

GREENVILLE UNIVERSITY

Financial Statements  
With Independent Auditors' Report  
and  
Federal Awards in Accordance with the  
Uniform Guidance

Year Ended May 31, 2019

# GREENVILLE UNIVERSITY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7
Federal Awards	
Schedule of Expenditures of Federal Awards	31
Notes to Schedule of Expenditures of Federal Awards	32
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	36
Schedule of Findings and Questioned Costs	38
Auditee Summary Schedule of Prior Audit Findings	40

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Greenville University  
Greenville, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Greenville University (University), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

Board of Trustees  
Greenville University  
Greenville, Illinois

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenville University as of May 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Greenville University has adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This had a material effect on the presentation of the May 31, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Capin Crouse LLP*

Naperville, Illinois  
October 15, 2019

# GREENVILLE UNIVERSITY

## Statements of Financial Position

	May 31,	
	2019	2018
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 6,444,340	\$ 6,962,761
Accounts receivable–net of allowance	725,465	666,848
Student loans receivable–net of allowance	112,362	94,279
Federal student loan funds receivable–net of allowance	814,198	1,065,368
Other assets	247,199	377,781
Investments	1,587,815	1,744,187
Beneficial interest in remainder trusts	808,304	812,447
Property and equipment–net of depreciation	29,230,936	29,710,692
Endowment assets	21,159,996	20,196,340
<b>Total Assets</b>	<b>\$ 61,130,615</b>	<b>\$ 61,630,703</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,174,941	\$ 645,550
Accrued expenses	289,052	224,267
Accrued payroll	618,846	719,603
Deferred revenue	708,943	549,686
Student deposits	120,058	134,074
Annuities payable	115,567	119,239
Asset retirement obligation	548,065	530,205
Line of credit	218,403	-
Notes payable	7,873,623	8,140,639
Liability for federal student loan funds	1,419,316	1,382,732
<b>Total liabilities</b>	<b>13,086,814</b>	<b>12,445,995</b>
<b>Net assets:</b>		
Net assets without donor restriction	24,807,743	26,285,555
Net assets with donor restriction	23,236,058	22,899,153
<b>Total net assets</b>	<b>48,043,801</b>	<b>49,184,708</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 61,130,615</b>	<b>\$ 61,630,703</b>

See notes to financial statements

# GREENVILLE UNIVERSITY

## Statements of Activities

	Year Ended May 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES AND OTHER SUPPORT:</b>						
Student tuition and fees	\$ 24,317,827	\$ -	\$ 24,317,827	\$ 24,937,272	\$ -	\$ 24,937,272
Less tuition discounts and scholarships	(11,712,393)	-	(11,712,393)	(11,841,456)	-	(11,841,456)
Net tuition and fees	12,605,434	-	12,605,434	13,095,816	-	13,095,816
Government grants	343,812	-	343,812	355,217	-	355,217
Sales of auxiliary services	6,000,224	-	6,000,224	5,928,858	-	5,928,858
Other income and gifts-in-kind	924,543	41,405	965,948	362,350	59,988	422,338
<b>Total Operating Revenues and Other Support</b>	<b>19,874,013</b>	<b>41,405</b>	<b>19,915,418</b>	<b>19,742,241</b>	<b>59,988</b>	<b>19,802,229</b>
<b>OPERATING EXPENSES:</b>						
Instruction	9,479,591	-	9,479,591	9,349,537	-	9,349,537
Academic support	1,364,694	-	1,364,694	1,578,986	-	1,578,986
Student services	7,386,107	-	7,386,107	7,711,822	-	7,711,822
Institutional support	3,683,680	-	3,683,680	3,661,969	-	3,661,969
Development and public relations	1,178,410	-	1,178,410	1,067,648	-	1,067,648
Auxiliary enterprises	2,834,365	-	2,834,365	2,624,070	-	2,624,070
<b>Total Operating Expenses</b>	<b>25,926,847</b>	<b>-</b>	<b>25,926,847</b>	<b>25,994,032</b>	<b>-</b>	<b>25,994,032</b>
<b>Change in Net Assets from Operating Activities</b>	<b>(6,052,834)</b>	<b>41,405</b>	<b>(6,011,429)</b>	<b>(6,251,791)</b>	<b>59,988</b>	<b>(6,191,803)</b>

(continued)

See notes to financial statements

# GREENVILLE UNIVERSITY

## Statements of Activities

(continued)

	Year Ended May 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>NONOPERATING ACTIVITIES:</b>						
Private gifts and grants	1,243,394	3,172,479	4,415,873	1,021,216	1,868,779	2,889,995
External student grants	267,977	-	267,977	367,276	-	367,276
Investment income, net	144,863	39,705	184,568	209,408	1,304,727	1,514,135
Change in value of beneficial interest in remainder trusts	-	(472)	(472)	-	56,334	56,334
Asset retirement obligation expense	(17,860)	-	(17,860)	39,435	-	39,435
Change in VSI (Note 2)	20,436	-	20,436	17,525	-	17,525
Net assets released from restrictions– Satisfaction of purpose restriction	2,916,212	(2,916,212)	-	2,716,376	(2,716,376)	-
Change in Net Assets from Nonoperating Activities	4,575,022	295,500	4,870,522	4,371,236	513,464	4,884,700
Change in Net Assets	(1,477,812)	336,905	(1,140,907)	(1,880,555)	573,452	(1,307,103)
Net Assets, Beginning of Year	26,285,555	22,899,153	49,184,708	28,166,110	22,325,701	50,491,811
Net Assets, End of Period	\$ 24,807,743	\$ 23,236,058	\$ 48,043,801	\$ 26,285,555	\$ 22,899,153	\$ 49,184,708

