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Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning **JUN 1, 2012** and ending **MAY 31, 2013**

B Check if applicable

- ☐ Address change
☒ Name change
☐ Initial return
☐ Terminated
☐ Amended return
☐ Application pending

C Name of organization

MARS HILL UNIVERSITY

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
P.O. BOX 370

City, town, or post office, state, and ZIP code
MARS HILL, NC 28754

F Name and address of principal officer: **DAN LUNSFORD**
SAME AS C ABOVE

D Employer identification number

56-0554207

E Telephone number

828-689-1111

G Gross receipts \$

51,639,125.

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) Are all affiliates included? ☐ Yes ☐ No

If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: ☒ 501(c)(3) ☐ 501(c)() (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: **WWW.MHU.EDU**

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: **1892**

M State of legal domicile: **NC**

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: THE ORGANIZATION IS A PRIVATE LIBERAL ARTS COLLEGE OFFERING PROGRAMS LEADING TO FIVE DEGREES:	
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.	
	3	Number of voting members of the governing body (Part VI, line 1a)	36
	4	Number of independent voting members of the governing body (Part VI, line 1b)	36
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	1271
	6	Total number of volunteers (estimate if necessary)	36
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	1,504.
7b	Net unrelated business taxable income from Form 990-T, line 34	0.	
Revenue	8	Contributions and grants (Part VIII, line 1h)	5,433,662.
	9	Program service revenue (Part VIII, line 2g)	33,592,155.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,881,912.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,854,611.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	43,762,340.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	13,918,262.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	12,057,723.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 1,119,153.	
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	14,681,005.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	40,656,990.
	19	Revenue less expenses. Subtract line 18 from line 12	3,105,350.
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	104,275,968.
	21	Total liabilities (Part X, line 26)	36,494,628.
	22	Net assets or fund balances. Subtract line 21 from line 20	67,781,340.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here ▶ Signature of officer **NEIL TILLEY, VP-FINANCE** Date **4-13-14**

Paid Preparer Use Only ▶ Print/Type preparer's name **JANICE A. RATICA** Preparer's signature **[Signature]** Date **4-10-14** Check ☐ self-employed PTIN **P00358837**
Firm's name ▶ **CHERRY BEKAERT LLP** Firm's EIN ▶ **56-0574444**
Firm's address ▶ **1111 METROPOLITAN AVE. STE. 1000 CHARLOTTE, NC 28204** Phone no. **704-377-1678**

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

☒ X

- 1 Briefly describe the organization's mission.

MARS HILL COLLEGE, AN ACADEMIC COMMUNITY ROOTED IN THE CHRISTIAN FAITH, CHALLENGES AND EQUIPS STUDENTS TO PURSUE INTELLECTUAL, SPIRITUAL, AND PERSONAL GROWTH THAT IS: GROUNDED IN A RIGOROUS STUDY OF THE LIBERAL ARTS, CONNECTED WITH THE WORLD OF WORK, AND COMMITTED

- 2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O.

- 3 Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

- 4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code) (Expenses \$ 37,127,738. including grants of \$ 16,453,897.) (Revenue \$ 28,855,953.)

INSTRUCTION - PRIVATE LIBERAL ARTS COLLEGE OFFERING PROGRAMS LEADING TO FIVE DEGREES: BACHELOR OF ARTS, SCIENCE, MUSIC, SOCIAL WORK, AND FINE ARTS. APPROXIMATELY 1,330 STUDENTS BENEFITED.

4b (Code) (Expenses \$ 904,176. including grants of \$) (Revenue \$ 9,907,173.)

ACADEMIC SUPPORT - SERVICES THAT ARE AN INTEGRAL PART OF THE COLLEGE'S PRIMARY MISSION OF EDUCATION.

4c (Code) (Expenses \$ 707,995. including grants of \$) (Revenue \$)

PUBLIC SERVICE - ACTIVITIES ESTABLISHED PRIMARILY TO PROVIDE NON-INSTRUCTIONAL SERVICES TO GROUPS EXTERNAL TO THE COLLEGE.

