

Financial & Audit Report

MAY 31, 2021 & 2020



ELON UNIVERSITY

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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/fa/accounting/annual-reports/>

Elon University is recognized as a top National University in the 2022 U.S. News & World Report "Best Colleges" guide. Elon ranked at #83 overall among national universities and is ranked #1 for excellence in undergraduate teaching and #9 in the most innovative category.

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 seventh 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 ranked in the top 20 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. Kiplinger's Personal Finance magazine ranks Elon among the 30 best values in private higher education, and Elon has consistently earned recognition as the nation's best-run college from Princeton Review, with top rankings in recent years for its career services, study abroad programs, campus learning environment and residential facilities. The Wall Street Journal and Times Higher Education rank Elon #18 in the nation for student engagement and #1 in North Carolina.

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 88 percent of students participating in volunteer service 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. As of August 2021, donors have contributed more than \$225 million in pledges and gifts toward the campaign goal.

Elon student-athletes excelled both athletically and academically last school year. Ten teams finished in the top-four of the Colonial Athletic Association league standings. 54 student-athletes earned CAA All-Conference honors, 7 more were named to All-Rookie teams, and 3 student-athletes were recognized as All-Americans. In addition, there were 4 Scholar-Athletes of the Year and 3 Athletes of the Year, all while compiling 42 CAA Athlete of the Week honors.

Phoenix programs competed at a high level on the national stage. Women's soccer won the CAA tournament championship. For the first time ever, both the women's cross country and women's track and field teams won CAA Championships.

Elon responded to the challenges of the Covid-19 pandemic through a public health plan and protocols, reimaged classes and teaching spaces, and modifications of campus spaces. The university opened in person with a residential campus in fall 2020 due to its "Ready and Resilient" plan to guide operations, adapt the campus environment, and promote health and safety during academic year. The university has implemented Healthy Elon 2021-22, a plan for the current academic year with a continued focus on the wellness and well-being of the entire community. Elon has the benefit of the experience and expertise gained during last academic year when it held in-person classes and on-campus activities and operations.

In March the university began construction on Founders Hall and IQ2 in the Innovation Quad, with the buildings to provide a new home for the engineering and physics programs. The Department of Nursing has been established within the School of Health Sciences at the Gerald L. Francis Center, and this fall welcomed the first students into the four-year Bachelor of Science in Nursing (BSN) program. The department is also home to an accelerated BSN program, which will offer students who have already earned a bachelor's degree in another field the opportunity to earn their nursing degree through a 16-month program.

All major financial indicators moved in a favorable direction this past year, which is detailed in the following pages. Highlights include an increase in net assets (assets minus liabilities) of 20%. The university endowment continued growth ending the year with a market value of \$329 million on May 31, 2021, the highest in Elon's history.

Connie Ledoux Book
President

Janet Williams
Vice President for Finance and Administration

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, 2021 and 2020, 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

Janet Williams
Vice President for Finance and Administration

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Elon University

Report on the financial statements

We have audited the accompanying consolidated financial statements of Elon University and subsidiaries (the "University") (a nonprofit North Carolina Organization), which comprise the consolidated statements of financial position as of May 31, 2021 and 2020, 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, 2021 and 2020, 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 matter

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 2013-2022, student enrollment 2012-2021, student selectivity 2013-2022, endowment market value 2012-2021 and net assets and liabilities 2012-2021 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.

Grant Thornton LLP

Boston, Massachusetts
September 21, 2021

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ELON UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2021 and 2020

	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 45,900,225	\$ 39,017,777
Accounts receivable, net	6,549,098	4,477,634
Prepaid expenses and other assets	4,223,812	4,830,777
Deposits with bond trustee	47,800,270	-
Contributions receivable, net	3,309,492	6,462,194
Investments	476,893,373	365,748,368
Loans to students, net	1,671,941	2,082,805
Construction in progress	11,973,187	2,739,179
Property and equipment, net	455,598,987	468,810,550
 Total Assets	 \$ 1,053,920,385	 \$ 894,169,284
 LIABILITIES:		
Accounts payable	\$ 6,203,529	\$ 2,767,656
Accrued liabilities	19,576,540	17,802,657
Student deposits	6,552,845	13,588,651
Deferred revenue	8,314,659	7,497,764
Other liabilities	19,070,828	18,222,343
Obligation under capital leases	10,563,801	10,933,404
Notes payable	-	1,100,000
Bonds payable, net	205,893,294	170,068,089
Obligation under interest rate swap agreements	1,880,538	3,650,995
U.S. Government advances for student loans	1,823,259	2,262,461
 Total Liabilities	 279,879,293	 247,894,020
 NET ASSETS:		
Without Donor Restrictions		
Undesignated	410,317,723	369,001,639
Designated by the Board for endowment	121,176,514	95,537,037
With Donor Restrictions	242,546,855	181,736,588
 Total Net Assets	 774,041,092	 646,275,264
 Total Liabilities and Net Assets	 \$ 1,053,920,385	 \$ 894,169,284

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

ELON UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:			
Revenues, gains and losses:			
Student revenues, net	\$ 248,780,993	\$ -	\$ 248,780,993
Sales and service of auxiliary enterprises	2,560,175	-	2,560,175
Federal grants	8,735,908	-	8,735,908
State grants	1,952,890	-	1,952,890
Other grants	902,086	-	902,086
Contributions	2,060,279	15,387,850	17,448,129
Investment return	34,771,089	42,780,827	77,551,916
Loss on disposal of property and equipment	(192,206)	-	(192,206)
Athletics	1,375,992	72,593	1,448,585
Other sources	2,092,224	1,935,455	4,027,679
Total Revenues, Gains and Losses	303,039,430	60,176,725	363,216,155
Net Assets Released From Restrictions	6,243,481	(6,243,481)	-
Total Revenues and Gains and Other Support	309,282,911	53,933,244	363,216,155
Expenses:			
Instruction	99,673,297	-	99,673,297
Student services	46,029,841	-	46,029,841
Auxiliary enterprises	39,229,821	-	39,229,821
Academic support	7,602,534	-	7,602,534
Institutional support	44,685,000	-	44,685,000
Total Expenses	237,220,493	-	237,220,493
Increase in Net Assets before change in interest rate swap agreements	72,062,418	53,933,244	125,995,662
Change in value of interest rate swap agreements	1,770,166	-	1,770,166
Reclassification of Net Assets	(6,877,023)	6,877,023	-
Increase in Net Assets	66,955,561	60,810,267	127,765,828
Net Assets - Beginning of Year	464,538,676	181,736,588	646,275,264
Net Assets - End of Year	\$ 531,494,237	\$ 242,546,855	\$ 774,041,092

