

# West Chester University Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2007

### Note 2 - Restricted Cash

Restricted cash consists of funds established pursuant to the terms of the Trust Indenture Agreement entered into upon the issuance of the Series of 2003 Bonds (Note 9) and funds received with restrictions from donors:

	<u>2007</u>
Debt service reserve fund	\$2,953,585
Surplus fund	946,335
Administrative fees	403,282
General account of the bond fund	386,500
Replacement fund	457,198
Subordinated expense account	184,508
Prepaid revenue	141,520
Collected rent revenue	85,135
Property management account	269,944
Construction account	83,440
Samuel Barber Funds	35,280
East Bradford escrow	45,594
System fee account	25,043
Rent expense account	4,864
Endowment	10,140
Current revenue	292
Charitable trusts	11,255
Charitable gift annuities	9,186
Investment cash equivalents	73,568
	<u>\$6,126,669</u>

The following is a brief description of the restricted funds:

The debt service reserve fund will be used only for the payment of debt service in the event that moneys in the general account, surplus fund, and replacement fund are insufficient to meet debt service payments.

The surplus fund may be used for a variety of purposes upon written approval by the Trustee.

The administrative fees account is used to pay administrative costs of the student housing facilities.

The general account of the bond fund is used to pay debt service.

The replacement fund is to be used for the purpose of constructing or acquiring replacements of real or personal property related to the student housing facilities.

The Undergraduate Business Center account is for funds restricted by external donors for the undergraduate business center project.

# *West Chester University Foundation and Subsidiary*

## **Notes to Consolidated Financial Statements**

June 30, 2007

### **Note 2 - Restricted Cash (Continued)**

The subordinated expense account is used to pay the subordinated management fee related to the property management agreement (Note 13). Funds are also used to pay borrower's expenses which include payroll, overhead, professional fees, and administration costs incurred in association with the student housing project.

The prepaid revenue account receives any advance receipts from the student housing facilities which are then transferred to the various funds based upon the Indenture of Trust Agreement.

Collected rent revenue is distributed to funds in accordance with the terms established by the Indenture of Trust agreement.

The property management account is restricted for payments related to the operations and maintenance of the student housing facilities.

The construction account fund is to be used to pay construction costs of the student housing project.

The Samuel Barber account is for funds restricted by an agreement with an external donor.

The East Bradford escrow account was required by the Township and is to be used for the payment of construction and landscaping costs.

The system fee account is used to pay the Pennsylvania State System of Higher Education fee related to the ground lease expense (see Note 13).

The rent expense account is used to pay the base rent of the ground lease (see Note 13).

The endowment account is for funds permanently restricted by external donors that have not been transferred to endowment investments.

The current revenue account is to be used for deposits from the current operations of the student housing facilities which are then transferred to various funds based upon the Indenture of Trust Agreement.

The charitable trusts account is used to make distribution to beneficiaries in accordance with the terms and conditions of their respective agreements.

The charitable gift annuities account is used to make distributions to beneficiaries in accordance with the terms and conditions of their respective agreements.

The investment cash equivalents account represents various restricted programs.

# West Chester University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2007

### Note 3 - Merger Agreement

The Fund for West Chester University ("Fund") entered into an agreement (the "Agreement") with the West Chester University Foundation (the "Foundation") to merge the Foundation into the Fund effective July 1, 2006. The Agreement stated that the Fund shall change its name and the name of the surviving corporation shall be the West Chester University Foundation; the articles of incorporation and bylaws of the Fund continue to be in effect for the surviving corporation. The Foundation transferred all of its assets to the Fund and the Fund assumed all liabilities of the Foundation.

The purpose of the merger was to decrease overall costs, centralize in a single entity all the assets and operations of the Fund and the Foundation, and to consolidate the similar activities of the Fund and the Foundation into a single organization to increase efficiency and decrease confusion to current and prospective contributors.

The assets transferred to the Fund were as follows:

<b>Assets</b>	
Cash and cash equivalents	\$ 39,230
Equity investments	425,454
Fixed income investments	<u>276,916</u>
<b>Total Assets</b>	<u>\$741,600</u>
<b>Net Assets</b>	
Permanently restricted	<u>\$741,600</u>

This transaction was accounted for under the pooling of interest method of accounting. Accordingly, net assets and changes in net assets of the Fund include the Foundation results from and after July 1, 2006.

### Note 4 - Accounts Receivable

USH's accounts receivable are substantially from rent related to the student housing facilities. Management has provided for an allowance for doubtful accounts based upon a percentage of aged receivables and revenue. The allowance for doubtful accounts was \$128,210 at June 30, 2007.

# ***West Chester University Foundation and Subsidiary***

## **Notes to Consolidated Financial Statements** June 30, 2007

### **Note 5 - Contributions Receivable**

Contributions receivable consisted of the following as of June 30:

	<u>2007</u>
Campaign for Excellence	\$1,215,483
Corporate giving	22,000
Special appeals	38,996
Discount to net present value	(37,844)
Allowance for uncollectible contributions	(88,824)
	<u>\$1,149,811</u>
<b>Total Contributions Receivable, Net</b>	

The following is a schedule of payments less discount and allowance:

	<u>2007</u>
Due in less than one year	\$ 553,468
Due in one to five years	596,343
Due in more than five years	-
	<u>\$1,149,811</u>

### **Note 6 - Investments**

Investments are presented in the financial statements in the aggregate at their fair value. Investments are comprised of the following at June 30:

	<u>2007</u>
Equity investments	\$1,471,783
Fixed income investments	919,904
	<u>\$2,391,687</u>

# West Chester University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2007

### Note 7 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2007</u>
Buildings	\$37,363,828
Furniture and fixtures	1,554,177
Machinery and equipment	<u>1,521</u>
	38,919,526
Accumulated depreciation	<u>(4,163,906)</u>
<b>Property and Equipment, Net</b>	<u><u>\$34,755,620</u></u>

Depreciation expense was \$1,667,928 at June 30, 2007.

