

Queens University of Charlotte

Consolidated Financial Statements

Year Ended June 30, 2024

(with comparative financial information for the
year ended June 30, 2023)

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
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Queens University of Charlotte

Consolidated Financial Statements

Year Ended June 30, 2024

(with comparative financial information for the year ended June 30, 2023)

Queens University of Charlotte

Contents

Independent Auditor's Report	3-5
Consolidated Financial Statements	
Consolidated Statements of Financial Position	7
Consolidated Statements of Activities	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-33



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Independent Auditor's Report

The Board of Trustees
Queens University of Charlotte
Charlotte, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Queens University of Charlotte and its subsidiary (collectively, the "University"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Report on Summarized Comparative Information

We have previously audited the University's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent in all material respects with the audited consolidated financial statements from which it has been derived.



Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BDO USA, P.C.

January 31, 2025

Consolidated Financial Statements

Queens University of Charlotte
Consolidated Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Cash and cash equivalents	\$ 1,230,425	\$ 9,517,453
Cash and cash equivalents held by bond trustee	11,044,906	19,666,483
Accounts receivable, net	2,446,508	2,056,149
Contributions receivable, net	3,156,617	4,256,763
Prepaid expenses and other assets	1,326,587	1,165,907
Investments, at fair value	163,897,275	153,458,066
Beneficial interest in perpetual trusts	5,434,603	5,070,378
Beneficial interest in non-perpetual trust	-	24,554
Property, plant and equipment, net	149,254,092	148,392,190
Total Assets	\$ 337,791,013	\$ 343,607,943
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 8,499,795	\$ 9,386,480
Other liabilities	848,632	1,088,750
Deposits and deferred revenue	8,653,777	9,227,816
Line of credit	9,413,635	3,556,593
Equipment and term loans	3,422,398	4,156,378
Bonds payable, net	94,220,318	94,123,901
Total Liabilities	125,058,555	121,539,918
Net Assets		
Without donor restrictions	119,072,607	133,836,771
With donor restrictions	93,659,851	88,231,254
Total Net Assets	212,732,458	222,068,025
Total Liabilities and Net Assets	\$ 337,791,013	\$ 343,607,943

See accompanying notes to consolidated financial statements.

Queens University of Charlotte

Consolidated Statements of Activities

Years ended June 30,	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Tuition and fees, net of student aid (\$36,895,791 and \$30,424,798 at June 30 2024 and June 30, 2023, respectively)	26,675,467	-	26,675,467	27,570,440
Total tuition and fees, net of student aid	26,675,467	-	26,675,467	27,570,440
Other Support				
Private gifts and grants	3,621,965	6,518,360	10,140,325	8,016,010
Private gifts and grants - gifts in kind	420,844	-	420,844	420,844
Governmental grants and contracts	-	1,289,938	1,289,938	1,091,429
Other income	2,901,269	-	2,901,269	7,488,616
Sales and services of auxiliary enterprises	15,182,367	-	15,182,367	12,908,304
Total other support	22,126,445	7,808,298	29,934,743	29,925,203
Appropriations and net assets released from restrictions				
Appropriation of endowment returns without restrictions	4,014,393	-	4,014,393	9,767,542
Appropriation of endowment returns with restrictions	3,392,660	(3,392,660)	-	-
Release of donor funded scholarships and program support	7,010,659	(7,010,659)	-	-
Total revenues and other support	63,219,624	(2,595,021)	60,624,603	67,263,185
Expenses				
Instruction	19,358,424	-	19,358,424	19,471,519
Student services	20,869,903	-	20,869,903	19,115,566
Institutional support	23,595,411	-	23,595,411	23,437,050
Auxiliary enterprises	5,485,892	-	5,485,892	4,804,147
Total expenses	69,309,630	-	69,309,630	66,828,282
Change in net assets before gains, losses and other activities	(6,090,006)	(2,595,021)	(8,685,027)	434,903
Gains, Losses and Other Activities				
Distribution of endowment returns without restrictions	(4,014,393)	-	(4,014,393)	(9,767,542)
Net realized gains (losses) on investments and investment income	(1,573,036)	(79,343)	(1,652,379)	40,178
Net unrealized gains (losses) on investments	10,416,279	8,102,961	18,519,240	10,727,116
Loss on disposal of land, buildings and equipment, net	(512,715)	-	(512,715)	(6,393)
Depreciation expense	(8,146,479)	-	(8,146,479)	(6,864,682)
Interest expense and amortization of debt issuance costs	(4,843,814)	-	(4,843,814)	(4,300,701)
Change in net assets	(14,764,164)	5,428,597	(9,335,567)	(9,737,121)
Net assets, beginning of year	\$ 133,836,771	\$ 88,231,254	\$ 222,068,025	231,805,146
Net assets, end of year	\$ 119,072,607	\$ 93,659,851	\$ 212,732,458	\$ 222,068,025

See accompanying notes to consolidated financial statements.