See notes to financial statements

# GREENVILLE UNIVERSITY

## Statements of Cash Flows

	Year Ended May 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,140,907)	\$ (1,307,103)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,345,011	2,192,886
Contributions received for long-term investment	(1,677,414)	(445,755)
Net realized and unrealized loss (gain) on investments	384,471	(723,170)
Change in value of beneficial interest in remainder trusts	4,143	(50,212)
Change in:		
Accounts receivable and student loans receivable	174,470	741,174
Other assets	130,582	(377,781)
Accounts payable and accrued expenses	507,607	134,129
Deferred revenue	159,257	199,655
Student deposits	(14,016)	(113,386)
Federal student loan funds payable	36,584	(206,939)
Net Cash Provided by Operating Activities	909,788	43,498
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	965,048	1,076,133
Purchase of investments	(2,156,803)	(3,109,886)
Purchase of property and equipment	(1,865,255)	(4,324,970)
Net Cash Used by Investing Activities	(3,057,010)	(6,358,723)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on note payable	(267,016)	-
Proceeds from note payable	-	1,270,257
Net activity on line of credit	218,403	-
Proceeds from contributions received for long-term investment	1,677,414	445,755
Net Cash Provided by Financing Activities	1,628,801	1,716,012
Change in Cash and Cash Equivalents	(518,421)	(4,599,213)
Cash and Cash Equivalents, Beginning of Period	6,962,761	11,561,974
Cash and Cash Equivalents, End of Period	\$ 6,444,340	\$ 6,962,761
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	\$ 419,837	\$ 395,795

See notes to financial statements



# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

1. NATURE OF THE ORGANIZATION:

Greenville University (University) is a Christian liberal arts, coeducational University founded in 1892 and is affiliated with the Free Methodist Church. It is a private institution with a commitment to Christian values, academic excellence, and the purposeful integration of faith, learning, and life.

The University is classified as a tax exempt 501(c)(3) organization by the Internal Revenue Service. As such, it is exempt from federal and state income tax, and contributions by the public are deductible for income tax purposes. The University is not considered a private foundation. The University receives unrelated business income each year and annually files the appropriate tax return but has not been required to pay any income tax related to this income. The University's revenues are derived primarily from tuition and fees for educational program services, contributions, and operations of auxiliary enterprises.

2. SIGNIFICANT ACCOUNTING POLICIES:

**BASIS OF FINANCIAL STATEMENTS**

The financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader. The University considers operations to consist of revenues and expenses related to student education and student services.

**CASH AND CASH EQUIVALENTS AND CREDIT RISKS**

The University considers all liquid investments with original maturities of three months or less to be cash and cash equivalents except for amounts reported as investments. For the years ended May 31, 2019 and 2018, cash and cash equivalents consisted primarily of money market funds and other interest-bearing deposit accounts which were fully federally secured. At May 31, 2019 and 2018, the University's cash balances exceeded federally insured limits by \$4,681,443 and \$3,041,586, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

As part of the University's long-term debt arrangements as noted in Note 8, the University has agreed to maintain a cash balance at the Free Methodist Foundation (the Foundation) of not less than \$1,500,000 to collateralize the debt.

**INVESTMENTS AND INVESTMENT RETURN**

Investments in debt and equity securities are reported at fair value and investments in cash and certificates of deposit are reported at cost, as disclosed in Note 6. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments reported at fair value; and realized gains and losses on other investments.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS AND INVESTMENT RETURN, continued

Investment return that is initially restricted by donor stipulation and is reported in the statements of activities as net assets without donor restrictions or net assets with donor restrictions, based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

#### ACCOUNTS RECEIVABLE

Student accounts receivable are uncollateralized student obligations, which generally require payment within thirty days of the invoice date. Current student accounts receivable are reported at the invoice amount plus accrued interest. Former student accounts receivable are reported at the invoice amount. Unpaid accounts over 30 days old bear interest at 1% per month for current student accounts. Former student accounts accrue interest at 1/2% per month.

Account balances with invoices over 120 days old and no consistent payments being made are considered delinquent. Interest continues to accrue until the account is determined to be delinquent, and at that point it is turned over to a collection agency. Payments on accounts receivable are applied to the earliest unpaid invoices unless a specific term is indicated.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for uncollectible accounts is based on an individual credit evaluation and specific circumstances of the student.

#### STUDENT LOANS RECEIVABLE

Student loans receivable represent funds advanced to students by the University under the institutional loan programs Reach, Chinn, CIOS and Second Miler. The Reach and Second Miler loan programs have been discontinued. The CIOS loan program was funded through a grant received from the Christ is Our Salvation Foundation and the Chinn loan program is supported by an endowed fund.

The carrying amount of student loans receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The University determines the allowance for estimated losses on student loans receivable by looking at historical default rates and analyzing the aging of the past due loans. Student loans receivable are reported at the principal amount of the promissory notes. Interest accrues according to the terms of the loan. (See Note 4.)

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FEDERAL STUDENT LOAN FUNDS

Federal student loan funds represent funds invested in the Federal Perkins Loan Program (Program). As part of the Program, the federal government contributed the majority of the funding and the University contributed the balance. The federal contribution is carried as a liability because it is refundable upon closure of the Program. In 2017, the federal government discontinued the Program and final loan disbursements were allowed through June 30, 2018. When directed by the Department of Education, the University will liquidate the program. Repayment of loan balances will continue and would likely take place as the remaining student balances are repaid to the University, which would normally occur within a ten-year repayment period. (See Note 4).

#### CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

The University follows the provisions of the Receivables topic of the FASB Accounting Standards Codification. These provisions require disclosures about the credit quality of financing receivables and the allowance for credit losses. The University's student loan receivables consist of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government in administering the loan. As an agent for the federal government, the loan portfolio is guaranteed by the United States Department of Education (Department of Education). There are, therefore, no impaired or nonperforming loans and no modifications to loan terms executed by the University because amounts that become old or past due are in due course turned back over to the Department of Education. (See Note 4).

#### PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment expenditures over \$5,000 are capitalized and reported at their historical cost or fair value at the date of purchase or gift, less accumulated depreciation. Depreciation expense is provided for in amounts sufficient to relate the recorded value of depreciable assets to operations over their estimated service lives, ranging from 5 to 40 years, using the straight-line method. Depreciation expense has been computed using the following composite depreciation guidelines:

Buildings	40 years
Building improvements	10 years
Equipment and furniture	10 years
Land improvements	10 years
Library books	5 years
Information technology	5 years
Vehicles	5 years

#### PERMANENT ART COLLECTION

The University maintains a collection of donated art. The collection is held exclusively for public exhibition, education and research. The collection is appropriately catalogued and cared for by the curator. As allowed by the accounting standards, the University has elected not to recognize the collection in the statements of financial position. Proceeds from any deaccessions or insurance recoveries are used to acquire other works of art.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### BENEFICIAL INTEREST IN REMAINDER TRUSTS

The University is the beneficiary of several charitable remainder trusts trustee and administered by the Foundation. The University has various levels of interest in the trusts and are reported on the statements of financial position at the fair value of the University's interest less the net present value of future obligations. Change in value of these trusts and distributions from the trusts are recorded in the statements of activities.

#### ANNUITY LIABILITIES

The University has been the recipient of several gift annuities which require future payments to the named beneficiaries of the donor. The annuity liability is reported at the present value of the future obligation. Assets related to annuities are not material to the financial statements and are included in gifts held in trust on the statement of financial position. Since 1998, FMF has managed these annuities on the University's behalf.

#### VOLUNTARY SEPARATION INCENTIVE LIABILITY

In fiscal year 2016, a voluntary separation incentive (VSI) was offered to employees which included tuition remission benefits for dependents of participants. The present value of this benefit for employees who accepted the incentive is reported at an estimated calculation of \$181,026 and \$201,462 as of May 31, 2019 and 2018, respectively. This liability is reported as part of accrued expenses on the statements of financial position.

#### ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. The University's ARO liability arises from the existence of asbestos in certain University structures. The total ARO liability is comprised of estimated individual liabilities for asbestos removal for each University owned building (approximately 50 structures). Each fiscal year, the University reviews the estimates for each building and records changes in the liability based on any new information and current labor rates. The University derecognizes ARO liabilities upon completion of asbestos removal. To the extent actual asbestos removal expenses exceed the estimated liability, non-operating expense is recognized. Estimated ARO liabilities were \$548,065 and \$530,205 as of May 31, 2019 and 2018, respectively. Non-operating ARO expense of \$17,860 and (\$39,435) was incurred during the years ended May 31, 2019 and 2018, respectively.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NET ASSETS

*Net assets without donor restrictions* include general and board-designated net assets. These net assets may be used at the discretion of management to support the University's purpose and operations. (See Note 10.)

*Net assets with donor restrictions* include assets and trust obligations for which donor-imposed restrictions have not been met, charitable remainder trusts, gift annuities, and contributions receivable for which the ultimate purpose of the proceeds is not permanently restricted, as disclosed in Note 10. Donors may also impose restrictions that require that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose, as disclosed in Note 10.

#### REVENUE, SUPPORT AND NET ASSETS RELEASED FROM RESTRICTIONS

Revenue is reported when earned and support when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred to the University.

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The University reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### TUITION DISCOUNTS AND SCHOLARSHIPS

Student tuition and fee revenues, and certain other revenues from students, are reported net of tuition discounts and scholarships in the statements of activities. Tuition discounts and scholarships are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants are reported as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a tuition discount and scholarship.

#### DEFERRED REVENUE

Revenue that is received and due in advance is deferred and reported over the periods in which the revenues are earned. Much of deferred revenue is attributable to summer programs that were billed and due in advance.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in various programs administered by the Department of Education and state boards, and the University acts as an agent for the respective agencies. The governmental grants amounts reported exclude funds directly awarded and credited to students under the various federal and state programs; however, substantial portions of the tuition and fees revenue and collection of accounts receivable as of May 31, 2019 and 2018, are dependent upon the University's continued participation in the various programs.

#### EXPENSES AND FUNCTIONAL ALLOCATION

Expenses are reported when incurred. The financial statements present expenses by functional classification in accordance with the overall service mission of the University. As in prior years, the University incurred no joint costs for the years ended May 31, 2019 and 2018. Certain costs, such as salaries and benefits, information technology, occupancy and maintenance have been allocated among the program services and supporting activities benefited based on an estimate of time and effort. Interest and depreciation, have been allocated among the program services and supporting activities benefited based on the same estimates of time and effort used to allocate occupancy and maintenance costs.

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The University adopted the provisions of this new standard in the year ended May 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and availability of resources (Note 14) and disclosures related to functional allocation of expenses were expanded (Notes 2 and 13).

