



FINANCIAL & AUDIT REPORT

MAY 31,
2022 & 2021

 **ELON UNIVERSITY**

CONTENTS

FINANCIAL OVERVIEW 2021 - 2022.....	2
MANAGEMENT STATEMENT OF RESPONSIBILITY.....	3
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	7
Consolidated Statements of Activities	8
Consolidated Statements of Cash Flows.....	10
Notes to Consolidated Financial Statements.....	11
OTHER FINANCIAL INFORMATION (not subjected to auditing procedures)	
Tuition and Fees, Room and Board 2014-2023.....	41
Student Enrollment 2013-2022	42
Student Selectivity 2014-2023	43
Endowment Market Value 2013-2022.....	44
Net Assets and Liabilities 2013-2022.....	45

ELON UNIVERSITY FINANCIAL OVERVIEW 2021-2022

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/financial-reports-audits/>

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.

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.

The Elon community has successfully navigated the unprecedented challenges of the COVID-19 pandemic during the past two academic years while preserving the university's in-person, relationship-rich learning model. The experience gained in responding to the pandemic will continue to inform the university's decisions going forward to help ensure a healthy and safe environment for students, faculty and staff.

After a successful year of student recruitment, Elon begins the 2022-2023 academic year with the largest entering class in the institution's history. The first two buildings in Elon's new Innovation Quad – Founders Hall and Innovation Hall – open for fall semester. The Innovation Quad will provide a new home for the engineering and physics departments, along with labs and resources to support multidisciplinary STEM education that will benefit students in all majors. Meantime, enrollment in Elon's two new nursing programs continues to grow and students are enjoying access to a new interprofessional lab equipped with augmented, virtual and mixed reality technologies.

In fall semester, the university will launch its HealthEU initiative, a comprehensive health and wellness effort that represents a holistic approach to personal and community wellbeing. Other new initiatives this year include planning for a comprehensive campus wellness center and major steps forward in building a signature mentoring program that will benefit all students. Elon continues to make progress on diversity, equity and inclusion goals through efforts coordinated by the Division of Inclusive Excellence, which was formed in 2020. Among the most important advances is the adoption of a groundbreaking Advancing Equity Requirement in the Core Curriculum, starting with the Class of 2027.

Elon is in the final year of Elon LEADS, a historic fundraising campaign with a goal of raising \$250 million for multiple priorities by December 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 2022, donors have contributed more than \$252 million in pledges and gifts toward the campaign goal.

Elon student-athletes excelled both athletically and academically last school year. Two teams won CAA championships and nine teams finished in the top four of the Colonial Athletic Association league standings. Forty-eight student-athletes earned CAA All-Conference honors, six were named to All-Rookie teams, and two student-athletes were recognized as All-Americans. In addition, there were two Scholar-Athletes of the Year and two Athletes of the Year. Elon had a league-high six individuals recognized as CAA Leadership and Sport Excellence Award Winners and a school-record four teams named as CAA Academic Excellence award winners.

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 of 4% and an ending endowment value of \$317 million.

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, 2022 and 2021, 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

GRANT THORNTON LLP

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

D +1 617 723 7900

F +1 617 723 3640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Elon University

Opinion

We have audited the 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, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Other information included in the annual report

Management is responsible for the other information included in the annual report. The other information comprises The Financial Overview 2021-2022, Management Statement of Responsibility and accompanying graphs of tuition and fees, room and board 2014-2023, student enrollment 2013-2022, student selectivity 2014-2023, endowment market value 2013-2022, and net assets and liabilities 2013-2022 but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Grant Thornton LLP

Boston, Massachusetts
September 22, 2022

ELON UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2022 and 2021

	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 48,676,833	\$ 45,900,225
Accounts receivable, net	4,912,344	6,549,098
Prepaid expenses and other assets	3,337,987	4,223,812
Deposits with bond trustee	22,954,570	47,800,270
Contributions receivable, net	1,082,897	3,309,492
Investments	490,933,536	476,893,373
Loans to students, net	1,345,326	1,671,941
Construction in progress	46,892,782	11,973,187
Property and equipment, net	441,360,671	446,659,126
Capitalized leases	-	8,939,861
Right of use assets under operating leases	8,002,971	-
Right of use assets under finance leases	8,233,335	-
	\$ 1,077,733,252	\$ 1,053,920,385
LIABILITIES:		
Accounts payable	\$ 9,871,369	\$ 6,203,529
Accrued liabilities	18,099,493	19,576,540
Student deposits	6,223,402	6,552,845
Deferred revenue	4,701,540	8,314,659
Other liabilities	17,605,211	19,070,828
Obligation under capital leases	-	10,563,801
Operating lease liabilities	8,198,761	-
Finance lease liabilities	10,294,047	-
Bonds payable, net	194,472,311	205,893,294
Obligation under interest rate swap agreements	787,967	1,880,538
U.S. government advances for student loans	1,334,812	1,823,259
	271,588,913	279,879,293
NET ASSETS:		
Without donor restrictions		
Undesignated	449,142,377	410,317,723
Designated by the Board for endowment	120,863,461	121,176,514
With donor restrictions	236,138,501	242,546,855
	806,144,339	774,041,092
Total Net Assets	806,144,339	774,041,092
Total Liabilities and Net Assets	\$ 1,077,733,252	\$ 1,053,920,385

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

ELON UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:			
Revenues, gains and losses:			
Student revenues, net	\$ 259,655,237	\$ -	\$ 259,655,237
Sales and service of auxiliary enterprises	2,989,619	-	2,989,619
Federal grants	9,634,457	-	9,634,457
State grants	2,229,675	-	2,229,675
Other grants	865,854	-	865,854
Contributions : cash and other financial assets	2,443,993	16,741,712	19,185,705
Contributions : nonfinancial assets	849,078	121,029	970,107
Investment return	(2,345,495)	(11,608,839)	(13,954,334)
Loss on disposal of property and equipment	(11,312)	-	(11,312)
Athletics	3,974,175	309,940	4,284,115
Other sources	2,673,197	193,974	2,867,171
Total Revenues, Gains and Losses	282,958,478	5,757,816	288,716,294
Net Assets Released From Restrictions	12,166,170	(12,166,170)	-
Total Revenues and Gains and Other Support	295,124,648	(6,408,354)	288,716,294
Expenses:			
Instruction	116,426,629	-	116,426,629
Student services	50,285,385	-	50,285,385
Auxiliary enterprises	39,183,578	-	39,183,578
Academic support	8,367,969	-	8,367,969
Institutional support	43,442,057	-	43,442,057
Total Expenses	257,705,618	-	257,705,618
Increase (Decrease) in Net Assets before change in interest rate swap agreements	37,419,030	(6,408,354)	31,010,676
Change in value of interest rate swap agreements	1,092,571	-	1,092,571
Increase (Decrease) in Net Assets	38,511,601	(6,408,354)	32,103,247
Net Assets - Beginning of Year	531,494,237	242,546,855	774,041,092
Net Assets - End of Year	\$ 570,005,838	\$ 236,138,501	\$ 806,144,339

