QUINCY UNIVERSITY

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

MAY 31, 2019 AND 2018

GRAY HUNTER STENN LLP

INDEX

GRAY HUNTER STENN LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Quincy University

Report on the Financial Statements

We have audited the accompanying financial statements of Quincy University (a nonprofit organization), 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 audit 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. 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.

Opinion

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

Emphasis of Matter

As discussed in Note (1) to the financial statements, as of and for the years ended May 31, 2019 and 2018, Quincy University adopted Accounting Standards Update No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019, on our consideration of Quincy 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 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 Quincy University's internal control over financial reporting and compliance.

Gray Hunter Stenn LLP

Certified Public Accountants

Dated at Quincy, Illinois
August 29, 2019

GRAY HUNTER STENN LLP
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Trustees of
Quincy University

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 statements of Quincy University (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated August 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quincy 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 Quincy University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a significant deficiency.

Additional internal control matters were communicated to management in a separate letter dated August 29, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quincy 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.*

Quincy University's Response to Finding

Quincy University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quincy University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Gray Hunter Stenn LLP

Certified Public Accountants

Dated at Quincy, Illinois
August 29, 2019

GRAY HUNTER STENN LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees of
Quincy University

Report on Compliance for Each Major Federal Program

We have audited Quincy University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Quincy University's major federal programs for the year ended May 31, 2019. Quincy 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Quincy 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; 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 Quincy 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 Quincy University's compliance.

Opinion on Each Major Federal Program

In our opinion, Quincy 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.

Report on Internal Control Over Compliance

Management of Quincy 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 Quincy 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 Quincy 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. However, we did identity certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item Finding 2019-002, that we consider to be a significant deficiency.

Quincy University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quincy University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gray Hunter Stenn LLP

Certified Public Accountants

Dated at Quincy, Illinois
September 25, 2019

Exhibit "A"

QUINCY UNIVERSITY

STATEMENTS OF FINANCIAL POSITION

AS OF MAY 31, 2019 AND 2018

	As of May 31	
	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,332,014	$ 2,127,630
Accounts and interest receivable, net	279,096	253,672
Contributions receivable, net	3,050,008	1,671,074
Inventories	8,885	12,798
Prepaid expenses and other assets	280,894	244,390
Student loans receivable, net	252,617	337,585
Restricted cash equivalents and investments	13,352,111	12,703,245
Assets held in trust by others	47,500	376,085
Land, buildings and equipment, net	38,550,339	40,617,489
Total Assets	$ 57,153,464	$ 58,343,968
LIABILITIES		
Accounts payable	$ 768,541	$ 506,746
Accrued expenses	1,142,978	1,034,277
Deferred revenues - current	783,012	605,316
Deferred revenues - long term	1,734,401	1,938,980
Notes payable and capital lease obligations	32,312,014	30,031,951
Government advances for student loans	367,267	376,151
Agency funds	144,973	157,695
Total Liabilities	$ 37,253,186	$ 34,651,116
NET ASSETS		
Without donor restrictions	$ 5,903,386	$ 8,880,152
With donor restrictions	13,996,892	14,812,700
Total Net Assets	$ 19,900,278	$ 23,692,852
Total Liabilities And Net Assets	$ 57,153,464	$ 58,343,968

Exhibit "D", Notes To Financial Statements, is an integral part of this statement.

QUINCY UNIVERSITY

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Operating Revenue:						
Student Income:						
Undergraduate program	$ 25,155,199		$ 25,155,199	$ 24,553,631		$ 24,553,631
Graduate and professional degree programs	788,400		788,400	697,850		697,850
Continuing education and executive programs	151,650		151,650	169,390		169,390
Boarding and lodging	5,650,760		5,650,760	5,643,390		5,643,390
Student Revenue	$ 31,746,009		$ 31,746,009	$ 31,064,261		$ 31,064,261
Less institutional aid applied to student revenue	(16,971,320)		(16,971,320)	(16,389,185)		(16,389,185)
Net student revenue	$ 14,774,689	$ -	$ 14,774,689	$ 14,675,076	$ -	$ 14,675,076
Government grants	-	393,157	393,157	-	301,149	301,149
Private gifts and grants	4,564,230	1,024,402	5,588,632	2,512,515	988,780	3,501,295
Investment income	33,834	206,517	240,351	70,867	123,682	194,549
Net realized and unrealized gains (losses) on investments and funds held by trustee	(11,021)	(327,830)	(338,851)	29,559	704,318	733,877
Athletic revenues	566,871	-	566,871	506,913	-	506,913
Other sources	349,772	35,877	385,649	402,784	9,043	411,827
Net assets released from restrictions:						
Satisfaction of program restriction	1,820,834	(1,820,834)	-	2,900,894	(2,900,894)	-
Satisfaction of equipment restriction	327,097	(327,097)	-	610,254	(610,254)	-
Release of endowment restrictions	-	-	-	112,532	(112,532)	-
Total Operating Revenue	$ 22,426,306	$ (815,808)	$ 21,610,498	$ 21,821,394	$ (1,496,708)	$ 20,324,686
Operating Expense:						
Instruction	$ 4,875,536		$ 4,875,536	$ 4,829,997		$ 4,829,997
Academic support	1,033,012		1,033,012	829,820		829,820
Student services	5,803,000		5,803,000	4,886,198		4,886,198
Institutional support	3,678,642		3,678,642	3,356,557		3,356,557
Auxiliary enterprises	3,281,730		3,281,730	3,207,575		3,207,575
Operation and maintenance of facilities	2,342,714		2,342,714	2,427,805		2,427,805
Depreciation	2,815,706		2,815,706	2,854,283		2,854,283
Interest	1,572,732		1,572,732	1,143,737		1,143,737
Total Operating Expense	$ 25,403,072		$ 25,403,072	$ 23,535,972		$ 23,535,972
Increase (Decrease) in Net Assets	$ (2,976,766)	$ (815,808)	$ (3,792,574)	$ (1,714,578)	$ (1,496,708)	$ (3,211,286)
Net Assets, Beginning Of Year	$ 8,880,152	$ 14,812,700	$ 23,692,852	$ 10,594,730	$ 16,309,408	$ 26,904,138
Net Assets, End Of Year	$ 5,903,386	$ 13,996,892	$ 19,900,278	$ 8,880,152	$ 14,812,700	$ 23,692,852

Exhibit "D", Notes To Financial Statements, is an integral part of this statement.