- 4d Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ► 38,739,909.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		X
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		X
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	X	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>	X	
c Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	X	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>	X	
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>		X
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		X
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	X	
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	X	
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note. All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response to any question in this Part V ☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	81	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	1271	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	X	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	X	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	X	
b	If "Yes," enter the name of the foreign country: CAYMAN ISLANDS See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
d	If "Yes," indicate the number of Forms 8282 filed during the year		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans		
c	Enter the amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

☒**Section A. Governing Body and Management**

	Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.	36	
1b Enter the number of voting members included in line 1a, above, who are independent	36	
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	X	
5 Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6 Did the organization have members or stockholders?		X
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		X
7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	X	
b Each committee with authority to act on behalf of the governing body?	X	
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
10a Did the organization have local chapters, branches, or affiliates?		X
b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13 Did the organization have a written whistleblower policy?	X	
14 Did the organization have a written document retention and destruction policy?	X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a The organization's CEO, Executive Director, or top management official	X	
b Other officers or key employees of the organization	X	
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed **► NC**

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization. **►**
R. NEIL TILLEY, CPA - 828-689-1100
100 ATHLETIC STREET, MARS HILL, NC 28754

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response to any question in this Part VII ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.

- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.

- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JUSTUS M. AMMONS MEMBER	1.00	X						0.	0.	0.
(2) JOHN S. AYERS MEMBER	1.00	X						0.	0.	0.
(3) PAULINE R. BETHEA MEMBER	1.00	X						0.	0.	0.
(4) BRUCE W. BOYLES, JR. MEMBER	1.00	X						0.	0.	0.
(5) RONALD O. BROWN MEMBER	1.00	X						0.	0.	0.
(6) MAX E. BURGIN MEMBER	1.00	X						0.	0.	0.
(7) MARK CABANISS MEMBER	1.00	X						0.	0.	0.
(8) M. KYLE CARVER MEMBER	1.00	X						0.	0.	0.
(9) JERRY H. CATES MEMBER	1.00	X						0.	0.	0.
(10) DANIEL G. CHRISTIAN MEMBER	1.00	X						0.	0.	0.
(11) TROY L. DAY MEMBER	1.00	X						0.	0.	0.
(12) SALLY P. DUYCK MEMBER	1.00	X						0.	0.	0.
(13) CAROLYN H. FERGUSON MEMBER	1.00	X						0.	0.	0.
(14) JEAN S. FREEMAN MEMBER	1.00	X						0.	0.	0.
(15) EUGENE HOLDWAY MEMBER	1.00	X						0.	0.	0.
(16) HAROLD H. HUGHES MEMBER	1.00	X						0.	0.	0.
(17) ROGER H. JACKSON MEMBER	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) R. LEO JAMES MEMBER	1.00	X						0.	0.	0.
(19) ARLO JENNINGS MEMBER	1.00	X						0.	0.	0.
(20) BRENT B. KINCAID MEMBER	1.00	X						0.	0.	0.
(21) RONALD F. MARTIN MEMBER	1.00	X						0.	0.	0.
(22) ROBERT L. MERRILL MEMBER	1.00	X						0.	0.	0.
(23) F. TIMOTHY MOORE MEMBER	1.00	X						0.	0.	0.
(24) BRENDA G. NASH MEMBER	1.00	X						0.	0.	0.
(25) W. HAROLD NEWMAN MEMBER	1.00	X						0.	0.	0.
(26) J. KENNETH SANFORD MEMBER	1.00	X						0.	0.	0.
1b Sub-total								0.	0.	0.
c Total from continuation sheets to Part VII, Section A								505,986.	0.	36,049.
d Total (add lines 1b and 1c)								505,986.	0.	36,049.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **4**

- 3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual
- 4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual
- 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

	Yes	No
3		X
4	X	
5		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
H&M CONSTRUCTION P.O. BOX 16589, ASHEVILLE, NC 28816	CONSTRUCTION SERVICES	4,572,805.
CHARTWELLS P.O. BOX 91337, CHICAGO, IL 60693	FOOD SERVICES	2,352,597.
KREUGER INTERNATIONAL P.O. BOX 204576, DALLAS, TX 75320-4576	LIBRARY REFERENCE MATERIALS	279,983.
PATLA STRAUS ROBINSON & MOORE PA TRUST P.O. BOX 7625, ASHEVILLE, NC 28802	ATTORNEY FEES	247,961.
JJC, LLC 305 A AIRPORT ROAD, ARDEN, NC 28704	REAL ESTATE LEASING	135,352.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **8**

SEE PART VII, SECTION A CONTINUATION SHEETS

Part VIII Statement of RevenueCheck if Schedule O contains a response to any question in this Part VIII ☐