Queens University of Charlotte

Consolidated Statements of Cash Flows

Years ended June 30,	2024	2023
Operating Activities		
Change in net assets	\$ (9,335,567)	\$ (9,737,121)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	8,146,479	6,864,682
Change in the provision for uncollectable accounts	11,743	48,982
Amortization of debt issuance costs	97,339	107,470
Loss on disposal of assets	512,715	6,393
Net unrealized gains on investments	(18,255,014)	(10,571,615)
Net unrealized gains on beneficial interest in perpetual trusts	(364,226)	(130,947)
Net unrealized losses (gains) on beneficial interest in non-perpetual trust	24,554	(24,554)
Private gifts and grants permanently restricted	(1,861,617)	(400,600)
(Increase) decrease in accounts receivable	(402,101)	1,071,410
Decrease in contributions receivable	1,100,145	2,015,797
(Increase) decrease in prepaid expenses and other assets	(147,825)	2,060,835
Increase (decrease) in accounts payable, accrued liabilities, and annuities due	(924,830)	1,833,934
Decrease in deposits and deferred revenue	(574,038)	(211,449)
Net Cash and Cash Equivalents Used in Operating Activities	(21,972,243)	(7,066,783)
Investing Activities		
Purchases of property, plant and equipment	(9,521,096)	(11,331,674)
Receipt of agency funds - Federal Pell grants	1,885,000	1,506,287
Disbursement of agency funds - Federal Pell grants	(1,897,856)	(1,475,967)
Sales of investments	10,254,447	15,821,996
Purchases of investments	(2,438,641)	(3,794,640)
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(1,718,146)	726,002
Financing Activities		
Net proceeds (payments) on lines of credit	5,856,121	(2,133,905)
Payments on lease obligations, net	(201,974)	(66,082)
Borrowings on equipment loan	-	3,500,000
Payments on term loan	(733,980)	(3,610,133)
Private gifts and grants permanently restricted	1,861,617	400,600
Net Cash and Cash Equivalents Provided by (Used in) Financing Activities	6,781,784	(1,909,520)
Net Decrease in Cash and Cash Equivalents	(16,908,605)	(8,250,301)
Cash and Cash Equivalents, beginning of year	29,183,936	37,434,237
Cash and Cash Equivalents, end of year	\$ 12,275,331	\$ 29,183,936
Supplemental Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents, unrestricted	\$ 1,230,425	\$ 9,517,453
Cash and cash equivalents, restricted	\$ 11,044,906	\$ 19,666,483
Total Cash and Cash Equivalents	\$ 12,275,331	\$ 29,183,936
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 4,843,814	\$ 4,300,701
Debt related interest expense	\$ 4,842,893	\$ 4,289,648

See accompanying notes to consolidated financial statements.

Queens University of Charlotte

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Description of the University and Endowment

Queens University of Charlotte is a nonprofit corporation operating as a private, co-educational, Presbyterian-affiliated comprehensive university with a commitment to both liberal arts and professional studies. Located in Charlotte, North Carolina, Queens University of Charlotte serves approximately 1,900 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 School for Graduate and Continuing Education and the Andrew Blair College of Health which features the Presbyterian School of Nursing. Queens University of Charlotte is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools. Queens University of Charlotte's revenue consists principally of student tuition, room and board, federal and state grants, and private gifts.

The Queens University of Charlotte Endowment ("Endowment") was organized in November 2014 as a nonprofit corporation for the purposes of investing and managing the assets of the Queens University of Charlotte pooled endowment as described in Note 2 below. The Endowment's board of trustees is controlled by Queens University of Charlotte. The Endowment is managed by third-party services firm Foundation for the Carolinas ("Foundation"), also a nonprofit corporation, which invests and manages funds for various institutions. In January of 2015, Queens University of Charlotte sold the liquid assets from its endowment, transferred the proceeds to the Endowment and directed that the proceeds be used to invest in certain investment pools provided by the Foundation. Additionally, Queens University of Charlotte transferred and assigned its illiquid assets from its endowment to the Foundation for the purposes of investing in certain investment pools on behalf of the Endowment. The Endowment owns a fractional share of the Foundation's investment pools as more fully described in the notes below. Queens University of Charlotte is the sole beneficiary of the Endowment.

Principles of Consolidation

The consolidated financial statements and related notes herein include the consolidation of Queens University of Charlotte and the Queens University of Charlotte Endowment, collectively "the University". All intercompany transactions and balances are eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the University have been prepared on the accrual basis of accounting. The consolidated statements of activities include summarized comparative information from the prior year 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 ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2023.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Queens University of Charlotte

Notes to Consolidated Financial Statements

Basis of Presentation

The University's net assets and its revenues, expenses, gains and losses are classified based on the absence or existence of donor-imposed restrictions. Accordingly, net asset changes therein are classified and reported as "without donor restrictions" and "with donor restrictions":

- Net assets without donor restrictions are available for use in general operations and result from revenues that were not restricted by donors or where the donor-imposed restrictions have expired.
- Net assets with donor restrictions result from contributions and other inflows of assets (such as investment income and gains) whose use by the University is limited by the donor-imposed stipulations that require the University use or expend the donated assets as specified and/or are satisfied either by the passage of time or by actions of the University. This category also results from contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Board of Trustees pursuant to those stipulations. However, donors may release the restrictions on net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions 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 certain performance-related barriers are met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of cash to acquire or construct long-lived assets are reclassified from net assets with donor restrictions to net assets without donor restrictions on the statements of activities at the point in time that the acquired or constructed property, plant, or equipment is placed in service. 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 restrictions, if any, on the contributions. For the years ended June 30, 2024 and 2023, there were no conditional contributions received.

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

- As increases in net assets with donor restrictions (in perpetuity) if the terms of the gift require that they be added to the principal of an endowment fund; and
- As increases in net assets with donor restrictions (time and purpose) if the terms of the gift impose restrictions on the use of the income or until income is appropriated by the Board of Trustees.

Queens University of Charlotte

Notes to Consolidated Financial Statements

Financial Instruments

The University's financial instruments that are recorded at fair value include investments and beneficial interests in trusts. Other financial instruments which include cash and cash equivalents, accounts receivable, contributions receivable, accounts payable, annuities payable, interest rate swaps, and bonds payable are stated at cost which approximates fair value.

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 balances that exceeded federally insured limits totaled approximately \$11,033,000 at June 30, 2024. As of June 30, 2024 there was approximately \$803,000 of cash with donor restrictions and approximately \$11,045,000 of cash restricted by credit providers for capital projects, both expected to be released from restrictions within the next 12 to 18 months.

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. At June 30, 2023 there were approximately \$107,000 in other receivables related to Covid-relief funds due to be received from federal and state sources. As of June 30, 2024 and 2023 the allowance for doubtful accounts was \$574,168 and \$562,426, respectively. Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* (Topic 326), adopted for the year ended June 30, 2024 did not have a material impact on the reserves.

Accounts receivable are summarized as follows:

<i>June 30,</i>	2024	2023
Tuition receivables, net of allowance for doubtful accounts	\$ 1,514,461	\$ 988,159
Sales tax receivable	217,033	234,488
Other receivables	715,014	833,502
Accounts receivable, net	\$ 2,446,508	\$ 2,056,149

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 the University's judgment including such factors as prior collection history, the type of contributions and the nature of fund-raising activity.

