from service. Since the university has no obligation for the accumulated sick leave until it is actually taken, no liability for unpaid sick leave has been recorded in the consolidated financial statements.

Conditional Asset Retirement Obligations

The university recognizes a liability for the legal obligation to perform asset retirement activities when the retirement is conditional on a future event and the fair value can be reasonably estimated. The accrued conditional asset retirement obligation liability is calculated by determining the present value of estimated costs at the anticipated settlement date using a discount rate of 4.84% and 5.98% for May 31, 2020 and 2019, respectively.

NOTE 11: Other Liabilities

Other liabilities at May 31 are as follows:

	2020	2019
Agency obligations	\$ 2,373,545	\$ 2,282,392
Refundable advances - Exchange transactions	13,891,362	15,153,339
Refundable advances - CRUTs	1,957,436	1,525,703
Total	<u>\$ 18,222,343</u>	<u>\$ 18,961,434</u>

Agency Obligations

Agency obligations arise from the collection or acceptance of cash or other assets for the account of third parties, such as clubs or other university affiliated groups. These balances result from transactions processed on behalf of the third parties and have no effect on net assets.

The university agreed to invest certain funds belonging to an unrelated not-for-profit organization. This transaction is accounted for as an agency obligation which is increased by additional investments from the not-for-profit as well as by its proportionate share of investment earnings and decreased by distributions as well as by its proportionate share of investment losses. The obligation amounted to \$579,783 and \$613,047 at May 31, 2020 and 2019, respectively.

Refundable Advances – Exchange Transactions

As of May 31, 2020, the university has exchange transaction agreements with an existing service provider. The university consented to extend the service provider’s agreement for up to fifteen years and in exchange the service provider transferred amounts totaling \$17,115,000 to the university with the stipulation that the monies be expended on specific capital purchases. Each contract further stipulates that if either party to the transaction should terminate the agreement during the specified timeframe, the university will return the unamortized portion of the refundable advance, calculated on a straight-line basis.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Refundable Advances – CRUTs

The university serves as trustee for several Charitable Remainder Unitrusts (CRUTs) having revocable beneficiaries. Trusts of this type are accounted for as refundable advances with an amount equal to the trusts' assets reported as other liabilities in the Consolidated Statements of Financial Position. Absent a change in the revocable beneficiary, assets held in the trusts will be recognized as contribution revenue upon the trusts' termination.

NOTE 12: Obligation Under Capital Leases

The university has entered into various lease agreements for buildings, computers and related equipment. The leases expire at various dates through June 30, 2042. For financial reporting purposes, minimum lease payments have been capitalized.

Property held under capital leases at May 31 is as follows:

	2020	2019
Buildings, computers and related equipment	\$ 15,102,538	\$ 14,607,420
Less: Accumulated amortization	5,502,600	5,213,011
Total	\$ 9,599,938	\$ 9,394,409

Amortization of assets under capital leases is included in depreciation expense and amounted to \$1,176,086 and \$1,186,388 for the years ended May 31, 2020 and 2019, respectively.

Future minimum lease payments under capital leases and the net present value of the future minimum lease payments at May 31, 2020, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	1,706,953
2022	1,579,835
2023	1,579,931
2024	1,208,300
2025	1,116,218
Thereafter	20,859,317
Total lease payments	28,050,554
Less: Amounts representing interest	17,117,150
Present value of future minimum lease payments	\$ 10,933,404

Total interest costs incurred related to the obligation under capital leases are \$958,121 and \$894,546 for the years ended May 31, 2020 and 2019, respectively.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 13: Bonds Payable

The following bonds were issued through the North Carolina Capital Facilities Finance Agency. Revenue Bond Series 2014A, in the amount of \$39,985,000 was issued as a direct purchase by Wells Fargo and Revenue Bond Series 2014B, in the amount of \$60,325,000 was issued as a direct purchase by SunTrust. Revenue Bond Series 2012 was a direct purchase bond held by BB&T. Revenue Bond Series 2016A and 2017A were issued as direct purchase bonds held by Bank of America. Revenue Bond Series 2018A was issued as a direct purchase by First Tennessee Bank Securities Investment I, LLC. In December 2019, SunTrust and BB&T merged to form Truist Financial, which now holds the 2014B and 2012 bonds. The university has made certain covenants including use of the proceeds and sale of project property. The university is in compliance with all debt covenants as of May 31, 2020 and 2019.

Remaining principal balances at May 31 are as follows:

	2020	2019
Revenue Bonds, Series 2012 - \$54,595,000, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2015 and will continue through 2037. The interest rate at May 31, 2020, is 1.30%.	\$ 49,835,000	\$ 52,095,000
Revenue Bonds, Series 2014A - \$39,985,000, bearing a fixed interest rate paid monthly. Principal payments began in 2015 and will continue through 2031. The interest rate at May 31, 2020, is 1.91%.	15,185,000	17,555,000
Revenue Bonds, Series 2014B - \$60,325,000, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2015 and will continue through 2036. The bonds are subject to an interest rate swap agreement referenced in Note 14. The interest rate at May 31, 2020, is 1.19%.	53,270,000	54,505,000
Revenue Bonds, Series 2016A - \$32,000,000, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2018 and will continue through 2022. The bonds are subject to an interest rate cap agreement referenced in Note 14. The interest rate at May 31, 2020, is 0.59%.	10,555,000	16,575,000
Revenue Bonds, Series 2017A - \$24,320,000, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2019 and will continue through 2042. The interest rate at May 31, 2020, is 0.87%.	22,765,000	23,550,000
Revenue Bonds, Series 2018A - \$20,000,000, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2020 and will continue through 2038. The interest rate at May 31, 2020, is 3.10%.	19,234,000	20,000,000
	170,844,000	184,280,000
Less: Bond Issue Costs	775,911	856,463
Total	\$ 170,068,089	\$ 183,423,537