Exhibit "C"

QUINCY UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	Year Ended May 31	
	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ (3,792,574)	$ (3,211,286)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	$ 2,815,706	$ 2,854,283
(Gain) loss on disposal of fixed assets	7,138	(14,150)
Proceeds from sale of donated securities	289,087	234,469
Loans cancelled	92,133	63,583
Provision for uncollectible accounts	(71,380)	(76,092)
Contributions restricted for long-term investment	(682,530)	(403,071)
Investment income restricted for long-term investment	(1,345)	(2,375)
Net realized and unrealized (gains) losses from long-term investments	338,851	(733,877)
Assets held in trust by others	328,585	(9,841)
Amortization of deferred financing costs	12,200	14,936
Changes in operating assets and liabilities:		
Accounts receivable	$ (25,424)	$ 37,134
Contributions receivable	(1,378,934)	359,896
Inventories	3,913	(703)
Prepaid expenses and other assets	(36,504)	(73,831)
Accounts payable and accrued expenses	370,496	(856,102)
Deferred revenue and agency funds	(39,605)	(68,208)
Net Cash Flows From Operating Activities	$ (1,770,187)	$ (1,885,235)
Cash Flows From Investing Activities		
Proceeds from sale of investments	$ 4,518,079	$ 3,841,712
Purchases of investments	(5,834,295)	(2,070,183)
Proceeds from sale of fixed assets	5,550	14,150
Purchases of land, buildings and equipment	(616,360)	(837,821)
Principal collected on loans	64,215	135,363
Net Cash Flows From Investing Activities	$ (1,862,811)	$ 1,083,221
Cash Flow From Financing Activities		
Contributions restricted for long-term investment	$ 682,530	$ 403,071
Investment income and gain restricted for long-term investment	1,345	2,375
Proceeds from sale of donor restricted assets	39,412	47,225
Proceeds from short-term borrowings	23,332,938	12,630,000
Repayments of short-term borrowings	(23,607,936)	(10,530,000)
Proceeds from long-term borrowings	3,141,378	-
Repayments of long-term borrowings	(743,401)	(1,519,285)
Increase (decrease) in advances for student loans	(8,884)	(165,100)
Net Cash Flows From Financing Activities	$ 2,837,382	$ 868,286
Net Increase (Decrease) In Cash and Cash Equivalents	$ (795,616)	$ 66,272
Cash and Cash Equivalents, Beginning Of Year	$ 2,127,630	$ 2,061,358
Cash and Cash Equivalents, End Of Year	$ 1,332,014	$ 2,127,630
Supplemental Disclosure Of Cash Flow Information:		
Cash paid during the year for interest	$ 1,318,095	$ 1,154,373
Schedule Of Noncash Transactions:		
Acquisition of equipment through capital lease obligation	$ 144,884	$ 116,420
Contributions of noncash assets	$ 328,499	$ 281,694
Financing of debt issuance costs	$ 52,281	$ -

Exhibit "D", Notes To Financial Statements, is an integral part of this statement.

QUINCY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

Note (1) Nature Of Activities And Significant Accounting Policies

Nature of Activities - Quincy University Corporation (University) is an independent, coeducational, primarily undergraduate, nonprofit Catholic University with a Franciscan orientation located in Quincy, Illinois. The University was founded in 1860 by the Franciscan Friars and continues to have a strong affiliation with the Friars. The University's main sources of revenues are tuition and fees net of institutional aid, private gifts, investment income and auxiliary enterprises.

Basis of Presentation - The financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The University prepares its financial statements in accordance with the Not-for-Profit Entities topic of the Accounting Standards Codification. The Revenue Recognition section of the topic requires that contributions received, including unconditional promises to give (pledges), be recognized as revenues at their fair values. The Balance Sheet section of the topic establishes standards for external financial statements and requires the classification of net assets and the flows of those assets based on the existence or absence of donor-imposed restrictions.

Two net asset categories have been established by the standards:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of those assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. The expiration of restrictions on net assets is reported as a reclassification from net asset with donor restriction to net assets without donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Income Tax Status - The University is exempt from federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code (Code). The University is classified as a public charity under Section 509(a)(1) of the Code by reason of being defined as a school under Section 170(b)(1)(A)(ii) of the Code. Although the University operates certain activities subject to the unrelated business income tax, the University did not generate any significant net unrelated business income. Tax years 2015 to 2018 are open for review by the Internal Revenue Service.

Note (1) Nature Of Activities And Significant Accounting Policies (Cont'd.)

Cash And Cash Equivalents - Cash and cash equivalents are reported at fair value and include institutional money market funds and similar investments with maturities of three months or less. Cash and cash equivalents representing investments purchased with endowment net assets are reported as investments.

Accounts Receivable And Student Loans Receivable - Accounts receivable and student loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on past collection experience of age ranges of receivables through a provision for uncollectible accounts and an increase in an allowance account. Student loan receivables are collectively evaluated for impairment. Delinquent accounts are identified based on contractual terms. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a reduction in the receivable. Recoveries of previously written off balances are credited to earnings in the year received. Student finance charges are recognized on the accrual basis when billed. However, interest income on student loans is recorded on the cash basis when received due to uncertainty of receipt.

Contributions Received And Receivable - Contributions received, including unconditional promises to give, are recognized as revenue in the period received. Contributions to be received after one year are recognized at the estimated present value of the future cash flows, net of present value discount and allowance for uncollectible contributions. The University used a present value discount rate of 2% for the year ended May 31, 2019 and used daily treasury yield curve rates at May 31, 2018 for the year ended May 31, 2018. Promises made that are designated for future periods or are restricted by the donor for specific purposes are reported as increases in net assets with donor restriction. Conditional promises are not recorded until the conditions upon which they depend have been met. Contributions of securities and other noncash assets are recognized at their fair market value on the date of the gift. An allowance for uncollectible contributions is estimated based on management's assessment of the anticipated cash collections from outstanding pledges.

Inventories - Inventories are stated at the lower of cost (first-in, first-out method) or market, based on management's evaluation of the expected net realizable value of the inventories.

Investments - The University's investments are recorded in the financial statements at fair value with net unrealized and realized gains or losses reflected in the statements of activities. Fair values are based on quoted market prices. The fair values of alternative investments (managed futures) for which quoted market prices are not available are generally measured based on reported net asset value ("NAV") provided by the associated external investment managers. Management believes the carrying amount of these assets represents a reasonable estimate of fair value. However, because alternative investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Purchases and sales of investments are recorded on the trade date. The University uses the specific identification method in determining cost for the computation of realized gains and losses. The University uses a dollar unit method to distribute income from the pooled investment fund. Income earned by the pooled fund is distributed based on the number of each fund's dollar units as a percentage of the total pool with adjustments for funds with recently invested gifts. Investment income is reported net of investment fees on the statement of activities. Investments restricted for capital expenditures and permanent endowments are reported separately on the statement of financial position.

Note (1) Nature Of Activities And Significant Accounting Policies (Cont'd.)

Assets Held in Trust by Others - The University is the income beneficiary of various trusts that are held and controlled by independent trustees. The University applies the revenue recognition principles found in the Not-for-Profit Entities topic of the FASB Codification. Accordingly, assets held in trust by others are recognized as an asset at the estimated fair value of the University's beneficial interest in the assets, which approximates the present value of future cash flows, when the irrevocable trust is established and the University is notified of its existence. The value of the University's interests in trusts has been included as a separate line item on the statement of financial position.