The University records contributions receivable as with donor restrictions based on donor stipulations. For gifts that are restricted due to purpose requirements by the donor, the University releases the total amount of the gift from restriction upon satisfaction of the purpose restriction, including amounts that are outstanding contributions receivable deemed to be collectible.

Queens University of Charlotte

Notes to Consolidated Financial Statements

In-Kind Contributions

Donated property, marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. In-kind contributions are usually monetized. The University records in-kind contributions as either with or without donor restrictions based on donor stipulations. For gifts that are restricted due to purpose requirements by the donor, the University releases the total amount of the gift from restriction upon satisfaction of the purpose restriction.

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 the Endowment's fractional share of the Foundation's investment pools (as described more fully below) as well as various types of investment securities and investment vehicles held by the University. 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, and are presented net of related internal and external investment expenses.

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 consolidated 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 the beneficial interest in perpetual trusts is recorded in net assets with donor restrictions.

Queens University of Charlotte

Notes to Consolidated Financial Statements

Beneficial Interest in Non-Perpetual Trust

The University was the beneficiary of a 25.5% interest in a non-perpetual trust which was liquidated during the year. The trust held certain assets and was the residuary beneficiary of the revocable trust of a donor that passed away in 2017. The donor's will specified the trust distributions were to be used for funding endowed scholarships at the University. For the fiscal years ended June 30, 2024 and June 30, 2023 the University's portion of the trust balances are shown on the consolidated statement of financial position as Beneficial Interest in Non-Perpetual Trust and are a part of the net assets with donor restrictions. For the fiscal years ending June 30, 2024 and 2023, the trust distributed \$24,554 and \$1,519,954, respectively to the Endowment.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of depreciation (if applicable), and donated property, plant and equipment are recorded at estimated fair value at the time of contribution. All expenditures for property, plant, and equipment in excess of \$5,000 are capitalized in accordance with the University's capitalization policy.

Depreciation on land improvements, buildings and equipment is calculated on the straight-line method over estimated useful lives as noted below:

<u>Depreciable Property, Plant and Equipment</u>	<u>Useful Lives</u>
Buildings	40-50 years
Building and land improvements	20 years
Furniture and vehicles	5-10 years
Equipment	5-10 years

The carrying value of property, plant and equipment is evaluated on an on-going basis, based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to the estimated fair values.

Refundable Advances

A transfer of assets (i.e. cash received) that is related to a conditional contribution is accounted for as a refundable advance in deposits and deferred revenue in the accompanying statements of financial position until the conditions have been substantially met or explicitly waived by the donor or grantor. At June 30, 2024 and 2023, \$6,080,595 and \$6,761,980 is recorded as a refundable advance, respectively. These advances are primarily related to contributions made by certain service vendors, and will be recognized into revenue over the time period of the related service contract.

Queens University of Charlotte

Notes to Consolidated Financial Statements

Debt Issuance Costs

Debt issuance costs are included as a contra-liability to bonds payable, consisting primarily of legal and financial advisor fees that were incurred in connection with the bonds issued during the fiscal year ended June 30, 2022. The debt issuance costs are being amortized as interest expense using the effective interest method over the related term of the bonds. The cost basis of the debt issuance costs incurred in 2022 amounted to \$1,422,516. These debt issuance costs are recorded net of accumulated amortization of \$192,834 and \$96,417 as of June 30, 2024 and 2023, respectively.

Debt issuance costs consisting primarily of legal and financial advisor fees that were incurred in connection with a 2022 amendment to extend the original line of credit were included in prepaid expenses and other assets. These debt issuance costs were amortized as interest expense using the effective interest method over the related term of the line of credit. Debt issuance costs associated with the amendment had a cost basis of \$55,265 and were fully amortized as of June 30, 2024. The University recorded amortization expense of \$921 and \$11,053 during the years ended June 30, 2024 and 2023, respectively.

Split-Interest Agreements

The University has certain trust agreements and other arrangements with donors under which both parties derive benefits (split-interest agreements). Split-interest agreements entered into by the University consist primarily of charitable gift annuities. Assets received under irrevocable split-interest agreements are recorded at their fair value when received. The University records a liability in connection with such agreements equal to the present value of future payments to be made to donors or beneficiaries. Split-interest assets are included in investments and the corresponding liabilities are included in accounts payable and accrued liabilities.

The University is the beneficiary of several charitable gift annuities. Under charitable gift annuities, the University receives cash or other assets from donors and in return agrees to pay a fixed dollar amount annually for a specified period of time to the donor or other designated beneficiary. The University records a gift annuity liability, which represents the present value of the future cash flows expected to be paid to the donors. The present values are calculated using the donors' actuarially determined life expectancies and interest rates at the date of the gift, which range from 5.0% to 6.3%. Liabilities associated with the gift annuities totaled \$592,480 and \$630,625 as of June 30, 2024 and 2023, respectively.

Revenue Recognition

The University accounts for its revenue generating transactions in accordance with ASC 606 *Revenue from Contracts with Customers* or ASC Subtopic 958-605 *Not for Profit Entities - Revenue*, as appropriate. For those transactions subject to ASC 606, the University measures revenue from contracts with customers based on the consideration specified in a contract with a customer, and recognizes revenue as a result of satisfying its promise to transfer goods or services in the contract with a customer. The University does not capitalize contract costs. The performance obligations related to contracts with students involves providing instruction, housing and dining (if applicable), and access to the University's facilities and services throughout the contract term. As a result, the performance obligations are satisfied over time ratably throughout each contract's applicable period. The University enters into contracts that include various combinations of services, which are generally capable of being distinct and are accounted for as separate performance obligations.

