Queens University of Charlotte

Financial Statements and Supplementary Information

Year Ended June 30, 2012
(with comparative financial information for the year ended June 30, 2011)

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Queens University of Charlotte

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Year Ended June 30, 2012 (with comparative financial
information for the year ended June 30, 2011)

Queens University of Charlotte

Contents

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Independent Auditors' Report

The Board of Trustees
Queens University of Charlotte

We have audited the accompanying statement of financial position of Queens University of Charlotte (the "University") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the University's June 30, 2011 financial statements, and in our report dated October 28, 2011, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 26, 2012

Financial Statements

Queens University of Charlotte

Statements of Financial Position

June 30,		**2012**		2011
Assets				
Cash and cash equivalents	**$**	**24,638,192**	$	12,879,208
Accounts receivable, net of allowance for uncollectible accounts of $528,758 in 2012 and $547,549 in 2011		**3,863,054**		1,720,395
Contributions receivable, net		**16,589,136**		23,347,110
Loans receivable		**158,324**		160,828
Prepaid expenses and other assets		**1,433,313**		1,120,638
Investments, at fair value		**80,177,464**		80,149,391
Beneficial interest in perpetual trusts		**3,940,532**		3,974,840
Land, buildings and equipment, net		**91,239,961**		57,124,888
Total Assets	**$**	**222,039,976**	$	180,477,298
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	**$**	**13,157,092**	$	6,348,968
Deposits and deferred revenue		**2,840,488**		806,392
Lines of credit		**5,610,883**		4,102,000
Capital lease obligations		**1,745,726**		159,282
Bonds payable		**57,475,000**		20,920,000
U.S. government grants refundable		**188,900**		188,900
Total Liabilities		**81,018,089**		32,525,542
Net Assets				
Unrestricted		**84,952,251**		91,659,826
Temporarily restricted		**38,063,346**		38,616,888
Permanently restricted		**18,006,290**		17,675,042
Total Net Assets		**141,021,887**		147,951,756
Total Liabilities and Net Assets	**$**	**222,039,976**	$	180,477,298

See accompanying notes to financial statements.

Queens University of Charlotte

Statement of Activities

Years ended June 30,	**2012**				2011
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Total
Revenues:					
Tuition and fees	**$43,696,298**	**$ -**	**$ -**	**$ 43,696,298**	$ 40,876,959
Scholarships and fellowships	**(14,863,565)**	**-**	**-**	**(14,863,565)**	(13,147,886)
Total tuition and fees, net of scholarships and fellowships	**28,832,733**	**-**	**-**	**28,832,733**	27,729,073
Private gifts and grants	**3,876,189**	**2,566,729**	**365,554**	**6,808,472**	49,043,630
Governmental grants and contracts	**2,940,169**	**-**	**-**	**2,940,169**	3,450,897
Net realized gains on investments and investment income	**1,734,236**	**242,697**	**-**	**1,976,933**	1,856,602
Other income	**2,136,122**	**287,538**	**-**	**2,423,660**	2,306,207
Net unrealized (losses) gains on investments	**(1,802,092)**	**(290,987)**	**(34,306)**	**(2,127,385)**	7,436,548
Sales and services of auxiliary enterprises	**7,504,337**	**-**	**-**	**7,504,337**	7,109,814
Subtotal revenues before net assets released from restrictions	**45,221,694**	**2,805,977**	**331,248**	**48,358,919**	98,932,771
Net assets released from restrictions	**3,359,519**	**(3,359,519)**	**-**	**-**	-
Total revenues	**48,581,213**	**(553,542)**	**331,248**	**48,358,919**	98,932,771
Expenses:					
Instruction	**25,147,112**	**-**	**-**	**25,147,112**	24,372,786
Student services	**11,513,698**	**-**	**-**	**11,513,698**	11,099,673
Institutional support	**14,912,009**	**-**	**-**	**14,912,009**	9,796,962
Auxiliary enterprises	**3,715,969**	**-**	**-**	**3,715,969**	3,370,124
Total expenses	**55,288,788**	**-**	**-**	**55,288,788**	48,639,545
Change in net assets	**(6,707,575)**	**(553,542)**	**331,248**	**(6,929,869)**	50,293,226
Net assets at beginning of year	**91,659,826**	**38,616,888**	**17,675,042**	**147,951,756**	97,658,530
Net assets at end of year	**$84,952,251**	**$38,063,346**	**$18,006,290**	**$141,021,887**	$ 147,951,756

See accompanying notes to financial statements.