Land, Buildings And Equipment - Land, buildings and equipment are recorded at cost as of the date of acquisition or if received as a gift, at the fair value as of the date received. Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service. The University's policy is to capitalize equipment with an acquired unit value of $5,000 or greater. Annual depreciation is calculated by the straight-line method over the following estimated useful lives:

	Years
Buildings	50
Land improvements	25
Building improvements	15
Equipment	3-10
Library books	20
Computer software	5

Institutional Aid - Institutional aid is offered by the University to attract and retain students. The University offers institutional aid to students in the form of merit-based scholarships and need-based grants at the University's discretion. For the years ended May 31, 2019 and 2018, $878,473 and $1,466,609, respectively, of institutional aid was awarded from endowed and restricted scholarship funds.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 resulted in the following changes to Quincy University's financial statements:

- The required number of classes of net assets are reduced from three to two: net assets with donor restrictions and net assets without donor restrictions.
- Enhanced disclosures are included about liquidity and availability of resources as well as underwater endowment funds.
- All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to net assets without donor restrictions as per the current rules. There were no underwater funds at May 31, 2018 so no reclassification to the prior year was required.
- An analysis of expenses by both nature and function is included.

The University has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending May 31, 2018. As a result of the reclassification, amounts previously presented as unrestricted have been restated as activity and net assets without donor restrictions and amounts previously presented as temporarily and permanently restricted have been restated as activity and net assets with donor restrictions. This resulted in no change to total net assets or the net change in net assets.

Note (1) Nature Of Activities And Significant Accounting Policies (Cont'd.)

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The University has not yet selected a transition method and is currently evaluating the effects of the standard on its financial statements. The standard is effective for the University beginning June 1, 2019.

Subsequent Events - Subsequent events have been evaluated through August 29, 2019, which is the date the financial statements were available to be issued.

Note (2) Accounts, Loans, and Other Receivables

Student accounts receivable and other receivables at May 31, 2019 and 2018 are as follows:

	2019	2018
Student accounts receivable	$ 375,886	$ 356,351
Less allowance for doubtful accounts	(188,748)	(221,303)
Total Student Receivables	$ 187,138	$ 135,048
Interest receivable	16,956	22,005
Accounts receivable - other	75,002	96,619
Total Other Receivables	$ 91,958	$ 118,624
Grand total	$ 279,096	$ 253,672

The University's student accounts receivable more than ninety days past due (net of an allowance) totaled $158,206 and $116,994 at May 31, 2019 and 2018, respectively.

Student loans receivable at May 31, 2019 and 2018 consist of the following:

	2019	2018
Perkins Loan Program	$ 391,178	$ 547,526
Less allowance for doubtful accounts	(138,561)	(209,941)
Total	$ 252,617	$ 337,585

The Perkins Loan Program notes bear interest at 5% and most are payable over ten years following University attendance. A portion of the Perkins student loans are funded by amounts advanced by the U.S. government under the Federal Perkins Loan Program. Such amounts may be re-loaned by the University after collection; however, in the event that the University no longer participates in the program, the amounts are generally refundable to the U.S. government. These advances have been reported as a liability in the statement of financial position. During the years ended May 31, 2019 and 2018, the University returned $-0- and $189,016 to the U.S. government.

Note (2) Accounts, Loans, and Other Receivables (Cont'd.)

The following is an age analysis of past due financing receivables as of May 31, 2019 and 2018:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
May 31, 2019							
Perkins Loans	$ 1,331	$ 15,922	$ 150,489	$ 167,742	$ 223,436	$ 391,178	$ 54,250
May 31, 2018							
Perkins Loans	$ -	$ 24,077	$ 210,476	$ 234,553	$ 312,973	$ 547,526	$ 48,951

The following is an analysis of the allowance for credit losses and recorded investment in financing receivables for the years ended May 31, 2019 and 2018:

Balance at May 31, 2017: collectively evaluated for impairment	$ 286,033
Recoveries	(12,509)
Receivables written off	(63,583)
Balance at May 31, 2018: collectively evaluated for impairment	$ 209,941
Additional Provision	20,753
Receivables written off	(92,133)
Balance at May 31, 2019: collectively evaluated for impairment	$ 138,561

Note (3) Contributions Receivable

Contributions receivable at May 31, 2018 are discounted at the daily treasury yield curve rates at that date and at May 31, 2019 are discounted at 2%. The receivables are expected to be collected in the following periods:

	2019	2018
In one year or less	$ 1,710,873	$ 507,989
Between one year and five years	1,375,185	1,450,198
More than five years	129,924	52,000
	$ 3,215,982	$ 2,010,187
Less present value discount	(131,136)	(129,381)
Less allowance for doubtful accounts	(34,838)	(209,732)
Total	$ 3,050,008	$ 1,671,074

Note (3) Contributions Receivable (Cont'd.)

Contributions receivable at May 31, 2019 and 2018 have the following restrictions:

	2019	2019
Unrestricted (completed capital projects)	$ 94,422	$ 212,748
Unrestricted (designated for current year by	2,549,432	955,169
Departmental programs and activities	17,118	-
Time restrictions	384,807	617,550
Capital projects	24,275	75,157
Endowment scholarship	14,792	20,182
Less allowance for doubtful accounts	(34,838)	(209,732)
Total	$ 3,050,008	$ 1,671,074

During the years ended May 31, 2019 and 2018, the University received undiscounted pledges totaling $ 1,001,577 and $1,067,500, respectively, which were designated by donors to be used to improve the financial results and support activities of the year in which the pledge was made and which were unpaid at year end. As a result, the discounted amount of those pledges was recorded as unrestricted revenue in each respective year.

During the year ended May 31, 2019, the University was awarded two government grants to fund student access to science, technology, engineering, and math programs. Approximately $2.2 million was awarded by the U.S. Department of Education. The grant will be paid to the University from October 1, 2018 through September 30, 2023 to reimburse qualifying expenditures. Approximately $500,000 was awarded by the National Science Foundation to be paid through May 31, 2023 to reimburse qualifying expenditures. The grants have been treated as conditional promises to give until qualifying expenditures are incurred. During the year ended May 31, 2019, the University recognized $144,277 of revenue under these grants.

Note (4) Investments

The University has substantially all of its investments on deposit with securities brokerage firms and trust departments of banks. Policies related to the University's endowment investments are described in Notes (1) and (12). At May 31, 2019 and 2018, all investments were subject to donor restrictions. Fair values as of May 31, 2019 and 2018 are as follows:

	2019	2018
Pooled investments:		
Cash and cash equivalents	$ 371,988	$ 223,561
Mutual Funds	1,423,399	1,396,761
U.S. government securities	1,157,850	625,669
Common stocks & ETF's	7,500,261	7,895,245
Corporate bonds	1,768,133	1,654,453
Municipal bonds	-	431,966
Foreign bonds	36,162	57,156
Other investments	352,939	369,904
	$ 12,610,732	$ 12,654,715
Nonpooled investments:		
Other investments	29,571	31,014
Total	$ 12,640,303	$ 12,685,729

Note (4) Investments (Cont'd.)