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e	1,988,143.			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	3,191,770.			
	g Noncash contributions included in lines 1a-1f \$		353,853.			
	h Total. Add lines 1a-1f		5,179,913.			
Program Service Revenue	Business Code					
	2 a TUITION AND FEES	900099	28,855,953.	28,855,953.		
	b RESIDENCE HALLS	900099	4,573,056.	4,573,056.		
	c CAFETERIA INCOME	900099	3,677,774.	3,677,774.		
	d AUXILIARY REVENUE	900099	1,014,214.	1,014,214.		
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f		38,120,997.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		395,441.			395,441.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
	6 a Gross rents	(i) Real 14,529.				
	b Less rental expenses	0.				
	c Rental income or (loss)	14,529.				
	d Net rental income or (loss)		14,529.			14,529.
	7 a Gross amount from sales of assets other than inventory	(i) Securities 6,650,000.				
	b Less cost or other basis and sales expenses	4,906,510.	23,999.			
	c Gain or (loss)	1,743,490.	-23,999.			
	d Net gain or (loss)		1,719,491.			1,719,491.
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events					
	9 a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities					
	10 a Gross sales of inventory, less returns and allowances	a 634,612.				
b Less: cost of goods sold	b 0.					
c Net income or (loss) from sales of inventory		634,612.			634,612.	
Miscellaneous Revenue		Business Code				
11 a OTHER INCOME	900099	643,633.	642,129.	1,504.		
b						
c						
d All other revenue						
e Total. Add lines 11a-11d		643,633.				
12 Total revenue. See instructions.		46,708,616.	38,763,126.	1,504.	2,764,073.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response to any question in this Part IX ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21				
2 Grants and other assistance to individuals in the United States. See Part IV, line 22	16,453,897.	16,453,897.		
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	288,995.	89,595.	199,400.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	9,692,431.	7,712,452.	1,303,681.	676,298.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	476,126.	372,167.	71,699.	32,260.
9 Other employee benefits	1,688,824.	1,320,081.	254,316.	114,427.
10 Payroll taxes	728,192.	569,196.	109,657.	49,339.
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	426,648.	92,740.	325,263.	8,645.
12 Advertising and promotion	383,564.	188,280.	130,263.	65,021.
13 Office expenses	1,226,219.	678,493.	476,947.	70,779.
14 Information technology	178,616.	15,513.	156,789.	6,314.
15 Royalties				
16 Occupancy				
17 Travel	731,033.	582,795.	110,289.	37,949.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	1,013,786.	1,013,786.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	864,964.	662,852.	202,112.	
23 Insurance	648,976.	526.	648,450.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a AUXILIARY EXPENSES	7,716,075.	7,716,075.		
b PLANT ALLOCATION	1,048,801.	803,732.	245,069.	
c EQUIP RENTAL & MAINTENA	386,901.	218,345.	167,298.	1,258.
d OTHER EXPENSES	308,004.	232,956.	18,185.	56,863.
e All other expenses	309,111.	16,428.	292,683.	
25 Total functional expenses. Add lines 1 through 24e	44,571,163.	38,739,909.	4,712,101.	1,119,153.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here ☐ if following SOP 98-2 (ASC 958-720)

Part X Balance SheetCheck if Schedule O contains a response to any question in this Part X ☐

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	6,847,722.	1	9,051,836.
	2 Savings and temporary cash investments	3,620,174.	2	4,785,419.
	3 Pledges and grants receivable, net	349,191.	3	280,611.
	4 Accounts receivable, net	662,627.	4	573,650.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L		6	
	7 Notes and loans receivable, net	2,333,987.	7	1,663,449.
	8 Inventories for sale or use	379,249.	8	385,529.
	9 Prepaid expenses and deferred charges	207,162.	9	302,482.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 78,069,280.		
	b Less: accumulated depreciation	10b 31,125,830.	10c 40,424,423.	46,943,450.
	11 Investments - publicly traded securities		11	
	12 Investments - other securities. See Part IV, line 11	49,319,853.	12	50,437,867.
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	131,580.	15	124,317.
16 Total assets. Add lines 1 through 15 (must equal line 34)	104,275,968.	16	114,548,610.	
Liabilities	17 Accounts payable and accrued expenses	2,704,429.	17	3,534,852.
	18 Grants payable		18	
	19 Deferred revenue	413,331.	19	435,397.
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	28,795,919.	23	32,118,083.
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	4,580,949.	25	3,949,466.
	26 Total liabilities. Add lines 17 through 25	36,494,628.	26	40,037,798.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	13,833,149.	27	14,554,283.
	28 Temporarily restricted net assets	10,194,453.	28	14,723,321.
	29 Permanently restricted net assets	43,753,738.	29	45,233,208.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	67,781,340.	33	74,510,812.
	34 Total liabilities and net assets/fund balances	104,275,968.	34	114,548,610.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	46,708,616.
2	Total expenses (must equal Part IX, column (A), line 25)	2	44,571,163.
3	Revenue less expenses. Subtract line 2 from line 1	3	2,137,453.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	67,781,340.
5	Net unrealized gains (losses) on investments	5	2,758,245.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	1,833,774.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	74,510,812.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