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, gains and losses:			
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	12,333,888	15,093,768
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, Gains and Losses	245,565,875	11,733,318	257,299,193
Net Assets Released 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 STATEMENTS OF CASH FLOWS
May 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 127,765,828	\$ 3,415,223
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	15,074,314	15,410,361
Change in fair value at interest rate swap agreements	(1,770,166)	380,053
Amortization of bond issue costs	81,482	80,552
Contributions of assets - other	(311,835)	(2,031,116)
Contributions restricted to capital projects	(5,786,819)	(2,465,123)
Contributions of assets - endowment	(494,957)	(1,148,073)
Contributions restricted to endowment	(2,497,359)	(2,832,001)
(Gain) loss on investments	(76,301,885)	11,912,486
Loss on disposal of property and equipment	192,206	62,024
Provision for bad debt	853,254	522,545
(Increase) decrease in:		
Accounts receivable	(1,970,464)	(733,398)
Prepaid expenses and other assets	606,674	409,758
Contributions receivable	2,200,948	2,845,892
Loans to students	408,364	439,177
Increase (decrease) in:		
Accounts payable	3,435,873	(9,800,572)
Accrued liabilities	1,749,598	793,112
Student deposits	(7,035,806)	7,336,486
Deferred revenue	816,895	3,996,202
Other liabilities	848,485	(739,091)
U.S. Government advances for student loans	(439,202)	(427,400)
Net cash provided by operating activities	57,425,428	27,427,097
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	43,427,877	57,638,747
Purchases of investments	(77,959,162)	(68,962,119)
Proceeds from disposal of property and equipment	13,134	11,260
Purchases of property and equipment	(10,836,096)	(11,922,947)
(Increase) decrease in deposits with bond trustee	(47,800,270)	5,098,014
Net cash used by investing activities	(93,154,517)	(18,137,045)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	1,100,000
Payments for note payable	(1,100,000)	-
Proceeds from bond issuance	50,000,000	-
Payments for bond issue costs	(219,277)	-
Principal payments on bonds	(14,037,000)	(13,436,000)
Reduction of capital leases	(811,321)	(875,260)
Contributions restricted to capital projects	5,786,819	2,465,123
Contributions restricted to endowment	2,992,316	3,980,074
Net cash provided (used) by financing activities	42,611,537	(6,766,063)
Net increase in cash and cash equivalents	6,882,448	2,523,989
Cash and cash equivalents, Beginning of year	39,017,777	36,493,788
Cash and cash equivalents, End of year	\$ 45,900,225	\$ 39,017,777

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, 2021 and 2020

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 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. The adoption of the related standard did not have a material impact on the consolidated financial statements.

(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:

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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

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 prearranged and all payments are due before the close of the semester. The total amount included in accounts receivable at May 31, 2021 past due 180 days is \$289,989. 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 \$100,000 and \$201,000 at May 31, 2021 and 2020, respectively.

(h) Deposits with Bond Trustee

In 2021, deposits with bond trustee consisted of unexpended proceeds from the 2021 bond issue. 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.

(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 a 3.25% discount rate at May 31, 2021 and 2020.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

(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

The university's endowment includes both board designated and donor designated funds. The board or donor 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 (for donor designated funds) or net assets without donor restrictions (for board designated funds) until spent or deemed spent through the spending policy. 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. 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, 2021 and 2020. 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, 2021 and 2020

(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

Contract Balances

Receivables from student tuition and fees, student housing and meal plans are included in accounts receivable on 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 \$651,097 and \$1,887,352 at May 31, 2021 and 2020, 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 in Note 17. These categories reflect the nature, amount and timing of these sources of revenue.

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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

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.

(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.

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NOTE 2: Liquidity and Availability

As of May 31, 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:

	<u>2021</u>	<u>2020</u>
Total assets at year-end:	\$ 1,053,920,385	\$ 894,169,284
Less amounts not available to be used for general expenditures within one year:		
Non-financial assets	(485,664,750)	(490,156,084)
Endowments subject to donor restrictions	(205,828,311)	(160,119,648)
Net assets subject to purpose restrictions	(87,771,790)	(30,252,618)
Restricted cash and loan receivables for the Perkins loan program	<u>(1,906,236)</u>	<u>(2,782,158)</u>
Total financial assets available to meet general expenditures over next 12 months	<u>\$ 272,749,298</u>	<u>\$ 210,858,776</u>

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

Cash and cash equivalents	\$ 43,128,514	\$ 33,653,604
Accounts receivable, net	6,549,098	4,477,634
Investments not encumbered by donor or board restrictions	<u>223,071,686</u>	<u>172,727,538</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 272,749,298</u>	<u>\$ 210,858,776</u>

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 general 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.

In August 2020, the university secured a one year line of credit for \$25 million to assist with liquidity management. To date, the university has not utilized the line of credit.

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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, 2021 and 2020. 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.

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At May 31, 2021, fair value of financial assets and financial liabilities is as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash & cash equivalents	\$ 22,627,424	\$ -	\$ -	\$ 22,627,424
Equities	13,855,460	-	-	13,855,460
Asset backed	-	30,447,073	-	30,447,073
Government and corporate bonds	75,838,820	-	-	75,838,820
Real estate	-	-	25,412,014	25,412,014
Other	988,974	-	-	988,974
Alternative Investments (valued at NAV)	-	-	-	302,691,235
Outside perpetual trusts	-	-	5,032,373	5,032,373
Financial Assets	<u>\$ 113,310,678</u>	<u>\$ 30,447,073</u>	<u>\$ 30,444,387</u>	<u>\$ 476,893,373</u>
Split-interest agreements (accrued liabilities)	\$ -	\$ 736,517	\$ -	\$ 736,517
Refundable advances (CRUTs) (other liabilities)	-	3,445,141	-	3,445,141
Obligation under interest rate swap agreements	-	1,880,538	-	1,880,538
Financial Liabilities	<u>\$ -</u>	<u>\$ 6,062,196</u>	<u>\$ -</u>	<u>\$ 6,062,196</u>

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
Other	961,187	-	-	961,187
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>

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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. 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.

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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.

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NOTE 4: Contributions Receivable

The payment timing of outstanding contributions receivable at May 31, 2021, is estimated to be:

	With Donor Restrictions	Without Donor Restrictions	Total
Less than one year	\$ 1,757,330	\$ -	\$ 1,757,330
2 - 5 years	1,323,075	-	1,323,075
More than 5 years	229,087	-	229,087
Total	<u>\$ 3,309,492</u>	<u>\$ -</u>	<u>\$ 3,309,492</u>

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

	With Donor Restrictions	Without Donor Restrictions	Total
Less than one year	\$ 3,759,731	\$ -	\$ 3,759,731
2 - 5 years	1,737,274	-	1,737,274
More than 5 years	965,189	-	965,189
Total	<u>\$ 6,462,194</u>	<u>\$ -</u>	<u>\$ 6,462,194</u>

Contributions receivable are shown net of a collection allowance of \$1,088,999 and \$690,378 and a discount of \$281,493 and \$246,404 at May 31, 2021 and 2020, 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 amount receivable. These concentrations amounted to \$3,250,000 and \$3,050,000 at May 31, 2021 and 2020, respectively.