Following is a summary of the total investment return for the years ended May 31, 2019 and 2018:

	2019	2018
Endowment interest and dividends	$ 316,405	$ 273,249
Net realized and unrealized gain (loss)	(338,474)	725,937
Less investment fees	(78,872)	(81,075)
Other investment income (loss)	2,441	10,315
Total Investment Return	$ (98,500)	$ 928,426

The University previously transferred $15,000 to the Community Foundation for the Quincy Area for which variance power was not granted. The amount, manner and frequency of distributions will be determined by the Community Foundation for the Quincy Area's Board of Directors on an annual basis. The amount available for distribution shall be based on a percentage of the value of the principal of the Fund as of each distribution date. The transfer and accumulated earnings have been recorded as an interest in the net assets of the Community Foundation for the Quincy Area.

Note (5) Concentrations

In the current year, approximately 38% of private gifts and grants were provided by one major donor. It is always considered reasonably possible that benefactors, grantors, or donors might be lost in the near term.

Financial instruments that potentially subject the University to concentration of credit risk consist primarily of cash and savings accounts and investments.

The University maintains its cash and savings accounts with banking institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). In addition, money market and cash sweep accounts maintained in the endowment are insured by the FDIC, Securities Investor Protection Corporation, and separate insurance coverage maintained by the broker. During the years ended May 31, 2019 and 2018, the University's deposits exceeded these insurance limits by various amounts at various times. The University is exposed to loss of the uninsured amount in the event of nonperformance by the banking institution or investment broker; however, the University does not anticipate any losses. As of May 31, 2019 and 2018, the University's deposits exceeded the aforementioned limits by $2,052,710 and $2,171,159, respectively.

Note (6) Liquidity and Availability of Financial Assets

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over a 12 month period, the University considers all expenditures related to its ongoing missions-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note (6) Liquidity and Availability of Financial Assets (Cont'd.)

The University's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2019	2018
Cash and cash equivalents	$ 1,332,014	$ 2,127,630
Accounts and interest receivable, net	279,096	253,672
Contributions receivable, net	3,050,008	2,010,187
Student loans receivable, net	252,617	337,585
Investments	12,610,732	12,654,715
Assets held in trust by others	47,500	376,085
Total financial assets as of year end	$ 17,571,967	$ 17,759,874
Less those unavailable for general expenditure within one year:		
Student loans receivable, net	$ (252,617)	$ (337,585)
Trusts held by others	(47,500)	(376,085)
Contributions receivable, net, due in more than one year or purpose restricted	(1,386,298)	(1,220,136)
Board-designated endowment	(35,246)	(37,802)
Donor-restricted endowment to be held in perpetuity	(13,054,895)	(12,253,306)
Future expendable donor-restricted endowment less estimated subsequent year appropriation	-	(154,695)
Donor-restricted for future capital expenditures	(60,689)	(98,423)
Financial assets available to meet general expenditures within one year	$ 2,734,722	$ 3,281,842

The University also has lines of credit available to meet short-term needs. See Note (10) for information about these arrangements as well as debt covenants. Under its debt agreement, the University is required to distribute forty percent of excess cash flow, as defined by the agreement, to debtors. At May 31, 2019, the University owed no amounts to debtors under the excess cash provision of the debt agreement. Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans and certain funds are refundable to the U.S. government.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a projected cash flow budget that anticipates collecting sufficient revenue from operations and donations to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the University's cash for the years ending May 31, 2019 and 2018.

Note (7) Land, Buildings And Equipment

Land, buildings and equipment as of May 31, 2019 and 2018 consists of the following major categories:

	2019	2018
Land	$ 2,236,408	$ 2,236,408
Buildings and building improvements	65,306,704	65,031,149
Construction in progress	134,169	43,631
Equipment	11,437,908	11,217,868
Software	1,219,491	1,216,062
Library books	4,323,648	4,317,399
Art prints and stamp collection	48,540	48,540
	$ 84,706,868	$ 84,111,057
Less accumulated depreciation	(46,156,529)	(43,493,568)
Total	$ 38,550,339	$ 40,617,489

Note (8) Accrued Expenses

Accrued expenses at May 31, 2019 and 2018 are as follows:

	2019	2018
Accrued payroll	$ 596,717	$ 621,529
Accrued medical claims	249,497	236,829
Accrued interest payable	296,764	175,919
Total	$ 1,142,978	$ 1,034,277

Note (9) Deferred Revenue

The University received cash and capital improvements from certain vendors in the current and prior years as a stipulation of their long term service agreements. These amounts are included in Deferred Revenue and are being amortized over the term of the agreements, ranging from seven to seventeen years. The unamortized balance at May 31, 2019 and 2018 was $1,938,980 and $2,143,559, respectively. The calculation for the financial responsibility composite score discussed in Note (17) includes deferred revenue from long term service agreements used for acquisition of property, plant, and equipment as part of debt.

Note (10) Notes Payable And Capital Lease Obligations

A summary of notes payable and capital lease obligations at May 31, 2019 and 2018 follows:

	2019	2018
Special Facility Revenue Refunding Bonds, Series 2012 (A)	$ -	$ 9,265,866
Revolving line of credit, bank (B)	1,500,000	4,674,998
Note payable, bank (C)	12,288,615	-
Note payable, bank (D)	4,938,810	5,000,000
Note payable, bank (E)	65,713	76,983
Note payable, bank (F)	2,380,000	-
Note payable, bank (G)	2,620,000	-
Note payable, bank (H)	4,778,935	4,832,967
Note payable, bank (I)	3,825,093	3,862,998
Line of credit (J)	-	2,100,000
Capital lease obligations (K)	-	287,362
Capital lease obligation (L)	137,504	-
Capital lease obligation	-	93,856
Note payable, financing company	3,359	22,856
	$ 32,538,029	$ 30,217,886
Deferred financing costs	(226,015)	(185,935)
Total	$ 32,312,014	$ 30,031,951

(A) On March 30, 2012, the University issued bonds totaling $11,947,439 through the City of Quincy, Illinois (City), as issuer, and Mercantile Bank (formerly Heartland Bank and Trust Company), as lender. Although the bonding capacity of the City was utilized, the bonds remain the absolute obligation of the University. The purpose of the bonds was to refund the remaining principal of the Series 2007 Bond issue. Debt issuance costs of the bonds totaling $185,144 have been netted on the statements of financial position with 'Notes payable and capital lease obligations' and are being amortized over the term of the bonds. The bonds were scheduled to bear a fixed rate of interest at 3.94% through March 1, 2022. Principal and interest were repayable over twenty years with semi-annual payments of $435,306 each due on the first day of March and September. The bonds were secured by a mortgage on the main campus, consisting of the four square block area of academic and fitness properties of Francis Hall, Friary, Library, Memorial Gymnasium and Health and Fitness Center. During the year ended May 31, 2019, the bonds were refinanced with a promissory note as described in (C) below.