Queens University of Charlotte

Statements of Cash Flows

Years ended June 30,	**2012**	2011
Operating Activities		
Change in net assets	**(6,929,869)**	50,293,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**3,615,451**	3,521,360
Change in the provision for uncollectable accounts	**(133,661)**	(1,261,521)
Loss on disposal of fixed assets	**125,835**	-
Net unrealized loss (gains) on investments	**2,093,079**	(6,945,377)
Net unrealized loss (gains) on beneficial interest in perpetual trusts	**34,308**	(491,171)
Private gifts and grants permanently restricted	**(365,554)**	(4,725,005)
(Increase) decrease in accounts receivable	**(2,302,685)**	827,838
Decrease (increase) in contributions receivable	**7,072,817**	(10,887,546)
Decrease in loans receivable	**2,504**	5,651
Increase in prepaid expenses and other assets	**(312,675)**	(793,712)
Increase (decrease) in accounts payable, accrued liabilities, deposits, and deferred revenue	**8,842,220**	(215,373)
Receipt of agency funds – Federal Pell grants	**2,459,507**	2,655,198
Disbursement of agency funds – Federal Pell grants	**(2,480,663)**	(2,655,198)
Net Cash Provided by Operating Activities	**11,720,614**	29,328,370
Investing Activities		
Purchases of land, buildings and equipment	**(37,856,359)**	(2,650,184)
Sales of investments	**27,225,213**	8,654,975
Purchases of investments	**(29,346,365)**	(32,067,914)
Net Cash Used by Investing Activities	**(39,977,511)**	(26,063,123)
Financing Activities		
Borrowings (payments) on capital lease obligations, net	**1,586,444**	(168,470)
Borrowings (payments) on bonds payable, net	**36,555,000**	(1,200,000)
Proceeds from line of credit	**16,299,723**	8,139,000
Payments on line of credit	**(14,790,840)**	(8,269,000)
Private gifts and grants permanently restricted	**365,554**	4,725,005
Net Cash Provided by Financing Activities	**40,015,881**	3,226,535
Net Increase in Cash and Cash Equivalents	**11,758,984**	6,491,782
Cash and Cash Equivalents, beginning of year	**12,879,208**	6,387,426
Cash and Cash Equivalents, end of year	**24,638,192**	12,879,208
Supplemental Disclosures of Cash Flow Information		
Interest expense during 2012 and 2011, respectively	**1,549,794**	847,568
Interest paid during 2012 and 2011, respectively	**1,475,041**	854,094
Supplemental Disclosure of Noncash Investing and Financing Activities		
Capital Lease Agreements Executed	**1,731,509**	-

See accompanying notes to financial statements.

1. Significant Accounting Policies

Description of the University

Queens University of Charlotte (the "University") is a private, co-educational, Presbyterian-affiliated comprehensive university with a commitment to both liberal arts and professional studies. Located in Charlotte, North Carolina, the University serves approximately 2,700 undergraduate and graduate students through the College of Arts and Sciences, the McColl School of Business, the Wayland H. Cato, Jr. School of Education, the James L. Knight School of Communication, the Hayworth College for Adult Studies and the Andrew Blair College of Health which features the Presbyterian School of Nursing. The University is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools. The University's revenue consists principally of student tuition, room and board, federal and state grants, and private gifts.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis of accounting. The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2011.

Basis of Presentation

The University's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and are fully available at the discretion of management and the Board of Trustees.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. At such time, these assets will be reclassified as unrestricted net assets.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally the donors of these assets permit the University to use all of, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contributed revenue in accordance with donor-imposed restriction, if any, on the contributions.

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; and
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or until income is appropriated by the Board of Trustees.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with original maturities of three months or less from the date of purchase. At various times throughout the year, the University may have cash balances in financial institutions which exceed the amounts that are federally insured.