Queens University of Charlotte

Notes to Consolidated Financial Statements

Tuition and fees from student services are recognized ratably over the academic time period to which they apply. A portion of tuition and fees charged in the current fiscal year for the summer term is deferred and recognized in the following fiscal year due to summer sessions between May and July crossing fiscal years. Tuition discounts in the form of scholarships, grants, and other aid, including those funded by the endowment, research funds, and gifts, are reported as a reduction of tuition revenues. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. For any such arrangements, the transaction price only includes tuition and fees net of the awarded discounts or institutional aid. Tuition and fees is net of any amounts that the University has estimated are not likely to be collected, based on historical experience.

Other income represents income from activities other than those that are ongoing and central to the University's core business operations and is recognized as revenue in the period it is earned and collectible.

Auxiliary enterprises revenue is generally recognized when services are rendered or as activities have been completed. Auxiliary receivables are comprised primarily of amounts due from students for housing and meal plans.

Private gifts and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Private gifts and grants - gifts in kind are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Government grants and contracts revenue is recognized when reimbursable expenses are incurred or when deliverables or milestones are met. The University evaluates whether government grants and contracts should be accounted for as conditional or unconditional contributions (nonreciprocal transactions), or as revenue from a contract where the government is the customer. For the years ended June 30, 2024 and 2023, the University recognized \$1,159,054 and \$1,000,000, respectively, of revenue subject to Topic 958-605-45-1 and \$4,500 and \$12,871, respectively of revenue subject to ASC 606, *Revenue from Contracts with Customers*. Revenues include recoveries of eligible direct expenses and indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent the amounts due from Federal, state, local, private grants, contracts and others.

Queens University of Charlotte

Notes to Consolidated Financial Statements

Education Emergency Relief Funds

During the years ended June 30, 2024 and 2023, the University was allocated federal funding from the Higher Education Emergency Relief Funds (HEERF) and the American Rescue Plan of approximately \$1,159,000 and 1,000,000, respectively, for relief efforts in light of COVID-19. The funds received for the student portion of grants are included in governmental grant revenue, and amounts granted to students for emergency aid are included in institutional expense on the consolidated statement of activities. The remaining portions of the grants that were allocated to the institution were allowed to be used as reimbursement for forgone revenue and expenses related to COVID-19. During the years ended June 30, 2024 and 2023 the University was also allocated state funding of approximately \$17,350 and \$125,000, respectively for relief efforts in light of COVID-19. The funds were allocated for personal protective equipment, student aid, and workforce recruitment and retention.

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, 2024 and 2023, 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, 2024 and determined that there were no uncertain tax positions that would have a material impact on the University's consolidated 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 tax related interest or penalties.

Liquidity and Availability of Financial Resources

The University manages its liquid resources by focusing on efforts to generate net enrollment revenue, auxiliary revenue, annual fund contributions and other gifts and grants as well as planning for the releases of restricted funds into operations (collectively "operating inflows") to cover the costs of programs, student services, auxiliary services, other institutional support and debt service (collectively "operating outflows"). The University annually prepares detailed budgets for these items and regularly monitors actual performance of each item against its budget in order to manage the availability of liquid funds needed to fulfill near term obligations. In addition to managing operating inflows and outflows, the University has a \$10,000,000 operating line of credit. The credit line allows the University to efficiently manage the volume of operating inflows and outflows and to ensure any lag between receipts of operating inflows and operating outflows is covered.

Queens University of Charlotte

Notes to Consolidated Financial Statements

The University also has liabilities associated with capital transactions (generally new or renovated buildings or facilities). During the planning, construction and completion stages of a capital project, the University has obligations to pay its contractors and vendors for work as it is completed. As more fully described in Note 6, the University generally funds the costs of capital projects that produce a revenue stream (e.g. a residence hall) with long-term bonds and the University generally while funding the costs of capital projects that are non-revenue producing (e.g. an administrative building) with term loans. The term loans are structured around pledge payment schedules of donors who have made gifts to the University which are being paid over a period of time (generally up to 5 years). Debt service obligations for bonds debt are funded from operating inflows and the debt service obligations for the term loans are funded from the project's specific donor pledge payments.

The University's financial assets available for general expenditures within one year of June 30, 2024 and 2023 are calculated as follows:

<i>June 30,</i>	2024	2023
Financial Assets:		
Cash and cash equivalents	\$ 1,230,415	\$ 9,517,453
Cash and cash equivalents held by bond trustee	11,044,906	19,666,483
Accounts receivable, net	2,446,508	2,056,149
Contributions receivable, net	3,156,617	4,256,763
Unused credit line	586,365	6,442,485
Loans receivable	62,948	62,948
Investments and beneficial interest in trusts	169,331,878	158,552,998
Total Financial Assets	\$187,859,637	\$ 200,555,279
Less amounts not available for general expenditures within one year:		
For future use	(11,492,732)	(20,019,090)
Contributions receivable restricted by donors for endowment investment	(108,796)	(1,357,823)
Contributions receivable due in more than one year	(2,722,650)	(2,904,325)
Donor restricted endowment	(69,789,993)	(64,962,501)
Unrestricted endowment that the University intends to keep invested more than one year	(82,641,428)	(77,107,095)
Loans receivable in more than one year	(62,948)	(62,948)
Net financial assets available for general expenditure	\$ 21,041,090	\$ 34,141,497

Queens University of Charlotte

Notes to Consolidated Financial Statements

2. Fair Value Measurements

The University measures its beneficial interests and investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined 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. The framework that the authoritative guidance established for measuring fair value includes 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; and
- 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.

Because the Endowment owns a share of the Foundation's investment pools and the investment pools are not themselves marketable assets, nor do the Foundation's pools have quoted prices for similar assets, the Endowment's pooled assets are classified below as net asset value ("NAV"). However, within the Foundation's investment pools, there are assets that meet the criteria for Level 1 as well as Level 3 assets. A description of the Foundation's pooled assets in those categories are shown in the second table below. 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.