### 3. ACCOUNTS RECEIVABLE—NET OF ALLOWANCE:

Accounts receivable consist of:

	May 31,	
	2019	2018
Current students—net of allowance of \$369,447 for both 2019 and 2018	\$ 232,073	\$ 325,838
Former students—net of allowance of \$605,502 and \$608,871 for 2019 and 2018, respectively	286,797	202,906
Other receivables	206,595	138,104
	<u>\$ 725,465</u>	<u>\$ 666,848</u>

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

4. STUDENT LOANS RECEIVABLE AND FEDERAL STUDENT LOAN FUNDS RECEIVABLE:

University student loans receivable consist of:

	May 31,	
	2019	2018
Reach loans	\$ 5,646	\$ 6,909
CIOS–revolving loan fund	140,654	125,767
Chinn loans	37,934	33,512
Second Miler loans	2,428	2,391
	<u>186,662</u>	<u>168,579</u>
Less allowance for uncollectible accounts	<u>(74,300)</u>	<u>(74,300)</u>
	<u>\$ 112,362</u>	<u>\$ 94,279</u>

Federal student loan funds receivable consist of:

	May 31,	
	2019	2018
Federal Perkins loans	\$ 1,154,198	\$ 1,405,368
Less allowance for estimated losses	<u>(340,000)</u>	<u>(340,000)</u>
	<u>\$ 814,198</u>	<u>\$ 1,065,368</u>

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

4. STUDENT LOANS RECEIVABLE AND FEDERAL STUDENT LOAN FUNDS RECEIVABLE, continued:

Federal Perkins Loans are loans for which the University acts as an agent for the federal government in administering the loan program. The University's institutional loan fund was created by donor restricted gifts to the University to assist students in funding their education. As an agent for the federal government, the Perkins loan portfolio is guaranteed by the Department of Education. There are, therefore, no impaired or nonperforming loans and no modifications to loan terms executed by the University because amounts that become old or past due are in due course turned back over to the Department of Education. Funds advanced by the Federal government of \$1.42 and \$1.38 million at May 31, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

The University determined their allowance for estimated losses on these student loans by looking at historical default rates and analyzing the aging of the past due loans.

The aging of the student loan portfolio by classes of loans as of May 31, 2019, is presented as follows:

Classes of Loans	Not in repayment	Current	Less than 240 days past due	Greater than 240 days but less than 2 years past due	Greater than 2 years less than 5 years past due	Greater than 5 years past due	Total
Federal Perkins Loans	\$ 290,411	\$ 439,375	\$ 62,890	\$ 50,381	\$ 58,616	\$ 252,525	\$ 1,154,198
University Student Loans	54,479	33,209	5,625	9,358	25,704	58,287	186,662
	<u>\$ 344,890</u>	<u>\$ 472,584</u>	<u>\$ 68,515</u>	<u>\$ 59,739</u>	<u>\$ 84,320</u>	<u>\$ 310,812</u>	<u>\$ 1,340,860</u>
As a percentage of total loan portfolio	25.7%	35.2%	5.1%	4.5%	6.3%	23.2%	100.0%



# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

4. STUDENT LOANS RECEIVABLE AND FEDERAL STUDENT LOAN FUNDS RECEIVABLE, continued:

The aging of the student loan portfolio by classes of loans as of May 31, 2018, is presented as follows:

Classes of Loans	Not in repayment	Current	Less than 240 days past due	Greater than 240 days but less than 2 years past due	Greater than 2 years less than 5 years past due	Greater than 5 years past due	Total
Federal Perkins Loans	\$ 469,249	\$ 442,125	\$ 110,284	\$ 75,796	\$ 55,264	\$ 252,650	\$ 1,405,368
University Student Loans	49,198	24,334	6,750	7,690	28,777	51,830	168,579
	<u>\$ 518,447</u>	<u>\$ 466,459</u>	<u>\$ 117,034</u>	<u>\$ 83,486</u>	<u>\$ 84,041</u>	<u>\$ 304,480</u>	<u>\$ 1,573,947</u>
As a percentage of total loan portfolio	32.9%	29.6%	7.5%	5.4%	5.4%	19.2%	100.0%

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

4. STUDENT LOANS RECEIVABLE AND FEDERAL STUDENT LOAN FUNDS RECEIVABLE, continued:  
Changes in allowance for estimated losses on student loans in aggregate is presented as follows:

	May 31,	
	2019	2018
Balance, beginning	\$ 414,300	\$ 415,500
Recoveries on loans previously charged off	-	(1,200)
	\$ 414,300	\$ 414,300

The allowance for estimated losses on loans by portfolio segment as of May 31, 2019, is presented as follows:

	Federal Perkins Loan	University Student Loans	Total
Allowance for loans collectively evaluated for impairment	\$ 340,000	\$ 74,300	\$ 414,300
Loans collectively evaluated for impairment	\$ 1,154,198	\$ 186,662	\$ 1,340,860
Allowance as a percentage of loans individually evaluated for impairment	N/A	N/A	N/A
Allowance as a percentage of loans collectively evaluated for impairment	29.46%	39.80%	30.90%

The allowance for estimated losses on loans by portfolio segment as of May 31, 2018, is presented as follows:

	Federal Perkins Loan	University Student Loans	Total
Allowance for loans collectively evaluated for impairment	\$ 340,000	\$ 74,300	\$ 414,300
Loans collectively evaluated for impairment	\$ 1,405,368	\$ 168,579	\$ 1,573,947
Allowance as a percentage of loans individually evaluated for impairment	N/A	N/A	N/A
Allowance as a percentage of loans collectively evaluated for impairment	24.19%	44.07%	26.32%