Cash and cash equivalents include amounts received in the 2011 series bond offering which are reserved for future use in construction projects on campus. The total amounts of cash and cash equivalents held by the bond trustee for construction were $17,028,605 and $0 as of June 30, 2012 and 2011, respectively.

Accounts Receivable

Accounts receivable, a significant portion of which is due from current and former students and are unsecured, are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the University's best estimate of the amount of probable credit losses in the University's existing accounts receivable. The University determines the allowance based on historical write-off experience, current collection efforts and analysis of the accounts' status. Account balances are charged-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Contributions Receivable

Contributions receivable are recorded at their present value, net of an allowance for uncollectible contributions receivable. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, the type of contributions and the nature of fund-raising activity.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets represent amounts expended for goods and services that will benefit future periods. These balances will fluctuate from year to year depending on timing and business activities in a given period.

Investments

The University's investments include various types of investment securities and investment vehicles. The University records all marketable equity securities and all debt securities at fair value, with realized and unrealized gains and losses being reported in the statement of activities. The estimated fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. The estimated value for investments for which quoted market prices are not readily available is subject to uncertainty which therefore may differ from the value that would have been used had a ready market for such investments existed.

Investment earnings, including dividends, interest, rents and royalties, are recognized as income when earned.

Investment securities are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the University's statement of financial position and statement of activities.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the University. The University has legally enforceable rights or claims to such assets, including the right to receive income in future periods. The fair value of these interests and the net realized and unrealized gains (losses) of beneficial interest in perpetual trusts is recorded in the permanently restricted net asset class.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, net of depreciation (if applicable) and donated plant and equipment are recorded at estimated fair value at the time of contribution. Equipment under capital lease is stated at the present value of future minimum lease payments.

Depreciation on land improvements, buildings and equipment is calculated on the straight-line method over estimated useful lives of 40 years for buildings, 20 years for land improvements, 10 years for furniture, 10 years for vehicles, and 5 years for equipment.

Income Taxes

The University is a not-for-profit corporation which is exempt from Federal income tax on related income under Internal Revenue Code Section 501(c)(3). With respect to any unrelated business income generated by the University, it records income taxes using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or to be settled. As of June 30, 2012 and 2011, the University had no deferred tax assets or liabilities, net of valuation allowance.

The University analyzed its tax positions for the year ended June 30, 2012 and determined that there were no uncertain tax positions that would have a material impact on the University's financial statements. The University recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of activities. During the year, the University did not accrue any interest or penalties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain items in the 2011 report have been reclassified to conform to current year classifications. There was no modification to changes in net assets or any net assets balance as a result of the reclassification.

2. Fair Value Measurements

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. Effective June 1, 2008, the University adopted these standards for the assets and liabilities included in the table below, which define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These standards established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability;
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Level 3 assets include "alternative investments" (including private equity, hedge funds, real assets and limited partnership investments) and certain beneficial interests in perpetual trusts, for which valuation is based on information supplied by external investment managers. The University believes this information is a reasonable estimate of fair value. However, because these investments are not readily marketable, their fair value is subject to uncertainty and therefore, may differ from the value that would have been used had an active market for such investment existed.

The following tables summarize the levels in the fair value hierarchy of the University's assets and liabilities at June 30, 2012 and 2011, respectively:

Year ended June 30, 2012	Total	Level 1	Level 2	Level 3
Assets				
Investments	$ 53,268,656	$ 53,268,656	$ -	$ -
Alternative investments	26,908,808	-	-	26,908,808
Subtotal investments	80,177,464	53,268,656	-	26,908,808
Beneficial interest in perpetual trusts	3,940,532	-	-	3,940,532
Total	$ 84,117,696	$ 53,268,657	$ -	$ 30,849,340
Liabilities				
Interest rate swaps	$ 4,529,898	$ -	$ 4,529,898	$ -

Year ended June 30, 2011	Total	Level 1	Level 2	Level 3
Assets				
Investments	$ 31,003,822	$ 31,003,822	$ -	$ -
Alternative investments	49,145,569			49,145,569
Subtotal investments	80,149,391	31,003,822	-	49,145,569
Beneficial interest in perpetual trusts	3,974,840	-	-	3,974,840
Total	$ 84,124,231	$ 31,003,822	$ -	$ 53,120,409
Liabilities				
Interest rate swaps	$ 1,966,797	$ -	$ 1,966,797	$ -

A reasonable estimate of the fair value of the loans receivable from students under government loan programs and advances from Federal government for student loans could not be made because the loans receivable are not salable and can only be assigned to the U.S. government or its designees.