Queens University of Charlotte

Notes to Consolidated Financial Statements

The following tables summarize the levels in the fair value hierarchy of the University's invested assets and beneficial interests in trusts at June 30, 2024 and 2023, respectively:

<i>June 30, 2024</i>	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments	\$ 115,679	\$ -	\$ -	\$ -	\$ 115,679
Pooled investments endowment	-	-	-	161,691,320	161,691,320
Non-endowment investments	-	-	-	1,404,176	1,404,176
Subtotal, pooled investments	115,679	-	-	163,095,496	163,211,175
Alternative investments	-	-	-	686,100	686,100
Subtotal investments	115,679	-	-	163,781,596	163,897,275
Beneficial interest in perpetual trusts	-	-	-	5,434,603	5,434,603
Beneficial interest in non-perpetual trust	-	-	-	-	-
Total Invested Assets	\$ 115,679	\$ -	\$ -	\$ 169,216,199	\$ 169,331,878

<i>June 30, 2023</i>	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments	\$ 174,552	\$ -	\$ -	\$ -	\$ 174,552
Pooled investments endowment	-	-	-	150,269,596	150,269,596
Non-endowment investments	-	-	-	2,327,818	2,327,818
Subtotal, pooled investments	174,552	-	-	152,597,414	152,771,966
Alternative investments	-	-	-	686,100	686,100
Subtotal investments	174,552	-	-	153,283,514	153,458,066
Beneficial interest in perpetual trusts	-	-	-	5,070,378	5,070,378
Beneficial interest in non-perpetual trust	-	-	-	24,554	24,554
Total Invested Assets	\$ 174,552	\$ -	\$ -	\$ 158,378,446	\$ 158,552,998

The University's ownership share in the Foundation's pooled investments (both endowment and non-endowment) as shown in the tables above are not actively traded on a public market and therefore the fair values of that ownership share are measured at NAV. The inputs for determining that value include information provided by external investment managers about the fractional share of the pool owned by the University and the underlying Level 1 fair values of investments held by the investment pools which are traded on a public market.

The alternative investments shown in the tables above include private investments for which fair value is measured at NAV and is based on information supplied by external investment managers. The NAV is used as a practical expedient to measure fair value but is not used when it is determined to be probable that the investment will be sold for an amount different than the reported NAV. The NAV is based on the fair value of the private investments held less related liabilities. The investment managers use pricing models, appraisals, discounted cash flow models, and other valuation techniques to determine fair value of each investment.

Queens University of Charlotte

Notes to Consolidated Financial Statements

The non-perpetual trust investments shown in the tables above reflect the University's 25.5% interest in a non-perpetual trust, which is not itself a marketable asset, the fair value for this interest is measured at NAV based on the underlying assets held in the trust that meet the criteria of Level 1 classification.

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 University's pooled investments are held in a custom pool developed by the University and its investment manager, tailored to fit the University's particular strategies and investment policies. The custom pool has the primary objective to achieve an annualized total return, net of fees, through appreciation and income, equal to or greater than the rate of inflation (as measured by broad, domestic consumer price index) plus any spending and administrative expenses, thus, at a minimum maintaining the purchasing power of the endowment.

The following tables summarize the allocated fair value of the University's interest in the investment pool's underlying assets:

<i>June 30, 2024</i>	Level 1	Level 2	Level 3	NAV	Total
Assets					
Long-term growth	\$ 52,323,224	\$ -	\$ 2,520,972	\$ -	\$ 54,844,196
Moderate growth	1,054,091	-	-	-	1,054,091
Alternatives	-	-	-	107,197,209	107,197,209
Total	\$ 53,377,315	\$ -	\$ 2,520,972	\$ 107,197,209	\$ 163,095,496

<i>June 30, 2023</i>	Level 1	Level 2	Level 3	NAV	Total
Assets					
Long-term growth	\$ 48,847,680	\$ -	\$ 2,308,629	\$ -	\$ 51,156,309
Moderate growth	939,965	-	-	-	939,965
Alternatives	-	-	-	100,501,140	100,501,140
Total	\$ 49,787,645	\$ -	\$ 2,308,629	\$ 100,501,140	\$ 152,597,414

As of June 30, 2024 and June 30, 2023, the University's beneficial interest in the non-perpetual trust shown in the tables above are reflected with a NAV fair value of \$0 and \$24,554 respectively. Because the University's interest in the non-perpetual trust is not itself a marketable asset, the fair value for this interest is classified as NAV. However, some of the assets held in the non-perpetual trust meet the criteria of Level 1 classification.

Queens University of Charlotte

Notes to Consolidated Financial Statements

The following tables provide a rollforward for fair value measurements of investments including those using significant unobservable inputs (NAV):

<i>Year ended June 30, 2024</i>	Investments	Beneficial Interests in Perpetual Trusts
Fair value roll-forward for NAV measurements:		
Beginning balance	\$ 153,283,514	\$ 5,070,378
Total realized and unrealized gains, net	16,667,950	264,225
Purchases and receipts from donors	4,200,258	100,000
Sales	(10,254,447)	-
Ending balance	\$ 163,897,275	\$ 5,434,603

<i>Year ended June 30, 2023</i>	Investments	Beneficial Interests in Perpetual Trusts
Fair value roll-forward for NAV measurements:		
Beginning balance	\$ 153,342,287	\$ 4,839,331
Total realized and unrealized gains, net	10,503,690	130,947
Purchases and receipts from donors	3,193,262	100,100
Sales	(13,755,725)	-
Ending balance	\$ 153,283,514	\$ 5,070,378

There were \$18,255,014 and \$10,493,525 included in unrealized gains related to NAV assets held by the University as pooled investments for the fiscal years ended June 30, 2024 and 2023, respectively.

Other Fair Value Considerations

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 included in U.S. government grants refundable on the statement of financial position 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 since these instruments are recorded at net present value.

Queens University of Charlotte
Notes to Consolidated Financial Statements

3. Contributions Receivable

Contributions receivable, net, are summarized as follows:

<i>June 30,</i>	2024	2023
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,238,748	\$ 1,879,919
One to five years	2,545,150	2,629,325
Over five years	177,500	275,000
Total contributions receivable	3,961,398	4,784,244
Less allowance for uncollectible contributions	(97,955)	(112,363)
Less unamortized discount	(706,826)	(415,118)
Contributions receivable, net	\$ 3,156,617	\$ 4,256,763

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and range from 3.25% to 8.5%. Amortization of such discounts are recorded as additional contributed revenue once the pledge is paid, in accordance with donor-imposed restrictions, if any, on the contributions.