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NOTE 5: Investments

Major categories of investments at May 31 are as follows:

	2021		2020	
	Cost	Market	Cost	Market
<u>Non-endowment funds:</u>				
Money market funds	\$ 20,117,132	\$ 20,117,132	\$ 42,703,198	\$ 42,703,198
Certificates of deposit	2,104,286	2,104,286	2,096,037	2,096,037
Equities	4,706,757	6,402,295	4,487,118	4,723,247
Fixed income	103,395,942	103,750,663	43,664,484	44,231,189
U.S. government obligations	-	-	1,146,485	1,031,586
Real estate	15,632,013	13,884,337	15,103,793	10,506,791
Other	722,397	722,397	709,544	709,544
Alternative investments	491,842	718,984	491,842	579,783
	147,170,369	147,700,094	110,402,501	106,581,375
<u>Endowment and similar funds:</u>				
Money market funds	\$ 402,507	\$ 406,006	\$ 3,309,203	\$ 3,309,801
Equities	4,075,130	7,453,165	4,342,084	5,526,552
Fixed income	2,414,660	2,535,230	1,977,581	2,093,237
Real estate	16,430,001	11,527,677	16,453,901	11,500,903
Other	252,304	266,577	273,216	251,643
Alternative investments	149,496,152	301,972,251	148,984,369	232,534,540
Outside perpetual trusts	-	5,032,373	-	3,950,317
	173,070,754	329,193,279	175,340,354	259,166,993
Total	\$ 320,241,123	\$ 476,893,373	\$ 285,742,855	\$ 365,748,368

The university has investments of \$17,793,594 and \$13,274,964 at May 31, 2021 and 2020, 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.

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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.

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, 2021 and 2020. The applicable rate for scholarships is 5.0% for the years ended May 31, 2021 and 2020. 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.

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Endowment totals as of May 31 are as follows:

	2021	2020
Contributions receivable, net	\$ 903,100	\$ 2,307,668
Investments	329,193,279	259,166,993
Accrued and other liabilities	(3,091,554)	(2,551,286)
Total	\$ 327,004,825	\$ 258,923,375

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

	2021	2020
Designated by the Board for Endowment	\$ 121,176,514	\$ 95,537,037
Without Donor Restrictions	-	3,266,690
With Donor Restrictions	205,828,311	160,119,648
Total	\$ 327,004,825	\$ 258,923,375

Changes in endowment net assets during the years ended May 31, 2021 and 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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 return	(5,927,855)	(1,993,747)	(7,921,602)
Spending policy	(4,216,312)	(7,492,636)	(11,708,948)
Transfers	-	621,672	621,672
Balance, May 31, 2020	\$ 98,803,727	\$ 160,119,648	\$ 258,923,375
Contributions - Donors	-	3,251,089	3,251,089
Contributions - Board designated	5,000,000	-	5,000,000
Investment return	29,287,299	42,635,636	71,922,935
Spending policy	(5,041,272)	(7,060,400)	(12,101,672)
Transfers	(6,873,240)	6,882,338	9,098
Balance, May 31, 2021	\$ 121,176,514	\$ 205,828,311	\$ 327,004,825

The fair value of assets associated with individual donor-restricted endowment funds may fall below the historic gift value. These deficiencies amounted to \$0 and \$433,816 at May 31, 2021 and 2020, 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.

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Deficiencies of this nature exist in no donor-restricted endowed funds as of May 31, 2021 and in seventy-two donor-restricted endowment funds, which together have an original gift value of \$14,156,363, a current value of \$13,722,547, and a deficiency of \$433,816 as of May 31, 2020.

During fiscal 2021, management identified certain amounts related to unspent appreciation on donor-restricted endowments previously reported as net assets without donor restrictions which were reclassified to net assets with donor restrictions in the amount of \$6,877,023. This reclassification is presented in the statement of activities for the year ended May 31, 2021 as a reclassification of net assets.

NOTE 7: Planned Giving Agreements and Trusts

The university is a party to four types of planned giving agreements. The specific terms vary between donors and the agreements can be generally described as follows:

Outside Perpetual Trusts

These are trusts created by donors for the benefit of the university and are reported as investments in the Consolidated Statements of Financial Position. Third-party trustees hold the assets. The university has a perpetual and enforceable right to income generated from the trusts. They are valued based on the estimated future cash receipts from the trusts' assets. The university has a one-half right to income generated from one of these trusts and full rights to income generated from the remaining trusts.

	2021	2020
Trustee distributions restricted to scholarship:		
Asset value	\$ 1,158,762	\$ 820,447
Trustee distributions	38,313	37,835
Trustee distributions restricted to professorship:		
Asset value	\$ 1,405,087	\$ 1,117,359
Trustee distributions	51,144	49,585
Unrestricted trustee distributions:		
Asset value	\$ 2,468,524	\$ 2,012,511
Trustee distributions	50,774	94,844

Pooled (or Life) Income Fund

These are arrangements in which the university pools, invests, and manages life income gifts from many different donors. The funds are unitized and donors are assigned a specific number of units based on the relationship of the fair value of their contribution to the fair value of the pool as a whole at the time the donor enters the pool. During the term of the life income gifts, the donor, or beneficiaries specified by the donor, receives the actual income earned on the donor's units in the pool. Upon death, the donor's units revert to the university. The assets are recorded as investments in the Consolidated Statements of Financial Position at fair value.

	2021	2020
Asset value	\$ 99,067	\$ 74,529

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Charitable Gift Annuities

These are arrangements between donors and the university in which the donors contribute assets to the university in exchange for a promise by the university to pay a fixed amount for a specified period of time to individuals named by the donors. No trust exists, the assets received are held as general assets of the university, and the annuity liability is a general obligation of the university and is included in the accrued liabilities in the Consolidated Statements of Financial Position. The assets received are recognized at fair value when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the beneficiary.

	2021	2020
Annuities asset	\$ 1,736,281	\$ 1,398,179
Annuities liability	510,522	528,621
Total contributions to charitable gift annuities	23,996	-
Change in value of charitable gift annuities	(609,309)	(54,208)

Charitable Remainder Unitrusts

A charitable remainder unitrust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the university receives the assets remaining in the trust. The distributions to the beneficiaries are for a specified percentage of the trust's fair market value as determined annually. Distributions to the beneficiaries are made from income and then principal to the extent income is not sufficient. Obligations to the beneficiaries are limited to the assets of the trust. The present value of the unitrust liability is included in accrued liabilities in the Consolidated Statements of Financial Position.

	2021	2020
Unitrust liability	\$ 323,074	\$ 162,309
Change in value of charitable remainder trusts	(139,897)	1,160

NOTE 8: Financing Receivables

The university makes uncollateralized loans to students based on financial need through institutional resources. The university also participates in the Perkins federal revolving loan program, wherein the university acts as an agent for the federal government in administering the loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments of outstanding loans. 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.

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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:

	2021	2020
Federal Perkins loan program	\$ 1,425,392	\$ 1,871,230
Institutional loans	329,049	291,575
	1,754,441	2,162,805
Less allowance for doubtful accounts:		
Beginning of the year	(80,000)	(65,000)
Increase	(2,517)	(15,063)
Charge offs	17	63
End of year	(82,500)	(80,000)
Student loans receivable, net	\$ 1,671,941	\$ 2,082,805

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
2021	\$ -	\$ -	\$ 232,106	\$ 232,106
2020	\$ 3,691	\$ 708	\$ 266,876	\$ 271,275

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:

	2021	2020
Federal Perkins loan program	0.96%	0.99%
Institutional loans - Undergraduate	0.00%	0.00%
Institutional loans - Graduate	3.26%	3.57%

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NOTE 9: Construction in Progress

Projects in process at May 31 are as follows:

<u>2021 Project Description</u>	<u>Costs Incurred Through 5/31/21</u>	<u>Estimated Date of Completion</u>
Founders Hall / Innovation Quad II	6,699,510	August 2022
Innovation Quad Parking Lots	2,203,703	August 2021
Nursing Program Phase 1	1,110,586	August 2021
Smith Hall Renovation	744,564	August 2021
Koury Athletic Center Chiller Replacement	296,985	December 2021
Carolina Hall Renovation	188,817	August 2022
Moseley 2nd Floor Renovation 2021	157,826	August 2021
Energy Conservation Projects	123,931	December 2021
Other Projects	447,265	Various
Total	<u>\$ 11,973,187</u>	

<u>2020 Project Description</u>	<u>Costs Incurred Through 5/31/20</u>	<u>Estimated Date of Completion</u>
Founders Hall / Innovation Quad II	1,434,963	August 2022
Smith Hall Renovation	489,927	August 2021
Carolina Hall Renovation	186,532	August 2022
Other Projects	627,757	Various
Total	<u>\$ 2,739,179</u>	

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

NOTE 10: Property and Equipment

Property and equipment at May 31 are as follows:

	2021	2020
Land and land improvements	\$ 87,508,400	\$ 87,685,163
Buildings	494,587,959	494,237,745
Computers and related equipment	6,048,688	6,203,264
Library resources	1,680,920	2,077,594
Vehicles	5,981,832	6,035,341
Audiovisual equipment	5,602,062	5,300,949
Science equipment	3,301,638	3,179,334
Software	2,027,347	2,020,962
Telephone systems and equipment	129,709	129,709
Other moveable assets	16,966,912	17,918,683
Collections	3,272,849	3,272,849
	627,108,316	628,061,593
Less: Accumulated depreciation	171,509,329	159,251,043
	\$ 455,598,987	\$ 468,810,550

Depreciation expense is \$15,074,314 and \$15,410,361 for the years ended May 31, 2021 and 2020, respectively.

NOTE 11: Accrued Liabilities

Accrued liabilities at May 31 are as follows:

	2021	2020
Salaries and wages	\$ 9,963,466	\$ 10,395,465
Compensated absences	5,535,119	4,544,630
Split-interest agreements	736,517	593,851
Employee benefits and payroll taxes	(2,772)	1,066
Conditional asset retirement obligations	581,279	556,994
Accrued other liabilities	2,762,931	1,710,651
	\$ 19,576,540	\$ 17,802,657

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, 2021 and 2020

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 4.36% and 4.84% for May 31, 2021 and 2020, respectively.

NOTE 12: Other Liabilities

Other liabilities at May 31 are as follows:

	2021	2020
Agency obligations	\$ 2,968,553	\$ 2,373,545
Refundable advances - Exchange transactions	12,657,134	13,891,362
Refundable advances - CRUTs	3,445,141	1,957,436
Total	\$ 19,070,828	\$ 18,222,343

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 \$718,984 and \$579,783 at May 31, 2021 and 2020, respectively.

Refundable Advances – Exchange Transactions

As of May 31, 2021 and 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 \$16,700,000 and \$17,115,000, respectively, 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, 2021 and 2020

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 13: 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:

	2021	2020
Buildings, computers and related equipment	\$ 14,912,538	\$ 15,102,538
Less: Accumulated amortization	5,972,677	5,502,600
Total	\$ 8,939,861	\$ 9,599,938

Amortization of assets under capital leases is included in depreciation expense and amounted to \$1,099,252 and \$1,176,086 for the years ended May 31, 2021 and 2020, respectively.

Future minimum lease payments under capital leases and the net present value of the future minimum lease payments at May 31, 2021, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	1,686,849
2023	1,686,631
2024	1,297,059
2025	1,186,568
2026	1,230,409
Thereafter	19,664,081
Total lease payments	26,751,597
Less: Amounts representing interest	16,187,796
Present value of future minimum lease payments	\$ 10,563,801

Total interest costs incurred related to the obligation under capital leases are \$948,549 and \$958,121 for the years ended May 31, 2021 and 2020, respectively.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

NOTE 14: Bonds Payable

The following bonds were issued through the North Carolina Capital Facilities Finance Agency. Revenue Bond Series 2012 was a direct purchase bond held by Truist Financial. 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 Truist Financial. Revenue Bond Series 2016A and 2017A were issued as direct purchase bonds held by Bank of America Corporation. Revenue Bond Series 2018A was issued as a direct purchase by First Tennessee Bank Securities Investment I, LLC. Revenue Bond Series 2021, in the amount of \$50,000,000 was issued as a direct purchase by TD Bank, N.A. 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, 2021 and 2020.

Remaining principal balances at May 31 are as follows:

	2021	2020
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, 2021, is 1.08%.	\$ 47,510,000	\$ 49,835,000
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, 2021, is 1.91%.	12,710,000	15,185,000
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 15. The interest rate at May 31, 2021, is 1.14%.	52,000,000	53,270,000
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 15. The interest rate at May 31, 2021, is 0.38%.	4,185,000	10,555,000
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, 2021, is 0.67%.	21,960,000	22,765,000
Revenue Bonds, Series 2018A - \$20,000,000, bearing a fixed interest rate paid monthly. Principal payments began in 2020 and will continue through 2038. The interest rate at May 31, 2021, is 3.10%.	18,442,000	19,234,000
Revenue Bonds, Series 2021 - \$50,000,000, bearing a fixed interest rate paid monthly. Principal payments will begin in 2023 and will continue through 2041. The interest rate at May 31, 2021, is 2.25%.	50,000,000	-
	206,807,000	170,844,000
Less: Bond Issue Costs	913,706	775,911
Total	\$ 205,893,294	\$ 170,068,089

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

Aggregate maturities of bonds payable at May 31, 2021, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 11,498,000
2023	9,688,000
2024	9,989,000
2025	10,298,000
2026	10,616,000
Thereafter	<u>154,718,000</u>
Total	<u>\$ 206,807,000</u>

Total interest costs incurred related to bonds payable are \$3,797,056 and \$5,414,385 for the years ended May 31, 2021 and 2020, respectively, and of these amounts \$97,378 and \$95,057, respectively, are capitalized as a cost of construction.

NOTE 15: Obligation Under Interest Rate Swap 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 to minimize the impact of future interest rate changes. 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. Principal maturities on the remaining debt conclude in 2036.

Effective July 1, 2012 management renegotiated these agreements, under substantially similar terms from the previous provider Bank of America to Wells Fargo. Effective July 1, 2020 the university exercised the option to terminate one of the 2014B swap agreements.

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

	<u>Fixed Rate</u>	<u>2021</u>		<u>Fixed Rate</u>	<u>2020</u>
Various	3.78%	\$ 1,610,018	Series 2014A	3.78%	\$ 2,228,065
Series 2014B	3.30%	-	Series 2014B	3.30%	83,621
Series 2014B	3.01%	<u>270,520</u>	Series 2014B	3.01%	<u>1,339,309</u>
Total		<u>\$ 1,880,538</u>	Total		<u>\$ 3,650,995</u>

Series 2016A contains an interest rate cap agreement. The fair value of the interest rate cap is \$0 and \$291 at May 31, 2021 and 2020, respectively.