The carrying amount of the debt approximates fair value since these financial instruments bear interest at variable rates which approximate current market rates for bonds with similar maturities and credit quality and based on limited open market trades at par value. The carrying amounts of contributions receivable approximate fair value based on maturity and since these instruments are recorded at net present value.

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

The fair value of $30,849,339 of other investments which are not actively traded on a public market are based upon level 3 input values. These inputs include internal estimates based on discounted values of similar publicly traded stock and information provided by external investment managers. Available markets to liquidate these investments may not be readily available, and the values used by the University may differ from the values that would have been used had active markets for these investments existed. The following table provides a rollforward for fair value measurements using significant unobservable inputs (level 3) including the University's beneficial interest in perpetual trusts:

Years ended June 30,	**2012**	2011
Fair value rollforward for level 3 measurements:		
Beginning balance	**$ 53,120,409**	$ 22,651,997
Total realized and unrealized (losses) gains(net)	**(4,653,003)**	4,324,457
Net purchases, receipts from donors, and sales	**(17,618,067)**	26,143,955
Ending balance	**$ 30,849,339**	$ 53,120,409

3. Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	**$ 8,730,933**	$ 9,725,945
One to five years	**10,321,376**	16,355,520
Over five years	**352,868**	577,060
	19,405,177	26,658,525
Less allowance for uncollectible contributions	**(968,752)**	(1,331,119)
Less unamortized discount (discount rates of 3.25% to 8.50%)	**(1,847,289)**	(1,980,296)
Contributions receivable, net	**$ 16,589,136**	$ 23,347,110

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contributed revenue in accordance with donor-imposed restriction, if any, on the contributions.

4. Loans Receivable

At June 30, 2012 and 2011, loans receivable consisted of: (1) loans made to eligible students under the Federal Perkins Loan program administered by the U.S. Department of Education, (2) the University student loans, and (3) other loans receivable. Perkins loans bear interest at the rate of 5% per annum and are to be repaid over a ten-year period beginning six to nine months after the student ceases to be enrolled at least half-time. The University loans bear interest at rates of 10% and 12% per annum. The loans are to be repaid over a six or seven-year period beginning three months after the student ceases to be enrolled at the University.

5. Investments

The University's investments consisted of the following at June 30, 2012 and 2011, respectively:

June 30,	2012	
	Cost	**Fair Value**
Marketable Securities:		
Cash and cash equivalents	**$ 7,107,593**	$ 7,107,593
U.S. Treasury Notes	**3,221,842**	3,292,993
Corporate stocks	**208,796**	308,088
Corporate bonds	**21,948,368**	22,453,866
Equity mutual funds	**19,841,200**	20,106,116
Subtotal marketable securities	**52,327,799**	53,268,656
Alternative Investments:		
Hedge funds	**9,008,800**	11,260,980
Real estate funds and limited partnership interest	**8,332,140**	7,059,981
Investment in land	**2,480,000**	2,480,000
Private equity limited partnership interest	**5,393,140**	5,718,665
Other investments	**389,182**	389,182
Subtotal alternative investments	**25,603,262**	26,908,808
Investments	**$ 77,931,061**	$ 80,177,464

June 30,	2011	
	Cost	**Fair Value**
Marketable Securities:		
Cash and cash equivalents	$ 3,382,802	$ 3,382,802
U.S. Treasury Notes	3,429,978	3,530,565
Corporate stocks	219,399	360,167
Corporate bonds	6,992,504	7,324,195
Equity mutual funds	14,540,683	16,406,093
Subtotal marketable securities	28,565,366	31,003,822
Alternative Investments:		
Hedge funds	12,910,100	15,628,014
Real estate funds and limited partnership interest	27,059,938	25,862,769
Investment in land	2,480,000	2,480,000
Private equity limited partnership interest	4,381,140	4,785,604
Other investments	389,182	389,182
Subtotal alternative investments	47,220,360	49,145,569
Investments	$ 75,785,726	$ 80,149,391

Investment expense for the years ended June 30, 2012 and 2011 was $148,740 and $143,334, respectively, which is included in institutional support in the statement of activities.