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: cash and other financial assets	2,051,675	15,375,099	17,426,774
Contributions: nonfinancial assets	8,604	12,751	21,355
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 STATEMENTS OF CASH FLOWS
May 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 32,103,247	\$ 127,765,828
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,753,087	15,074,314
Amortization of financing right-of-use assets	1,154,288	-
Amortization of finance lease liability	197,833	-
Amortization of operating leases	195,790	-
Change in fair value at interest rate swap agreements	(1,092,571)	(1,770,166)
Amortization of bond issue costs	77,017	81,482
Contributions of assets - other	(1,294,834)	(311,835)
Contributions restricted to capital projects	(3,506,837)	(5,786,819)
Contributions of assets - endowment	(821,622)	(494,957)
Contributions restricted to endowment	(6,687,278)	(2,497,359)
Loss (Gain) on investments	15,729,165	(76,301,885)
Loss on disposal of property and equipment	11,312	192,206
Provision for bad debt	1,807,395	853,254
(Increase) decrease in:		
Accounts receivable	1,636,754	(1,970,464)
Prepaid expenses and other assets	885,825	606,674
Contributions receivable	419,200	2,200,948
Loans to students	326,615	408,364
Increase (decrease) in:		
Accounts payable	3,667,840	3,435,873
Accrued liabilities	(1,513,267)	1,749,598
Student deposits	(329,443)	(7,035,806)
Deferred revenue	(3,613,119)	816,895
Other liabilities	(1,465,617)	848,485
U.S. government advances for student loans	(488,447)	(439,202)
Net cash provided by operating activities	<u>51,152,333</u>	<u>57,425,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	47,629,128	43,427,877
Purchases of investments	(76,103,622)	(77,959,162)
Proceeds from disposal of property and equipment	33,581	13,134
Purchases of property and equipment	(43,382,900)	(10,836,096)
Decrease (increase) in deposits with bond trustee	24,845,700	(47,800,270)
Net cash used by investing activities	<u>(46,978,113)</u>	<u>(93,154,517)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
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	(11,498,000)	(14,037,000)
Payments on finance/capital lease obligations	(915,349)	(811,321)
Contributions restricted to capital projects	3,506,837	5,786,819
Contributions restricted to endowment	7,508,900	2,992,316
Net cash (used) provided by financing activities	<u>(1,397,612)</u>	<u>42,611,537</u>
Net increase in cash and cash equivalents	2,776,608	6,882,448
Cash and cash equivalents, Beginning of year	45,900,225	39,017,777
Cash and cash equivalents, End of year	<u>\$ 48,676,833</u>	<u>\$ 45,900,225</u>

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, 2022 and 2021

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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This ASU requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U. S. GAAP, which have terms of greater than 12 months. This ASU defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. This ASU retains a distinction between finance leases and operating leases. The result of retaining a distinction between finance leases and operating leases in the statement of activities and the statement of cash flows is largely unchanged from previous U. S. GAAP. The university adopted ASU 2016-02 on June 1, 2021, using a modified retrospective approach. The university assessed whether any existing or expired agreements contain leases as part of our implementation process. This ASU requires that the rights and obligations arising from the lease contracts, including existing and new arrangements, be recognized as assets and liabilities on the consolidated balance sheet, in addition to disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. Upon adoption, the university recognized right-of-use (ROU) assets of \$19,382,928 and related lease liabilities of \$20,893,239. The adoption did not materially impact the university's results of operations.

In 2022, the university adopted ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The university adopted ASU 2020-07 retrospectively for all periods presented. This ASU increases transparency about contributed nonfinancial assets through enhancements to presentation and disclosure.

(e) Classification of Net Assets

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

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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

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

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

(f) Cash and Cash Equivalents

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

(g) Accounts Receivable

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

Payment for all classes is due on or before registration day of each semester. Students are not allowed to register until payment has been made. The university does not extend credit plans to its students in the normal course of business. These credit plans must be prearranged, and all payments are due before the close of the semester. The total amount included in accounts receivable at May 31, 2022 past due 180 days is \$395,316. 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 \$124,375 and \$100,000 at May 31, 2022 and 2021, respectively.

(h) Deposits with Bond Trustee

In 2022 and 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 are being used for construction of certain facilities.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

(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 4.0% and 3.25% discount rate at May 31, 2022 and 2021, respectfully.

(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, 2022 and 2021. See Note 6 for further information.

(l) Loans to Students

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

(m) 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.

(n) 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, 2022 and 2021

(o) 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.

(p) Leases

At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the university's incremental borrowing rate. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the university will exercise that option.

(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 \$1,086,480 and \$651,097 at May 31, 2022 and 2021, 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, 2022 and 2021

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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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:

	2022	2021
Total assets at year-end:	\$ 1,077,733,252	\$ 1,053,920,385
Less amounts not available to be used for general expenditures within one year:		
Non-financial assets	(525,292,496)	(485,664,750)
Endowments subject to donor restrictions	(193,287,458)	(205,828,311)
Net assets subject to purpose restrictions	(71,014,157)	(87,771,790)
Assets restricted for the Perkins loan program	(1,417,789)	(1,906,236)
Total financial assets available to meet general expenditures over next 12 months	\$ 286,721,352	\$ 272,749,298

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

Cash and cash equivalents	\$ 44,676,089	\$ 43,128,514
Accounts receivable, net	4,912,344	6,549,098
Investments not encumbered by donor restrictions	237,132,919	223,071,686
Financial assets available to meet general expenditures over the next 12 months	\$ 286,721,352	\$ 272,749,298

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 accordance with its short-term investment policy which was approved by the Investment Committee of the Board of Trustees. 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.

Cash and cash equivalents presented in the table above differ from the statement of position by the balance restricted to be used for other purposes. Total cash restricted for Perkins is \$392,289 and \$520,844 for the years ended May 31, 2022 and 2021. Total cash restricted for capital projects is \$1,037,528 and \$1,174,372 for the years ended May 31, 2022 and 2021. Total cash restricted for donor endowment is \$2,570,927 and \$1,076,495 for the years ended May 31, 2022 and 2021.

To help manage liquidity, the university secured a one-year line of credit for \$25 million in October 2021. As of May 31, 2022, there were no outstanding amounts under this line of credit.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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, 2022 and 2021. The fair value of certain investments held by the underlying investment, which may include private placements and other securities for which values are not readily available, is determined in good faith by the respective underlying investment entity. The estimated fair values may differ from the values that would have been used had a ready market existed for this investment, and the differences could be material. The university's investment in the Inn at Elon is revalued each year and adjusted to fair market value as noted in Note 1. Other real estate investments are revalued periodically and adjusted to fair market value.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

At May 31, 2022, fair value of financial assets and financial liabilities is as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash & cash equivalents	\$ 40,208,681	\$ -	\$ -	\$ 40,208,681
Equities	11,475,517	-	-	11,475,517
Asset backed	-	26,266,159	-	26,266,159
Government and corporate bonds	88,858,033	-	-	88,858,033
Real estate	-	-	31,412,014	31,412,014
Other	589,481	-	-	589,481
Alternative investments (valued at NAV)	-	-	-	287,445,585
Outside perpetual trusts	-	-	4,678,066	4,678,066
Financial Assets	141,131,712	\$ 26,266,159	\$ 36,090,080	\$ 490,933,536
Split-interest agreements (accrued liabilities)	\$ -	\$ 694,580	\$ -	\$ 694,580
Refundable advances (CRUTs) (other liabilities)	-	3,269,825	-	3,269,825
Obligation under interest rate swap agreements	-	787,967	-	787,967
Financial Liabilities	\$ -	\$ 4,752,372	\$ -	\$ 4,752,372

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	\$ 113,310,678	\$ 30,447,073	\$ 30,444,387	\$ 476,893,373
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	\$ -	\$ 6,062,196	\$ -	\$ 6,062,196

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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:

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.