Significant Donors

As of June 30, 2024, the University had two significant donors whose total balances accounted for approximately \$1,765,000 (44.5%) of total contributions receivable. As of June 30, 2023, the University had two significant donors whose total balances accounted for approximately \$2,330,000 (48.8%) of total contributions receivable.

For the year ended June 30, 2024, the University had one significant donor which accounted for \$1,500,000 (15.92%) of the total private gifts and grants. For the year ended June 30, 2023, the University had four significant donors which accounted for \$1,800,000 (21.2%) of the total private gifts and grants.

Queens University of Charlotte

Notes to Consolidated Financial Statements

4. Property, Plant and Equipment

Property, plant and equipment owned by the University consisted of the following at:

<i>June 30,</i>	2024	2023
Land improvements	\$ 11,040,873	\$ 11,320,120
Buildings	158,582,967	158,920,083
Building improvements	30,858,227	23,749,211
Equipment and furniture	33,433,673	27,360,835
Vehicles	185,429	117,109
Property, plant and equipment	234,101,169	231,711,850
Less accumulated depreciation	(89,584,922)	(84,010,060)
Land, art and intangibles	690,400	690,400
Construction-in-progress	4,047,445	10,244,492
Property, plant and equipment, net	\$ 149,254,092	\$ 148,392,190

Depreciation expense for the years ended June 30, 2024 and 2023 was \$8,146,479 and \$6,864,682, respectively.

5. Debt

Bonds Payable

In May 2022, the University entered into a Bond Purchase and Loan Agreement with the Wisconsin Public Finance Authority as the issuer of the bonds, and Goldman Sachs as the purchaser of the bonds. These revenue bonds were issued as “Educational Facilities Revenue Bonds, Series 2022A” and “Taxable Educational Facilities Revenue Bonds, Series 2022B”, in the amounts of \$82,215,000 and \$13,235,000 respectively, to retire the then outstanding bond issuances from 2013 and 2018 and their related swap agreements, and to provide \$25,000,000 in new funds to the University to finance certain construction and renovation projects on the University’s campus.

Queens University of Charlotte
Notes to Consolidated Financial Statements

The University had the following bonds outstanding as of the dates indicated:

<i>June 30,</i>	2024	2023
Series 2022A Bonds, payments due in various installments through March 2052 beginning in September 2022, bearing interest at a fixed annual rate of 5.05%	\$ 82,215,000	\$ 82,215,000
Series 2022B Bonds, payments due in various installments through March 2032 beginning in September 2022, bearing interest at a fixed annual rate of 6.51%	13,235,000	13,235,000
Unamortized debt issuance costs	(1,229,682)	(1,326,099)
Total bonds payable, net	\$ 94,220,318	\$ 94,123,901

Scheduled principal and interest payments of bonds payable outstanding are as follows at June 30, 2024:

<i>Year ending June 30,</i>	Principal Amount	Interest Amount
2025	\$ -	\$ 4,958,256
2026	1,595,000	4,958,256
2027	1,685,000	4,868,538
2028	1,780,000	4,773,756
2029	1,880,000	4,673,631
Thereafter	88,510,000	59,966,251
Total bonds payable	\$ 95,450,000	\$ 84,198,688

The debt agreements under which all bonds payable are outstanding contain no financial covenants and certain reporting covenants. As of June 30, 2024 the University was not compliant with certain reporting covenants and obtained waivers from the lender.

Equipment Loan

The University entered into an agreement on April 24, 2023 with Bank of America to finance \$3,500,000 of the purchase of certain energy conservation equipment. The agreement stipulates that the University will utilize at least \$4,087,000 of other funds toward the project and that amount is scheduled to be provided through the 2023A Series bonds. The equipment loan bears interest at a fixed rate of 4.973% per annum and requires 12 monthly payments of interest only through March 2024 followed by 108 monthly payments of principal and interest. The lender maintains a security interest in the assets purchased by the University until the loan matures in March of 2033.

Queens University of Charlotte
Notes to Consolidated Financial Statements

Scheduled principal and interest payments of the loan are as follows at June 30, 2024:

<i>Year ending June 30,</i>	Principal Amount	Interest Amount
2025	\$ 320,216	\$ 162,963
2026	336,508	146,670
2027	353,630	129,549
2028	371,622	111,557
2029	390,530	92,649
Thereafter	1,649,892	162,027
Total loan payable	\$ 3,422,398	\$ 805,415

Line of Credit

The University entered into a revolving master credit agreement (the “Truist Bank Line of Credit Agreement”) on May 15, 2018, with Truist Bank. Borrowings under the Truist Line of Credit Agreement are limited to \$10,000,000. The Truist Bank Line of Credit Agreement was extended in May 2024 and now matures on May 31, 2025 and is collateralized by certain deposit accounts held with Truist Bank. Borrowings bear interest at a variable daily rate equal to the SOFR rate or Index plus 1.15%. The outstanding balance due under the Truist Credit Agreement at June 30, 2024 and June 30, 2023 was \$9,413,635 and \$3,556,593 respectively. The Truist Bank Line of Credit Agreement contains various non-financial covenants. As of June 30, 2024, the University was compliant with all covenants.

Term Loan

In August 2018, the University entered into a \$15,000,000 loan agreement with Truist Bank to finance certain donor funded capital projects. The loan bridges the gap between when donor payments on pledges are made over the next five years and the construction payments due to contractors over the next year. The loan was collateralized by certain pledges associated with the capital projects. The loan agreement bore interest at a floating interest rate equal to one month LIBOR plus 1.0%. The term loan contained various financial and other covenants. Per the loan agreement, advances on the loan concluded on May 31, 2020. After that date, pledge payments received for the capital projects are to be paid to the lender within 15 days of receipt and applied to the outstanding obligations. Per the associated pledge schedule, the University made repayments through August 21, 2023 at which time the obligation was settled in full.