6. Land, Buildings and Equipment

Land, buildings and equipment owned by the University as of June 30, 2012 and 2011 consisted of the following:

June 30,	**2012**	2011
Land	**$ 260,000**	$ 260,000
Land improvements	**7,744,918**	7,506,668
Buildings	**64,541,189**	65,716,738
Equipment and furniture	**23,639,060**	21,371,495
Vehicles	**523,357**	415,006
Construction in progress	**35,480,433**	1,425,135
Land, buildings and equipment	**132,188,957**	96,695,042
Less accumulated depreciation	**(40,948,996)**	(39,570,154)
Land, buildings and equipment, net	**$ 91,239,961**	$ 57,124,888

Years ended June 30,	**2012**	2011
Depreciation expense	**$ 3,615,451**	$ 3,521,360

7. Debt

Term Loans

In July 2011, the University issued twenty-two year bond obligations in the amount of $38,400,000. In October 1999 and May 2001, the University issued twenty-year bond obligations in the amount of $24,540,000 and $7,765,000, respectively. The interest rates on all the bond obligations are variable weekly rates as determined by the commercial banks who serve as remarketing agents for the bonds, payable on a monthly basis. During the year ended June 30, 2012, the interest rates ranged from a high of 0.30% to a low of 0.16%.

The University is obligated for the payment of bonds outstanding at June 30 as follows:

	2012	2011
Series 2011 Bonds, payments due in various installments through 2033, variable weekly rate (0.30% at June 30, 2012)	**$ 38,400,000**	$ -
Series 1999A and 1999B Bonds, payments due in various installments through 2019, variable weekly rate (0.24% and 0.18% at June 30, 2012 for Series 1999A and 1999B, respectively)	**13,685,000**	15,405,000
Series 2001 Bonds, payments due in various installments through 2021, variable weekly rate (0.24% at June 30, 2012)	**5,390,000**	5,515,000
Total bond debt	**$ 57,475,000**	$ 20,920,000

Principal repayments of bonds outstanding as of June 30, 2012 are as follows:

Year ending June 30,	**Amount**
2013	$ 1,955,000
2014	2,740,000
2015	2,955,000
2016	3,190,000
2017	3,575,000
Thereafter	43,060,000
Total bond debt	$ 57,475,000

The debt agreements under which the bonds payable are outstanding contain various financial and other covenants. The primary financial covenants are the debt service coverage ratio and the minimum unrestricted liquidity ratios. At June 30, 2012 and 2011, the University was compliant with all covenants.

The payment of principal and interest on the University's 1999A, 1999B and 2001 bond obligations is secured by direct pay irrevocable letters of credit provided by Bank of America, N.A. for a total amount of $21,160,723, of which $20,920,000 supports the payment of principal and the remaining amount supports the payment of interest. During the term of the letters of credit, a negative pledge will be on record with the Register of Deeds in Mecklenburg County.

The payment of principal and interest on the University's 2011 Bonds is secured by a direct pay irrevocable letter of credit provided by Bank of America, N.A. for a total unused amount of $38,841,864 of which $38,400,000 supports the payment of principal and the remaining amount supports the payment of interest.

Interest Rate Hedges

On June 26, 2001, effective July 2, 2001, to hedge its exposure to changes in variable interest rates on the bonds, the University entered into an eighteen year and eight month interest rate swap with a notional amount of $16,152,500 to pay a fixed rate of 3.99% and receive a variable rate equal to 65% of one month LIBOR, payable on a monthly basis with the first payment due August 1, 2001.

On October 26, 2005, effective November 1, 2005, to hedge its exposure to changes in variable interest rates on the bonds, the University entered into a fourteen year and five month interest rate swap with a notional amount of $14,387,500 to pay a fixed rate of 3.35% and receive a variable rate equal to 65% of one month LIBOR, payable on a monthly basis with the first payment due December 1, 2005.