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.

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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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

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

NOTE 4: Contributions Receivable

The payment timing of outstanding contributions receivable at May 31, 2022, is estimated to be:

	With Donor Restrictions
Less than one year	\$ 1,007,057
2 - 5 Years	75,840
Total	\$ 1,082,897

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

	With Donor Restrictions
Less than one year	\$ 1,757,330
2 - 5 years	1,323,075
More than 5 years	229,087
Total	\$ 3,309,492

Contributions receivable are shown net of a collection allowance of \$1,702,303 and \$1,088,999 and a discount of \$917,859 and \$281,493 at May 31, 2022 and 2021, 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 \$2,750,000 and \$3,250,000 at May 31, 2022 and 2021, respectively.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 5: Investments

Major categories of investments at May 31 are as follows:

	2022		2021	
	Cost	Market	Cost	Market
<u>Non-endowment funds:</u>				
Money market funds	\$ 35,150,270	\$ 35,150,270	\$ 20,117,132	\$ 20,117,132
Certificates of deposit	2,104,286	2,104,286	2,104,286	2,104,286
Equities	4,274,006	5,175,212	4,706,757	6,402,295
Fixed income	115,894,827	113,047,812	103,395,942	103,750,663
Real estate	15,632,013	16,474,013	15,632,013	13,884,337
Other	537,307	537,307	722,397	722,397
Alternative investments	491,842	650,797	491,842	718,984
	174,084,551	173,139,697	147,170,369	147,700,094
<u>Endowment and similar funds:</u>				
Money market funds	\$ 2,956,515	\$ 2,954,125	\$ 402,507	\$ 406,006
Equities	3,731,567	6,300,305	4,075,130	7,453,165
Fixed income	2,185,375	2,076,380	2,414,660	2,535,230
Real estate	16,430,001	14,938,001	16,430,001	11,527,677
Other	51,285	52,174	252,304	266,577
Alternative investments	151,709,152	286,794,788	149,496,152	301,972,251
Outside perpetual trusts	-	4,678,066	-	5,032,373
	177,063,895	317,793,839	173,070,754	329,193,279
Total	\$ 351,148,446	\$ 490,933,536	\$ 320,241,123	\$ 476,893,373

The university has investments of \$16,634,596 and \$17,793,594 at May 31, 2022 and 2021, 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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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, 2022 and 2021. The applicable rate for scholarships is 5.0% for the years ended May 31, 2022 and 2021. 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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

Endowment totals as of May 31 are as follows:

	<u>2022</u>	<u>2021</u>
Contributions receivable, net	\$ 321,487	\$ 903,100
Investments	317,793,839	329,193,279
Accrued and other liabilities	<u>(3,964,407)</u>	<u>(3,091,554)</u>
 Total	 <u>\$ 314,150,919</u>	 <u>\$ 327,004,825</u>

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

	<u>2022</u>	<u>2021</u>
Designated by the Board for Endowment	\$ 120,863,461	\$ 121,176,514
With Donor Restrictions	<u>193,287,458</u>	<u>205,828,311</u>
 Total	 <u>\$ 314,150,919</u>	 <u>\$ 327,004,825</u>

Changes in endowment net assets during the years ended May 31, 2022 and 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>(6,873,240)</u>	<u>6,882,338</u>	<u>9,098</u>
 Balance, May 31, 2021	 \$ 121,176,514	 \$ 205,828,311	 \$ 327,004,825
Contributions - Donors	-	7,508,914	7,508,914
Contributions - Board designated	8,000,000	-	8,000,000
Investment return	(3,190,460)	(11,764,894)	(14,955,354)
Spending policy	(5,122,593)	(8,283,766)	(13,406,359)
Transfers	<u>-</u>	<u>(1,107)</u>	<u>(1,107)</u>
 Balance, May 31, 2022	 <u>\$ 120,863,461</u>	 <u>\$ 193,287,458</u>	 <u>\$ 314,150,919</u>

The fair value of assets associated with individual donor-restricted endowment funds may fall below the historic gift value. These deficiencies amounted to \$741,901 and \$0 at May 31, 2022 and 2021, 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.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

Deficiencies of this nature exist in thirty-eight donor-restricted endowment funds, which together have an original gift value of \$7,026,475, a current value of \$6,284,574, and a deficiency of \$741,901 as of May 31, 2022. There were no underwater donor-restricted endowment funds as of May 31, 2021.

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.

	2022	2021
Trustee distributions restricted to scholarship:		
Asset value	\$ 1,161,053	\$ 1,158,762
Trustee distributions	39,944	38,313
Trustee distributions restricted to professorship:		
Asset value	\$ 1,314,672	\$ 1,405,087
Trustee distributions	56,762	51,144
Unrestricted trustee distributions:		
Asset value	\$ 2,202,341	\$ 2,468,524
Trustee distributions	102,326	50,774

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.

	2022	2021
Annuities asset	\$ 1,427,695	\$ 1,736,281
Annuities liability	483,414	510,522
Total contributions to charitable gift annuities	10,000	23,996
Change in value of charitable gift annuities	(126,670)	(609,309)

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 8: Financing Receivables

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

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

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:

	2022	2021
Federal Perkins loan program	\$ 1,065,500	\$ 1,425,392
Institutional loans	362,326	329,049
	<u>1,427,826</u>	<u>1,754,441</u>
Less allowance for doubtful accounts:		
Beginning of the year	(82,500)	(80,000)
Increase	(8,179)	(2,517)
Charge offs	8,179	17
End of year	<u>(82,500)</u>	<u>(82,500)</u>
Student loans receivable, net	<u>\$ 1,345,326</u>	<u>\$ 1,671,941</u>

At May 31, past due amounts are as follows:

	1-60 Days Past Due	60-90 Days Past Due	Over 90 Days Past Due	Total
2022	\$ 4,628	\$ 1,021	\$ 258,547	\$ 264,196
2021	\$ -	\$ -	\$ 232,106	\$ 232,106

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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:

	2022	2021
Federal Perkins loan program	0.86%	0.96%
Institutional loans - Undergraduate	0.62%	0.00%
Institutional loans - Graduate	2.22%	3.26%

NOTE 9: Construction in Progress

Projects in process at May 31 are as follows:

<u>2022 Project Description</u>	Costs Incurred Through 5/31/22	Estimated Date of Completion
Founders Hall and Innovation Hall	33,158,639	August 2022
Francis Center Nursing Classroom and Lab Space	4,035,272	August 2022
Smith Hall Renovation Phase 2	3,377,082	June 2022
Latham Park Building	1,714,583	August 2022
Carolina Hall Renovation	1,590,041	August 2022
Moseley 2nd Floor Renovation	1,093,828	October 2022
McMichael Science Upgrade	309,664	August 2024
Energy Conservation Projects Phase	272,318	August 2022
East Neighborhood Commons Design	226,509	August 2024
Francis Center Phase 3 & 4 Design	211,555	October 2022
Digital Donor Wall	120,000	December 2022
Other Projects	783,291	Various
	\$ 46,892,782	
Total		
<u>2021 Project Description</u>	Costs Incurred Through 5/31/21	Estimated Date of Completion
Founders Hall and Innovation Hall	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 Phase 1	744,564	August 2021
Koury Athletic Center Chiller Replacement	296,985	December 2021
Carolina Hall Renovation	188,817	August 2022
Moseley 2nd Floor Renovation	157,826	October 2022
Energy Conservation Projects Phase	123,931	December 2021
Other projects	447,265	Various
	\$ 11,973,187	
Total		