☒

- 1 Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a Were the organization's financial statements compiled or reviewed by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis
- b Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
☒ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis
- c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?
If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- 3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits

	Yes	No
1		
2a		X
2b	X	
2c	X	
3a	X	
3b	X	

Form 990 (2012)

Department of the Treasury
Internal Revenue Service

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

OMB No. 1545-0047

2012

Open to Public Inspection

Name of the organization

MARS HILL UNIVERSITY

Employer identification number

56-0554207

Part I	Reason for Public Charity Status (All organizations must complete this part.) See instructions.
---------------	--

The organization is not a private foundation because it is (For lines 1 through 11, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☒ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Non-functionally integrated

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f ☐ If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box _____

g ☐ Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii) A family member of a person described in (i) above?

(iii) A 35% controlled entity of a person described in (i) or (ii) above?

h ☐ Provide the following information about the supported organization(s).

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

[illegible]

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2012

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ► <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2011 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ► <input type="checkbox"/>		
b 33 1/3% support test - 2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ► <input type="checkbox"/>		
17a 10% -facts-and-circumstances test - 2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ► <input type="checkbox"/>		
b 10% -facts-and-circumstances test - 2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ► <input type="checkbox"/>		
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ► <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12)						

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ☐**Section C. Computation of Public Support Percentage**

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ☐**b 33 1/3% support tests - 2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ☐**20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐

SCHEDULE D
(Form 990)Department of the Treasury
Internal Revenue Service**Supplemental Financial Statements**

▶ Complete if the organization answered "Yes," to Form 990,
Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012Open to Public
Inspection

Name of the organization

MARS HILL UNIVERSITY

Employer identification number

56-0554207**Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of an historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
(ii) Assets included in Form 990, Part X	▶ \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items.

a Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
b Assets included in Form 990, Part X	▶ \$ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3* Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
 b ☐ Scholarly research
 c ☐ Preservation for future generations
 d ☐ Loan or exchange programs
 e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets

to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
1c	
1d	
1e	
1f	

- c Beginning balance
 d Additions during the year
 e Distributions during the year
 f Ending balance

2a Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	36,766,823.	39,853,587.	33,600,909.	29,439,796.	37,842,134.
b Contributions	701,986.	914,922.	693,194.	1,552,416.	299,617.
c Net investment earnings, gains, and losses	4,326,281.	-1,948,619.	7,274,543.	4,313,049.	-7,527,486.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	1,484,789.	2,053,067.	1,715,059.	1,704,352.	1,174,469.
g End of year balance	40,310,301.	36,766,823.	39,853,587.	33,600,909.	29,439,796.

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment ☒ .00 %
 b Permanent endowment ☒ 89.43 %
 c Temporarily restricted endowment ☒ 10.57 %

The percentages in lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations
 (ii) related organizations

	Yes	No
3a(i)		X
3a(ii)		X
3b		

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,347,696.		1,347,696.
b Buildings		57,400,617.	24,974,520.	32,426,097.
c Leasehold improvements				
d Equipment		14,137,968.	6,151,310.	7,986,658.
e Other		5,182,999.		5,182,999.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				46,943,450.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) REAL ESTATE INVESTMENT		
(B) TRUSTS	703,528.	END-OF-YEAR MARKET VALUE
(C) ASSETS HELD IN CHARITABLE		
(D) REMAINDER TRUSTS	1,723,936.	END-OF-YEAR MARKET VALUE
(E) BENEFICIAL INTERESTS IN		
(F) TRUSTS	11,479,306.	END-OF-YEAR MARKET VALUE
(G) MUTUAL FUNDS	4,186,597.	END-OF-YEAR MARKET VALUE
(H) ALTERNATIVE INVESTMENTS	32,292,670.	END-OF-YEAR MARKET VALUE
(I) FIXED INCOME	51,830.	END-OF-YEAR MARKET VALUE
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.)	50,437,867.	

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.)		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.)	

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ANNUITIES PAYABLE	837,014.
(3) POSTRETIREMENT BENEFITS	
(4) LIABILITIES	2,024,448.
(5) REFUNDABLE ADVANCES FROM	
(6) DEPARTMENT OF EDUCATION	1,088,004.
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.)	3,949,466.