### Note 8 - Split Interest Agreements

The following tabulation summarizes the split interest agreements at June 30:

	<u>2007</u>
Charitable Gift Annuities:	\$ 240,131
Fixed income investments	64,181
Equity investments	72,175
Charitable Trusts:	64,193
Fixed income investments	(16,847)
Equity investments	955,576
Liability to donor	<u>168,583</u>
Charitable Lead Trust	<u><u>\$1,379,409</u></u>

The liability to donors and beneficiaries under the terms of the agreements included in other liabilities was \$168,583 at June 30, 2007.

### Note 9 - Bonds Payable

On August 1, 2003, USH entered into a loan agreement with Chester County Industrial Development Authority ("CCIDA"), in which CCIDA lent the proceeds of a \$42,305,000 Series 2003 Student Housing Revenue Bond to USH for the construction of student housing facilities (the "Project"); funding of capitalized interest and other bond-issuance related costs; and funding a debt service reserve fund. Among other matters, the loan agreement contains a rate covenant in which USH will provide Income Available for Debt Service in each fiscal year which is at least equal to 120% of the Debt Service Requirement.

# West Chester University Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2007

### Note 9 - Bonds Payable (Continued)

USH is also subject to the terms contained in the Indenture of Trust dated August 1, 2003, as amended January 31, 2005, between CCIDA and Wilmington Trust Company (the "Trustee"). Among other matters, the significant terms of the Indenture of Trust are:

The maturity date of the bonds is August 1, 2035, subject to prior redemption, as outlined below:

- Interest is payable, at the direction of USH, based on three alternatives: weekly rate; commercial paper rate; or long-term rate. USH has retained the services of a bond re-marketing agent to perform such calculations and provide consulting services to USH.
- Although the bonds mature August 1, 2035, redemption prior to maturity can occur under the following conditions:
  - If the Project is sold or disposed of;
  - If the Project incurs property damage in excess of \$100,000; and
  - As mutually agreed by certain parties, as defined in the Indenture of Trust.

Under the terms of the Indenture of Trust, the Trustee deposited the bond proceeds into various restricted cash accounts to be used primarily to fund Project construction costs, capitalized interest, letter of credit fees and debt service. Project cash flows from operations are deposited into funds as provided for in the Indenture of Trust.

USH also pays a letter of credit fee based on the face amount of the letter of credit calculated at 0.6% rate on a quarterly basis. At June 30, 2007, USH had \$42,817,466 committed under outstanding letter of credit.

In connection with the above-described transaction, USH, on August 19, 2003, as amended January 31, 2005 and September 27, 2005, entered into a credit and security agreement (the "facility agreement") with Citizens Bank (the "Bank"), a major financial institution, expiring in August 2013, for the purpose of providing credit/liquidity support to USH by issuing a direct pay letter-of-credit in favor of the Trustee. The Project, along with related furnishings and future revenues, are pledged as collateral for this facility.

The facility agreement contains various affirmative and negative covenants, the most significant of which are USH maintaining a fixed charge coverage ratio, as defined in the facility agreement, or 1:20:1.0; and meeting an occupancy rate requirement of at least 90%, tested twice during the school year. At June 30, 2007, USH was in compliance with all required covenants under the loan agreement.

# **West Chester University Foundation and Subsidiary**

## **Notes to Consolidated Financial Statements** **June 30, 2007**

### **Note 9 - Bonds Payable (Continued)**

Annual scheduled principal payments, based on provisions outlined in the facility agreement, are as follows as of June 30, 2007:

	<u>Amount</u>
2008	\$ 235,000
2009	305,000
Thereafter	<u>41,585,000</u>
	<u>\$42,125,000</u>

After 2009, under the terms of the facility agreement, annual principal payments will be determined by mutual agreement of USH and the Bank.

### **Note 10 - Pension Plan**

During 2006, the Foundation established a defined contribution pension plan and a tax-deferred annuity pension plan under Internal Revenue Code Section 403(b). All employees of the Foundation are eligible to participate that work a minimum of 20 hours per week. The Foundation provides contributions of 9.29% of compensation under the defined contribution plan. Employee contributions are made on a tax-deferred basis up to the statutory limits under the deferred annuity plan. Funding vehicles are established for each participant individually for both plans through either the Teacher Insurance and Annuity Association ("TIAA") or the College Retirement Equities Fund ("CREF").

Pension expense amounted to \$27,202 for the year ended June 30, 2007.

### **Note 11 - Net Assets Released from Restriction**

Net assets of \$2,852,726 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors during the year ended June 30, 2007.