(B) On March 30, 2012, the University entered into a loan agreement with Mercantile Bank, for a $4,675,000 revolving line of credit. Payments of interest at the U.S. prime rate rounded to the nearest 0.125% as reported by the Wall Street Journal were due on a quarterly basis and at maturity. On September 17, 2018, the note was refinanced and replaced with a new revolving line of credit note. Of the balance existing on that date, $3,175,000 was transferred to a new promissory note described in (C) and the remaining $1,500,000 remained on the line of credit. Interest is due in semiannual payments at 4.5%. The line of credit matures on September 17, 2019 and is secured by mortgages on properties located at 1800 College Ave., 1901 N. 18th Street, and 800 – 820 N. 18th Street in Quincy, Illinois as well as all inventory and equipment, personal property, and a security interest in pledges.

Note (10) Notes Payable And Capital Lease Obligations (Cont'd.)

(C) On September 17, 2018, the University entered into a loan agreement with Mercantile Bank for a new promissory note to refinance the bonds described in (A) above and $1,500,000 of the line of credit described in (B) above. The original principal balance of the note was $12,440,866. The note bears interest at 5% and is due in semiannual payments of $466,728 through March 17, 2023 with a final balloon payment of $11,210,311 on September 17, 2023. The note is secured by mortgages on the properties located at 1800 College Ave., 1901 N. 18th Street, and 800 – 820 N. 18th Street in Quincy, Illinois as well as all inventory and equipment, personal property, and a security interest in pledges. Debt issuance costs of $41,972 associated with the refinancing are being amortized along with the debt issuance costs of the original bonds over 22.5 years which is the period over which interest is computed on the note.

(D) On June 4, 2014, the University entered into a loan agreement with Mercantile Bank for an advance of $5 million bearing an initial interest rate of 3.25%, which varies daily and equals the prime rate rounded to the nearest 0.125%. The note was refinanced on September 17, 2018 at a 5% interest rate. Payments are due in semiannual installments of $187,579 through March 17, 2023 and a final balloon payment of $4,505,438 on September 17, 2023. The note is secured by the University's business assets and a junior mortgage on properties located at 1800 College Ave. and 1901 N. 18th Street in Quincy, Illinois as well as all inventory and equipment, personal property, and a security interest in pledges.

(E) On August 7, 2012 the University signed a promissory note with Mercantile Bank for $187,357 to purchase three residences adjacent to the University's campus. The note was refinanced on August 1, 2017 at 5% interest. It is due on demand but as long as no demand is made it will be paid in monthly installments of $1,243 with a final balloon payment of $25,897 on August 1, 2022.

(F) On April 15, 2019, the University entered into an agreement with Mercantile Bank for $2,380,000. The note is payable on demand but if no demand is made it is payable on April 15, 2024. The note bears interest at a variable rate equal to 0.75 points under the prime rate with interest paid on a monthly basis. The interest rate was 4.75% at May 31, 2019. The note is secured by endowment investment holding totaling approximately $8.3 million at May 31, 2019.

(G) On April 15, 2019, the University entered into an agreement with Mercantile Bank for $2,620,000. The note is payable on demand but if no demand is made it is payable on April 15, 2020. The note bears interest at a variable rate equal to 0.75 points under the prime rate with interest paid on a monthly basis. The interest rate was 4.75% at May 31, 2019. The note is secured by endowment investment holding totaling approximately $8.3 million at May 31, 2019.

(H) On May 24, 2010, the University entered into a loan agreement with Bank of Springfield, for a construction loan with a maximum borrowing of $6,000,000. Loan proceeds were used to construct a new dormitory, which serves as collateral on the loan. Debt issuance costs of the loan totaling $31,232 have been netted on the statements of financial position with 'Notes payable and capital lease obligations' and are being amortized over the term of the loan. The loan originally bore interest at 5.39% but during the year ended May 31, 2013 was refinanced to 3.65% through April 1, 2018. Subsequent to that date, the loan bore interest at the greater of 5% or the prime rate of Bank of Springfield (not to exceed 8.89%) until it was refinanced on September 17, 2018. Under the refinancing, the note bears interest at 5% and is due in semiannual payments of $180,113 through March 15, 2023 with a final balloon payment of $4,371,775 on October 15, 2023. In addition to the dormitory, the note is collateralized by various other real estate of the University and an assignment of donations.

Note (10) Notes Payable And Capital Lease Obligations (Cont'd.)

(I) On March 20, 2015, the University entered into a loan agreement with Bank of Springfield for a construction loan with a maximum borrowing of $4,000,000. Loan proceeds were used to renovate a football stadium, which serves as collateral for the loan. Debt issuance costs of the loan totaling $61,759 have been netted on the statements of financial position with 'Notes payable and capital lease obligations' and are being amortized over the term of the loan. The loan bore interest at 4.25% until it was refinanced on September 17, 2018. Under the refinancing, the note bears interest at 5% and is due in semiannual payments of $143,964 through March 15, 2023 with a final balloon payment of $3,500,991 on October 15, 2023. In addition to the stadium, the note is collateralized by various other real estate of the University and an assignment of donations.

(J) During the year ended May 31, 2017, the University entered into a line of credit agreement with First Clearing, LLC. The line bears interest at a variable rate and is collateralized by pooled endowment investments held by the broker. The interest rate at May 31, 2018 was 4.25%. The maximum amount of borrowing was limited to the amount of collateral available which totaled $2,153,315 at May 31, 2018. During the year ended May 31, 2019, the line of credit was replaced with agreements detailed in (F) and (G).

(K) On March 22, 2016, the University entered into lease agreements to finance licensing fees and implementation costs for a new enterprise resource planning system. Borrowing under the leases totaled $1,133,379. The leases bear interest at 3.93% and 5.25% with monthly installments of principal and interest due for thirty six months. During the year ended May 31, 2019, the lease agreement term ended and the University purchased the assets for $1.

(L) On August 1, 2018, the University entered into a lease agreement to finance washers and dryers. Borrowing under the leases totaled $144,884. The lease bears interest at 5% with monthly installments of principal and interest of $1,491 due through July 1, 2028.

Substantially all of the University's debt is held by two local lenders and the University is subject to certain restrictive covenants under the related loan agreements. Among other requirements, the University is required to maintain at the end of each fiscal year unrestricted cash and marketable securities (both unrestricted and restricted) of not less than $9,500,000, limit capital expenditures (other than those funded by restricted donations) to $300,000 per year, and distribute forty percent of excess cash flow, as defined by the agreement, to debtors. Also, the University is required to maintain at the end of each fiscal year a Debt Coverage Ratio (as defined) of not less than 1.00 to 1.00. Additionally, the University is required to maintain at all times its net assets at not less than $15,000,000 and a minimum of $9,000,000 in endowment funds and investments. As of May 31, 2018, a debt coverage ratio covenant was not met, and the bank waived such noncompliance. As of May 31, 2019 the University was not aware of any debt covenant violations.