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

4. STUDENT LOANS RECEIVABLE AND FEDERAL STUDENT LOAN FUNDS RECEIVABLE, continued:

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of May 31, 2019:

	<u>Federal Perkins Loan</u>	<u>University Student Loans</u>	<u>Total</u>
Performing	\$ 1,154,198	\$ 87,688	\$ 1,241,886
Nonperforming	-	98,974	98,974
	<u>\$ 1,154,198</u>	<u>\$ 186,662</u>	<u>\$ 1,340,860</u>

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of May 31, 2018:

	<u>Federal Perkins Loan</u>	<u>University Student Loans</u>	<u>Total</u>
Performing	\$ 1,405,368	\$ 73,532	\$ 1,478,900
Nonperforming	-	95,047	95,047
	<u>\$ 1,405,368</u>	<u>\$ 168,579</u>	<u>\$ 1,573,947</u>

For University Student Loans, the credit quality indicator is performance determined by delinquency status. Nonperforming loans receivable consist of receivable balances in delinquency status for three or more months. Delinquency status is updated monthly by the University's loan servicer. For Federal Perkins Loans, the credit quality indicator is performance determined by origination and servicing of the loan. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

5. INVESTMENTS:

Investments consist of:

	May 31,	
	2019	2018
Investments at cost:		
Cash	\$ 840,018	\$ 621,322
FDIC certificates of deposit	3,446,640	2,259,466
	4,286,658	2,880,788
Investments at fair value:		
Taxable municipal bonds	1,933,366	1,515,270
Money market funds	350,201	-
Mutual funds:		
Emerging markets equity	688,006	582,619
Hedged strategies	494,108	2,342,581
International equity	2,489,135	2,260,268
Managed futures	-	1,063,023
Non-traditional bond funds	589,826	569,325
Real assets	1,845,431	1,701,379
US equity	9,530,891	8,541,640
US inflation protected fixed	540,189	483,634
	18,461,153	19,059,739
	\$ 22,747,811	\$ 21,940,527

6. FAIR VALUES OF FINANCIAL INSTRUMENTS:

**DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES**

The University follows the provisions of the ACS NO. 2010-06, *Improving Disclosures about Fair Value Measurements* topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

**Level 1**

Quoted prices in active markets for identical assets or liabilities and having the highest priority. When available the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**Level 2**

Observable inputs other than Level 1 prices, such as: quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 6. FAIR VALUES OF FINANCIAL INSTRUMENTS, continued:

#### **Level 3**

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. The University had no Level 3 investments.

#### ***Level 1 Fair Value Measurements***

*Mutual funds and money market funds:* The fair values are based on quoted market prices in an active market.

#### ***Level 2 Fair Value Measurements***

*Taxable municipal bonds:* The fair value of municipal bonds are estimated using quoted market price, if available, otherwise recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond - or credit-default swap spreads and volatility.

The following table presents the fair value measurements of investments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments - May 31, 2019:				
Taxable municipal bonds	\$ 1,933,366	\$ -	\$ 1,933,366	\$ -
Money market funds	350,201	350,201	-	-
Mutual funds:				
Emerging markets equity	688,006	688,006	-	-
Hedged strategies	494,108	494,108	-	-
International equity	2,489,135	2,489,135	-	-
Non traditional bond funds	589,826	589,826	-	-
Real assets	1,845,431	1,845,431	-	-
US equity	9,530,891	9,530,891	-	-
US inflation protected fixed	540,189	540,189	-	-
	<u>\$ 18,461,153</u>	<u>\$ 16,527,787</u>	<u>\$ 1,933,366</u>	<u>\$ -</u>

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

6. FAIR VALUES OF FINANCIAL INSTRUMENTS, continued:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments - May 31, 2018:				
Taxable municipal bonds	\$ 1,515,270	\$ -	\$ 1,515,270	\$ -
Mutual funds:				
Emerging markets equity	582,619	582,619	-	-
Hedged strategies	2,342,581	2,342,581	-	-
International equity	2,260,268	2,260,268	-	-
Managed futures	1,063,023	1,063,023	-	-
Non-traditional bond funds	569,325	569,325	-	-
Real assets	1,701,379	1,701,379	-	-
US equity	8,541,640	8,541,640	-	-
US inflation protected fixed	483,634	483,634	-	-
	<u>\$ 19,059,739</u>	<u>\$ 17,544,469</u>	<u>\$ 1,515,270</u>	<u>\$ -</u>

7. PROPERTY AND EQUIPMENT—NET OF DEPRECIATION:

Property and equipment-net of depreciation consists of:

	May 31,	
	2019	2018
Land	\$ 2,636,564	\$ 2,626,564
Land improvements	3,826,177	3,816,806
Buildings and improvements	48,380,978	48,199,824
Equipment, furniture, and vehicles	3,701,265	3,620,994
Library books	434,507	434,507
Information technology	2,228,461	2,181,344
	<u>61,207,952</u>	<u>60,880,039</u>
Less accumulated depreciation	<u>(33,596,339)</u>	<u>(31,401,072)</u>
	27,611,613	29,478,967
Construction in progress	1,619,323	231,725
	<u>\$ 29,230,936</u>	<u>\$ 29,710,692</u>

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 8. NOTES PAYABLE:

Notes payable consists of:

	May 31,	
	2019	2018
Secured note from a foundation is payable in monthly principal and interest installments of \$47,963, beginning November 30, 2016. The note bears an interest rate of 5.45% and is secured by real estate. Any unpaid principal and interest is due October 31, 2026.	\$ 6,446,659	\$ 6,664,280

Secured bank promissory note is payable in monthly principal and interest installments of \$9,267 beginning January 1, 2018, with an interest rate of 4.250% and is secured by real estate. Any unpaid principal and interest is due December 1, 2037.