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 10: Property and Equipment

Property and equipment at May 31 are as follows:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 91,168,932	\$ 87,508,400
Buildings	486,210,482	484,328,412
Computers and related equipment	1,395,696	1,395,696
Library resources	1,343,860	1,680,920
Vehicles	5,685,108	5,981,832
Audiovisual equipment	5,769,600	5,602,062
Science equipment	3,881,972	3,301,638
Software	2,027,347	2,027,347
Telephone systems and equipment	129,709	129,709
Other moveable assets	18,696,410	16,966,914
Collections	3,272,849	3,272,849
	<u>619,581,965</u>	<u>612,195,779</u>
Less: Accumulated depreciation	<u>178,221,294</u>	<u>165,536,652</u>
Total	<u>\$ 441,360,671</u>	<u>\$ 446,659,126</u>

Depreciation expense is \$13,753,087 and \$13,975,062 for the years ended May 31, 2022 and 2021, respectively.

NOTE 11: Accrued Liabilities

Accrued liabilities at May 31 are as follows:

	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 9,934,542	\$ 9,963,466
Compensated absences	4,015,051	5,535,119
Split-interest agreements	694,580	736,517
Conditional asset retirement obligations	547,781	581,279
Accrued other liabilities	2,907,539	2,760,159
Total	<u>\$ 18,099,493</u>	<u>\$ 19,576,540</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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.

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 7.08% and 4.36% for May 31, 2022 and 2021, respectively.

NOTE 12: Other Liabilities

Other liabilities at May 31 are as follows:

	2022	2021
Agency obligations	\$ 2,874,980	\$ 2,968,553
Refundable advances - Exchange transactions	11,460,406	12,657,134
Refundable advances - CRUTs	3,269,825	3,445,141
Total	\$ 17,605,211	\$ 19,070,828

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 \$650,797 and \$718,984 at May 31, 2022 and 2021, respectively.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

Refundable Advances – Exchange Transactions

As of May 31, 2022 and 2021, 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 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.

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: Leases

The university has operating and finance leases for buildings, computers, and related equipment. The university determines if an arrangement is a lease at the inception of the contract. The university elected to apply the short-term lease exception under ASU 2016-02; therefore, leases with an initial term of twelve months or less are not recorded on the consolidated statement of position.

The university has lease agreements which require payments for lease and non-lease components and has elected to account for these as a single lease component. For leases that commenced before the effective date of ASU 2016-02, June 1, 2021, the university assessed whether any existing or expired agreements contain leases as part of our implementation process.

	Year Ended May 31, 2022
Lease expense	
Finance lease expense	
Amortization of ROU assets	\$ 1,154,288
Interest on lease liabilities	1,121,467
Operating lease expense	2,576,868
Total	4,852,623

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

Supplemental cash flow information related to leases:

Cash paid for amounts included in the measure of lease liabilities	
Operating cash flows from finance leases (i.e. interest)	921,087.00
Financing cash flows from finance leases (i.e. principal portion)	915,349.00
Operating cash flows from operating leases	2,267,449.00
ROU assets obtained in exchange for new finance lease liabilities	596,707
ROU assets obtained in exchange for new operating lease liabilities	10,329,438
Weighted-average remaining lease term in years for finance leases	15.91
Weighted-average remaining lease term in years for operating leases	3.51
Weighted-average discount rate for finance leases	11.75%
Weighted-average discount rate for operating leases	1.57%

Aggregate maturities of lease liabilities at May 31, 2022, are as follows:

<u>Year Ending</u>	<u>Finance</u>	<u>Operating</u>
2023	\$ 1,836,533	\$ 2,721,111
2024	1,419,799	2,693,539
2025	1,336,469	1,656,157
2026	1,342,692	818,340
2027	1,202,418	309,942
Thereafter	18,461,662	234,065
Total undiscounted cash flows	25,599,573	8,433,154
Less: present value discount	(15,305,526)	(234,393)
Total lease liabilities	<u>\$ 10,294,047</u>	<u>\$ 8,198,761</u>

Amortization of assets under capital leases is included in depreciation expense and amounted to \$1,099,252 for the year ended May 31, 2021. Total interest costs incurred related to the obligation under capital leases is \$948,549 for the year ended May 31, 2021.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 14: Bonds Payable

The following bonds were issued through the North Carolina Capital Facilities Finance Agency. Revenue Bond Series 2012 was issued as 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, 2022 and 2021.

Remaining principal balances at May 31 are as follows:

	2022	2021
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, 2022, is 1.64%.	\$ 45,120,000	\$ 47,510,000
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 bonds are subject to an interest rate swap agreement referenced in Note 15. The interest rate at May 31, 2022, is 1.91%.	11,175,000	12,710,000
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 were subject to an interest rate swap agreement referenced in Note 15, but was cancelled in July 2021. The interest rate at May 31, 2022, is 1.31%.	50,255,000	52,000,000
Revenue Bonds, Series 2016A - \$32,000,000, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2018 and matured on January 1, 2022.	-	4,185,000
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, 2022, is 1.21%.	21,135,000	21,960,000
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, 2022, is 3.10%.	17,624,000	18,442,000
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, 2022, is 2.25%.	50,000,000	50,000,000
	195,309,000	206,807,000
Less: Bond Issue Costs	836,689	913,706
Total	\$ 194,472,311	\$ 205,893,294

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

Aggregate maturities of bonds payable at May 31, 2022, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2023	9,688,000
2024	9,989,000
2025	10,298,000
2026	10,616,000
2027	10,941,000
Thereafter	<u>143,777,000</u>
Total	<u>\$ 195,309,000</u>

Total interest costs incurred related to bonds payable are \$3,777,779 and \$3,797,056 for the years ended May 31, 2022 and 2021, respectively, and of these amounts \$465,962 and \$97,378, respectively, are capitalized as a cost of construction.

NOTE 15: Obligation Under Interest Rate Swap Agreements

The university has entered into interest rate swap agreements to hedge outstanding variable rate 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 USD-LIBOR BBA index.

Effective July 19, 2021 the university exercised the option to terminate the 2014B agreement.