2. FIN 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII ☒

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	28,921,074.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	-16,453,897.
e	Add lines 2a through 2d	2e	-16,453,897.
3	Subtract line 2e from line 1	3	45,374,971.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	1,333,645.
c	Add lines 4a and 4b	4c	1,333,645.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	46,708,616.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	27,103,480.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d	2e	0.
3	Subtract line 2e from line 1	3	27,103,480.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	17,467,683.
c	Add lines 4a and 4b	4c	17,467,683.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	44,571,163.

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

PART V, LINE 4: TO SUPPORT THE INSTITUTION IN PERPETUITY FOR

SCHOLARSHIPS, LECTURESHIPS, AND VARIOUS OTHER OPERATIONS AND BUILDINGS ON CAMPUS.

PART X, LINE 2: THE COLLEGE IS EXEMPT FROM INCOME TAX UNDER SECTION

501(C)(3) OF THE INTERNAL REVENUE CODE. MANAGEMENT HAS EVALUATED THE

EFFECT OF THE GUIDANCE PROVIDED BY GAAP ON ACCOUNTING FOR UNCERTAINTY IN

INCOME TAXES. MANAGEMENT BELIEVES THAT THE COLLEGE CONTINUES TO SATISFY

Part XIII Supplemental Information (continued)

THE REQUIREMENTS OF A TAX-EXEMPT ORGANIZATION AT MAY 31, 2013. MANAGEMENT HAS EVALUATED ALL OTHER TAX POSITION THAT COULD HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS AND DETERMINED THE COLLEGE HAD NO SIGNIFICANT UNCERTAIN INCOME TAX POSITIONS AT MAY 31, 2013. IN GENERAL, THE COLLEGE IS NO LONGER SUBJECT TO U.S. FEDERAL AND STATE EXAMINATION BY TAXING AUTHORITIES BEFORE ITS FISCAL YEAR ENDED JUNE 30, 2009.

PART XI, LINE 2D - OTHER ADJUSTMENTS:

TUITION DISCOUNTS REDUCING TUITION INCOME ON FINANCIALS	-16,453,897.
---	--------------

PART XI, LINE 4B - OTHER ADJUSTMENTS:

GAINS SHOWN AS NON-OPERATING ON FINANCIALS	1,743,490.
--	------------

INTEREST INCOME SHOWN AS NON-OPERATING ON FINANCIALS	396,945.
--	----------

INVESTMENT RETURN SHOWN AS NON-OPERATING ON FINANCIALS	-1,424,920.
--	-------------

REVENUE SHOWN AS NON-OPERATING ON THE FINANCIAL	618,130.
---	----------

TOTAL TO SCHEDULE D, PART XI, LINE 4B	1,333,645.
---------------------------------------	------------

PART XII, LINE 4B - OTHER ADJUSTMENTS:

TUITION DISCOUNTS REDUCING TUITION INCOME ON FINANCIALS	16,453,897.
---	-------------

NON-OPERATING EXPENSES	1,013,786.
------------------------	------------

TOTAL TO SCHEDULE D, PART XII, LINE 4B	17,467,683.
--	-------------

SCHEDULE E
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Schools

- Complete if the organization answered "Yes" to Form 990, Part IV, line 13,
or Form 990-EZ, Part VI, line 48.
► Attach to Form 990 or Form 990-EZ.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization

MARS HILL UNIVERSITY

Employer identification number

56-0554207

Part I

- 1 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?
- 2 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?
- 3 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe. If "No," please explain.

If you need more space, use Part II

RACIALLY NONDISCRIMINATORY POLICY STATEMENT IS INCLUDED IN ALL COLLEGE GENERATED DOCUMENTS INCLUDING THE COLLEGE CATALOG. IN ADDITION, IT IS PUBLISHED IN THE LOCAL NEWSPAPER AT LEAST ANNUALLY.

- 4 Does the organization maintain the following?
 - a Records indicating the racial composition of the student body, faculty, and administrative staff?
 - b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?
 - c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?
 - d Copies of all material used by the organization or on its behalf to solicit contributions?

If you answered "No" to any of the above, please explain. If you need more space, use Part II.

- 5 Does the organization discriminate by race in any way with respect to.

- a Students' rights or privileges?
- b Admissions policies?
- c Employment of faculty or administrative staff?
- d Scholarships or other financial assistance?
- e Educational policies?
- f Use of facilities?
- g Athletic programs?
- h Other extracurricular activities?

If you answered "Yes" to any of the above, please explain. If you need more space, use Part II.

- 6a Does the organization receive any financial aid or assistance from a governmental agency?

- b Has the organization's right to such aid ever been revoked or suspended?