1,426,964	1,476,359
<u>\$ 7,873,623</u>	<u>\$ 8,140,639</u>

Following are debt maturities for the year ended May 31:

2020	\$ 279,289
2021	294,249
2022	310,018
2023	326,639
2024	343,114
Thereafter	<u>6,320,314</u>
	<u>\$ 7,873,623</u>

### 9. LINE OF CREDIT:

The University entered into a line of credit during the year ended May 31, 2019. The University may draw up to \$1,200,000 on the line of credit, with payments due monthly at an interest rate of 4.95%. The line of credit agreement expires in February 2024 and is collateralized by certain assets of the University. As of May 31, 2019, the University's outstanding balance on this line of credit was \$218,403.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 10. NET ASSETS:

Net assets consist of:

	May 31,	
	2019	2018
Net assets without donor restrictions:		
Undesignated	\$ 24,170,327	\$ 25,768,367
Board-designated strategic innovation funds	280,661	280,661
Board-designated quasi-endowment funds	356,755	236,527
	24,807,743	26,285,555

Net assets with donor restrictions:

Restricted by time or purpose:

Administrative department	167,910	297,122
Adult degree completion programs	520	520
Advancement	5,122	8,624
Alumni	8,607	9,755
Athletic department	435,762	369,845
Campus improvements/comprehensive campaign projects	430,949	722,018
Communication department	5,226	1,226
Funded scholarships	188,676	150,938
Humanities	411,534	451,482
Library	6,598	3,775
Loan funds and student loan funds	108,596	119,384
Memorial funds	4,533	2,003
Music department	78,503	62,418
Natural science department	341,205	440,928
Private foundations	25,232	24,619
Social sciences	71,027	119,828
Student clubs and organizations	23,310	39,546
Student development	119,507	115,309
	2,432,817	2,939,340

Unexpended endowment earnings balances:

Endowed Chairs	277,591	401,434
Faculty development	116,279	137,425
Lectureships	260,345	274,928
Loan funds	234,830	243,612
Physical plant	245,766	268,485
Program support	253,150	286,892
Student scholarships	2,896,647	3,501,450
	4,284,608	5,114,226
	6,717,425	8,053,566



# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 10. NET ASSETS, continued

	May 31,	
	2019	2018
Restricted in perpetuity:		
Endowed chairs	2,208,281	2,197,502
Faculty development and scholarships	350,214	335,514
Gifts held in trust	598,834	603,203
Lectureships	962,877	864,603
Loan funds	251,839	251,839
Physical plant and building maintenance	327,820	327,320
Program support	459,194	457,744
Student scholarships	11,359,574	9,807,862
	<u>16,518,633</u>	<u>14,845,587</u>
	<u>\$ 48,043,801</u>	<u>\$ 49,184,708</u>

The state of Illinois enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009, the provisions of which apply to endowment funds existing on or established after that date. The University adopted the net asset classification provisions of the Reporting Endowment Funds topic of the FASB ASC for the year ending June 30, 2009. Management has determined that the University's net assets with donor restrictions in perpetuity meets the definition of endowment funds under UPMIFA.

The University's endowment consists of approximately 180 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 11. ENDOWMENTS:

The management of the University has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for time or purpose until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net asset composition by type of fund as of May 31, 2019:

	Without Donor Restrictions	With Donor Restrictions Accumulated gains (losses) and other	Original Gift Amount	Total
Donor-restricted endowment	\$ -	\$ 4,284,608	\$ 16,518,633	\$ 20,803,241
Board-designated quasi-endowment	356,755	-	-	356,755
Total endowment funds	<u>\$ 356,755</u>	<u>\$ 4,284,608</u>	<u>\$ 16,518,633</u>	<u>\$ 21,159,996</u>

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

11. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended May 31, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses)	Original Gift Amount	
Endowment net assets June 1, 2018	\$ 236,527	\$ 5,114,226	\$ 14,845,587	\$ 20,196,340
Investment return:				
Interest and dividend income	10,264	379,785	-	390,049
Realized and unrealized gains	(16,381)	(340,899)	-	(357,280)
Total investment return	(6,117)	38,886	-	32,769
Contributions	-	-	1,677,414	1,677,414
Change in value of trusts	-	-	(4,368)	(4,368)
Other changes to endowment:				
Gift transfer to endowment	193,394	402,943	-	596,337
Appropriation of endowment assets for expenditure	(66,641)	(1,206,521)	-	(1,273,162)
Management fees	(408)	(64,926)	-	(65,334)
Total other changes to endowment	126,345	(868,504)	-	(742,159)
Endowment net assets, May 31, 2019	<u>\$ 356,755</u>	<u>\$ 4,284,608</u>	<u>\$ 16,518,633</u>	<u>\$ 21,159,996</u>

Endowment net asset composition by type of fund as of May 31, 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses)	Original Gift Amount	
Donor-restricted endowment	\$ -	\$ 5,114,226	\$ 14,845,587	\$ 19,959,813
Board-designated quasi-endowment	236,527	-	-	236,527
	<u>\$ 236,527</u>	<u>\$ 5,114,226</u>	<u>\$ 14,845,587</u>	<u>\$ 20,196,340</u>