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Aggregate maturities of bonds payable at May 31, 2020, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 14,037,000
2022	11,498,000
2023	7,553,000
2024	7,804,000
2025	8,063,000
Thereafter	<u>121,889,000</u>
Total	<u>\$ 170,844,000</u>

Total interest costs incurred related to bonds payable are \$5,414,385 and \$6,116,713 for the years ended May 31, 2020 and 2019, respectively, and of these amounts \$95,057 and \$906,908, respectively, are capitalized as a cost of construction.

NOTE 14: Obligation Under Interest Rate Derivative Agreements

The university has recorded three interest rate swap agreements on the Consolidated Statements of Financial Position at fair value. Two agreements involve series 2014B and one agreement involved Series 2014A. The university converted series 2014A during fiscal 2020 from a variable interest rate to a fixed rate and will act as a hedge on other outstanding variable debt. These agreements allow the university to exchange variable for fixed rate interest payment obligations. The swap agreements are used to minimize the impact of future interest rate changes. Effective July 1, 2012 management renegotiated these agreements, under substantially similar terms from the previous provider Bank of America to Wells Fargo.

Under the agreements, payments are made or received based on the difference between fixed rates listed below and 70% of the USD-LIBOR BBA index. The university anticipates holding the interest rate swap agreements until all debt under the agreements has been retired. Principal maturities on the remaining debt conclude in 2036.

The obligation under interest rate swap agreements at May 31 is as follows:

	<u>Fixed Rate</u>	<u>2020</u>		<u>Fixed Rate</u>	<u>2019</u>
Various	3.78%	\$ 2,228,065	Series 2014A	3.78%	\$ 1,710,060
Series 2014B	3.30%	83,621	Series 2014B	3.30%	292,294
Series 2014B	3.01%	<u>1,339,309</u>	Series 2014B	3.01%	<u>1,371,883</u>
Total		<u>\$ 3,650,995</u>	Total		<u>\$ 3,374,237</u>

Series 2016A contains an interest rate cap agreement. The fair value of the interest rate cap is \$291 and \$103,586 at May 31, 2020 and 2019, respectively.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

The university has only limited involvement with derivative financial instruments and does not use them for trading purposes. Fair value is determined by a third party on a mark-to-market basis. The change in value of the interest rate swap and cap agreements is shown as a separate line item in the Consolidated Statements of Activities.

NOTE 15: Net Assets

Net assets with donor restrictions at May 31 are as follows:

	<u>2020</u>	<u>2019</u>
Permanent endowment funds	\$ 142,827,129	\$ 138,117,916
Contributions to buildings and equipment	1,739,244	7,682,826
Contributions receivable, net	2,307,668	2,249,935
Endowment related funds	24,746,710	34,327,741
Split-interest agreements and term endowments	913,898	1,038,607
Non-endowed contributions for scholarships and operations	8,565,602	7,303,001
Student loan funds	<u>636,337</u>	<u>633,677</u>
Total net assets with donor restrictions	<u>\$ 181,736,588</u>	<u>\$ 191,353,703</u>

Net assets without donor restrictions at May 31, are as follows:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 369,001,639	\$ 349,949,060
Designated by the Board for endowment		
Scholarship	84,879,402	90,287,274
Program	7,698,013	8,140,327
Professorship	<u>2,959,622</u>	<u>3,129,677</u>
	95,537,037	101,557,278
Total net assets without donor restrictions	<u>\$ 464,538,676</u>	<u>\$ 451,506,338</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 16: Financial Aid

Student revenues, presented net of institutional aid on the statement of activities, are as follows for the year ended May 31:

	2020	2019
Tuition and fees	\$ 259,873,638	\$ 248,948,784
Tuition discount	(56,564,846)	(51,888,681)
Net tuition	203,308,792	197,060,103
Room and board	36,295,146	45,804,090
Room and board discount	(2,688,486)	(2,514,687)
Net room and board	33,606,660	43,289,403
Student revenues, net	\$ 236,915,452	\$ 240,349,506

The university awards financial aid based on academic merit, need and leadership. Gross tuition discount is 21.7% and 20.8% for the years ended May 31, 2020 and 2019, respectively. The unfunded tuition discount rate is 19.0% and 18.2% for the years ended May 31, 2020 and 2019, respectively. Funded tuition discounts are derived from endowment revenue, private gifts and federal and state aid. Unfunded tuition discounts are derived from the general operating revenues of the university and income earned on Board designated funds (quasi endowment).