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

	<u>Fixed Rate</u>	<u>2022</u>		<u>Fixed Rate</u>	<u>2021</u>
Various	3.78%	\$ 787,967	Various	3.78%	\$ 1,610,018
Series 2014B	3.01%	<u>-</u>	Series 2014B	3.01%	<u>270,520</u>
Total		<u>\$ 787,967</u>	Total		<u>\$ 1,880,538</u>

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 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, 2022 and 2021

NOTE 16: Net Assets

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

	<u>2022</u>	<u>2021</u>
Permanent endowment funds	\$ 165,291,088	\$ 160,716,047
Contributions to buildings and equipment	12,959,695	8,538,071
Contributions receivable, net	321,487	903,100
Endowment related funds	45,609,137	61,714,275
Split-interest agreement and term endowments	1,087,986	1,065,660
Non-endowed contributions for scholarships and operations	10,232,671	8,973,335
Student loan funds	<u>636,437</u>	<u>636,367</u>
 Total net assets with donor restrictions	 <u>\$ 236,138,501</u>	 <u>\$ 242,546,855</u>

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

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 449,142,377	\$ 410,317,723
Designated by the Board for endowment		
Scholarship	108,900,410	107,960,056
Program	8,640,915	9,546,251
Professorship	<u>3,322,136</u>	<u>3,670,207</u>
	120,863,461	121,176,514
 Total net assets without donor restrictions	 <u>\$ 570,005,838</u>	 <u>\$ 531,494,237</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 17: Financial Aid (Student Services Discount)

	2022	2021
Tuition and fees	\$ 274,706,212	\$ 262,539,449
Tuition discount	<u>(60,625,757)</u>	<u>(58,605,469)</u>
Net tuition	214,080,455	203,933,980
Room and board	49,220,189	48,445,507
Room and board discount	<u>(3,645,407)</u>	<u>(3,598,494)</u>
Net room and board	45,574,782	44,847,013
Student services revenue	\$ 259,655,237	\$ 248,780,993

The university awards financial aid based on academic merit, need and leadership. Gross tuition discount is 22.1% and 22.4% for the years ended May 31, 2022 and 2021, respectively. The unfunded discount rate is 19.2% and 19.7% for the years ended May 31, 2022 and 2021, 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).

	2022		2021	
	Dollars	Percentage	Dollars	Percentage
<u>Total Tuition and Fees</u>				
Unfunded discount - general	\$ 50,041,565	18.2%	\$ 49,104,183	18.7%
Unfunded discount - quasi	<u>2,698,539</u>	<u>1.0%</u>	<u>2,570,137</u>	<u>1.0%</u>
Total unfunded discount	52,740,104	19.2%	51,674,320	19.7%
Funded discount	<u>7,885,653</u>	<u>2.9%</u>	<u>6,931,149</u>	<u>2.7%</u>
Total	<u>\$ 60,625,757</u>	<u>22.1%</u>	<u>\$ 58,605,469</u>	<u>22.4%</u>
Gross tuition and fees	<u>\$ 274,706,212</u>		<u>\$ 262,539,449</u>	

	2022		2021	
	Dollars	Percentage	Dollars	Percentage
<u>Undergraduate Tuition and Fees</u>				
Unfunded discount - general	\$ 40,815,854	16.8%	\$ 40,584,936	17.5%
Unfunded discount - quasi	<u>2,698,539</u>	<u>1.1%</u>	<u>2,570,137</u>	<u>1.1%</u>
Total unfunded discount	43,514,393	17.9%	43,155,073	18.6%
Funded discount	<u>7,704,010</u>	<u>3.2%</u>	<u>6,697,871</u>	<u>2.9%</u>
Total	<u>\$ 51,218,403</u>	<u>21.1%</u>	<u>\$ 49,852,944</u>	<u>21.5%</u>
Gross tuition and fees	<u>\$ 243,631,875</u>		<u>\$ 231,869,669</u>	

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 18: Contributed Cash and Other Financial Assets

Major categories of contributed cash and other financial assets at May 31 are as follows:

	2022	2021
Annual funds	\$ 2,102,063	\$ 1,865,924
Endowment and similar funds	7,508,915	3,251,089
Capital projects	5,130,048	8,044,930
Restricted to programs	3,556,636	3,286,403
Restricted to scholarships	888,043	978,428
Total	\$ 19,185,705	\$ 17,426,774

NOTE 19: Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities at May 31 are as follows:

	2022	2021
Real estate	\$ 825,000	\$ -
Construction supplies	100,000	-
Equipment	29,578	16,250
General program supplies	15,529	5,105
Total contributed nonfinancial assets	\$ 970,107	\$ 21,355

The university recognized contributed nonfinancial assets with revenue, including contributed real estate, construction supplies, equipment, and general program supplies. Unless otherwise noted below, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets without donor restrictions of \$849,078 consists of a house located near the university's campus and other items that will be used for general university purposes. In valuing the contributed real estate, the university received an appraisal report from a third party to properly value the gift.

Contributed nonfinancial assets with donor restrictions of \$121,029 consists of concrete used in the construction of Founder's Hall, a new facility for the university's engineering program. The contributed equipment was utilized in Athletics and in the Physical Therapy HOPE Clinic. Contributed program supplies consisted of COVID related supplies, which were used campus wide for hand sanitation during the pandemic; contributed collectibles utilized for the Library, Art History, and Admissions; contributed food utilized in Annual Giving and Athletics; and contributed musical instruments utilized in the Music department.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 20: Functional Classification of Expenses

Expenses by function and nature consist of the following for the year ended May 31, 2022:

	<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	\$ 66,097,303	\$ 3,178,787	\$ 21,877,593	\$ 6,467,641	\$ 19,364,203	\$ 116,985,527
Benefits	17,669,497	1,042,662	6,806,215	2,139,308	6,650,476	34,308,158
Operating Expenses	7,977,399	3,301,713	14,691,653	17,102,495	15,891,987	58,965,247
Travel and Study Abroad expense	15,321,586	6,586	2,260,759	25,904	557,730	18,172,565
Depreciation	4,469,466	441,706	2,413,744	6,218,743	209,428	13,753,087
Debt Service and Interest Expense	1,196,986	-	63,752	1,677,291	582,803	3,520,832
Project Expenses	1,114,202	110,114	601,727	1,550,283	52,209	3,428,535
Facilities Management	2,580,190	286,401	1,569,942	4,001,913	133,221	8,571,667
	<u>\$ 116,426,629</u>	<u>\$ 8,367,969</u>	<u>\$ 50,285,385</u>	<u>\$ 39,183,578</u>	<u>\$ 43,442,057</u>	<u>\$ 257,705,618</u>

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

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	12,883,239	17,570,450	17,461,640	53,666,901
Travel and Study Abroad expense	4,920,000	-	886,105	1,083	143,429	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
Facilities Management	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>

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

NOTE 21: 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 \$7,617,066 and \$7,667,465 for the years ended May 31, 2022 and 2021, respectively.

NOTE 22: Fund Raising

Fundraising costs are \$7,366,324 and \$5,718,241 for the years ended May 31, 2022 and 2021, respectively. These costs are included with other costs and are shown as institutional support on the Consolidated Statements of Activities.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 23: 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 \$1,845,827 and \$1,653,431 during the years ended May 31, 2022 and 2021, 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 \$354,578 and \$459,262 at May 31, 2022 and 2021, respectively. These balances are classified as accounts receivable in the Consolidated Statements of Financial Position.

NOTE 24: 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, 2022 and 2021, the university incurred \$272,396 and \$281,311, respectively, in unrelated business income tax.

NOTE 25: Supplemental Disclosures of Cash Flow Information

During the years ended May 31, 2022 and 2021, cash payments for interest on bonds and capital leases amounted to \$4,642,298 and \$4,789,059, respectively. These numbers are net of amounts capitalized as cost of construction.