# West Chester University Foundation and Subsidiary

## Notes to Consolidated Financial Statements June 30, 2007

### Note 12 - Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2007</u>
University student housing programs and other Foundation programs	<u>\$3,060,087</u>

Permanently restricted net assets are available for the following purposes at June 30:

	<u>2007</u>
Scholarships and other West Chester University programs	<u>\$2,163,275</u>

### Note 13 - Commitments

#### Ground Lease

In August 2003, USH entered into a ground lease agreement with the University to lease the land on which the Project was constructed. The lease agreement expires in August 2045, or 2035 if the Series 2003 Bonds are satisfied at that time.

The agreement calls for annual base rent, commencing August 2004, of \$50,000, with annual increases of 3%, and a system fee payment based on revenues.

The University has subordinated its rights to base and percentage rent payments to any payments due on the Series 2003 Bonds. Any unpaid amounts accrue interest at prevailing prime rates.

At June 30, 2007, future aggregate minimum lease payments due under the lease are as follows:

Year ending June 30:	
2008	\$ 54,636
2009	56,275
2010	57,964
2011	59,703
2012	61,494
Thereafter	<u>2,065,934</u>
<b>Total</b>	<u>\$2,356,006</u>

Rent expense under the ground lease totaled \$103,505 at June 30, 2007.



# **West Chester University Foundation and Subsidiary**

## **Notes to Consolidated Financial Statements** June 30, 2007

### **Note 13 - Commitments (Continued)**

#### **Office Lease**

In July 2005, the Foundation entered into a lease agreement with the University to lease certain office space where the Foundation operates. The lease expired on June 30, 2007 and was renewed for an additional year. Payments due for this lease are as follows:

Year ending June 30:	\$24,000
2008	

Rent expense totaled \$24,000 at June 30, 2007.

#### **Property Management Agreement**

In August 2003, as amended in 2006, USH entered into a property management agreement with an unrelated third party to manage, operate and maintain the student housing facilities, commencing in August 2004. The agreement is for one year and automatically renews for an additional one-year term unless terminated by either party. USH is to pay a management fee equal to 3.5% of gross revenue through 2006 and 3.25% for 2007, as that term is defined in the agreement, and a subordinated management fee equal to 1.5% of gross revenue. The management fee was \$170,412 and the subordinated management fee was \$77,760 at June 30, 2007.

#### **Service Agreement**

In August 2003, USH entered into a service agreement with the University whereby the University is to provide, effective August 2004, certain ground maintenance and student residence-related services to USH. The agreement, expiring in August 2009, automatically renews unless terminated by either party. Payments due for this agreement are as follows:

Year ending June 30:	\$269,569
2008	278,430
2009	23,265
2010	<u>23,265</u>
<b>Total</b>	<u><u>\$571,264</u></u>

Service agreement expense totaled \$269,615 and \$254,860 at June 30, 2007.

# West Chester University Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2007

### Note 14 - Interest Rate Swaps

USH entered into interest rate swap agreements which are considered derivative financial instruments. The agreements, which are not designated as hedging instruments, were entered into in order to manage interest rate exposure on the Series 2003 bonds payable. The Foundation and USH do not utilize interest rate swaps or other similar financial instruments for trading or other speculative purposes. The counterparty for the swap agreements is Citizens Bank (the "Bank"), a major financial institution.

The principal objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on variable rate debt. The swap agreement is a contract to exchange variable rate for fixed interest rate payments over the life of the swap agreement without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount including scheduled and termination payments, if any, that may be generated as a result of the swap agreements.

Management believes that losses related to credit risk are remote.

USH had the following interest rate swaps in effect at June 30, 2007:

Notional amount	\$42,125,000	\$41,585,000
Fixed rate to be paid by USH	3.4%	4.08%
Period	August 2003 - August 2008	August 2008 - August 2018

The fair value of the swap agreements is estimated to be the amount that USH would pay or receive to terminate the swap agreements at the reporting date and was based on information supplied by the Bank. USH estimates that it would have received \$74,935 at June 30, 2007 to terminate the swap agreements.

Under the interest rate swap contract, USH will receive a variable rate based on a seven day bond Market Association Municipal Swap index rate.

# *West Chester University Foundation and Subsidiary*

## Notes to Consolidated Financial Statements

June 30, 2007

### Note 15 - Fair Value of Financial Instruments

The carrying amount and estimated fair value of the Foundation's financial instruments at June 30, 2007 are as follows:

	2007	
	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 6,207,503	\$ 6,207,503
Accounts receivable, net	118,285	118,285
Pledges receivable, net	1,149,811	1,149,811
Investments	2,391,687	2,391,687
Interest rate swap asset	74,935	74,935
Accounts payable and other accrued liabilities	740,910	740,910
Bonds payable	42,125,000	42,125,000
Due to West Chester University	178,062	-

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those financial instruments. The contributions receivable approximate fair value based on current present value. Investments approximate fair value based on the quoted market price of the underlying investments.

The bonds payable approximates fair value as a result of the variable interest rate feature of the bonds payable. The interest rate swap asset/liability fair value is as disclosed in Note 14.

The carrying amount of accounts payable, and other accrued liabilities, approximates the fair value of these financial instruments.

It is generally not practicable to estimate the fair value of related party transactions since terms could not be duplicated in the market, and related parties can revise terms, making assumptions supporting fair values potentially unreliable.