At May 31, 2019, the annual maturities of notes payable and capital lease obligations are as follows:

Year ending May 31:	
2020	$ 7,237,614
2021	706,415
2022	742,695
2023	780,826
2024	22,998,204
Thereafter	72,275
Total	$ 32,538,029

The University leases equipment under a lease agreement classified as capital leases as described in (L). Payments due under the lease total $137,504 and are included in the table above.

Note (10) Notes Payable And Capital Lease Obligations (Cont'd.)

Included in land, buildings and equipment, net on the statement of financial position were $144,884 and $1,034,296 of equipment subject to capital leases, less accumulated amortization of $12,074 and $208,330, at May 31, 2019 and 2018, respectively. Included in depreciation expense on the statement of activities were $12,074 and $142,767 of amortization expenses for the years ended May 31, 2019 and 2018, respectively.

Note (11) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at May 31, 2019 and 2018:

	2019	2018
Restricted by time or purpose:		
Instruction	$ 57,176	$ 33,418
Academic support	45,303	95,782
Student services	29,475	20,510
Operation and maintenance	82,176	93,672
Student aid	114,409	152,183
Auxiliary service	15,083	51,549
Time restriction	256,842	706,448
Capital acquisition	60,689	98,423
	$ 661,153	$ 1,251,985
Endowment returns subject to future appropriations:		
Instruction	$ 1,941	$ 14,481
Academic support	2,249	25,398
Student services	107	-
Student aid	60,478	938,015
	$ 64,775	$ 977,894
Total net assets restricted by time or purpose	$ 725,928	$ 2,229,879
Perpetual restrictions:		
Instruction	$ 358,324	$ 353,324
Academic support	440,281	440,281
General operations	72,500	72,500
Student aid	12,224,862	11,543,063
Student loan	174,997	173,653
Total net assets with perpetual restrictions	$ 13,270,964	$ 12,582,821
Total net assets with donor restrictions	$ 13,996,892	$ 14,812,700

Note (12) Endowment

The University's endowment consists of approximately 190 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, 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. Substantially all of the endowment investments are pooled, and investment returns are allocated to funds on a dollar-unit basis.

Interpretation of Relevant Law

The University follows the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs the standards for investing endowment funds and for determining amounts to be appropriated for expenditure. The Board of Trustees 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to maintain a sufficient liquidity to ensure the funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that meet or exceed net of fees the market index, or blended market index, as identified in the policy. The University expects its endowment funds, over time, to reflect a growth rate that exceeds the CPI rate of inflation by 4% per year as measured over a market cycle. Actual returns in any given year may vary from this amount.

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 or depreciation (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 Policy

The endowment spending rate is defined as a percentage of the endowment investment market value as of December 31 of the prior year. The spending policy is recorded as a satisfaction of program restrictions. For the year ended May 31, 2018, the University Board of Trustees approved an endowment spending policy of approximately 5%. In addition, during the year ended May 31, 2018, the University changed the timing of its appropriation resulting in an additional 7% spending policy for the year ended May 31, 2018. For the year ended May 31, 2019, the University Board of Trustees approved an endowment spending policy of 7%. The appropriated amounts for May 31, 2019 and 2018, totaled $823,200 (based on December 31, 2018 endowment market values) and $1,508,758 (based on December 31, 2016 and 2017 endowment market values), respectively.

Note (12) Endowment (Cont'd.)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment net asset composition by type of fund as of May 31, 2019 and 2018 is as follows:

	May 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 13,335,688	$ 13,335,688
Board-designated endowment funds	35,246	-	35,246
Total	$ 35,246	$ 13,335,688	$ 13,370,934

	May 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 13,560,718	$ 13,560,718
Board-designated endowment funds	37,802	-	37,802
Total	$ 37,802	$ 13,560,718	$ 13,598,520

At May 31, 2019, funds with original gift values of $744,951, fair values of $733,078, and deficiencies of $11,872 were reported in net assets with donor restrictions. During the year ended May 31, 2019, the Board of Trustees appropriated $29,599 from underwater endowments funds.

Note (12) Endowment (Cont'd.)

Changes in endowment net assets for the years ending May 31, 2019 and 2018 were as follows:

	May 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment, beginning of year	$ 37,802	$ 13,560,718	$ 13,598,520
Contributions	-	686,796	686,796
Investment returns, net	(264)	(90,918)	(91,182)
Appropriation for expenditure	(2,292)	(820,908)	(823,200)
Endowment, end of year	$ 35,246	$ 13,335,688	$ 13,370,934

	May 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment, beginning of year	$ 41,943	$ 13,829,933	$ 13,871,876
Contributions	-	403,071	403,071
Investment returns, net	2,592	939,421	942,013
Release of endowment restrictions	-	(112,532)	(112,532)
Appropriation for expenditure	(6,733)	(1,502,025)	(1,508,758)
Other	-	2,850	2,850
Endowment, end of year	$ 37,802	$ 13,560,718	$ 13,598,520

At May 31, 2019, the University owed approximately $606,000 of principal gifts to the endowment investment pool. The University plans to deposit this amount into the investment pool in the future.

Note (13) Retirement Plan

The University makes available to all employees a defined contribution retirement plan. The University did not match employee contributions for the years ended May 31, 2018. For the year ended May 31, 2019, the University implemented a 1:1 match of participant contributions up to $1,000. University contributions are 100% vested to the participants. The University's contribution was $83,175 for the year ended May 31, 2019.

Note (14) Advertising Costs

The University expenses advertising costs as incurred. Advertising expense was $49,455 and $9,435 for the years ended May 31, 2019 and 2018, respectively, none of which was capitalized.

Note (15) Operating Leases

The University leases copiers and printers under operating lease agreements with monthly payment terms. The following is a schedule of future minimum lease payments for the next five years:

2020	$	75,549
2021		48,172
2022		34,595
2023		18,491
2024		17,892
Thereafte		56,658
Total	$	251,357

The University's rental expense totaled $66,199 and $54,262 during the years ended May 31, 2019 and 2018, respectively.

Note (16) Student Financial Assistance

The University administers financial assistance for its students from the Federal government that is subject to annual review and audit. These reviews and audits could lead to requests for reimbursement or the withholding of future funding for expenditures disallowed under terms of the programs. The University is not aware of any noncompliance with Federal provisions that might require the University to provide reimbursement.

Note (17) Financial Responsibility Score

In order to continue participation in any Title IV federal program, the University must demonstrate to the Secretary of the U.S. Department of Education that it is financially responsible under the financial responsibility regulations established by the Department or post a letter of credit in favor of the Department and possibly accept other conditions on its participation in Title IV programs. The financial responsibility regulations require the University to (1) satisfy its obligation to students and to the Secretary and be current in its debt payments, (2) administer properly the Title IV federal programs and (3) have the resources necessary to provide and continue to provide the education and services described in its official publications and continue to satisfy its financial obligations.