Queens University of Charlotte
Notes to Consolidated Financial Statements

6. Lease Obligations

Operating Lease Commitments

The University leased a variety of equipment under an operating lease that expired in 2024. The University's lease liability is \$0 and \$89,993 as of June 30, 2024 and 2023, respectively. This liability was based on the present value of the remaining minimum rental payments using a discount rate that is based on the University's incremental borrowing rate. The lease asset was \$0 and \$89,993 as of June 30, 2024 and 2023, respectively. This asset included right-of-use assets equaling the lease liability, net of prepaid rent and deferred rents that existed as of the adoption of the new lease standard. Total lease expense was \$89,993 for each of the years ended June 30, 2024 and 2023.

Obligations Under Finance Leases

The University has entered into various lease agreements for computers and other equipment, as well as for musical instruments and vehicles. The leases expire at various dates through June 30, 2033. For financial reporting purposes, minimum lease payments have been capitalized.

Property held under finance leases at June 30, 2024 and 2023, is as follows:

<i>June 30,</i>	2024	2023
Equipment	\$ 663,515	\$ 663,515
Musical instruments	233,997	233,997
Vehicles	92,876	92,876
Less accumulated depreciation	(937,606)	(839,790)
Total	\$ 52,782	\$ 150,598

Amortization of assets under finance leases is included in depreciation expense and amounted to \$97,816 and \$28,124 for the years ended June 30, 2024, and 2023, respectively.

Future minimum lease commitments under finance leases and the net present value of the future minimum lease payments for the next four years are approximately as follows:

<i>Year ended June 30,</i>	Finance Leases
2025	\$ 50,225
2026	30,700
2027	11,300
2028	-
Thereafter	-
Total minimum lease payments	\$ 92,225

Total interest costs incurred related to the obligation under finance leases for years ended June 30, 2024 and 2023 were \$7,119 and \$13,897 respectively.

Queens University of Charlotte

Notes to Consolidated Financial Statements

7. Retirement Plan

The University has a defined contribution retirement plan (the “Plan”), which covers substantially all of its full-time employees upon meeting certain eligibility requirements. The University contributes a matching amount of each participating employee’s contribution. Starting in June 2020, the University reduced its contribution from 7.5% to 2.5% of salary. In January 2023, the University increased its contribution from 2.5% to 5.0%. The University contributed \$1,042,700 and \$843,791 to the plan in 2024 and 2023, respectively.

8. Endowment

The University’s endowment is a grouping of 327 individual donor funds established for providing scholarships, professor support, and various operating and maintenance funds to the University. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. Of the 327 funds, 59 are donor restricted and the market value of those funds is classified as “with donor restrictions” on the consolidated statement of financial position. These donor funds are reflected in the table below as “Pooled Endowment Net Assets.”

In addition to the pooled endowment net assets, the University has beneficial interests in perpetual trusts and a non-perpetual trust, as shown in Note 2 above, that provide income distributions which are used by the University in a manner similar to the Pooled Endowment Net Assets.

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 with donor restrictions, (2) the original value of subsequent gifts to with donor restrictions, 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 is not classified in net assets with donor restrictions (in perpetuity) is classified as net assets with donor restrictions (by time or purpose) until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act.

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.

Queens University of Charlotte

Notes to Consolidated Financial Statements

From time-to-time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration (“underwater funds”). The following table provides a summary of the funds (with and without donor restrictions) for which the market value was below the corpus value as of the balance sheet date:

<i>Underwater funds as of June 30, 2024</i>	Quantity	Corpus	Market Value	Underwater
Without donor restrictions endowment funds	134	\$ 57,853,845	\$ 52,382,084	\$ (5,471,761)
With donor restrictions endowment funds	-	-	-	-
Total of all underwater funds	134	\$ 57,853,845	\$ 52,382,084	\$ (5,471,761)

<i>Underwater funds as of June 30, 2023</i>	Quantity	Corpus	Market Value	Underwater
Without donor restrictions endowment funds	192	\$ 66,401,643	\$ 58,173,210	\$ (8,228,433)
With donor restrictions endowment funds	1	600,284	584,512	(15,772)
Total of all underwater funds	193	\$ 67,001,927	\$ 58,757,722	\$ (8,244,205)

In accordance with U.S. GAAP, the value of any individual endowment fund deficiency is required to be reported in net assets with donor restrictions.

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 approved spending rate for the years ended June 30, 2024 and 2023 was 5.25%. In addition to the appropriation of endowment assets resulting from the approved spending rate, the Board of Trustees also approved a special draw of \$10 million to fund investments in certain strategic initiatives. Five million of the special draw was appropriated in each fiscal year ended June 30, 2023 and 2024.

Queens University of Charlotte
Notes to Consolidated Financial Statements

<i>Year ended June 30, 2024</i>	Without Donor Restrictions	Board Designated Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Beginning pooled endowment net assets	\$ 82,506,829	\$ 100,266	\$ 6,985,424	\$ 60,677,077	\$ 150,269,596
Unrealized gains	9,795,352	11,605	7,785,237	-	17,592,194
Net realized losses	(348,307)	(420)	(280,041)	-	(628,768)
Contributions	783,525	-	-	1,613,025	2,396,550
Transfers	-	-	-	-	-
Appropriation of endowment assets for Expenditure	(4,568,930)	(5,378)	(3,483,278)	-	(8,057,586)
Ending pooled endowment net assets	\$ 88,168,469	\$ 106,073	\$ 11,007,342	\$ 62,290,102	\$ 161,571,986