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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

NOTE 16: Net Assets

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

	<u>2021</u>	<u>2020</u>
Permanent endowment funds	\$ 160,716,047	\$ 142,827,129
Contributions to buildings and equipment	8,538,071	1,739,244
Contributions receivable, net	903,100	2,307,668
Endowment related funds	61,714,275	24,746,710
Split-interest agreements	1,065,660	913,898
Non-endowed contributions for scholarships and operations	8,973,335	8,565,602
Student loan funds	<u>636,367</u>	<u>636,337</u>
 Total net assets with donor restrictions	 <u>\$ 242,546,855</u>	 <u>\$ 181,738,608</u>

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 410,317,723	\$ 369,001,639
Designated by the Board for endowment		
Scholarship	107,960,056	84,879,402
Program	9,546,251	7,698,013
Professorship	<u>3,670,207</u>	<u>2,959,622</u>
	121,176,514	95,537,037
 Total net assets without donor restrictions	 <u>\$ 531,494,237</u>	 <u>\$ 464,538,676</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

NOTE 17: Financial Aid

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

	2021	2020
Tuition and fees	\$ 262,539,449	\$ 259,873,638
Tuition discount	(58,605,469)	(56,564,846)
Net tuition	203,933,980	203,308,792
Room and board	48,445,507	36,295,146
Room and board discount	(3,598,494)	(2,688,486)
Net room and board	44,847,013	33,606,660
Student revenues, net	\$ 248,780,993	\$ 236,915,452

The university awards financial aid based on academic merit, need and leadership. Gross tuition discount is 22.4% and 21.7% for the years ended May 31, 2021 and 2020, respectively. The unfunded tuition discount rate is 19.7% and 19.0% for the years ended May 31, 2021 and 2020, 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).

	2021		2020	
	Dollars	Percentage	Dollars	Percentage
<u>Total Tuition and Fees</u>				
Unfunded discount - general	\$ 49,104,183	18.7%	\$ 47,375,932	18.2%
Unfunded discount - quasi	2,570,137	1.0%	2,174,630	0.8%
Total unfunded discount	51,674,320	19.7%	49,550,562	19.0%
Funded discount	6,931,149	2.7%	7,014,284	2.7%
Total	\$ 58,605,469	22.4%	\$ 56,564,846	21.7%
Gross tuition and fees	\$ 262,539,449		\$ 259,873,638	

	2021		2020	
	Dollars	Percentage	Dollars	Percentage
<u>Undergraduate Tuition and Fees</u>				
Unfunded discount - general	\$ 40,584,936	17.5%	\$ 39,553,400	17.1%
Unfunded discount - quasi	2,570,137	1.1%	2,174,630	0.9%
Total unfunded discount	43,155,073	18.6%	41,728,030	18.0%
Funded discount	6,697,871	2.9%	6,845,333	3.0%
Total	\$ 49,852,944	21.5%	\$ 48,573,363	21.0%
Gross tuition and fees	\$ 231,869,669		\$ 231,203,681	

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

NOTE 18: Gift Revenue

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

	2021	2020
Annual Funds	\$ 1,874,528	\$ 2,035,028
Endowment and similar funds	3,251,089	3,980,074
Capital projects	8,044,930	4,127,708
Restricted to programs	3,299,154	4,544,443
Restricted to scholarships	978,428	406,515
	<u> </u>	<u> </u>
Total	<u>\$ 17,448,129</u>	<u>\$ 15,093,768</u>

NOTE 19: Functional Classification of Expenses

Expenses by function and nature consist of the following for the year ended May 31, 2021:

	<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	\$ 63,932,056	\$ 3,060,455	\$ 21,698,452	\$ 6,415,758	\$ 20,175,737	\$ 115,282,458
Benefits	17,001,426	942,420	6,376,403	1,995,211	5,964,690	32,280,150
Operating Expenses	6,208,664	2,853,583	9,640,571	17,570,450	17,392,330	53,666,901
Travel and Study Abroad expense	4,920,000	-	4,128,773	1,083	212,739	9,261,292
Depreciation	4,912,680	485,508	2,653,103	6,792,827	230,196	15,074,314
Debt Service and Interest Expense	314,968	-	104,757	2,832,972	587,812	3,840,509
Project Expenses	328,664	32,481	177,495	454,447	15,400	1,008,487
Physical Plant	2,054,839	228,087	1,250,287	3,167,073	106,096	6,806,382
	<u>\$ 99,673,297</u>	<u>\$ 7,602,534</u>	<u>\$ 46,029,841</u>	<u>\$ 39,229,821</u>	<u>\$ 44,685,000</u>	<u>\$ 237,220,493</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

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>

The university's primary program service is academic instruction for the education of undergraduate and graduate students. Expenses reported as academic support, student services, auxiliary services and institutional support are incurred in support of this primary program activity. Academic Support includes support services to students and faculty including the library, media services and technology. Student Services are expenses related to the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development. Athletics and Campus Safety and Police are included within Student Services. Auxiliary Services includes student housing and dining services. Institutional Support are expenses related to the operation and management of the institution.

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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

NOTE 20: 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 \$7,667,465 and \$7,602,035 for the years ended May 31, 2021 and 2020, respectively.

NOTE 21: Fund Raising

Fundraising costs are \$5,718,241 and \$6,825,433 for the years ended May 31, 2021 and 2020, respectively. These costs are included with other costs and are shown as institutional support on the Consolidated Statements of Activities.

NOTE 22: 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 \$1,653,431 and \$1,354,223 during the years ended May 31, 2021 and 2020, 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 \$459,262 and \$370,799 at May 31, 2021 and 2020, respectively. These balances are classified as accounts receivable in the Consolidated Statements of Financial Position.

NOTE 23: 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. During the years ended May 31, 2021 and 2020, the university incurred \$281,311 and \$155,605, respectively, in unrelated business income tax.

ELON UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended May 31, 2021 and 2020

NOTE 24: Supplemental Disclosures of Cash Flow Information

During the years ended May 31, 2021 and 2020, cash payments for interest on bonds and capital leases amounted to \$4,789,059 and \$6,580,180, respectively. These numbers are net of amounts capitalized as cost of construction.

The university received noncash contributions in stock and other assets totaling \$6,593,611 and \$5,644,312 during the years ended May 31, 2021 and 2020, respectively.

The university added distressed assets resulting in a noncash increase in accrued liabilities of \$24,285 and \$25,714 during the years ended May 31, 2021 and 2020 respectively.

Leased equipment costing \$441,718 and \$1,442,907 was acquired under the terms of capital leases during the years ended May 31, 2021 and 2020, respectively. The cost of property acquired as well as the initial lease obligations have been excluded from the Consolidated Statements of Cash Flows.

NOTE 25: 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, 2021 and 2020, the university had outstanding contractual commitments and equipment purchase orders totaling \$34,118,303 and \$2,584,108, respectively.

(c) Operating Leases

The university leases buildings and equipment under operating leases that will expire in various years through 2030. Rent expense is \$1,849,729 and \$1,831,430 for the years ended May 31, 2021 and 2020, 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>
2022	\$ 1,681,709
2023	1,678,123
2024	1,739,149
2025	723,644
2026	681,261
Thereafter	540,782
Total minimum future rental payments	<u>\$ 7,044,668</u>

The university leases apartments and houses for student housing under operating leases that will expire in 2024. Rent expense for student housing is \$1,006,156 and \$961,267 for the years ended May 31, 2021 and 2020, 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. The university has a commitment of \$2,790,897 for minimum future rental payments at May 31, 2021.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2021 and 2020

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, 2021, the maximum potential future payments under these agreements are \$13,838,594.