The university received noncash contributions in stock and other assets totaling \$6,448,293 and \$6,593,611 during the years ended May 31, 2022 and 2021, respectively.

The university added distressed assets resulting in a noncash increase in accrued liabilities of \$36,220 and \$24,285 during the years ended May 31, 2022 and 2021 respectively.

Finance leased equipment costing \$596,707 and \$441,718 was acquired under the terms of capital leases during the years ended May 31, 2022 and 2021, respectively. The cost of property acquired as well as the initial lease obligations have been excluded from the Consolidated Statements of Cash Flows.

ELON UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended May 31, 2022 and 2021

NOTE 26: 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, 2022 and 2021, the university had outstanding contractual commitments and equipment purchase orders totaling \$15,038,671 and \$34,118,303, respectively.

(c) 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, 2022, the maximum potential future payments under these agreements are \$11,765,614.

(d) 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.

NOTE 27: Subsequent Events

As of September 22, 2022 the university does not have any subsequent events to report.

**ADDITIONAL INFORMATION
PROVIDED BY ELON UNIVERSITY**

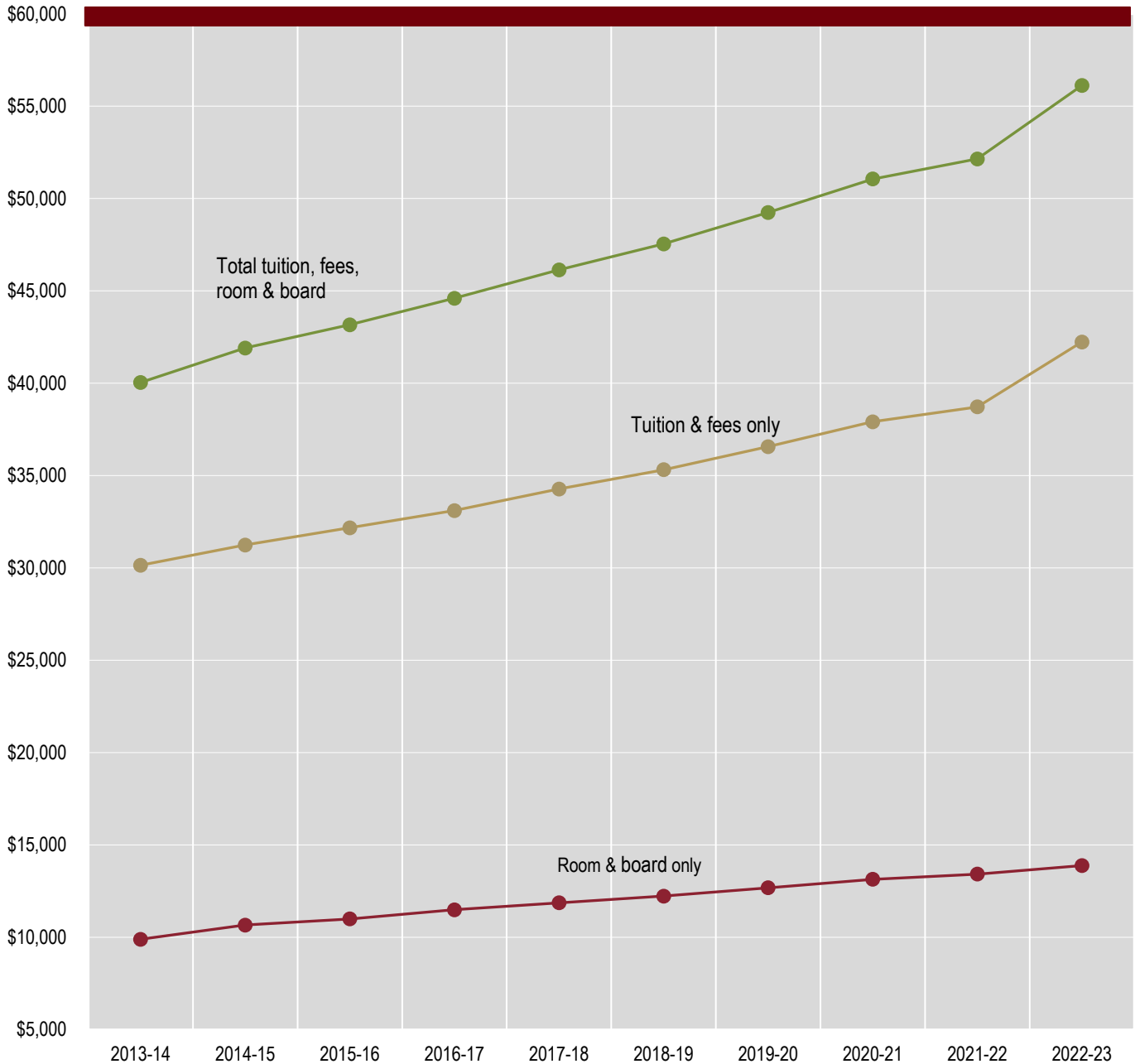
ELON UNIVERSITY

TUITION AND FEES, ROOM AND BOARD

2014-2023

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
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
2022-23	\$41,734	\$507	\$6,817	\$7,069	\$56,127