	2020		2019	
	Dollars	Percentage	Dollars	Percentage
<u>Total Tuition and Fees</u>				
Unfunded discount - general	\$ 47,375,932	18.2%	\$ 43,566,596	17.5%
Unfunded discount - quasi	2,174,630	0.8%	1,893,624	0.7%
Total unfunded discount	49,550,562	19.0%	45,460,220	18.2%
Funded discount	7,014,284	2.7%	6,428,461	2.6%
Total	\$ 56,564,846	21.7%	\$ 51,888,681	20.8%
Gross tuition and fees	\$ 259,873,638		\$ 248,948,784	

	2020		2019	
	Dollars	Percentage	Dollars	Percentage
<u>Undergraduate Tuition and Fees</u>				
Unfunded discount - general	\$ 39,553,400	17.1%	\$ 36,427,024	16.4%
Unfunded discount - quasi	2,174,630	0.9%	1,893,624	0.9%
Total unfunded discount	41,728,030	18.0%	38,320,648	17.3%
Funded discount	6,845,333	3.0%	6,231,184	2.8%
Total	\$ 48,573,363	21.0%	\$ 44,551,832	20.1%
Gross tuition and fees	\$ 231,203,681		\$ 222,173,076	

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 17: Gift Revenue

Major categories of gift revenue for the years ended May 31 are as follows:

	2020	2019
Annual Funds	\$ 2,035,028	\$ 4,047,223
Endowment and similar funds	3,980,074	6,280,774
Capital projects	4,127,708	7,673,139
Restricted to programs	4,544,443	3,482,237
Restricted to scholarships	406,515	662,221
	<u> </u>	<u> </u>
Total	<u>\$ 15,093,768</u>	<u>\$ 22,145,594</u>

NOTE 18: Functional Classification of Expenses

Expenses by function and nature consist of the following for the year ended May 31, 2020:

	<u>Program Services</u>					<u>Total</u>
	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Services</u>	<u>Institutional Support</u>	
Salaries	\$ 64,353,297	\$ 3,183,328	\$ 22,331,772	\$ 6,672,363	\$ 19,005,124	\$ 115,545,884
Benefits	17,287,599	1,028,997	6,772,723	2,121,586	6,095,409	33,306,314
Operating Expenses	8,435,859	3,286,633	9,788,258	14,901,133	14,240,918	50,652,801
Travel and Study Abroad expense	20,561,795	23,523	2,229,224	15,234	475,054	23,304,830
Depreciation	5,022,197	496,331	2,712,248	6,944,258	235,327	15,410,361
Debt Service and Interest Expense	265,713	-	352,189	4,381,147	623,009	5,622,058
Project Expenses	753,121	74,429	406,724	1,041,350	35,289	2,310,913
Physical Plant	2,219,185	246,329	1,350,284	3,420,376	114,582	7,350,756
	<u>\$ 118,898,766</u>	<u>\$ 8,339,570</u>	<u>\$ 45,943,422</u>	<u>\$ 39,497,447</u>	<u>\$ 40,824,712</u>	<u>\$ 253,503,917</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

Expenses by function and nature consist of the following for the year ended May 31, 2019:

	<u>Program Services</u>					<u>Total</u>
	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Services</u>	<u>Institutional Support</u>	
Salaries	\$ 62,148,517	\$ 3,431,538	\$ 21,157,553	\$ 6,349,833	\$ 18,252,587	\$ 111,340,028
Benefits	16,520,645	1,020,743	5,962,267	1,850,989	5,375,145	30,729,789
Operating Expenses	8,844,776	3,221,742	13,068,495	15,839,603	12,899,186	53,873,802
Travel and Study Abroad expense	22,072,066	30,289	445,377	21,640	845,306	23,414,678
Depreciation	4,894,217	483,683	2,643,132	6,707,511	229,331	14,957,874
Debt Service and Interest Expense	225,721	-	470,567	4,254,335	560,323	5,510,946
Project Expenses	2,497,429	246,815	1,348,742	3,422,720	117,023	7,632,729
Physical Plant	2,132,274	236,682	1,297,403	3,257,167	110,094	7,033,620
	<u>\$ 119,335,645</u>	<u>\$ 8,671,492</u>	<u>\$ 46,393,536</u>	<u>\$ 41,703,798</u>	<u>\$ 38,388,995</u>	<u>\$ 254,493,466</u>

The university's primary program service is academic instruction. Expenses reported as academic support, student support, auxiliary services and institutional support are incurred in support of this primary program activity. Natural expenses attributable to more than one functional expense category are allocated based on estimates. Depreciation, project and physical plant expenses are allocated based on square footage while debt service and interest expenses are allocated ratably across the appropriate function. Travel and study abroad expense includes the expenses associated with student travel abroad.

NOTE 19: Retirement Plan

The university has a defined contribution pension plan covering substantially all employees. The plan has no post service benefits or further liabilities beyond the periodic contribution for each participating staff and faculty member. Total contributions by the university to this plan are \$7,602,035 and \$7,355,210 for the years ended May 31, 2020 and 2019, respectively.

NOTE 20: Fund Raising

Fundraising costs are \$6,825,433 and \$7,050,194 for the years ended May 31, 2020 and 2019, respectively. These costs are included with other costs and are shown as institutional support on the Consolidated Statements of Activities.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 21: Student Housing

CHF – Elon, LLC, a 501(c)(3) corporation, is a wholly-owned subsidiary of Collegiate Housing Foundation, another 501(c)(3) organization, and exists to provide student housing for Elon University students. CHF – Elon, LLC and Collegiate Housing Foundation are independent of Elon University.

In 2006, CHF – Elon, LLC, using the proceeds of a taxable bond issue with no recourse to Elon University, constructed a 516-bed student housing facility on 13.852 acres of land leased from the university. The lease, which expires in 2035, provides for annual distributions of net available cash flow as the lease payment to Elon University. Additionally, the university has contractually agreed to manage this housing project over the life of the ground lease.