(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 has responded to the challenges of the COVID-19 pandemic through comprehensive plans and protocols based on the guidance and recommendations of local, state, national and global public health agencies. The university opened in person with a residential campus in fall 2020 with its "Ready and Resilient" plan in place. This plan guided the university's operations and the adaptation of the campus environment so that Elon could promote health and safety throughout the 2020-21 academic year. The university has implemented Healthy Elon 2021-22, a plan for the new academic year with a continued focus on the wellness and well-being of the entire community. Elon will closely monitor COVID-19 guidance and infection tracking information from the Centers for Disease Control and Prevention, the North Carolina Department of Health and Human Services, and public health departments in Alamance and Guilford counties. The university continues to track and respond to developments in how the pandemic is impacting the social, financial, legal and regulatory landscapes.

NOTE 26: Subsequent Events

As of September 21, 2021, the university does not have any subsequent events to report.

**ADDITIONAL INFORMATION
PROVIDED BY ELON UNIVERSITY**

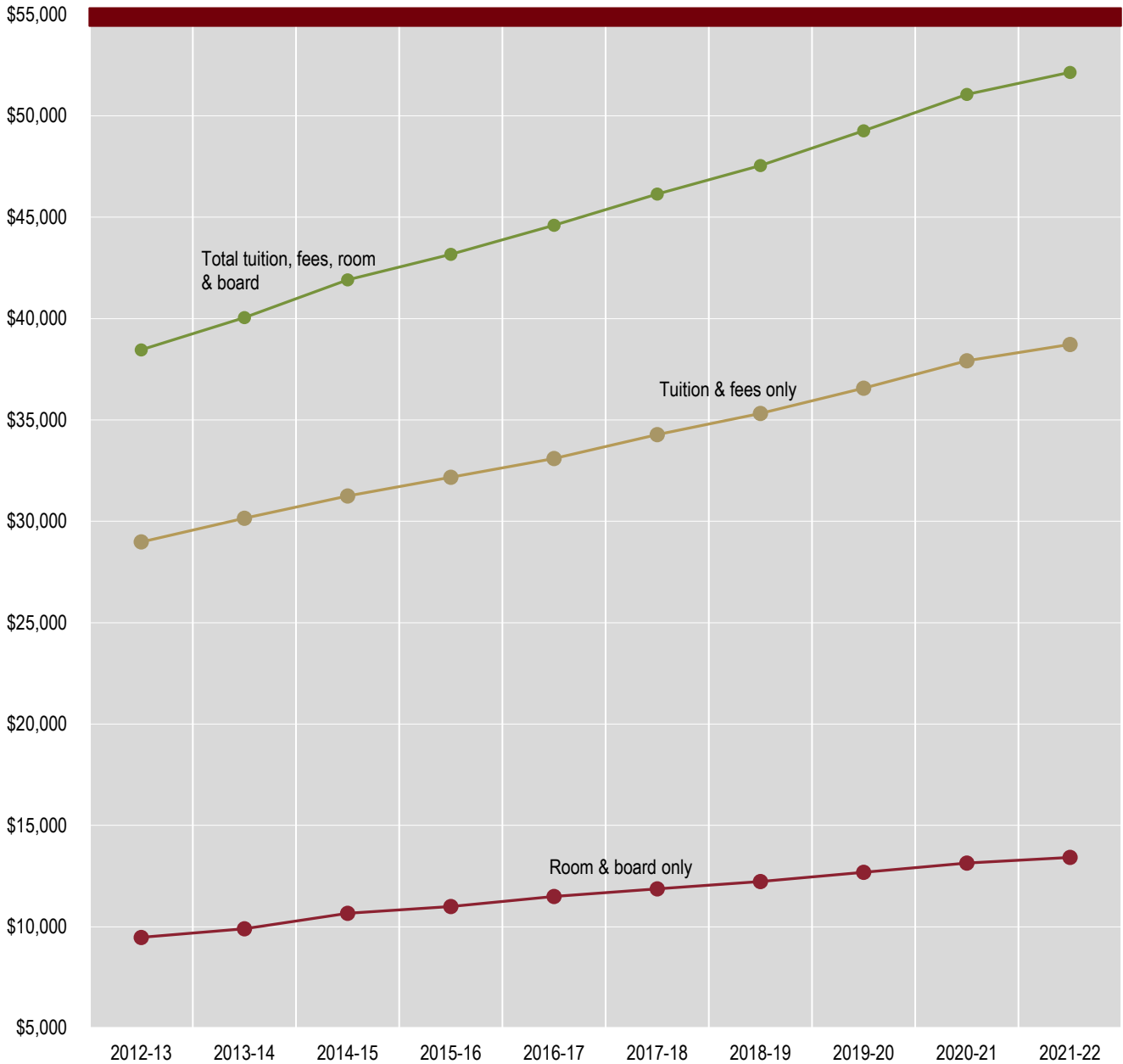
ELON UNIVERSITY

TUITION AND FEES, ROOM AND BOARD

2013-2022

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
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
2021-22	\$38,218	\$507	\$6,593	\$6,829	\$52,147