The financial responsibility regulations prescribe a ratio methodology which combines elements from the audited financial statements into a single blended composite score to determine financial responsibility. The three factors used to compute financial responsibility are the Primary Reserve Ratio, the Equity Ratio and the Net Income Ratio. These factors are computed, assigned a strength factor and weighted to arrive at the composite score. The composite score will be in one of three ranges: (1) 1.5 to 3.0 - Financially healthy enough to participate without additional monitoring, (2) 1.0 to 1.4 - In the "zone" requiring additional monitoring, and (3) -1.0 to 0.9 - Not financially healthy enough to be considered financially responsible.

The University's management has computed the University's composite score using the methodology prescribed by the financial responsibility regulations. In computing the score, unamortized deferred revenue of $1,938,980 related to service contacts (see Note (9)) was treated the same as long term debt. For the year ended May 31, 2018, the University computed its composite score as being included in category two (in the "zone"). For the year ended May 31, 2019, the University computed its composite score as being included in category two (in the "zone").

Note (17) Financial Responsibility Score (Cont'd.)

Based on a category three composite score rating for the year ended May 31, 2016, the University was required to post an irrevocable letter of credit equal to a minimum of 10 percent of the Title IV aid it received in the most recent fiscal year and be subject to cash monitoring requirements. During the year ended May 31, 2017 the University posted the required letter of credit through a promissory note with Mercantile Bank totaling $930,858. The note had a maturity day of August 31, 2018, bore interest at the prime rate, and was collateralized by investments of the University. The investment collateral could not be withdrawn or spent by the University. During the year ended, May 31, 2018, the Department of Education removed the letter of credit and cash monitoring requirements on the University based on the May 31, 2017 composite score results.

As a result of the composite score rating for the years ended May 31, 2019 and 2018 the University will be required to comply with increased monitoring of operations, including administration of the Title IV programs, while maintaining a composite score equal to 1.0 to 1.4 each fiscal year (the "Zone Alternative"). The "Zone Alternative" is available for no more than three consecutive fiscal years.

Note (18) Stop-Loss Coverage

The University has a self-insured health plan for its employees and has purchased a stop-loss insurance policy in order to limit its exposure. During the years ended May 31, 2019 and 2018, individual stop-loss coverage for a covered person during the policy period equaled $50,000 and $50,000, respectively. Actual claims and administrative fees are paid monthly by the University. At May 31, 2019 and 2018, the University had accrued $179,401 and $160,062, respectively, for self-insured medical claims and was not owed for amounts paid over the stop-loss threshold.

Note (19) Fair Value Measurements

The following are the major categories of assets measured at fair value on a recurring basis during the years ended May 31, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The fair value of available for sale securities, which are the amounts reported in the statements of financial position along with restricted cash, are measured on a recurring basis using quoted market prices in active markets for identical assets (Level 1), if available. If Level 1 inputs are not available, amounts are estimated using quoted market prices in active markets for similar securities (Level 2) or measured using an external appraisal (Level 3). The fair value of alternative investments are measured at reported net asset value ("NAV") provided by the associated external investment managers. The fair value of the interest in the life insurance policy is measured at the net cash value as of the reporting date. The fair value of beneficial interests in trusts are valued at the fair value of the University's share of the underlying trust assets as determined by the trustee. Underlying assets consist of cash equivalents, common stocks, corporate bonds, and mutual funds.

Note (19) Fair Value Measurements (Cont'd.)

	Level 1	Level 2	Level 3	Asset Value	Total
May 31, 2019					
Available-for-sale securities	$ 12,990,059	$ -	$ 2,507	$ 352,939	$ 13,345,505
Interest in life insurance policy	-	6,606	-	-	6,606
Beneficial interests in trusts	-	-	47,500	-	47,500
Total	$ 12,990,059	$ 6,606	$ 50,007	$ 352,939	$ 13,399,611
May 31, 2018					
Available-for-sale securities	$ 12,324,328	$ -	$ 2,507	$ 369,904	$ 12,696,739
Interest in life insurance policy	-	6,506	-	-	6,506
Beneficial interests in trusts	-	-	376,085	-	376,085
Total	$ 12,324,328	$ 6,506	$ 378,592	$ 369,904	$ 13,079,330

The $328,585 decrease in Level 3 assets during the year ended May 31, 2019 was the result of the dissolution and distribution of two trusts in which the University held beneficial interests.

Note (20) Contingency

The University is a defendant in two lawsuits seeking damages of $10,000,000 and $5,000,000. The University believes that the claims are without merit and intends to vigorously defend its position. The University carries various insurance policies that may provide coverage for exposure related to the claims. The ultimate outcome of these matters and any potential exposure not covered by insurance cannot be presently determined and adjustments, if any, that might result from the resolution of these matters have not been reflected in the financial statements but could be material.

Note (21) Going Concern

In recent years, the University has generated operating losses and experienced liquidity challenges. For the years ended May 31, 2019 and 2018, the University generated negative operating cash flows and incurred losses. Liquidity was generated by additional borrowings, release of endowment restrictions, and incremental donations.

Management has taken actions to ensure that the University will continue as a going concern through August 31, 2020. These include marketing and recruitment activities to increase net tuition revenue, staffing and expense reductions, renegotiating payment terms with certain vendors, and securing significant donations. Net student revenue projections for the year ended May 31, 2020 suggest an approximate $1.1 million increase over the prior year. In addition, the University has plans to implement additional expense reductions of $250,000 to $500,000 and secure and collect approximately $5 million in pledges and new donations in the upcoming year to address ongoing recovery efforts set forth by the Board. Based on experience and possible gifts from identified donors, the University feels the fundraising goal can be accomplished.

Exhibit "D"
(Page 20 of 20)

Note (22) **Functional Expenses**

Functional expenses for the year ended May 31, 2019 are as follows:

	2019						
	Programs				Support		
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Fundraising	Total by Nature of Expense
Personnel Cost	$ 4,439,661	$ 835,921	$ 2,779,271	$ 648,433	$ 1,633,135	$ 407,309	$ 10,743,730
Supplies	115,353	78,561	1,051,363	157,720	217,313	89,432	1,709,742
Professional	848,221	191,565	934,953	2,618,313	880,700	268,534	5,742,286
Insurance &	156,321	31,837	347,419	453,455	711,959	-	1,700,991
Travel, Hospitality, & Events	77,222	32,913	917,761	9,619	68,940	11,430	1,117,885
Depreciation	650,644	189,304	977,555	861,517	136,686	-	2,815,706
Interest	310,598	71,662	613,955	512,017	64,500	-	1,572,732
Total Expenses by Functional Category	$ 6,598,020	$ 1,431,763	$ 7,622,277	$ 5,261,074	$ 3,713,233	$ 776,705	$ 25,403,072

The University allocates operating and maintenance expenses to functional classifications based on the square footage of buildings used in each category. Depreciation and interest expense have been allocated based on specific assets used in each function. Assets not assigned to a specific function are allocated based on square footage of buildings used in each category.