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

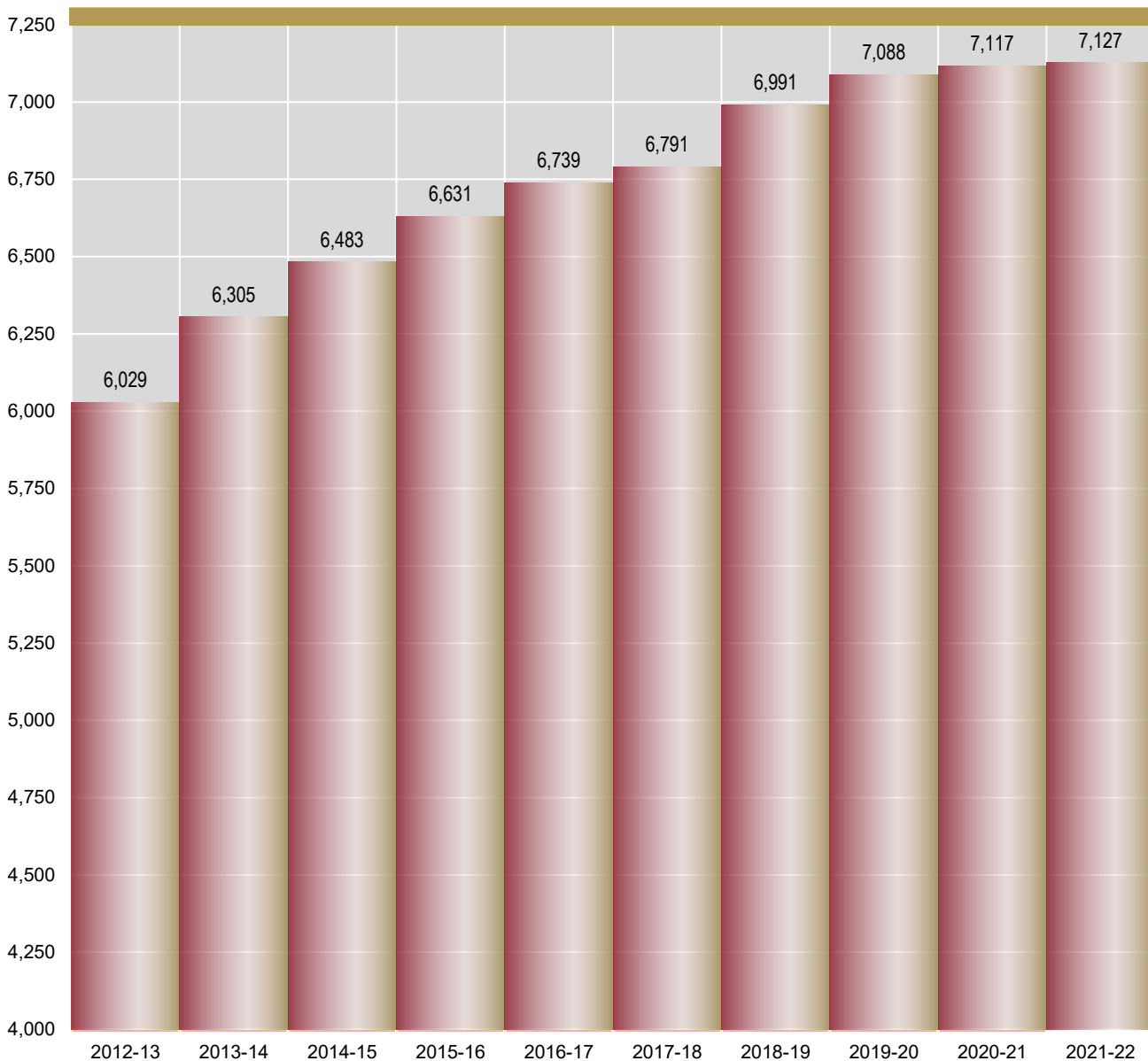
ELON UNIVERSITY

STUDENT ENROLLMENT

2013-2022

ACADEMIC YEAR	UNDERGRADUATE	GRADUATE	TOTAL
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
2021-22	6,302	825	7,127

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.



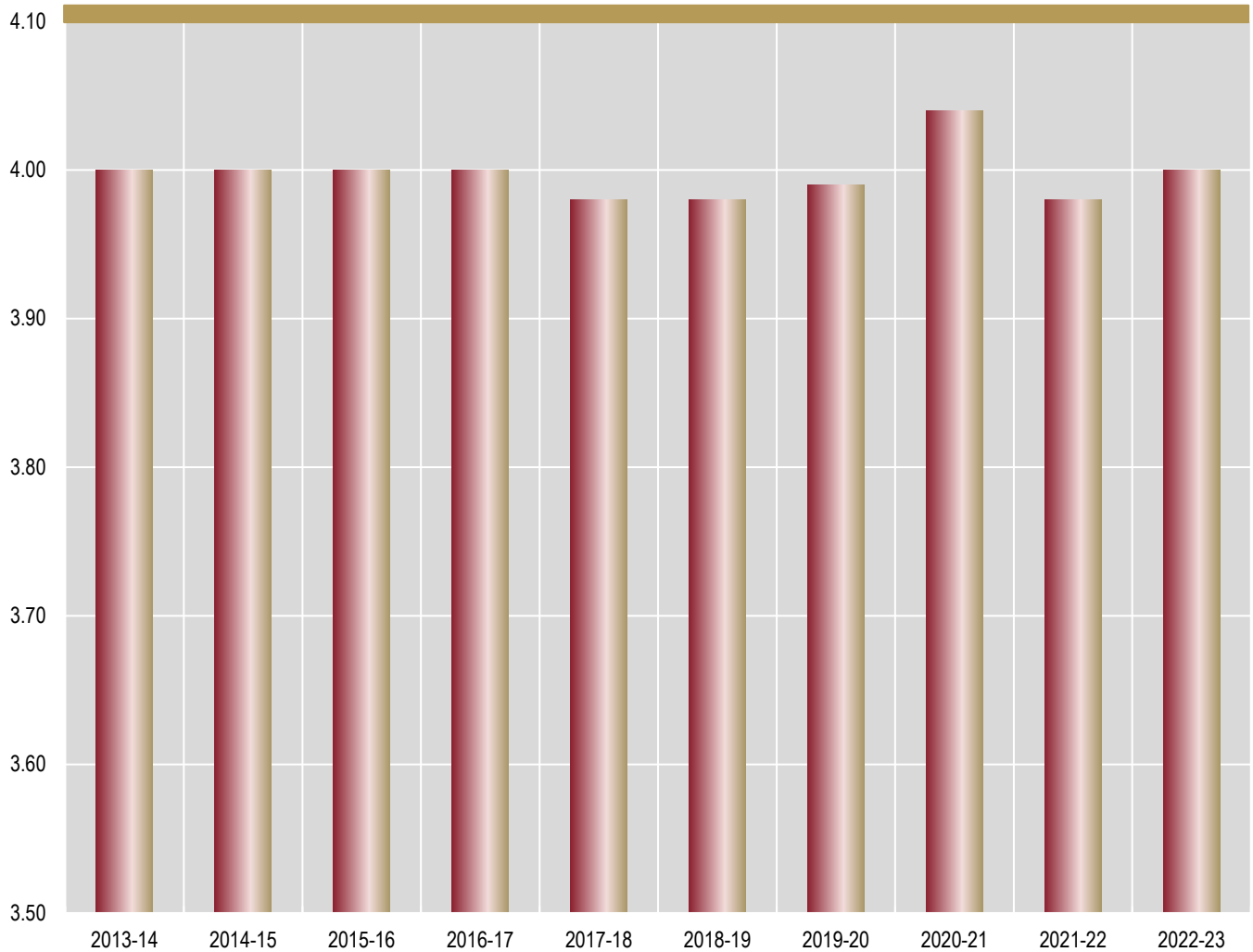
This graph was not subjected to auditing procedures. Please see the independent auditors' report on additional information at page 4.

**STUDENT
SELECTIVITY**

2014-2023

Measures of student quality have remained consistently high over the last 10 years. The average GPA is 4.00. Academic year 2021 is the first year Elon used the common application.

ACADEMIC YEAR	Applications	GPA
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
2022-23	17,530	4.00