CHF – Elon, LLC has a June 30 fiscal year end. As such, calculation of any ground lease payment due the university (net available cash flow) will be determined after the close of CHF – Elon, LLC's fiscal year and is not earned by the university until that time. The university earned ground lease income of \$1,354,223 and \$1,529,722 during the years ended May 31, 2020 and 2019, respectively.

While fulfilling its management functions, the university will collect rental income and incur reimbursable expenses on behalf of CHF – Elon, LLC. Unsettled balances related to these transactions amounted to a net receivable of \$370,799 and \$291,406 at May 31, 2020 and 2019, respectively. These balances are classified as accounts receivable in the Consolidated Statements of Financial Position.

NOTE 22: Income Taxes

The university is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from activities unrelated to its business purpose. The university believes that it has sufficient justification for any tax positions taken, including allocation of expenses to its unrelated business income and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

NOTE 23: Supplemental Disclosures of Cash Flow Information

During the years ended May 31, 2020 and 2019, cash payments for interest on bonds and capital leases amounted to \$6,580,180 and \$6,405,493, respectively. These numbers are net of amounts capitalized as cost of construction.

The university received noncash contributions in stock and other assets totaling \$5,644,312 and \$5,442,701 during the years ended May 31, 2020 and 2019, respectively.

The university added distressed assets resulting in a noncash increase in accrued liabilities of \$25,714 and \$31,258 during the years ended May 31, 2020 and 2019, respectively.

Leased equipment costing \$1,442,907 and \$231,957 was acquired under the terms of capital leases during the years ended May 31, 2020 and 2019, respectively. The cost of property acquired as well as the initial lease obligations have been excluded from the Consolidated Statements of Cash Flows.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 24: Commitments and Contingencies

(a) Department of Education Funds

Funds received by Elon University from the United States Department of Education are subject to audit and retroactive adjustment by the Department of Education, which reserves the right to audit prior fiscal years. Such audits can result in the payment of additional funds to the Department of Education. Management believes that the result of any audit will not have a material effect on the university's consolidated financial statements.

(b) Construction and Purchase Commitments

As of May 31, 2020 and 2019, the university had outstanding contractual commitments and equipment purchase orders totaling \$2,584,108 and \$18,977,706, respectively.

(c) Operating Leases

The university leases buildings and equipment under operating leases that will expire in various years through 2030. Rent expense is \$1,831,430 and \$1,923,830 for the years ended May 31, 2020 and 2019, respectively. Commitments for minimum future rental payments for each of the next five years and thereafter are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 758,029
2022	716,401
2023	701,034
2024	735,128
2025	677,552
Thereafter	<u>1,210,520</u>
Total minimum future rental payments	<u>\$ 4,798,664</u>

The university leases apartments and houses for student housing under operating leases that will expire in 2020. Rent expense for student housing is \$961,267 and \$1,065,808 for the years ended May 31, 2020 and 2019, respectively. These amounts are included in total rent expense. Rent expense is more than offset by housing revenue received from students living in these units.

Several of the aforementioned leases contain renewal options for varying periods of time.

(d) Employment Related Commitments

Elon University has entered into employment related agreements with certain employees which obligate the university to potential future payments. At May 31, 2020, the maximum potential future payments under these agreements are \$14,899,064.

(e) Contingencies

The university is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these legal actions will not have a material effect on the university's consolidated financial position.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2020 and 2019

NOTE 25: Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the university is unable to determine if it will have a material impact to its operations.

In August 2020, the university entered into an agreement with First National Bank for a line of credit of \$25,000,000.