If you answered "Yes" to either line 6a or line 6b, explain on Part II.

- 7 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," explain on Part II

	YES	NO
1	X	
2	X	
3	X	
4a	X	
4b	X	
4c	X	
4d	X	
5a		X
5b		X
5c		X
5d		X
5e		X
5f		X
5g		X
5h		X
6a	X	
6b		X
7	X	

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or Form 990-EZ.

Schedule E (Form 990 or 990-EZ) (2012)

Part II

Supplemental Information. Complete this part to provide the explanations required by Part I, lines 3, 4d, 5h, 6b, and 7, as applicable. Also complete this part to provide any other additional information.

SCHEDULE E, LINE 6 - EXPLANATION OF GOVERNMENT FINANCIAL AID:

**LINE 6A - THE UNIVERSITY RECEIVED STUDENT FINANCIAL AID GRANTS FROM THE
U.S. DEPARTMENT OF EDUCATION.**

Name of the organization

MARS HILL UNIVERSITY
ation on Grants and Assistance

Employer identification number
56-0554207

Part 1	General Information on Grants and Assistance
--------	--

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.**

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

- 2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table
- 3 Enter total number of other organizations listed in the line 1 table

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule I (Form 990) (2012)

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
TUITION DISCOUNTS/SCHOLARSHIPS	1243	16,453,897.	0.		

Part IV Supplemental Information. Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

SCHEDULE I, PART I, LINE 2: THE PROCESS FOR MONITORING THE USE OF TUITION DISCOUNT OR GRANTS/SCHOLARSHIP FUNDS AT MARS HILL COLLEGE INCLUDES THE USE OF A MATRIX THAT LIMITS AND DETERMINES THE AMOUNT OF ACADEMIC SCHOLARSHIP AWARDED WITH A MAXIMUM OF \$7000. THE DEAN OF ADMISSIONS AND FINANCIAL AID AND THE DIRECTOR OF FINANCIAL AID MEET MONTHLY TO REVIEW THE CURRENT AMOUNT OF TUITION DISCOUNT OR GRANTS/SCHOLARSHIPS BEING AWARDED TO ENSURE THAT THE COLLEGE STAYS WITHIN BUDGET. TUITION DISCOUNT, GRANT AND SCHOLARSHIP REPORTS ARE SUBMITTED TO THE PRESIDENT ON A REGULAR BASIS. THE BUDGET FOR THESE GRANTS IS APPROVED BY THE BOARD OF TRUSTEES ON AN ANNUAL BASIS. THE

Part IV Supplemental Information

DEAN OF ADMISSIONS AND FINANCIAL AID AND THE DIRECTOR OF FINANCIAL AID
MONITOR ALL TUITION DISCOUNT FINANCIAL AID AWARDS PRIOR TO THE AWARD LETTER
BEING MAILED. ATHLETIC GRANTS ARE MONITORED BY COACHES AND THE ATHLETIC
DIRECTOR WITH STRICT GUIDELINES ESTABLISHED BY NCAA. THE ATHLETIC DIRECTOR
REPORTS REGULARLY TO THE PRESIDENT OF THE COLLEGE THE AMOUNT OF TUITION
DISCOUNT ATHLETIC GRANTS AWARDED BY EACH TEAM PER YEAR.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization

MARS HILL UNIVERSITY

Employer identification number

56-0554207

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input checked="" type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|--|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of.

- a** The organization?
- b** Any related organization?

If "Yes" to line 5a or 5b, describe in Part III.

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

- a** The organization?
- b** Any related organization?

If "Yes" to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	X	
2	X	
4a		X
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2012

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) DAN G. LUNSFORD PRESIDENT	(i) 171,475.	0.	0.	7,716.	0.	179,191.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
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	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
	(i)						
	(ii)						
							Schedule J (Form 990) 2012

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

PART I, LINE 1A: THE PRESIDENT'S SPOUSE WILL OCCASIONALLY TRAVEL WITH HIM ON CERTAIN COLLEGE FUNCTIONS. THERE IS A SUBSTANTIAL BUSINESS PURPOSE FOR SUCH TRAVEL, AND THE EXPENSES ARE DOCUMENTED AND RETAINED ON FILE.

Blank lines for supplemental information.

**SCHEDULE M
(Form 990)**

Department of the Treasury
Internal Revenue Service

Noncash Contributions

► Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

MARS HILL UNIVERSITY

Employer identification number

56-0554207

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded	X	16	182,303.	FAIR MARKET VALUE
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential	X	1	170,000.	FAIR MARKET VALUE
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► (MISCELLANEOUS)	X	3	1,550.	FAIR MARKET VALUE
26 Other ► ()				
27 Other ► ()				
28 Other ► ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

29

0

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

b If "Yes," describe the arrangement in Part II.