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

11. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended May 31, 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses)	Original Gift Amount	
Endowment net assets July 1, 2017	\$ 223,214	\$ 4,737,865	\$ 14,431,093	\$ 19,392,172
Investment return:				
Interest and dividend income	4,620	595,434	-	600,054
Realized and unrealized gains	5,767	679,949	-	685,716
Total investment return	10,387	1,275,383	-	1,285,770
Contributions	11,174	17,638	445,755	474,567
Change in value of trusts	-	-	1,299	1,299
Other changes to endowment:				
Gift transfer from endowment	-	-	(32,560)	(32,560)
Appropriation of endowment assets for expenditure	(7,857)	(855,018)	-	(862,875)
Management fees	(391)	(61,642)	-	(62,033)
Total releases	(8,248)	(916,660)	(32,560)	(957,468)
Endowment net assets May 31, 2018	<u>\$ 236,527</u>	<u>\$ 5,114,226</u>	<u>\$ 14,845,587</u>	<u>\$ 20,196,340</u>

*Funds with deficiencies:* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There are no deficiencies of this nature reported in net assets without donor restrictions for the years ended May 31, 2019 and 2018.

*Return objectives and risk parameters:* The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indices depending on asset class while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 8.25-9.25 percent annually. Actual returns in any given year may vary from this amount.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 11. ENDOWMENTS, continued:

*Strategies employed for achieving objectives:* To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending policies and how the investment objectives relate to spending policy:* The University established an endowment pay-out rate of 4.75 percent of the average of the trailing three years' market value of the endowment funds, as determined each fiscal year end for the years ended May 31, 2019 and 2018. The spending rate policy will be reviewed at least annually in light of evolving trends with respect to investment performance and the needs of the University, and will be adjusted as necessary. These pay-outs, mainly for scholarships, are reported in the statements of activities as net assets released from restrictions in the column with donor restrictions. Endowment agreements also included a provision that when investment assets are below the historical dollar value, no endowment pay-out is required. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an average of 3.5-4.5 percent annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### 12. RETIREMENT PLAN:

Retirement benefits in the form of annuity payments are provided for substantially all University employees through the Teacher's Insurance and Annuity Association (TIAA), national organization used to fund retirement benefits for educational institutions. Under the retirement planning program, employee authorized payroll deductions, along with matching employer amounts, are remitted to TIAA. This program is not an employer maintained pension plan and there is no liability accruing to the University. The University made matching contributions of approximately \$444,725 and \$413,000 for the years ended May 31, 2019 and 2018, respectively.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 13. FUNCTIONAL ALLOCATION OF EXPENSES:

The University has functionally allocated expenses as follows as of the year ended May 31, 2019, with comparative totals for the year ended May 31, 2018.

	May 31, 2019			Total	May 31, 2018 Total
	Program	General & Administrative	Fundraising		
Salaries and benefits	\$ 11,468,863	\$ 2,387,747	\$ 314,048	\$ 14,170,658	\$ 13,923,426
Professional fees	25,430	100,271	-	125,701	99,092
Investment manager fees	-	72,554	-	72,554	68,520
Other fees for service	1,273,374	265,109	-	1,538,483	2,089,947
Advertising	241,687	50,318	-	292,005	256,854
Office expenses/supplies	1,102,941	229,626	79,807	1,412,374	1,786,904
Information technology	480,438	100,024	28,184	608,646	602,195
Occupancy and maintenance	1,673,197	308,152	46,804	2,028,153	1,120,719
Travel	747,572	155,640	19,113	922,325	1,289,322
Conferences and meetings	192,331	40,042	-	232,373	252,508
Interest	289,091	60,187	8,651	357,929	369,448
Depreciation	1,820,963	379,113	51,349	2,251,425	2,179,191
Insurance	210,925	43,913	-	254,838	230,100
Food service	1,451,647	-	-	1,451,647	1,393,093
Miscellaneous expenses	178,924	26,236	-	205,160	275,753
	<u>\$ 21,157,383</u>	<u>\$ 4,218,932</u>	<u>\$ 547,956</u>	<u>\$ 25,924,271</u>	
	<u>\$ 21,514,515</u>	<u>\$ 3,864,555</u>	<u>\$ 558,002</u>		<u>\$ 25,937,072</u>

### 14. COMMITMENTS AND CONTINGENCIES:

#### CLAIMS AND LAWSUITS

In the normal course of business, the University is subject to proceedings, lawsuits and other claims, including proceedings under government laws and regulations. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. While these matters could affect the operating results when resolved in future periods, management believes that after final disposition, any monetary liability or financial impact would not be material to the University's annual financial statements.

#### OPERATING LEASES AND SERVICE CONTRACTS

The University has several operating leases and service contracts. Expense related to these agreements was approximately \$164,000 and \$154,000 for the years ended May 31, 2019 and 2018, respectively.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

### 14. COMMITMENTS AND CONTINGENCIES, continued:

#### OPERATING LEASES AND SERVICE CONTRACTS, continued

Future minimum lease and contract payments are:

<u>Year Ending May 31,</u>	<u>Amounts</u>
2020	\$ 147,702
2021	84,503
2022	25,266
2023	11,005
	<u>\$ 268,476</u>

#### STUDENT FINANCIAL ASSISTANCE PROGRAMS

Activity related to student financial assistance programs is subject to audit both by independent certified public accountants and by representatives of the administering agencies regarding compliance with applicable regulations. Any resultant finding of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties, or the discontinuation of eligibility for participation. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University.