### Note 16 - Functional Expenses

Expenses have been allocated by functional classification as follows at June 30:

	2007
Program services	\$7,384,275
Management and general	316,116
<b>Total</b>	<b>\$7,700,391</b>

# *West Chester University Foundation and Subsidiary*

## **Notes to Consolidated Financial Statements**

June 30, 2007

### **Note 17 - Related Party Transactions**

The Foundation and USH receive contributions and advances from the University. The Foundation recorded donated revenue in the amount of \$1,134,139 at June 30, 2007, primarily related to payment of operational and administrative expenses.

Contributed services are not recognized as revenue unless the services received create or enhance the value of a nonfinancial asset; or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not donated.

On April 4, 2006, USH entered into a \$2,000,000 line-of-credit agreement (the "Line") with the University. The Line bears interest at the rate of 6%. Principal and accrued interest will become due if bonds are issued in the future for student housing projects.

On July 1, 2005, USH signed a promissory note agreement with the University. The principal of the note amounted to \$533,896 and represented advances received from the University in prior years. The balance of \$359,751 was paid in full during the year.

Amount due to the University was \$178,062 at June 30, 2007.

The Foundation has contracts for providing development services with various departments of the University. Amounts received by the Foundation for these contracts totaled \$188,082 at June 30, 2007.

During fiscal year 2007, the Foundation received noncash gifts in the amount of \$147,719. These gifts were in the form of certain services (primarily printing), equipment and artwork donated to the Foundation. The donated equipment and artwork were transferred to the University during the year.

Contributions to the University totaled \$55,210 at June 30, 2007.



## Independent Auditor's Report on Supplementary Information

To the Board of Trustees  
West Chester University Foundation and Subsidiary

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The 2007 consolidating information is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Beard Miller Company LLP*

Beard Miller Company LLP  
Paoli, Pennsylvania  
August 31, 2007

# West Chester University Foundation and Subsidiary

## Consolidating Statement of Financial Position

30, 2007

	West Chester University Foundation	University Student Housing, LLC	Eliminating/ Reclass Entries	Total 2007
<b>Assets</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 217,935	\$ 5,989,568	\$ -	\$ 6,207,503
Accounts receivable	2,375	115,910	-	118,285
Contributions receivable	1,149,811	-	-	1,149,811
Investments	2,391,687	-	-	2,391,687
Property and equipment	-	34,755,620	-	34,755,620
Deferred financing costs	-	783,971	-	783,971
Other assets	9,570	284,003	-	293,573
Due from University Student Housing	815,745	-	(815,745)	-
Interest rate swap asset	-	74,935	-	74,935
Split-interest agreements	1,379,409	-	-	1,379,409
<b>Total Assets</b>	<u>\$5,966,532</u>	<u>\$42,004,007</u>	<u>\$(815,745)</u>	<u>\$47,154,794</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 8,057	\$ 733,546	\$(471,710)	\$ 269,893
Other accrued liabilities	270,405	200,612	-	471,017
Note payable, West Chester University	-	-	-	-
Line of credit, West Chester University	-	120,000	-	120,000
Due to West Chester University Foundation	-	344,035	(344,035)	-
Due to West Chester University	(26,644)	84,706	-	58,062
Bonds payable	-	42,125,000	-	42,125,000
<b>Total Liabilities</b>	<u>251,818</u>	<u>43,607,899</u>	<u>(815,745)</u>	<u>43,043,972</u>
<b>Net Assets</b>				
Unrestricted	19,642	(1,603,892)	471,710	(1,112,540)
Temporarily restricted	3,531,797	-	(471,710)	3,060,087
Permanently restricted	2,163,275	-	-	2,163,275
<b>Total Net Assets</b>	<u>5,714,714</u>	<u>(1,603,892)</u>	<u>-</u>	<u>4,110,822</u>
<b>Total Liabilities and Net Assets</b>	<u>\$5,966,532</u>	<u>\$42,004,007</u>	<u>\$(815,745)</u>	<u>\$47,154,794</u>

# West Chester University Foundation and Subsidiary

## Consolidating Statement of Activities

Year Ended June 30, 2007

(See Auditor's Report on Supplementary Information)

	West Chester University Foundation			University Student Housing, LLC		Eliminating/ Reclass Entities	Consolidated			Total 2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Public Support and Revenues</b>											
Public support:											
Contributions	\$ 239,166	\$3,178,896	\$544,934	\$3,962,996	\$ -	\$ -	\$(471,710)	\$ 239,166	\$2,707,186	\$544,934	\$ 3,491,286
Fundraising	-	86,436	-	86,436	-	-	-	-	86,436	-	86,436
Contributions, noncash	1,134,139	147,719	-	1,281,858	-	-	-	1,134,139	147,719	-	1,281,858
<b>Total Public Support</b>	<u>1,373,305</u>	<u>3,413,051</u>	<u>544,934</u>	<u>5,331,290</u>	<u>-</u>	<u>-</u>	<u>(471,710)</u>	<u>1,373,305</u>	<u>2,941,341</u>	<u>544,934</u>	<u>4,859,580</u>
<b>Revenue:</b>											
Rental	-	-	-	-	5,260,712	5,260,712	-	5,260,712	-	-	5,260,712
Investment income	46,695	79,797	-	126,492	278,338	278,338	-	325,033	79,797	-	404,830
Net gain (loss) on investments	23,617	144,524	-	168,141	-	-	-	23,617	144,524	-	168,141
Other income	50,000	-	-	50,000	-	-	-	50,000	-	-	50,000
Miscellaneous revenue	188,832	-	-	188,832	-	-	-	188,832	-	-	188,832
Change in fair value of interest rate swap asset	-	-	-	-	(921,905)	(921,905)	-	(921,905)	-	-	(921,905)
Change in net present value of split-interest	-	(8,063)	-	(8,063)	-	-	-	-	(8,063)	-	(8,063)
Net assets released from restriction	2,852,726	(2,852,726)	-	-	-	-	-	2,852,726	(2,852,726)	-	-
<b>Total Revenue</b>	<u>3,161,870</u>	<u>(2,636,468)</u>	<u>-</u>	<u>525,402</u>	<u>4,617,145</u>	<u>4,617,145</u>	<u>(471,710)</u>	<u>7,779,015</u>	<u>(2,636,468)</u>	<u>544,934</u>	<u>5,142,547</u>
<b>Total Public Support and Revenue</b>	<u>4,535,175</u>	<u>776,583</u>	<u>544,934</u>	<u>5,856,692</u>	<u>4,617,145</u>	<u>4,617,145</u>	<u>(471,710)</u>	<u>9,152,320</u>	<u>304,873</u>	<u>544,934</u>	<u>10,002,127</u>