**ADDITIONAL INFORMATION
PROVIDED BY ELON UNIVERSITY**

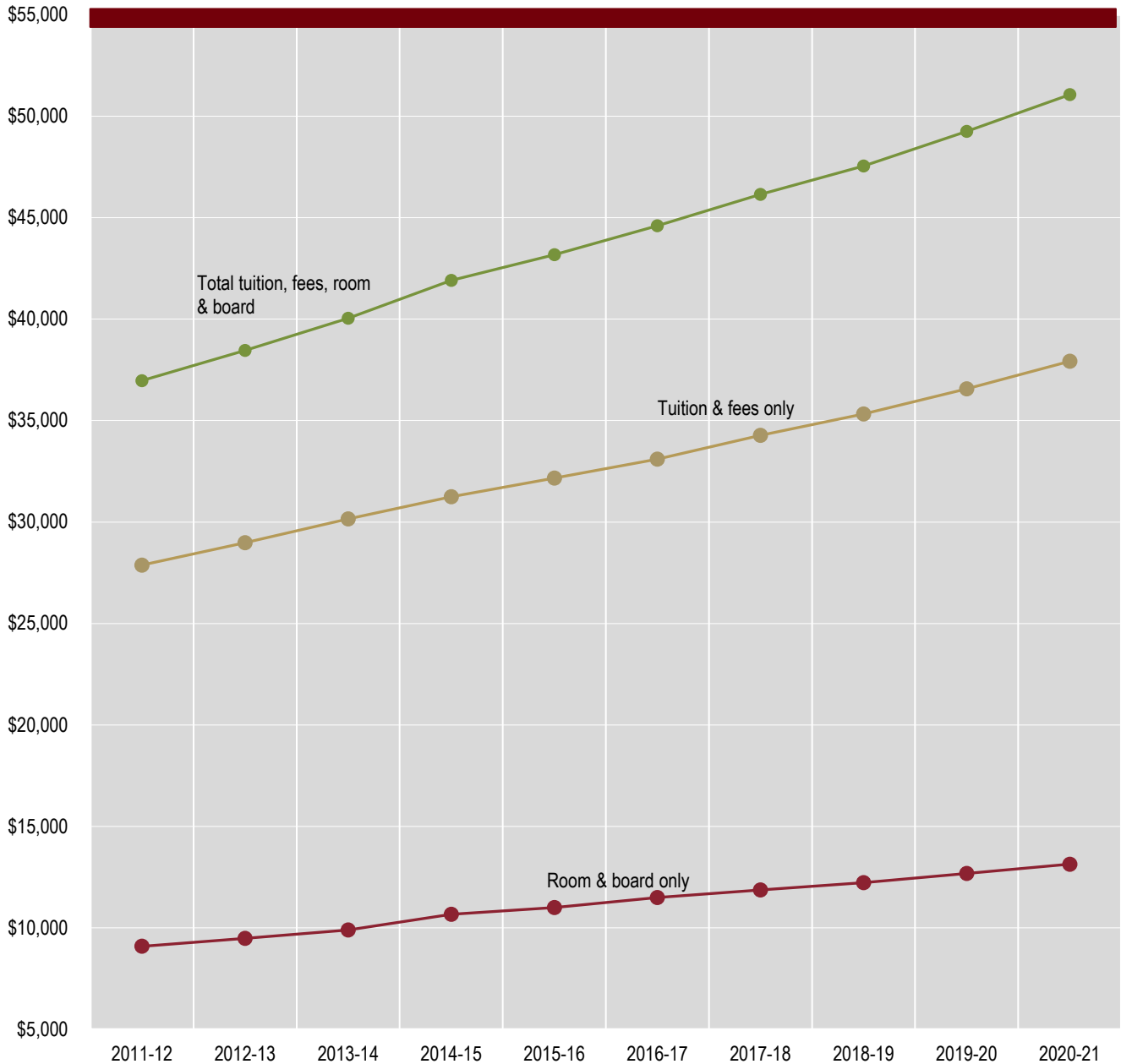
ELON UNIVERSITY

TUITION AND FEES, ROOM AND BOARD

2012-2021

This graph shows the increase in tuition and fees, and room/board rates over a ten-year period.

ACADEMIC YEAR	TUITION	FEES	ROOM	BOARD	TOTAL
2011-12	\$27,534	\$347	\$4,440	\$4,650	\$36,971
2012-13	\$28,633	\$347	\$4,690	\$4,790	\$38,460
2013-14	\$29,750	\$399	\$4,953	\$4,944	\$40,046
2014-15	\$30,848	\$399	\$5,231	\$5,436	\$41,914
2015-16	\$31,773	\$399	\$5,399	\$5,599	\$43,170
2016-17	\$32,685	\$419	\$5,728	\$5,767	\$44,599
2017-18	\$33,829	\$444	\$5,900	\$5,969	\$46,142
2018-19	\$34,850	\$469	\$6,020	\$6,210	\$47,549
2019-20	\$36,082	\$489	\$6,225	\$6,460	\$49,256
2020-21	\$37,414	\$507	\$6,455	\$6,686	\$51,062



This graph was not subjected to auditing procedures. Please see the independent auditors' report on additional information at page 4.