### 15. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the University's financial assets as of May 31, 2019, reduced by amounts not available for general use within one year of the statement of financial position because of donor restrictions, Board designations or other purposes. Amounts available include the Board-approved 4.75% appropriation from the endowment fund for the following year. The University's working capital and cash flows have variations during the year attributable to a large amount of tuition payments received at the beginning of each semester. To manage liquidity the University has a line of credit of \$1.2 million with a bank that is drawn upon as needed during the year to manage cash flow. The following reflects the University's financial assets available for general expenditure within one year of the date of the statement of financial position:

Cash restricted for specific purposes includes the \$1,500,000 required balance at the foundation described in Note 2 along with cash reserves for the Perkins loan program. Board-designated funds may be released for general operations upon approval by the Board.

# GREENVILLE UNIVERSITY

## Notes to Financial Statements

Years Ended May 31, 2019 and 2018

15. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

Financial assets as of May 31, 2019:

Cash equivalents	\$ 6,444,340
Accounts and student loans receivable	837,827
Investments, including endowment assets	22,747,811
	<u>30,029,978</u>

Less those unavailable for general expenditure within one year due to:

Cash restricted for specific purposes	(1,981,189)
Board-designated strategic innovation fund	(280,661)
Donor restrictions for specific purposes	(1,682,818)
Endowment funds, including board-designated endowment funds, net of draw for next 12 months	<u>(20,315,015)</u>
	<u>(24,259,683)</u>

Financial assets available within one year to meet cash needs for  
general expenditures

\$ 5,770,295

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 15, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.



## **FEDERAL AWARDS**

# GREENVILLE UNIVERSITY

## Schedule of Expenditures of Federal Awards

Year Ended May 31, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER:</b>					
U.S. Department of Education:					
Federal Direct Student Loan Program	84.268			\$ -	\$ 8,498,701
Federal Pell Grants	84.063			-	2,016,542
Federal Supplemental Educational Opportunity Grant Program	84.007			-	194,129
Federal Work-Study Program	84.033			-	141,954
Federal Perkins Loan Program (Note 5)	84.038			-	1,405,368
TEACH Grants	84.379			-	18,736
Total Student Financial Assistance Cluster					<u>12,275,430</u>
Total Expenditures of Federal Awards					<u>\$ 12,275,430</u>

See notes to schedule of expenditures of federal awards

# GREENVILLE UNIVERSITY

## Notes to Schedule of Expenditures of Federal Awards

May 31, 2019

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Greenville University (University) under programs of the federal government for the year ending May 31, 2019. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. If the University is required to match certain federal assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. INDIRECT COST RATE:

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. RELATIONSHIP TO FINANCIAL STATEMENTS:

The amount of total expenditures of federal awards reconciles to the revenue in the statement of activities as follows:

Total expenditures of federal awards	\$ 12,275,430
Less:	
Federal Direct Student Loan Program	(8,498,701)
Federal Pell and TEACH Grants	(2,035,278)
Federal Perkins Loan Program	(1,405,368)
Plus:	
Pell administrative cost allowance	2,310
Other reconciling items	5,419
	<hr/>
Government grants per statement of activities	<u>\$ 343,812</u>

4. SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The University did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

# GREENVILLE UNIVERSITY

## Notes to Schedule of Expenditures of Federal Awards

May 31, 2019

5. FEDERAL PERKINS LOAN PROGRAM:

The University administers the Perkins Loan Program. For purposes of the schedule, the amount reported includes the outstanding loan balance at the beginning of the fiscal year. Due to regulation changes, no further loans can be made from the program and no administrative cost allowance can be taken from the loan fund.

Outstanding loan balance at May 31, 2018	<u>\$ 1,405,368</u>
Outstanding loan balance at May 31, 2019	<u>\$ 1,154,198</u>

Schools have the option of continuing to collect on outstanding loan balances or can voluntarily liquidate the program. The University has no current plans to begin the Perkins liquidation process.

**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Greenville University  
Greenville, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of Greenville University (University), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2019.

***Internal Control Over Financial Reporting***

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

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

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

Board of Trustees  
Greenville University  
Greenville, Illinois

***Compliance and Other Matters***

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

We noted certain other matters that we reported to management of the University in a separate letter dated October 15, 2019.

***Purpose of This Report***

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

*Capin Crouse LLP*

Naperville, Illinois  
October 15, 2019

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Greenville University  
Greenville, Illinois

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

We have audited Greenville University's (University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2019. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Greenville University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2019.

Board of Trustees  
Greenville University  
Greenville, Illinois

**Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Purpose of This Report***

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

*Capin Crouse LLP*

Naperville, Illinois  
October 15, 2019



# GREENVILLE UNIVERSITY

## Schedule of Findings and Questioned Costs

May 31, 2019

### Section I - Summary of Audit Results

#### Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered a material weakness?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered a material weakness?  yes  none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)?  yes  no

Identification of major program(s):

CFDA Numbers  
84.268, 84.063, 84.007, 84.033  
84.038, and 84.379

Name of Federal Program or Cluster  
Student Financial Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

# GREENVILLE UNIVERSITY

## Schedule of Findings and Questioned Costs

May 31, 2019

### Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

### Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

# **GREENVILLE UNIVERSITY**

## **Auditee Summary Schedule of Prior Audit Findings**

May 31, 2019

### Financial Statement Findings

There were no prior audit findings in internal control over financial reporting.

### Federal Award Findings

There were no prior audit findings or questioned costs.