	West Chester University Foundation			University Student Housing, LLC		Eliminating/ Reclass Entities	Consolidated			Total 2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Total	Unrestricted	Temporarily Restricted		Permanently Restricted
<b>Distributions and Expenses</b>											
Distributions to West Chester	2,852,726	-	-	2,852,726	-	-	-	2,852,726	-	-	2,852,726
Expenses:											
Other rental operating	24,000	-	-	24,000	1,255,895	1,255,895	-	1,279,895	-	-	1,279,895
Salaries and benefits	1,109,003	-	-	1,109,003	573,373	573,373	-	1,682,376	-	-	1,682,376
Advertising/marketing	3,370	-	-	3,370	17,975	17,975	-	21,345	-	-	21,345
Bad debt expense	37,924	-	-	37,924	64,833	64,833	-	102,757	-	-	102,757
Letter of credit/bank fees	4,511	-	-	4,511	290,553	290,553	-	295,064	-	-	295,064
Consulting/professional services	92,975	-	-	92,975	47,230	47,230	-	140,205	-	-	140,205
Depreciation	-	-	-	-	1,667,928	1,667,928	-	1,667,928	-	-	1,667,928
Dues and subscriptions	26,872	-	-	26,872	-	-	-	26,872	-	-	26,872
Food	198,539	-	-	198,539	295	295	-	198,834	-	-	198,834
Insurance	11,374	-	-	11,374	88,062	88,062	-	99,436	-	-	99,436
Interest	-	-	-	-	1,459,238	1,459,238	-	1,459,238	-	-	1,459,238
Amortization of deferred financing fees	-	-	-	-	27,916	27,916	-	27,916	-	-	27,916
Legal	10,940	-	-	10,940	1,609	1,609	-	12,549	-	-	12,549
Audit	22,000	-	-	22,000	17,500	17,500	-	39,500	-	-	39,500
Management fee	-	-	-	-	248,172	248,172	-	248,172	-	-	248,172
Fundraising	74,017	-	-	74,017	-	-	(471,710)	74,017	-	-	74,017
Contributions	56,810	-	-	56,810	471,710	471,710	-	56,810	-	-	56,810
Miscellaneous	39,176	-	-	39,176	6,545	6,545	-	45,721	-	-	45,721
Postage	39,536	-	-	39,536	-	-	-	39,536	-	-	39,536
Printing	84,821	-	-	84,821	-	-	-	84,821	-	-	84,821
Equipment	-	-	-	-	-	-	-	-	-	-	-
Scholarships	18,783	-	-	18,783	-	-	-	18,783	-	-	18,783
Supplies	23,318	-	-	23,318	-	-	-	23,318	-	-	23,318
Telephone	6,931	-	-	6,931	-	-	-	6,931	-	-	6,931
Travel	48,367	-	-	48,367	-	-	-	48,367	-	-	48,367
<b>Total Expenses</b>	<b>1,933,267</b>	<b>-</b>	<b>-</b>	<b>1,933,267</b>	<b>6,238,834</b>	<b>6,238,834</b>	<b>(471,710)</b>	<b>7,700,391</b>	<b>-</b>	<b>-</b>	<b>10,553,117</b>
<b>Total Distributions and Expenses</b>	<b>4,785,993</b>	<b>-</b>	<b>-</b>	<b>4,785,993</b>	<b>6,238,834</b>	<b>6,238,834</b>	<b>(471,710)</b>	<b>10,553,117</b>	<b>-</b>	<b>-</b>	<b>10,553,117</b>
<b>Changes in Net Assets</b>	<b>(250,818)</b>	<b>776,583</b>	<b>544,934</b>	<b>1,070,699</b>	<b>(1,621,689)</b>	<b>(1,621,689)</b>	<b>-</b>	<b>(1,400,797)</b>	<b>304,873</b>	<b>544,934</b>	<b>(550,990)</b>
<b>Other Changes</b>											
Transfer	275,000	-	-	275,000	(275,000)	(275,000)	-	-	-	741,600	741,600
Merged net assets	-	-	741,600	741,600	-	-	-	288,257	2,755,214	876,741	3,920,212
<b>Net Assets - Beginning</b>	<b>(4,540)</b>	<b>2,755,214</b>	<b>876,741</b>	<b>3,627,415</b>	<b>292,797</b>	<b>292,797</b>	<b>-</b>	<b>288,257</b>	<b>2,755,214</b>	<b>876,741</b>	<b>3,920,212</b>
<b>Net Assets - Ending</b>	<b>\$ 19,642</b>	<b>\$3,531,797</b>	<b>\$2,163,275</b>	<b>\$5,714,714</b>	<b>\$(1,603,892)</b>	<b>\$(1,603,892)</b>	<b>\$ -</b>	<b>\$(1,112,540)</b>	<b>\$3,060,087</b>	<b>\$2,163,275</b>	<b>\$4,110,822</b>