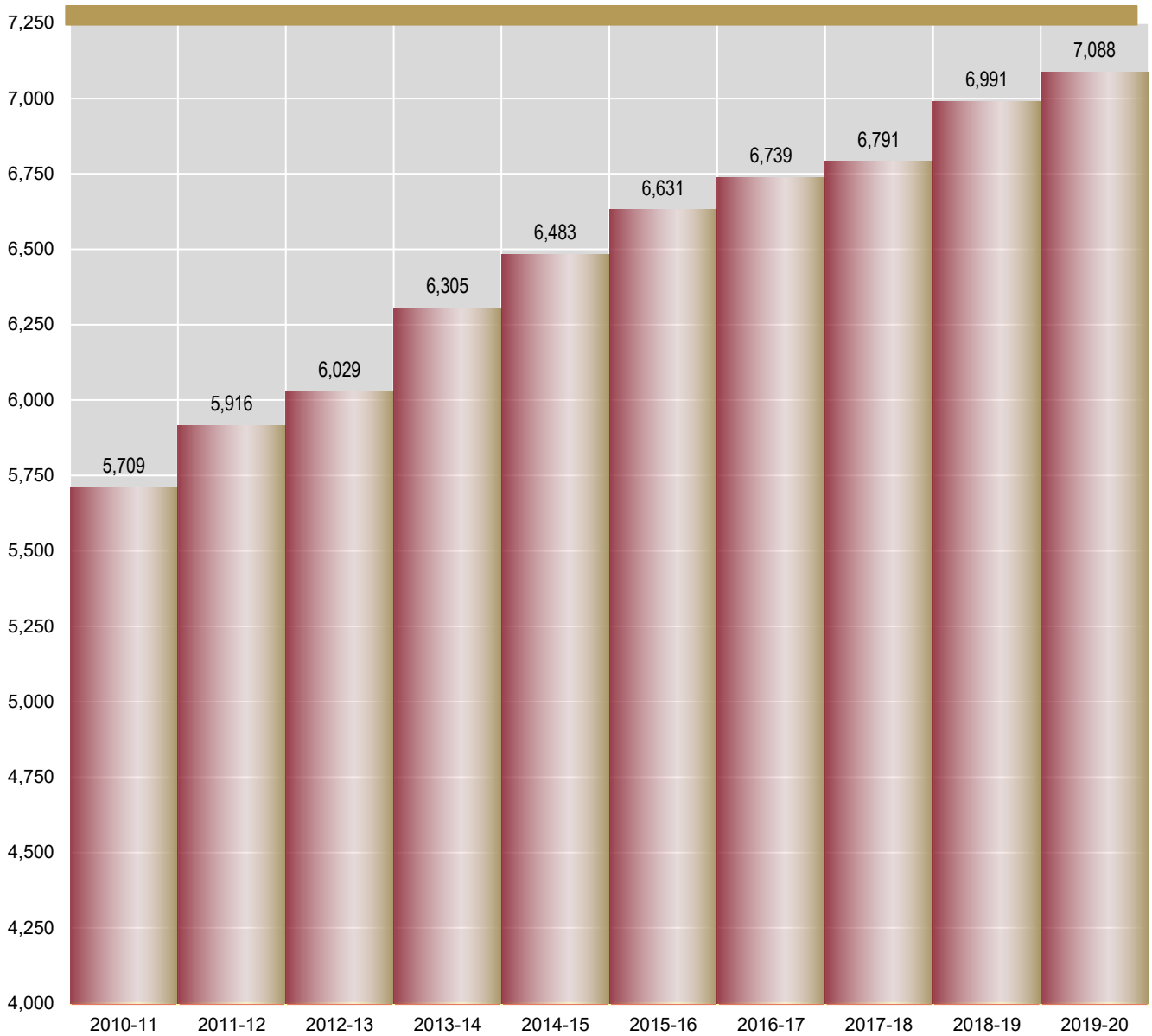
ELON UNIVERSITY

STUDENT ENROLLMENT

2011-2020

This graph shows a 10-year trend of total enrollment on a head-count basis. Enrollment has grown because of larger first-year classes, continuing improved retention, and the addition of new graduate programs.

ACADEMIC YEAR	UNDERGRADUATE	GRADUATE	TOTAL
2010-11	5,032	677	5,709
2011-12	5,225	691	5,916
2012-13	5,357	672	6,029
2013-14	5,599	706	6,305
2014-15	5,782	701	6,483
2015-16	5,903	728	6,631
2016-17	6,008	731	6,739
2017-18	6,045	746	6,791
2018-19	6,196	795	6,991
2019-20	6,277	811	7,088



This graph was not subjected to auditing procedures. Please see the independent auditors' report on additional information at page 4.