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

b If "Yes," describe in Part II.

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.

	Yes	No
30a		X
31	X	
32a		X
33		

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) (2012)

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

SCHEDULE M, PART I, COLUMN (B): THE NUMBER OF CONTRIBUTIONS REPRESENTS

THE TOTAL NUMBER OF CONTRIBUTORS.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047

2012

Open to Public
Inspection

Name of the organization

MARS HILL UNIVERSITY

Employer identification number
56-0554207

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

BACHELOR OF ARTS, SCIENCE, MUSIC, SOCIAL WORK AND FINE ARTS.

FORM 990, PART III, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

**TO CHARACTER DEVELOPMENT, TO SERVICE, AND TO RESPONSIBLE CITIZENSHIP IN
THE COMMUNITY, THE REGION, AND THE WORLD.**

FORM 990, PART VI, SECTION A, LINE 4: ON MAY 10, 2013 THE BOARD OF

**TRUSTEES ADOPTED AN AMENDMENT TO CHANGE THE ORGANIZATION'S NAME FROM MARS
HILL COLLEGE TO MARS HILL UNIVERSITY.**

FORM 990, PART VI, SECTION B, LINE 11: THE EXECUTIVE COMMITTEE OF THE

**BOARD AND THE FULL BOARD OF TRUSTEES ARE PRESENTED WITH A COPY OF THE 990
FOR REVIEW PRIOR TO FILING.**

FORM 990, PART VI, SECTION B, LINE 12C: EACH NEW OR RETURNING TRUSTEE

**RECEIVES ORIENTATION WHICH INCLUDES A DISCUSSION REGARDING THE CONFLICT OF
INTEREST REQUIREMENT. BOARD MEMBERS WITH POTENTIAL CONFLICTS WILL RECUSE
THEMSELVES FROM ANY VOTE OR DISCUSSION.**

FORM 990, PART VI, SECTION B, LINE 15: THE COMPENSATION COMMITTEE OF THE

**BOARD REVIEWS AND APPROVES THE COMPENSATION FOR THE PRESIDENT AND THE TOP
MANAGEMENT OFFICIALS. RECOMMENDED CHANGES REQUIRE ACTION AND APPROVAL BY
THE FULL BOARD OF TRUSTEES AND DISCUSSIONS ARE DOCUMENTED IN THE MEETING
MINUTES. SALARIES ARE COMPARED TO OTHER SIMILAR INSTITUTIONS AND TO SALARY
SURVEYS ISSUED BY THE NC INDEPENDENT COLLEGE/UNIVERSITIES ANNUAL**

Name of the organization

MARS HILL UNIVERSITY

Employer identification number

56-0554207

COMPENSATION SURVEY.

FORM 990, PART VI, SECTION C, LINE 19: THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST THROUGH THE PRESIDENT'S OFFICE.

FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS:

CHANGE IN VALUE OF SPLIT INTEREST AGREEMENTS 30,419.

POSTRETIREMENT BENEFIT RELATED CHANGES 403,284.

CHANGE IN VALUE OF ASSETS HELD BY OTHERS/NON-OPERATING REV
ON FINANCIALS 1,424,920.

CHANGE IN VALUE OF INTEREST RATE SWAP -24,849.

TOTAL TO FORM 990, PART XI, LINE 9 1,833,774.

FORM 990, PART XII, LINE 2C

AUDIT COMMITTEE

THERE IS AN AUDIT COMMITTEE COMPRISED OF TRUSTEES THAT HAS RESPONSIBILITY FOR THE RECOMMENDATION OF THE AUDITORS, OVERSIGHT OF THE AUDIT, AS WELL AS THE COMMUNICATION RESPONSIBILITY WITH THE AUDITORS.

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35b, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

**ARTICLES OF AMENDMENT TO THE
CHARTER OF MARS HILL COLLEGE
("Corporation")**

The undersigned Corporation hereby executes these Articles of Amendment for the purpose of amending its Charter:

The Corporation's Board of Trustees adopted the following amendment to the Charter of the Corporation on the 10th day of May, 2013 to become effective August 15, 2013, in the manner prescribed by law:

Resolved, that the Charter of Mars Hill College be amended as follows:

Article One The name of this Corporation shall be changed to **MARS HILL UNIVERSITY** effective August 15, 2013.