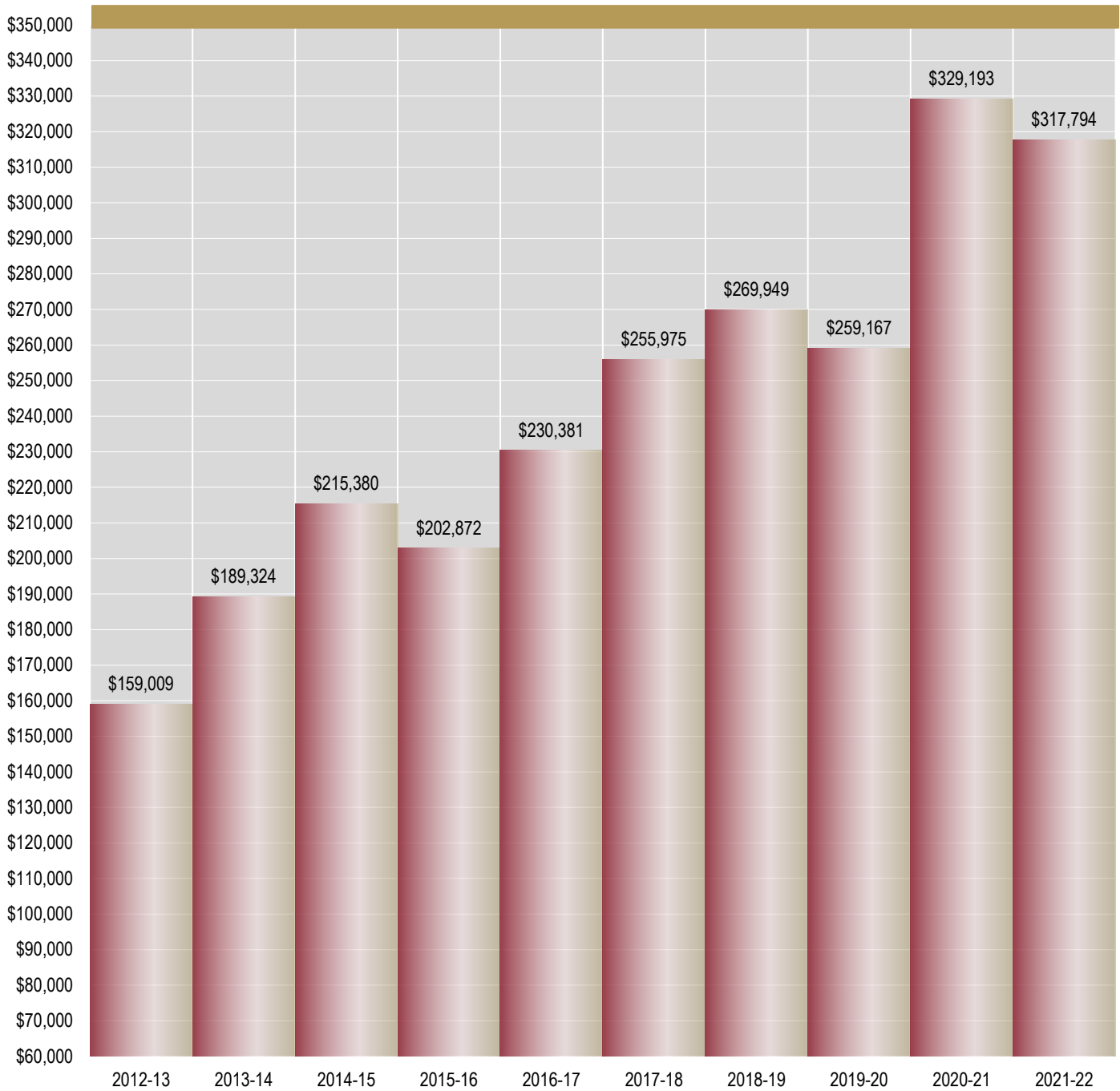


This graph was not subjected to auditing procedures. Please see the independent auditors' report on additional information at page 4.

ENDOWMENT MARKET VALUE (000)

The overall trend of the endowment market value has been positive over the past 10 years, experiencing a growth of nearly \$160 million in the 10 year span.

2013-2022



This graph was not subjected to auditing procedures.

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

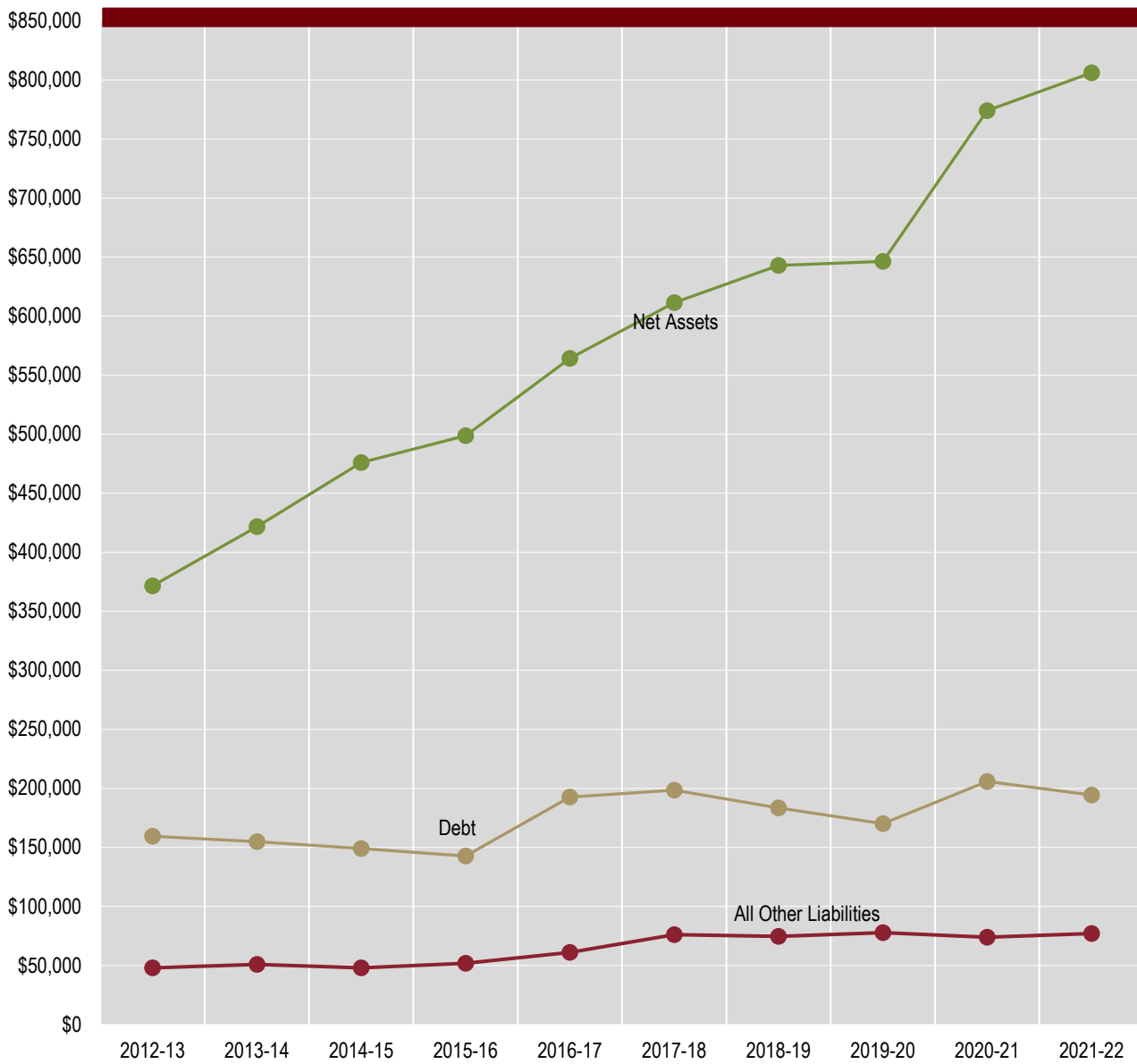
ELON UNIVERSITY

NET ASSETS AND LIABILITIES (000)

2013-2022

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
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
2021-22	\$806,144	\$194,472	\$77,117



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



FINANCIAL & AUDIT REPORT
MAY 31, 2022 & 2021