On July 28, 2011, effective August 1, 2011, to hedge its exposure to changes in the variable interest rate on the 2011 Bonds, the University entered into an nineteen year and seven month interest rate swap with Wells Fargo Bank, N.A. with a notional amount of $21,060,000 to pay a fixed rate of 2.695% and receive a variable rate equal to 70% of one month LIBOR, payable on a monthly basis with the first payment due September 1, 2011.

On July 28, 2011, effective August 1, 2011, to hedge its exposure to changes in the variable interest rate on the 2011 Bonds, the University entered into an nineteen year and seven month interest rate swap with Bank of America, N.A. with a notional amount of $11,340,000 to pay a fixed rate of 2.695% and receive a variable rate equal to 70% of one month LIBOR, payable on a monthly basis with the first payment due September 1, 2011.

At June 30, 2012 and 2011, the fair value of these interest rates swaps was $4,529,898 and $1,966,797, respectively, which is recorded in accounts payable and accrued liabilities. The bond obligations and interest rate swaps have the same critical terms, except that the interest rate swaps reprice monthly and mature one year later than the 1999 bond obligation, one year before the 2001 bond obligation, and three years before the 2011 bond obligation. Because the expiration dates of the interest rate swaps are different than the maturity date of the debt obligation, fluctuations in interest rates may have varying effects on the fair values of the bond obligation and interest rate swaps. Accordingly, the University may not assume the changes in fair value of the interest rate swaps are, and will continue to be, highly effective at offsetting the variability of cash flows associated with the variable rate bond obligations.

Revolving and Construction Loans

The University entered into a credit agreement (the Wells Fargo Bank, N.A. Credit Agreement) on February 25, 2011, with Wells Fargo Bank N.A. Borrowings under the Wells Fargo Bank, N.A. Credit Agreement are limited to $6,500,000. Wells Fargo has a security interest in the assets held by Wells Fargo Bank, N.A., as part of the University's pooled investment portfolio. Borrowings bear interest at a variable per annum rate base upon the LIBOR Rate plus 1.15%. There is an additional 0.20% availability fee per annum on unused balances. The outstanding balance under the Wells Fargo Bank, N.A. Credit Agreement at June 30, 2012 was $3,456,478. The Wells Fargo Bank, N.A. Credit Agreement expires on March 31, 2014.

The University entered into a non-revolving credit agreement (the Science Building Credit Agreement) on April 15, 2011, with Wells Fargo Bank, N.A. to finance a portion of the costs of construction of the Rogers Science and Health Building on the University's main campus. Borrowings under the Science Building Credit Agreement are limited to $5,750,000 and are secured by an interest in certain contributions receivable. During the construction period of April 15, 2011 through April 14, 2013, the University may borrow up to the allowed borrowing amount. Borrowings bear interest at a variable per annum rate base upon the LIBOR Rate plus 1.4%. There is an additional 0.10% availability fee per annum on unused balances. During the construction period, the University has no obligation to repay any portion of the outstanding principal balance. After the construction period, the University is obligated to repay the outstanding principal balance on July 1, 2013 by the amount of pledges collected during the construction period, to the extent not used to pay construction costs. Beginning with the one-year period ending April 14, 2014 and during each one-year period thereafter, the University is obligated to reduce the outstanding principal balance by at least $575,000 per year. The outstanding balance under the Science Building Credit Agreement at June 30, 2012 was $2,154,404. The Science Building Credit Agreement is due and payable in full, including all principal and accrued interest, on April 14, 2016.

8. Obligations Under Capital Leases

The University leases equipment under several agreements, which are classified as capital leases. Assets under capital lease have net book value of approximately $1,779,797 and $152,750 as of June 30, 2012 and 2011, respectively. The following is a schedule of future minimum lease payments as of June 30, 2012:

Year ending June 30,	**Amount**
2013	$ 408,949
2014	368,208
2015	357,513
2016	355,395
2017	332,093
Thereafter	3,490
Total	1,825,648
Less amounts representing interest	(79,922)
Capital lease obligations	$1,745,726

9. Retirement Plan

The University has a defined contribution retirement plan, which covers substantially all of its employees upon meeting certain length of service requirements. In 2012 and 2011, University contributions were 7.5% of each participating employee's salary. The University contributed approximately $1,102,509 and $1,040,348 to the plan in 2012 and 2011, respectively.