QUINCY UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MAY 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Passed Through to Subreceipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A181258	$ 141,785	$ -
Federal Work-Study Program	84.033	P033A181258	109,206	-
Federal Perkins Loan Program	84.038		389,899	-
Federal Perkins Loan Program - Admin Costs	84.038		35	-
Federal Pell Grant Program	84.063	P063P181373	1,664,951	-
Federal Pell Grant Program - Admin Costs	84.063	P063Q181373	1,925	-
Federal Direct Student Loans	84.268	P268K191373	6,279,579	-
Total Student Financial Asssistance Cluster			$ 8,587,380	$ -
Expanding Student Access to STEM	84.031	P031A180259	$ 135,053	$ -
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 8,722,433	$ -
NATIONAL SCIENCE FOUNDATION				
Improving the Success of STEM Undergraduate Students in Rural Community	47.076	1741744	$ 9,224	$ -
Total Expenditures of Federal Awards			$ 8,731,657	$ -

Notes To Schedule Of Expenditures Of Federal Awards are an integral part of this statement.

QUINCY UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MAY 31, 2019

Note (1) Summary Of Significant Accounting Policies

Basis Of Presentation: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Quincy University and is presented on the accrual basis of accounting. The information in this 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note (2) Indirect Costs

For the year ended May 31, 2019, Quincy University did not recover indirect costs from federal awards, other than administrative cost allowances received under the student financial assistance programs. The 10% de minimis indirect cost rate was not used.

Note (3) Federal Perkins Loan Program

Quincy University administers the Federal Perkins Loan Program. The following schedule represents loans advanced by the University and outstanding as at and for the year ended May 31, 2019:

	CFDA Number	Advances	Outstanding Balance
Federal Perkins Loan Program	84.038	None	$ 389,899

The Schedule of Expenditures of Federal Awards includes the outstanding loan balance for the Federal Perkins Loan Program.

Note (4) Noncash Assistance And Federal Insurance

The University did not receive any federal noncash assistance and had no federal insurance in effect during the year ended May 31, 2019.

Note (5) Subrecipients

Quincy University did not disburse any federal funds to subrecipients during the year ended May 31, 2019.

QUINCY UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FEDERAL AWARDS

FOR THE YEAR ENDED MAY 31, 2019

I. Summary Of Auditors' Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____yes	X no
• Significant deficiency(s) identified that are not considered to be material weaknesses?	X yes	____none reported
Noncompliance material to the combined financial statements noted?	____yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____yes	X no
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	X yes	____none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____yes	X no

Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work-Study
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as a low-risk auditee?	X yes	____no

II. Findings Relating To The Financial Statement Audit That Are Required To Be Reported In Accordance With Generally Accepted Government Auditing Standards:

Finding 2019-001 – Capital Lease

Criteria:
Generally accepted accounting principles require leasing arrangements that meet the qualifications of a capital lease to be capitalized as an asset with offsetting liability. The asset is amortized over the term of the lease and a reduction of the liability and interest expense is recognized as payments are made.

Condition:
A lease of washers and dryers that qualified as a capital lease was not properly capitalized.

Cause:
An analysis was not performed to determine whether the lease met the qualifications to be treated as a capital lease. The transaction was treated as an operating lease with payments expensed as rent.

Effect:
Fixed assets and liabilities were understated by an amount equal to the net present value of the lease ($144,884).

Recommendation:
All capital leases should be analyzed for proper classification as operating or capital and recorded accordingly.

Management's Response:
Management recorded the capital lease transactions in the financial audit for FY18/19. Management in the future will review all new leases for determination of capital lease treatment according to generally accepted accounting principles.

III. Federal Award Findings And Questioned Costs:

Finding 2019-002 – Calculation and Return of Unearned Title IV Funds

Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number & Title:	84.007 Federal Supplemental Educational Opportunity Grant Program
	84.063 Federal Pell Grant Program
	84.268 Federal Direct Student Loans
Federal Award Number:	P007A181258
	P063P181373
	P268K191373
Compliance Component:	Special Tests

Criteria:
Uniform Guidance requires the University to "determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the: (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) education program from which the student withdrew." The withdrawal date is then used to determine the amount of Title IV funds earned. All unearned Title IV funds disbursed to the students must be returned to the federal government "no later than 45 days after the date the institution determines that the student withdrew."

Condition:
At the end of each semester, the University's Student Financial Aid office receives a report run by Institutional Research department out of the Registrar software that reports all student who received a 0.00 GPA for the semester. The Student Financial Aid office reviews the report to determine any student unofficial withdraws that require a refund of Title IV funds to be calculated and refunded to the federal government. For the summer 2018 semester, the report received by Student Financial office for review was not complete.

Cause:
For the summer 2018 semester, the report was created too early to pick up all students who should have been reviewed for unofficial withdrawal refund.

Effect:
One student was not properly identified by the Financial Aid office as needing a financial aid refund and consequently, the federal government received the student's unearned funds untimely as determined by the compliance requirements.

Recommendation:
We recommend that the University update its current control procedures over the creation of the 0.00 GPA report by running a subsequent report after the initial report to determine completeness. The subsequent report should be created sufficiently after the initial report to allow for all addition 0.00 GPA student to be included but before the 30 day Uniform Guidance deadline.

Management's Response:
Management has implemented additional control procedures over the creation of the 0.00 GPA report. At the end of each semester, the Financial Aid office will run the 0.00 GPA report. Within 2 weeks, the Registrar's Office will provide a subsequent report to the Financial Aid office for review of completeness before the 30 day Uniform Guidance deadline. This procedures was implemented and tested for the Summer 2019 semester.

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED MAY 31, 2019

The findings from the May 31, 2019, Schedule of Findings and Questioned Costs – Major Federal Award Program are discussed below. The findings are numbered with the numbers assigned in the schedule.

FEDERAL AWARD PROGRAM AUDIT FINDINGS

Finding 2019-001 – Capital Lease

Status: Completed in August 2019

Corrective Action Plan: Management recorded the capital lease in the May 31, 2019 audit report and implemented procedures to review new leases for capital lease treatment according to GAAP standards.

Anticipated Completion Date: Completed August 2019

Responsible Parties:
Mark Strieker, CFO
1800 College Avenue
Quincy, IL 62301
217-228-5237

Finding 2019-002 – Calculation and Return of Unearned Title IV Funds

Status: Completed in September 2019

Corrective Action Plan: University returned the unearned funds to the federal government in September 2019. New procedures were implemented for Summer 2019 semester to create a subsequent report to review completeness of data.

Anticipated Completion Date: Completed September 2019

Responsible Parties:
Lisa Flack, Director of Financial Aid
1800 College Avenue
Quincy, IL 62301
217-228-5635

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED MAY 31, 2019

There were no federal award findings or questioned costs for the year ended May 31, 2018.