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

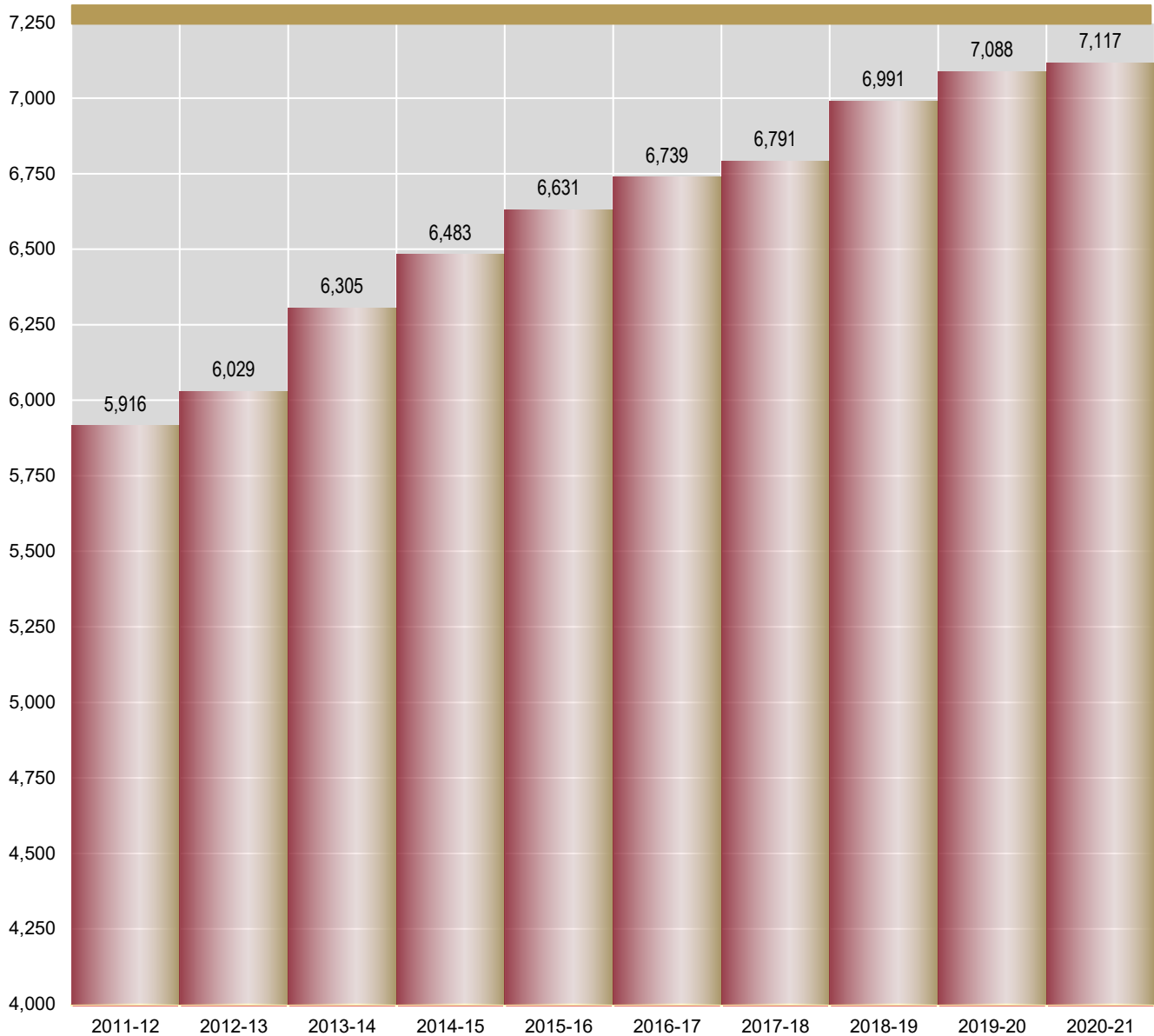
ELON UNIVERSITY

STUDENT ENROLLMENT

2012-2021

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
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
2020-21	6,291	826	7,117



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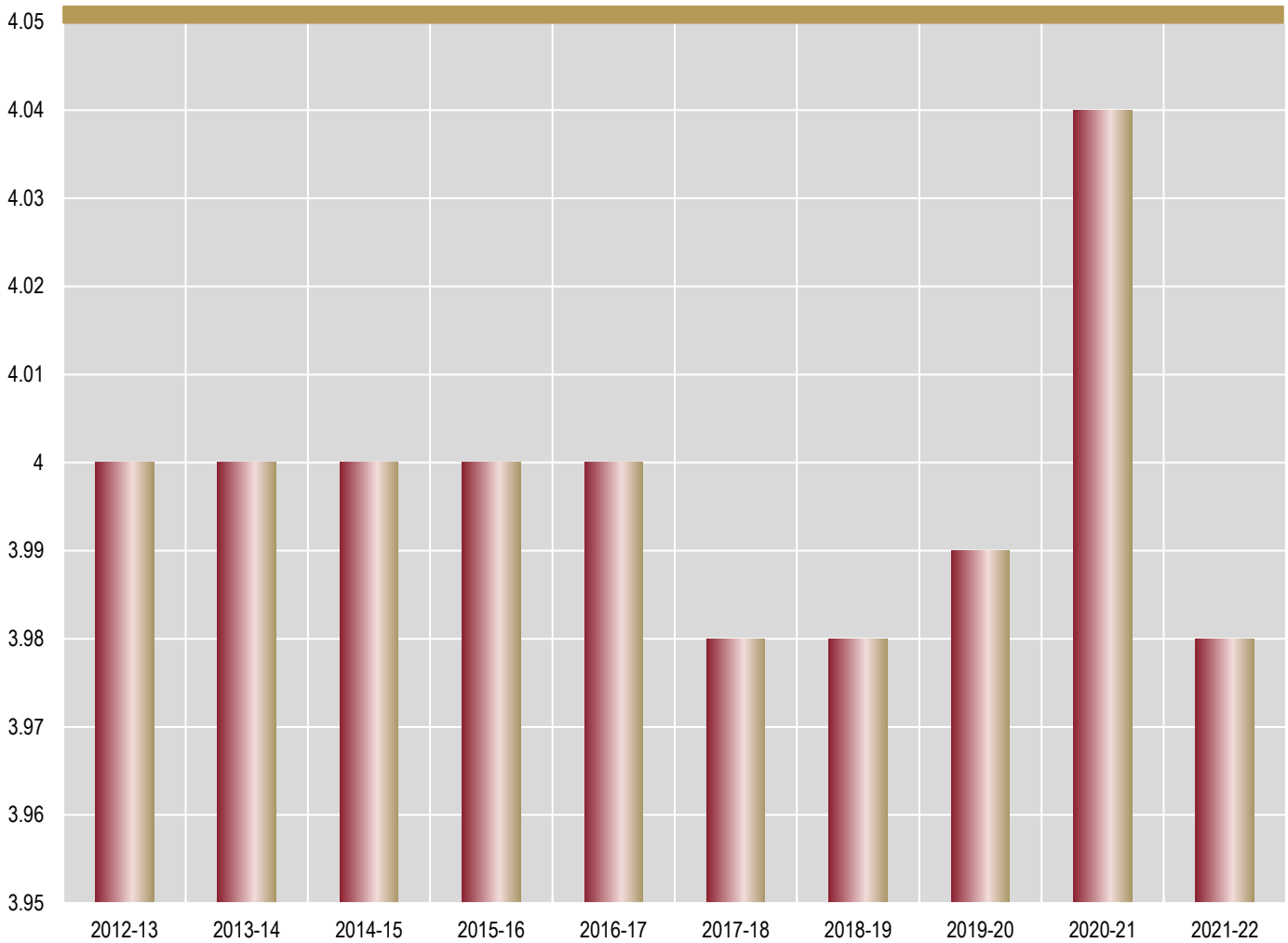
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**STUDENT
SELECTIVITY**

2013-2022

Measures of student quality have remained consistently high over the last 10 years. The average GPA is 3.99. Academic year 2021 is the first year Elon used the common application.

ACADEMIC YEAR	Applications	GPA
2012-13	10,241	4.00
2013-14	9,949	4.00
2014-15	10,442	4.00
2015-16	10,257	4.00
2016-17	10,095	4.00
2017-18	9,622	3.98
2018-19	10,729	3.98
2019-20	10,500	3.99
2020-21	15,305	4.04
2021-22	17,815	3.98