10. Endowment

The University's endowment is a subset of Investments as reported on the Statement of Financial Position and consists of approximately 42 individual donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

The University's Board of Trustees interpreted the Uniform Prudent Management of Institutional Funds Act (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 classified as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that was not classified in permanently restricted net assets was characterized as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard for expenditure prescribed by UPMIFA.

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

1) The duration and preservation of the fund;
2) The purposes of the University and the 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; and
7) The investment policies of the University.

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. These deficiencies result from unfavorable market fluctuations that occurred shortly after newly restricted contributions were received. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $102,133 and $48,297 as of June 30, 2012 and 2011, respectively.

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.

The University expects its endowment funds, over time, to provide an annual total return, net of fees, equal to or greater than the customer price index plus the annual spending rate plus administrative fees. Returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investments' 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.

The University has a policy of appropriating for distribution each year 3 to 7% of the average fair value of its endowment fund over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. This is consistent with the University 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 returns. The University's spending rate for the year ending June 30, 2012 and 2011 was 5% and 5.25%, respectively.

Changes in Endowment Net Assets

Year ending June 30, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning endowment net assets	**$ 60,715,671**	**$1,443,359**	**$ 8,978,574**	**$ 71,137,604**
Investment return	**(185,858)**	**(34,019)**	**-**	**(219,877)**
Contributions	**1,788,801**	**-**	**2,300,100**	**4,088,901**
Transfer due to change in donor intent	**(4,137)**	**1,637**	**2,500**	**-**
Appropriation of endowment net assets for expenditure	**(3,443,365)**	**(425,800)**	**-**	**(3,869,165)**
Ending endowment net assets	**$ 58,871,112**	**$ 985,177**	**$11,281,174**	**$ 71,137,463**

Year ending June 30, 2011	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning endowment net assets	$ 33,288,304	$ 801,410	$ 8,975,199	$ 43,064,913
Investment return	6,595,274	942,725	(2,225)	7,535,774
Contributions	22,611,804	-	5,600	22,617,404
Appropriation of endowment net assets for expenditure	(1,779,711)	(300,776)	-	(2,080,487)
Ending endowment net assets	$ 60,715,671	$ 1,443,359	$ 8,978,574	$ 71,137,604

11. Classification of Net Asset Balances

Temporarily restricted net assets consist of the following at June 30:

	2012	2011
Instruction and operational support	**$ 158,005**	$ 786,410
Professorships and scholarships	**9,145,131**	8,254,355
Capital expenditures	**28,730,069**	29,539,971
Other	**30,141**	36,152
Temporarily restricted net assets	**$ 38,063,346**	$ 38,616,888

Permanently restricted net assets consist of the following at June 30:

	2012	2011
Endowment funds	**$ 11,281,174**	$ 8,978,574
Pledges receivable	**2,784,584**	4,721,630
Beneficial interest in perpetual trusts	**3,940,532**	3,974,838
Permanently restricted net assets	**$ 18,006,290**	$ 17,675,042

The income from the investments held related to permanently restricted net assets is expendable for instruction, scholarships, and operations.

12. Commitments and Contingencies

The University has Federal and state grants for specific purposes that are subject to annual audit and other periodic review by grantor agencies. Such reviews could result in requests for reimbursement by grantor agencies for costs which may be disallowed as appropriate expenses under the grant terms. University management believes disallowances, if any, will not be material.

As of June 30, 2012 and 2011, respectively, the University has invested $8,332,140 and $27,059,938 in real estate limited partnerships, $5,393,140 and $4,381,140 in private equity limited partnerships, and $9,008,800 and $11,260,980 in hedge funds. Furthermore, the University has committed to invest the amounts shown below by the specified years in real estate and private equity limited partnerships. These amounts are called by underlying managers based upon underlying commitments and could be called at any point in time.