## BYLAWS

OF

### WEST CHESTER UNIVERSITY FOUNDATION A PENNSYLVANIA NONPROFIT CORPORATION

#### ARTICLE 1 – DEFINITIONS

##### Section 1.1. Definitions.

The following terms used in these Bylaws shall have the meanings set forth below.

- A. “Act” means the Pennsylvania Nonprofit Corporation Law of 1988, as amended.
- B. “Board” means the Board of Trustees of the Corporation.
- C. “Corporation” means the West Chester University Foundation.
- D. “Trustee” means an individual serving on the Board.
- E. “University” means West Chester University of Pennsylvania.

#### ARTICLE 2 – PURPOSES

##### Section 2.1. Purposes.

The purposes of the Corporation are set forth in its Articles of Incorporation.

##### Section 2.2. Activities.

The Corporation is organized exclusively for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any other corresponding section of any future federal tax code (the “Code”), particularly to promote the interests of West Chester University of Pennsylvania of the State System of Higher Education. The Corporation shall perform the following:

- A. solicit funds and other property to advance the charitable, scientific, and educational interests of the University in accordance with priorities set by the University;

- B. receive, manage, and liquidate material assets, including unique gifts such as jewelry, artworks, and real property, to the benefit of the University;
- C. contribute capital, make loans and grants, and provide other financial assistance to the University, any of its affiliated entities, and any institutions or organizations that become affiliated with the Corporation; provided all such entities are organizations described in either Section 170(b)(1)(A) or Section 501(c)(3) of the Code;
- D. manage the relationship, including the selection and negotiation of services, with a financial institution or institutions for the purposes of holding endowment funds, life income gifts, and similar funds;
- E. manage any contract for the advancement of the University; including the construction, operation, management, and maintenance of student housing facilities, or any other facilities or projects for the benefit of the University and its educational, scientific, and charitable purposes whether directly or through a single member limited liability company created and owned by the corporation;
- F. provide funds and services to conduct the business of the Corporation;
- G. manage the Corporation's endowment fund, and upon request and with proper approvals, the endowment fund of the University; and
- H. engage in and do any and all acts and engage in all lawful business which a nonprofit corporation may do consistent with or in furtherance of the purposes herein set forth above.

### **ARTICLE 3 – OFFICES**

#### **Section 3.1. Offices.**

The registered office of the Corporation shall be located at the West Chester University of Pennsylvania, 628 South High Street, West Chester, Pennsylvania. The Corporation may have any number of other offices at such places as the Board may determine, whether located in or out of Pennsylvania.

### **ARTICLE 4 – SEAL**

#### **Section 4.1. Seal.**

The Corporation may use a Corporate Seal. The Corporate Seal shall bear the name of the Corporation, the year of its incorporation, and the words "Corporate Seal, West Chester University Foundation."

## ARTICLE 5 – BOARD OF TRUSTEES

### **Section 5.1. Board of Trustees.**

The business and affairs of the Corporation shall be managed under the direction of the Board. The powers of the Corporation shall be exercised by, or under the authority of, the Board except as otherwise provided by statute, the Articles of Incorporation, these Bylaws, or a resolution adopted by the Board.

### **Section 5.2. Qualifications of Trustees.**

Each Trustee shall be a natural person at least 18 years of age who need not be a resident of Pennsylvania. In addition, the requirements of each Trustee (except ex officio Trustees) include, but are not limited to:

- A. active participation at Board meetings;
- B. support for the goals of West Chester University of Pennsylvania as defined by the President of the University and the University's strategic plan;
- C. giving to the Corporation at the leadership level; and
- D. general advocacy of West Chester University of Pennsylvania.

### **Section 5.3. Number and Election of Trustees.**

The Board shall consist of six (6) ex-officio members ("Ex-officio Trustees") and not less than nine (9) or more than thirty-three (33) other members, who shall be divided into three approximately equal classes, each consisting of up to eleven (11) individuals ("Class Trustees").

- A. With respect to the Class Trustees: The term of office of one class shall expire in each year. Each class shall be elected by the Board for terms of three (3) years, except in case of a vacancy in any class, in which case the vacancy shall be filled for the balance of the term of such class. However, to achieve the initial classification of the Board, the initial terms of the three classes of the first Board shall be one year, two years, and three years, respectively. Members of the first Board who shall serve in the one (1) year and two (2) year terms will be eligible for reelection to two (2) additional three (3) year terms.
- B. The Ex-Officio Trustees and their terms shall be as follows:
  - 1. One (1) person who is a member of the West Chester University Council of Trustees selected by the Chairperson of the Council of

Trustees ("Council Trustee"). The Council Trustee shall be appointed for a three (3) year term; provided, however, if such Council Trustee ceases to be a member of the Council of Trustees, such Council Trustee shall cease to be a Trustee of the Corporation, and the Chairperson of the Council of Trustees shall appoint another person who is a member of the Council of Trustees to fill the vacancy for the balance of the term.