<i>Year ended June 30, 2023</i>	Without Donor Restrictions	Board Designated Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Beginning pooled endowment net assets	\$ 84,823,110	\$ 98,785	\$ 6,163,800	\$ 58,856,623	\$ 149,942,318
Unrealized gains	5,942,159	7,115	4,713,510	-	10,662,784
Net realized losses	(361,275)	(416)	(271,873)	-	(633,564)
Contributions	1,545,614	-	-	300,500	2,396,550
Transfers	-	-	-	1,519,954	1,519,954
Appropriation of endowment assets for Expenditure	(9,442,779)	(5,218)	(3,620,013)	-	(13,068,010)
Ending pooled endowment net assets	\$ 82,506,829	\$ 100,266	\$ 6,985,424	\$ 60,677,077	\$ 150,269,596

9. Classification of Net Asset Balances

Net assets without donor restrictions are comprised of the following components:

<i>June 30,</i>	2024	2023
Net assets without donor restrictions	\$ 118,755,208	\$ 119,318,499
Net assets, without donor restrictions (board designated)	106,073	100,266
Property, plant and equipment, net of related debt	211,326	14,418,006
Total	\$ 119,072,607	\$ 133,836,771

Net assets with donor restrictions (time and purpose) are available for the following purposes:

<i>June 30,</i>	2024	2023
Instruction	\$ 2,211,982	\$ 1,628,949
Student services	616,235	1,625,138
Student aid	8,624,263	6,050,797
Academic support	1,272,834	555,532
Administration	10,338,082	9,517,227
Total	\$ 23,063,396	\$ 19,377,643

Queens University of Charlotte
Notes to Consolidated Financial Statements

Net assets with donor restrictions (in perpetuity) are available for the following purposes:

<i>June 30,</i>	2024	2023
Instruction	\$ 8,238,109	\$ 8,238,110
Academic support	2,209,954	1,655,964
Operations and maintenance of plant	100,000	100,000
Student aid	59,687,563	58,474,154
Administration	360,829	360,829
Split interest agreements	-	24,554
Total	\$ 70,596,455	\$ 68,853,611

Net assets were released from restrictions by incurring expenses or acquiring assets satisfying the restricted purpose or by occurrence of other events specified by the donors as follows:

<i>June 30,</i>	2024	2023
Student aid	\$ 4,843,891	\$ 4,501,012
Instruction	330,271	759,366
Administration	4,542,436	3,745,127
Capital projects	5,133	4,000
Student services	649,922	685,939
Net assets released from restrictions	\$ 10,371,653	\$ 9,695,444

10. Natural and Functional Expenses

<i>Year ended June 30, 2024</i>	Instruction	Student Services	Institutional Support	Auxiliary Enterprises	Total Expenses
Salaries and benefits expense	\$ 15,990,597	\$ 11,104,864	\$ 12,920,118	\$ 721,035	\$ 40,736,614
Advertising and professional fee expenses	7,620	1,433,617	1,573,996	-	3,015,233
Conferences, events, and travel expenses	609,946	2,724,736	679,881	81,175	4,095,738
Dining services expenses	-	-	-	3,928,877	3,928,877
Occupancy and maintenance expenses	1,736,446	1,652,479	3,137,460	-	6,526,385
Program/office expenses	1,013,364	3,954,207	5,284,407	754,805	11,006,783
Subtotal, expenses	\$ 19,357,973	\$ 20,869,903	\$ 23,595,862	\$ 5,485,892	\$ 69,309,630
Depreciation and amortization expense	2,932,733	1,873,690	2,932,732	407,324	8,146,479
Interest expense	1,743,773	1,114,077	1,743,773	242,191	4,843,814
Total Expenses	\$ 24,034,478	\$ 23,857,670	\$ 28,272,367	\$ 6,135,407	\$ 82,299,923

Queens University of Charlotte
Notes to Consolidated Financial Statements

<i>Year ended June 30, 2023</i>	Instruction	Student Services	Institutional Support	Auxiliary Enterprises	Total Expenses
Salaries and benefits expense	\$ 16,132,637	\$ 10,390,531	\$ 11,765,375	\$ 727,571	\$ 39,016,114
Advertising and professional fee expenses	6,261	36,178	710,610	3,943	756,992
Conferences, events, and travel expenses	609,923	2,312,022	2,537,846	19,412	5,479,203
Dining services expenses	-	-	-	3,351,534	3,351,534
Occupancy and maintenance expenses	1,706,134	1,623,632	3,082,691	-	6,412,457
Program/office expenses	1,016,564	4,753,203	5,340,528	701,687	11,811,982
Subtotal, expenses	\$ 19,471,519	\$ 19,115,566	\$ 23,437,050	\$ 4,804,147	\$ 66,828,282
Depreciation and amortization expense	2,471,285	1,578,877	2,471,286	343,234	6,864,682
Interest expense	1,548,252	989,161	1,548,252	215,036	4,300,701
Total Expenses	\$ 23,491,056	\$ 21,683,604	\$ 27,456,588	\$ 5,362,417	\$ 77,993,665

Fundraising costs for the years June 30, 2024 and 2023 were \$2,726,590 and \$2,553,134, respectively.

Methods Used for Allocation of Expenses

Expenses are reported in the consolidated statements of activities in functional expense categories recommended by the National Association of Colleges and University Business Officers. Certain costs related to operation and maintenance of physical plant are allocated to functional categories, programs and supporting activities based on square footage. Depreciation of plant assets, amortization and interest expense are allocated to the functional expense categories based on each function's relative expense in relation to total expense.

11. Related Parties

The University receives private gifts from members of the Board of Trustees. Gift income from the current Board of Trustees was \$995,914 and \$1,379,345 for the years ended June 30, 2024 and 2023, respectively. Contributions receivable from the Board of Trustees totaled \$320,000 and \$414,846 as of June 30, 2024 and 2023, respectively. A member of the Board of Trustees is a partner at Robinson Bradshaw & Hinson, PA (RBH). RBH regularly provides consulting services to the University on various issues.

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.

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 materially affect the University's operations or financial position.

Queens University of Charlotte

Notes to Consolidated Financial Statements

14. Subsequent Events

The University has evaluated subsequent events from June 30, 2024 (the date of the most recent consolidated statement of financial position presented) through January 31, 2025 (the date of the audit report and the date the accompanying consolidated financial statements were available to be issued) and determined that there are no additional items to disclose.