Year ending June 30,	**Amount**
2016	$ 180,509
2017	243,360
2019	1,324,000
2020	300,000
2021	454,612
2022	2,378,276
Thereafter	191,200
Total	$ 5,071,957

13. Litigation

The University is subject to legal actions arising in the ordinary course of its business. In management's opinion, the University has adequate legal defenses and insurance coverage with respect to the eventuality of such actions, and management does not believe that any settlement would materiality affect the University's operations or financial position.

14. Subsequent Events

Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2012 financial statement through the date of the independent auditors' report, which is the date that the financial statements were available to be issued, and determined that there are no additional items to disclose.

Supplementary Information

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Independent Auditors' Report on Supplementary Information

The Board of Trustees
Queens University of Charlotte

Our audit of the basic financial statements included in the preceding section of this report was performed for the purpose of forming an opinion on those statements taken as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

BDO USA, LLP

October 26, 2012

Queens University of Charlote

Schedule of Financial Position
June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Cash and cash equivalents	$ 16,793,400	$ 7,844,792	$ -	$ 24,638,192
Accounts receivable, net	3,863,054	-	-	3,863,054
Contributions receivable, net	-	13,931,585	2,657,551	16,589,136
Due (to) from	5,166,508	(5,166,508)	-	-
Loans receivable, net	158,324	-	-	158,324
Prepaid expenses and other assets	1,433,313	-	-	1,433,313
Investments	62,287,590	6,481,667	11,408,207	80,177,464
Beneficial interest in perpetual trusts	-	-	3,940,532	3,940,532
Land, buildings and equipment, net	76,268,151	14,971,810	-	91,239,961
Total assets	$ 165,970,340	$ 38,063,346	$ 18,006,290	$ 222,039,976
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$ 13,157,092	$ -	$ -	$ 13,157,092
Deposits and deferred revenue	2,840,488	-	-	2,840,488
Line of Credit	5,610,883	-	-	5,610,883
Capital lease obligations	1,745,726	-	-	1,745,726
Bonds payable	57,475,000	-	-	57,475,000
U.S. government grants refundable	188,900	-	-	188,900
Total liabilities	81,018,089	-	-	81,018,089
Net assets:				
Unrestricted	84,952,251	-	-	84,952,251
Temporarily resricted	-	38,063,346	-	38,063,346
Permanently restricted	-	-	18,006,290	18,006,290
Total net assets	84,952,251	38,063,346	18,006,290	141,021,887
Total liabilities and net assets	$ 165,970,340	$ 38,063,346	$ 18,006,290	$ 222,039,976

Queens University of Charlote

Schedule of Financial Position

June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Cash and cash equivalents	$ 736,266	$ 12,142,942	$ -	$ 12,879,208
Accounts receivable, net	1,720,395	-	-	1,720,395
Contributions receivable, net	-	18,625,480	4,721,630	23,347,110
Due (to) from	(660,065)	660,065	-	-
Loans receivable, net	160,828	-	-	160,828
Prepaid expenses and other assets	1,120,638	-	-	1,120,638
Investments	63,982,418	7,188,401	8,978,572	80,149,391
Beneficial interest in trusts	-	-	3,974,840	3,974,840
Land, buildings and equipment, net	57,124,888	-	-	57,124,888
Total assets	$ 124,185,368	$ 38,616,888	$ 17,675,042	$ 180,477,298
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$ 6,348,968	$ -	$ -	$ 6,348,968
Deposits and deferred revenue	806,392	-	-	806,392
Lines of credit	4,102,000	-	-	4,102,000
Capital lease obligations	159,282	-	-	159,282
Bonds payable	20,920,000	-	-	20,920,000
U.S. government grants refundable	188,900	-	-	188,900
Total liabilities	32,525,542	-	-	32,525,542
Net assets:				
Unrestricted	91,659,826	-	-	91,659,826
Temporarily resricted	-	38,616,888	-	38,616,888
Permanently restricted	-	-	17,675,042	17,675,042
Total net assets	91,659,826	38,616,888	17,675,042	147,951,756
Total liabilities and net assets	$ 124,185,368	$ 38,616,888	$ 17,675,042	$ 180,477,298