2. The President of West Chester University of Pennsylvania ("President of WCU") whose term shall be concurrent with his or her tenure as President of WCU. A person serving as acting or interim President of WCU shall serve as a Trustee during such period he or she is serving as acting or interim President of WCU.
  3. The Vice President for Advancement of West Chester University of Pennsylvania ("VP Advancement") whose term shall be concurrent with his or her tenure as VP Advancement of WCU. A person serving as acting or interim VP Advancement shall serve as a Trustee during such period he or she is serving as such acting or interim VP Advancement.
  4. The Vice President for Administrative and Fiscal Affairs of West Chester University of Pennsylvania ("VP Fiscal") whose term shall be concurrent with his or her tenure as VP Fiscal of WCU. A person serving as acting or interim VP Fiscal shall serve as a Trustee during such period he or she is serving as such acting or interim VP Fiscal.
  5. The Executive Director of the West Chester University Foundation ("Executive Director") whose term shall be concurrent with his or her tenure as Executive Director of the Corporation. A person serving as acting or interim Executive Director shall serve as a Trustee during such period he or she is serving as such acting or interim Executive Director.
  6. The Vice President for Student Affairs of West Chester University of Pennsylvania ("VP Student Affairs") whose term shall be concurrent with his or her tenure as VP Student Affairs of WCU. A person serving as acting or interim VP Student Affairs shall serve as a Trustee during such period he or she is serving as such acting or interim VP Student Affairs.
- C. Initially, the Board of Trustees shall consist of the persons nominated and elected by the Incorporators of the Corporation. Thereafter, the Trustees shall be elected as set forth herein.

**Section 5.4. Term of Office.**

Each elected Trustee shall hold office until (a) the expiration of the term for which he or she was elected and until his or her successor has been elected and qualified, or (b) his or her earlier death, resignation, or removal. With the exception of the Council Trustee, the President of WCU, the VP Advancement, the VP Fiscal, the VP Student Affairs, and the Executive Director, elected and appointed Trustees may serve two (2) full consecutive three (3) year terms, after which the Trustee must leave the Board for a period of at least one (1) year before being eligible for re-election. A Trustee elected or appointed for an initial or interim term of less than three (3) years may be elected or appointed for two (2) full consecutive three (3) year terms provided the Trustee will have served a total of no more than eight (8) consecutive years.

**Section 5.5. Procedure for Nomination of Candidates for Trustee.**

The chair of the meeting shall announce at the meeting of the Board the number of Trustees to be elected at the meeting. The Nominating Committee shall recommend all candidates for election as Trustees. Each nomination must be seconded. No nominations may be made from the floor. After each nomination has been made and seconded, the Trustees shall cast their votes on each candidate nominated.

**Section 5.6. Vacancies.**

With the exception of Ex-Officio Trustees, vacancies on the Board, including vacancies resulting from (a) an increase in the number of Trustees, or (b) the death, resignation, or removal of a Trustee other than an Ex-Officio Trustee, shall be filled by a majority vote of the remaining Trustees though less than a quorum. Each person so elected shall be a Trustee to serve the balance of the unexpired term. Vacancies resulting from the death, resignation, or removal of an Ex-Officio Trustee shall be filled in the same manner as provided for by the original appointment of such Trustee under Section 6.3 above and each person so appointed shall be a Trustee to serve for the balance of the unexpired term.

**Section 5.7. Termination.**

Members of the Board who, after notice of the consideration of action by the Board and upon the majority vote of the entire Board and as a result of conflict of interest, criminal prosecution, or lack of attendance at four (4) consecutive meetings without prior approval of the Chairperson, shall cease to be members of the Board of Trustees. Vacancies by death, resignation, refusal to serve, or otherwise, shall be filled for the unexpired term by majority vote of the Trustees then serving, although less than a quorum. A vacancy may only be filled by a person who possesses the qualifications referred to in Section 5.2 of this Article 5.

**Section 5.8. Resignations.**

Any Trustee may resign at any time by giving written notice to the Corporation. The resignation shall be effective upon receipt by the Corporation or at such subsequent time as may be specified in the notice of resignation.

**Section 5.9. Compensation of Trustees.**

Trustees shall receive no compensation for their services as Trustees or as committee members. However, the Corporation may compensate a Trustee for providing services to the Corporation in any other capacity, including that of employee or agent of the Corporation. Trustees who serve as employees or agents of the Corporation shall not participate in any vote of the Board with respect to their compensation. Trustees may be reimbursed for reasonable expenses incurred on behalf of the Corporation.

**Section 5.10. Voting Rights – Actions of the Board.**

**Section 5.10(a). Voting Rights.**

Each Trustee, excluding Ex-Officio Trustees, shall be entitled to one vote. Trustees who are University employees are not entitled to vote at any meeting of the Board including committee meetings.

**Section 5.10(b). Actions of the Board.**

At any meeting of the Board of Trustees, only items on the agenda of the meeting notice may be acted upon when a quorum of the Board is not present. When a quorum of the Board is present, new or other business not on the agenda of the notice may be acted upon.