Article Two The street address and mailing address of the Corporation's registered office and principal office is Blackwell Administration Hall, 120 Cascade Street, Mars Hill, Madison County, North Carolina 28754. The Corporation's registered agent at its registered office is Dan G. Lunsford.

Article Three The period of existence of this Corporation is unlimited.

Article Four

Section 4.1 The purpose of this Corporation shall continue to be as heretofore, to wit: to operate Mars Hill University.

Section 4.2 This Corporation shall have no members.

Section 4.3 This Corporation shall be managed and controlled in accordance with law by the Board of Directors (herein referred to as the Board of Trustees), the members of which shall be designated trustees and shall be elected as provided in the Bylaws of the Corporation.

Section 4.4 The value of the real and personal property owned and belonging to said Corporation shall be unlimited.

Section 4.5 In the event of the dissolution of this Corporation, all profits and assets of the Corporation shall be paid and delivered to such charitable, educational or benevolent organizations as may be determined by the Board of Trustees, provided each such organization to which any assets are paid and delivered shall be exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1986 as

amended (or the corresponding provisions of any future United States Internal Revenue Law) or any organization to which contributions are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 as amended (or of the corresponding provisions of any future United States Internal Revenue Law).

Section 4.6 The Board of Trustees shall have power to adopt amendments to this Charter in accordance with law.

Section 4.7 The officers of the Board of Trustees shall be the Chair, Vice Chair, Secretary, and Treasurer, who shall be elected at such times and in such a manner as shall be provided for in the Bylaws of this Corporation. The elected Chair may appoint an Assistant Secretary and/or Assistant Treasurer to assist the Secretary and Treasurer, respectively.

Section 4.8 A simple majority of the voting members of the Board of Trustees shall constitute a quorum for the transaction of any business at regular or called meetings of the Board except in placing a mortgage or lien upon any part of the property or in selling any part of the property owned by the University, in which case a quorum shall consist of two-thirds (2/3) of the members of the Board. At each meeting of the Board it may consider any business or work properly before it and appoint the necessary committees to carry on any ordinary business of said Board pursuant to the bylaws of the Corporation. The Chair of the Board shall be an ex-officio member of all other committees of the Board of Trustees; provided further, that special meetings of the Board may be called by the Chair of the Board of Trustees, or by the President of the University at any time and for any purpose by giving written notice to the members by registered or certified, return receipted mailing or receipted courier, stating the specific purpose of said meeting. Notice of any special meeting must be issued no less than ten (10) calendar days in advance of such meeting and no more than sixty (60) calendar days before the meeting date.

Section 4.9 The President of the Corporation shall be selected by the Board of Trustees and shall hold office at its pleasure and shall have such duties and responsibilities as have been authorized by the Board of Trustees and or the Bylaws.

Section 4.10 The Board of Trustees shall have full right and power to enact such bylaws, rules, and regulations as to them seem

best for the government of the students, faculty and employees of said Corporation and the President of the Corporation shall be the executive officer to enforce the same.

Section 4.11 The Board of Trustees has the power and authority to do any and all things necessary to operate Mars Hill University.

Section 4.12 Hazing in any form of students at Mars Hill University is hereby declared to be unlawful pursuant to the provisions of Article 9 of Chapter 14 of the General Statutes of North Carolina.

Section 4.13 That the faculty of Mars Hill University, consisting of the President, professors, and teachers, by and with the consent and approval of the Board of Trustees, shall have the power, privilege, and the authority of conferring degrees or marks of literary distinction upon such persons as they deem entitled thereto in accordance with the normal practice and usage of colleges, universities and institutions of higher learning and distinction in other parts of the country.

Section 4.14 All laws and clauses of laws in conflict with this act are thereby repealed.

Section 4.15 This act shall be in full force and take effect from and after its ratification.

The number of trustees of the Corporation currently is 36. The number of trustees present at said meeting was 29. The number of trustees constituting a quorum is 19. The number of trustees who voted for such amendment was 29 and the number of trustees who voted against such amendment was zero.

There are no members of the Corporation having voting rights. This Amendment received affirmative vote of a majority of the trustees in office.

This Amendment to take effect the 15th day of August, 2013 at 12:01 a.m.

IN WITNESS WHEREOF, these Articles are signed by the Chairman of the Board of Trustees of the Corporation, the President of the Corporation and the Secretary of the Corporation, as of the 14th day of June, 2013.

MARS HILL COLLEGE

By Dan G. Lunsford, President
Dan G. Lunsford

By Joseph Dixon Free Chairman
Joseph Dixon Free
By Willis Milton Davis, Secretary
Willis Milton Davis