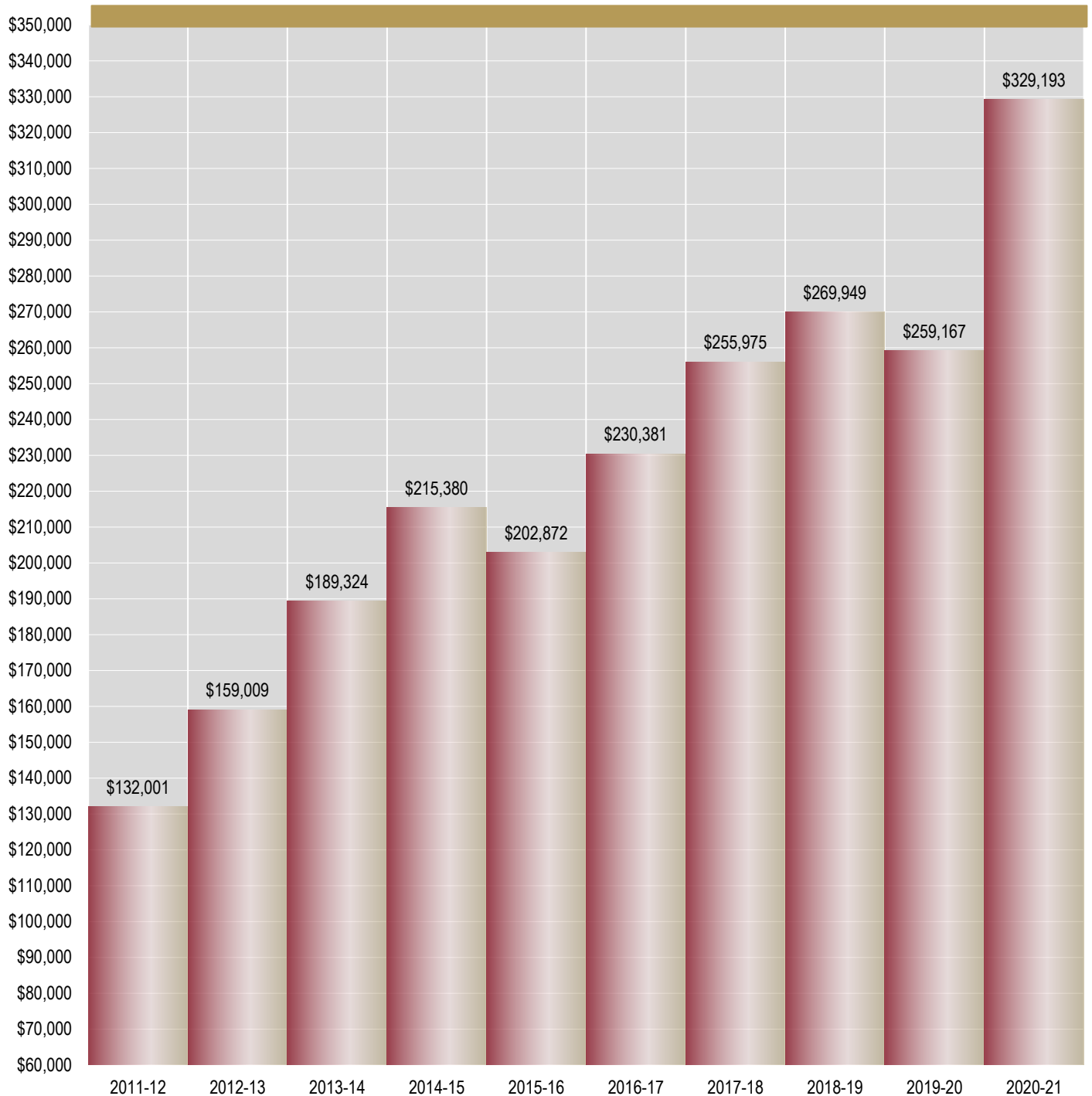


This graph was not subjected to auditing procedures.
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ENDOWMENT MARKET VALUE (000)

The overall trend of the endowment market value has been positive over the past 10 years, experiencing a growth of over \$200 million in the 10 year span.

2012-2021



This graph was not subjected to auditing procedures.

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

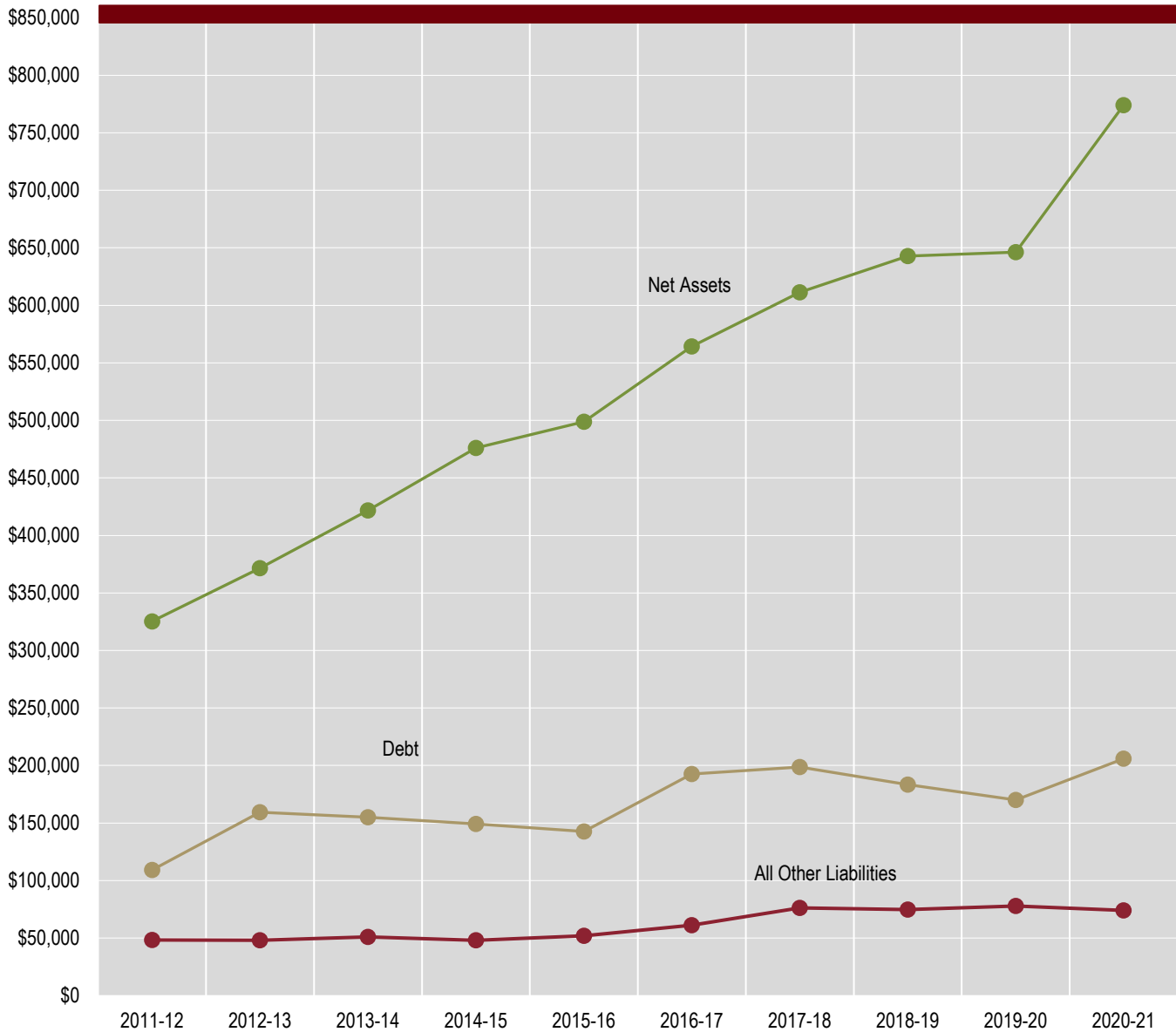
ELON UNIVERSITY

NET ASSETS AND LIABILITIES (000)

2012-2021

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
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	\$77,826
2020-21	\$774,041	\$205,893	\$73,986



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



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FINANCIAL & AUDIT REPORT
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