**Section 5.11. Emeritus Trustees.**

The Nominating Committee may from time to time recommend emeriti status to exceptional retiring Trustees. An Emeritus Trustee may attend all regular meetings of the Board, but shall not be entitled to vote on any matter.

**ARTICLE 6 - POWERS AND DUTIES OF THE BOARD OF TRUSTEES**

**Section 6.1. Authority.**

Except as otherwise provided in the Articles of Incorporation or in these Bylaws, all the powers, duties, and functions of the Corporation conferred by the Articles of Incorporation, these Bylaws, State statutes, common law, court decisions, or otherwise shall be exercised, performed, or controlled by the Board.

**Section 6.2. Duties.**

The Board shall have general charge of the affairs, property, and assets of the Corporation. It shall be the duty of the Board to establish through policy the aims and purposes of this Corporation, so as to support the goals of West Chester University of Pennsylvania, and, to this end, to manage and control all of its property or assets.

**Section 6.3. Advisory Appointments.**

The Board may appoint as advisors, persons whose advice, assistance, and support may be deemed helpful in determining policies and formulating programs for carrying out the Corporation's purposes.

**Section 6.4. Administrative Advisors.**

The Board is authorized to engage such persons, including an Executive Director and assistants, law firms, investment bankers, investment portfolio managers, and accounting firms, as in its opinion are needed for the administration of the Corporation and to pay reasonable and competitive compensation for services and expenses thereof.

**Section 6.5. Fiduciary Responsibility.**

Each member of the Board shall serve in a fiduciary capacity to the Corporation and shall perform his/her duties as a Trustee, including duties as a member of any committee of the Board upon which he/she may serve, in good faith, in a manner he/she reasonably believes to be in the best interests of the Corporation, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances.

**Section 6.6(a). Reliability of Information.**

A Trustee shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared by Board approved consultants, such as legal counsel, public accountants, investment advisors, computer consultants, and other experts.

**Section 6.6(b). Actions.**

Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a Trustee or any failure to take any action shall be presumed to be in the best interests of the Corporation.

## ARTICLE 7 – COMMITTEES

### **Section 7.1. Establishment and Powers.**

The Board may, by resolution adopted by a majority of the Trustees, establish one or more committees to consist of one or more Trustees of the Corporation. The Board may designate one or more Trustees as alternate members of a committee. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all of the powers and authority of the Board, except that no committee, including the Executive Committee and the Standing Committees, shall have any power or authority as to the following:

- A. the filling of vacancies in the Board;
- B. the adoption, amendment, or repeal of the Bylaws;
- C. the amendment or repeal of any resolution of the Board; or
- D. action on matters committed by the Bylaws or by resolution of the Board to another committee of the Board.

### **Section 7.2. Term.**

Each committee of the Board shall serve at the pleasure of the Board.

### **Section 7.3. Committee Organization.**

Except as otherwise provided by the Board, each committee shall be chaired by a Trustee and shall establish its own operating procedures. Each committee shall keep regular minutes of its proceedings and report the same to the Board at each regular meeting. Each committee shall determine its times and places of meetings.

### **Section 7.4. Ex-Officio Committee Members.**

Except in the case of the Executive Committee and the Nominating Committee, the chairperson of each committee, with the approval of the Nominating Committee, may appoint Ex-Officio Committee Members to serve as members of the committee. Ex-Officio Committee Members may serve two (2) full consecutive three (3) year terms, after which the Ex-Officio Committee Member must leave the committee for a period of at least one (1) year before being eligible for re-appointment. An Ex-Officio Committee Member shall be entitled to vote on matters before the committee on which the member serves, but shall not be entitled to vote on matters before the full Board or any other committee.



**Section 7.5. Executive Committee.**

The Executive Committee shall be composed of the officers of the Corporation, the President of WCU, the Vice President for Advancement of WCU, the Vice President for Administrative and Fiscal Affairs of WCU, and the Executive Director of the Corporation. The Executive Committee shall be authorized to act for the Board between its regular meetings. Except as otherwise provided by these Bylaws or by resolution of the Board, the Executive Committee shall have and may exercise all of the powers and authority of the Board in the management of the Corporation.

**Section 7.6. Standing Committees.**

The President of the West Chester University Foundation, with the approval of the Board, shall appoint the members of the Standing Committees annually. The Board may, by resolution, determine not to constitute a Standing Committee for any year.

There shall be the following Standing Committees of the Board:

A. Nominating Committee.

The Nominating Committee shall consist of at least five (5) Trustees, of which three (3) shall be Ex-Officio Trustees, and shall be responsible for assuring appropriate representation on the Corporation's Board of Trustees, including individuals with access to funding sources and individuals willing to devote the necessary time to the responsibilities of Trustee. The Nominating Committee shall establish a process to avoid the re-election or re-appointment of individuals who fail to adequately participate in the Corporation's activities or in Board and Committee meetings. The Nominating Committee, in consultation with the President of WCU and Executive Director, shall propose names for election of Trustees (other than Ex-Officio Trustees). Board members shall receive a list of the recommendations of the Nominating Committee prior to the meeting at which the election shall take place. The Board will vote on such nominations at the next regular meeting following the distribution of the recommendations from the Nominating Committee. The Nominating Committee shall maintain a roster of qualified persons who might be nominated to serve interim terms.

B. Development Committee.

The Development Committee shall consist of at least five (5) Trustees and shall be responsible for the development, coordination, and implementation of the fund raising activities of the Corporation.