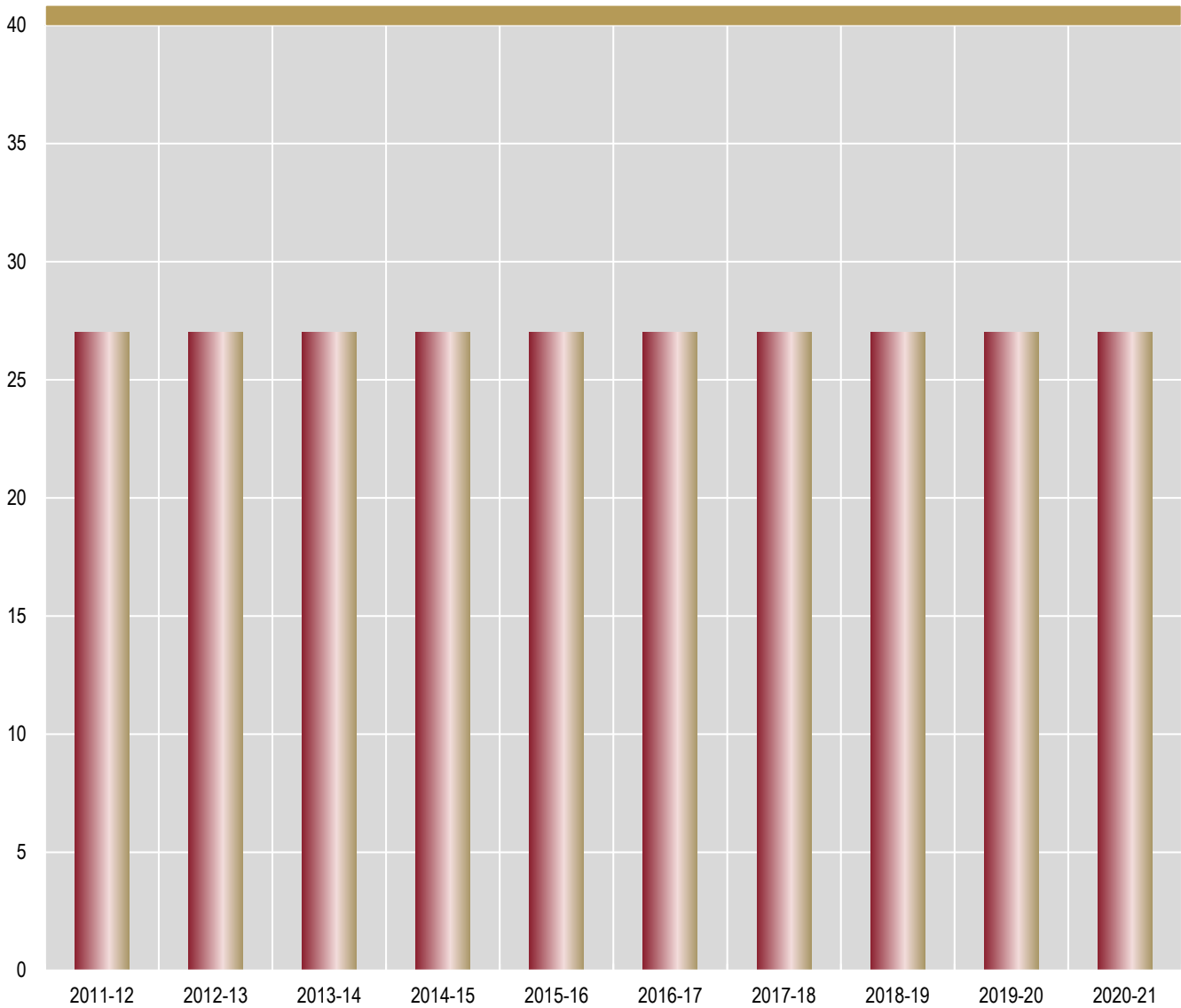
ELON UNIVERSITY

**STUDENT
SELECTIVITY**

2012-2021

Measures of student quality have remained consistently high over the last 10 years. The average ACT score is 27. Academic year 2021 is the first year Elon used the common application.

ACADEMIC YEAR	Applications	ACT Scores
2011-12	9,079	27
2012-13	10,241	27
2013-14	9,949	27
2014-15	10,442	27
2015-16	10,257	27
2016-17	10,095	27
2017-18	9,622	27
2018-19	10,729	27
2019-20	10,500	27
2020-21	15,305	27



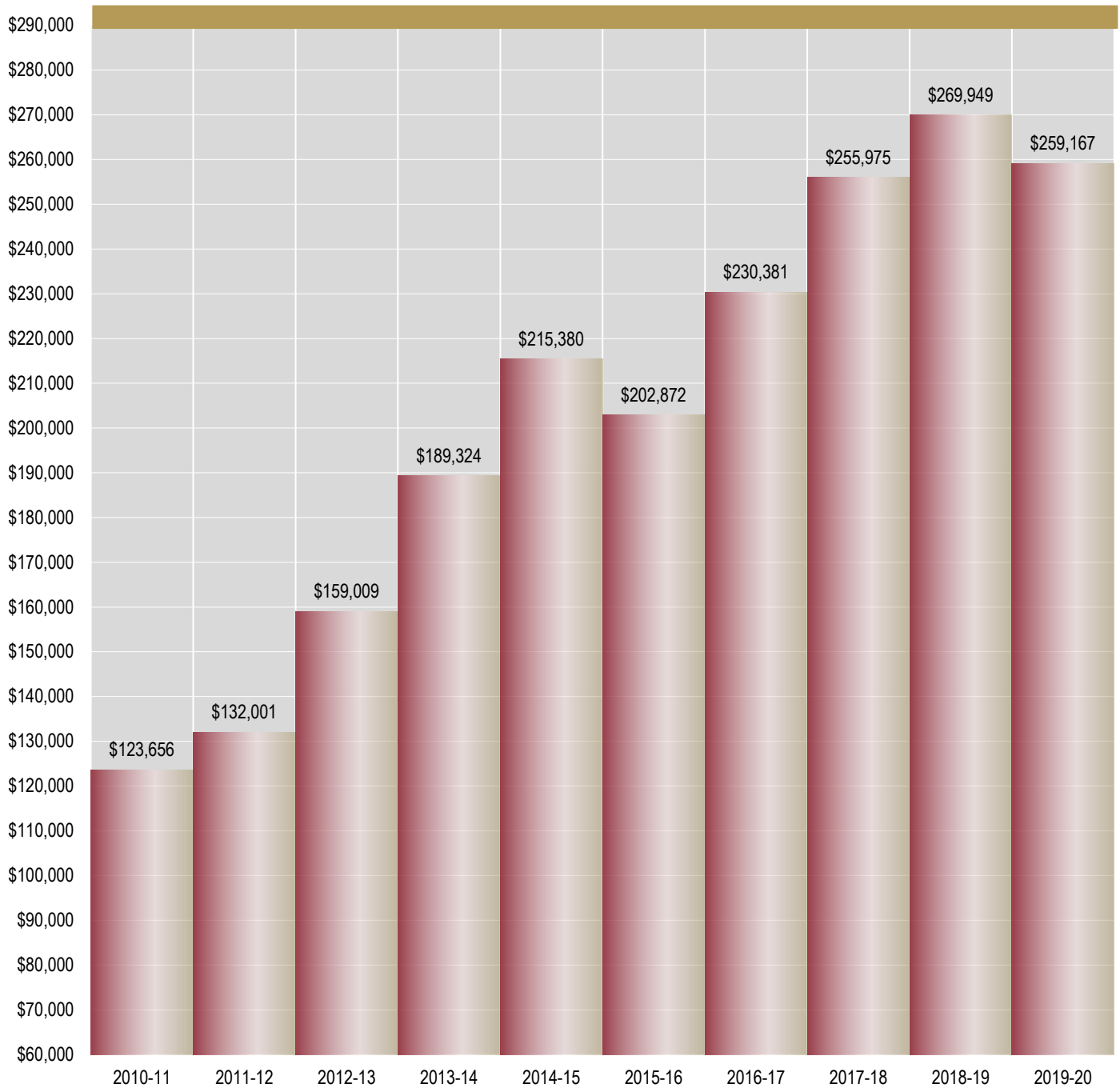
*Maximum ACT score is 36.

This graph was not subjected to auditing procedures. Please see the independent auditors' report on additional information at page 4.

ENDOWMENT MARKET VALUE (000)

The overall trend of the endowment market value has been positive over the past 10 years, experiencing a growth of over \$136 million in the 10 year span.

2011-2020



This graph was not subjected to auditing procedures.

Please see the independent auditors' report on additional information at page 4.

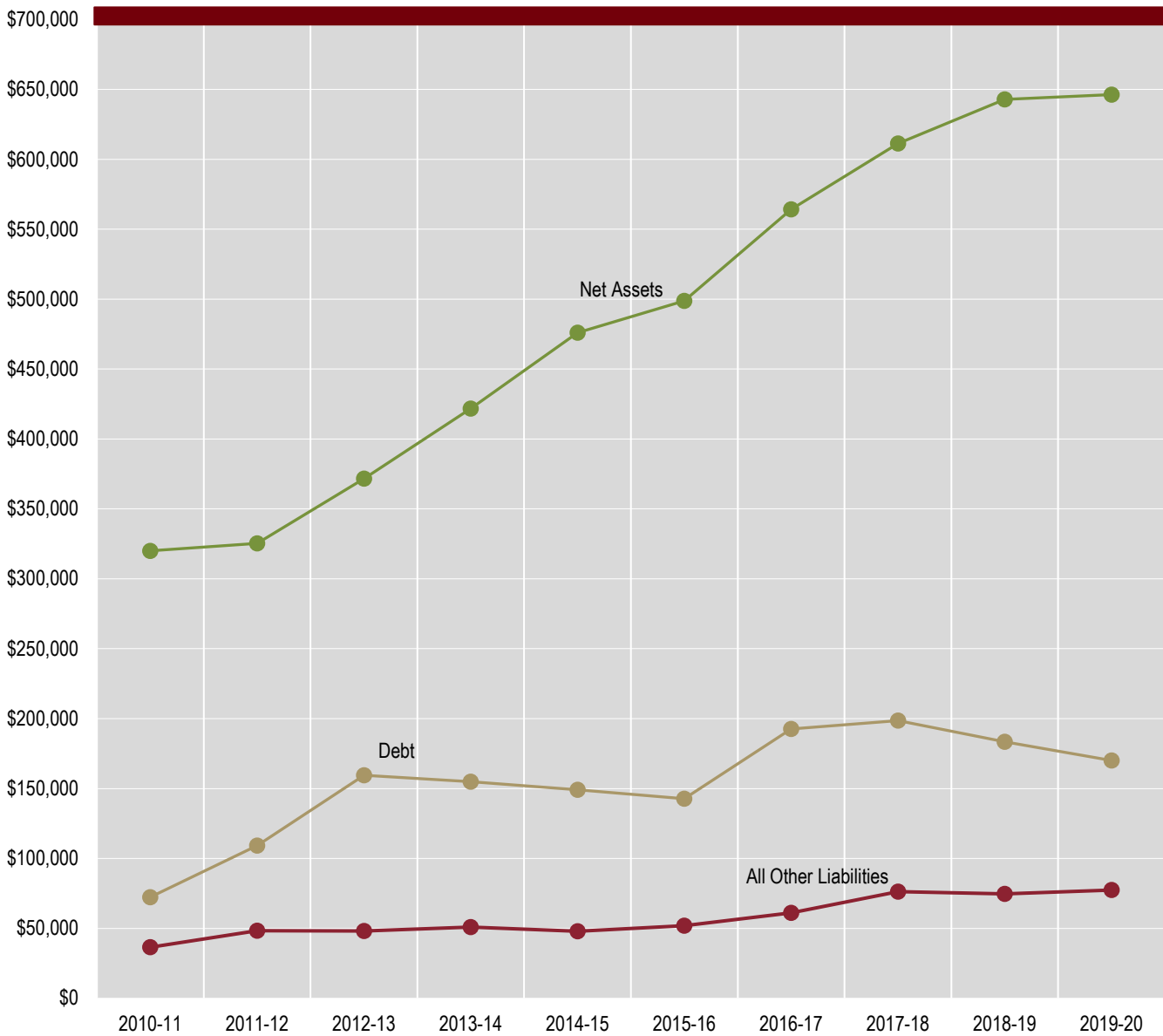
ELON UNIVERSITY

NET ASSETS AND LIABILITIES (000)

2011-2020

The University has experienced a positive overall trend in net assets over the past 10 years which has allowed for the expansion of campus facilities and programs.

FISCAL YEAR	NET ASSETS	DEBT	ALL OTHER LIABILITIES
2010-11	\$320,022	\$72,355	\$36,506
2011-12	\$325,321	\$109,105	\$48,320
2012-13	\$371,602	\$159,395	\$48,058
2013-14	\$421,701	\$154,905	\$50,979
2014-15	\$475,971	\$149,185	\$48,012
2015-16	\$498,689	\$142,723	\$51,999
2016-17	\$564,219	\$192,600	\$61,102
2017-18	\$611,409	\$198,568	\$76,182
2018-19	\$642,860	\$183,424	\$74,758
2019-20	\$646,275	\$170,068	\$77,394



This graph was not subjected to auditing procedures. Please see the independent auditors' report on additional information at page 4.



FINANCIAL & AUDIT REPORT
MAY 31, 2020 & 2019