

Financial Statements and Report of Independent
Certified Public Accountants

**Delaware State University Student Housing
Foundation - Phase III**

June 30, 2011 and 2010

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Delaware State University Student Housing Foundation:

We have audited the accompanying statements of financial position of the Delaware State University Student Housing Foundation - Phase III (the Project), a subsidiary of the Delaware State University Student Housing Foundation, as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware State University Student Housing Foundation - Phase III as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
May 15, 2012

Delaware State University Student Housing Foundation - Phase III

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,489,295	\$ 63,946
Tenant security deposits	195,517	184,519
Tenant accounts receivable, net	62,779	176,037
Prepaid expenses	12,933	13,188
Due from affiliate	1,768,633	1,747,127
Assets held in trust	<u>3,174,544</u>	<u>3,043,492</u>
Total current assets	<u>6,703,701</u>	<u>5,228,309</u>
NONCURRENT ASSETS		
Assets held in trust	2,452,882	2,617,570
Capital assets, net	25,899,660	26,857,404
Bond issuance costs, net	<u>245,777</u>	<u>255,773</u>
Total noncurrent assets	<u>28,598,319</u>	<u>29,730,747</u>
 Total assets	 <u>\$ 35,302,020</u>	 <u>\$ 34,959,056</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 33,633,326	\$ 660,000
Accounts payable and accrued expenses	162,860	181,145
Accrued employee compensation	69,499	45,895
Accrued interest	3,294	7,994
Tenant security deposits	215,350	210,805
Deferred income	<u>341,634</u>	<u>354,959</u>
Total current liabilities	<u>34,425,963</u>	<u>1,460,798</u>
NONCURRENT LIABILITIES		
Interest rate swap	-	11,204
Bonds payable, net	<u>-</u>	<u>33,623,678</u>
 Total liabilities	 <u>34,425,963</u>	 <u>35,095,680</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS (DEFICIT)		
Unrestricted	<u>876,057</u>	<u>(136,624)</u>
 Total liabilities and net assets	 <u>\$ 35,302,020</u>	 <u>\$ 34,959,056</u>

The accompanying notes are an integral part of these statements.

Delaware State University Student Housing Foundation - Phase III

STATEMENTS OF ACTIVITIES

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
REVENUES		
Tenant revenue	\$ 4,601,477	\$ 4,568,053
Auxiliary enterprises and other revenues	<u>2,015,654</u>	<u>2,016,047</u>
Total revenues	<u>6,617,131</u>	<u>6,584,100</u>
EXPENSES		
Housing	4,383,838	3,887,150
General and administrative	282,207	478,690
Depreciation	<u>968,944</u>	<u>1,043,227</u>
Total expenses	<u>5,634,989</u>	<u>5,409,067</u>
Excess of operating revenues over expenses	982,142	1,175,033
NONOPERATING ACTIVITIES		
Realized and unrealized (loss) gain on investments	(39,459)	130,564
Investment income	<u>69,998</u>	<u>66,098</u>
CHANGES IN UNRESTRICTED NET ASSETS	1,012,681	1,371,695
NET DEFICIT - UNRESTRICTED, beginning of year	<u>(136,624)</u>	<u>(1,508,319)</u>
NET ASSETS (DEFICIT)- UNRESTRICTED, end of year	<u>\$ 876,057</u>	<u>\$ (136,624)</u>

The accompanying notes are an integral part of these statements.

Delaware State University Student Housing Foundation - Phase III

STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net asset	\$ 1,012,681	\$ 1,371,695
Adjustments to reconcile change in unrestricted net asset to net cash provided by (used in) operating activities:		
Depreciation	968,944	1,043,227
Amortization of bond issuance costs	9,996	9,730
Accretion of bond discount	9,648	9,648
Bad debt expense	115,136	62,272
Net realized and unrealized loss (gain) on investments	39,459	(130,564)
Change in fair value of interest rate swap	(11,204)	11,204
Changes in assets and liabilities:		
Tenant security deposits	(10,998)	(335)
Tenant accounts receivable	(1,878)	(10,507)
Interest receivable	-	11,629
Prepaid expenses	255	685
Due from affiliate	(21,506)	(1,747,127)
Accounts payable and accrued expenses	(18,285)	(424,773)
Accrued employee compensation	23,604	14,796
Due to affiliate	-	(1,814,849)
Accrued interest	(4,700)	(352)
Tenant security deposit liability	4,545	(6,395)
Deferred income	(13,325)	27,113
Net cash provided by (used in) operating activities	<u>2,102,372</u>	<u>(1,572,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	<u>(11,200)</u>	<u>(13,342)</u>
Net cash used in investing activities	<u>(11,200)</u>	<u>(13,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Assets held in trust	(5,823)	(318,993)
Repayments of bonds payable	<u>(660,000)</u>	<u>(565,000)</u>
Net cash used in financing activities	<u>(665,823)</u>	<u>(883,993)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,425,349	(2,470,238)
CASH AND CASH EQUIVALENTS, beginning of year	<u>63,946</u>	<u>2,534,184</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,489,295</u>	<u>\$ 63,946</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 167,917</u>	<u>\$ 95,727</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Delaware State University Student Housing Foundation - Phase III (the Project) represents Phase III of a three-phase student housing apartment facility known as University Village Apartments. The Project consists of 628 beds and is owned by Delaware State University Student Housing Foundation (the Foundation), which is organized as a non-profit corporation under the laws of the State of Delaware for the purpose of acquiring, developing, constructing, and operating student housing facilities primarily for students and faculty at the Delaware State University (the University). The Foundation is considered to be a discretely presented component unit of the University, which is reported in the University's Comprehensive Annual Financial Report.

The Project is a non-profit corporation formed under the laws of the State of Delaware and exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Project was created and operates for the purpose of providing housing facilities primarily for the students and faculty at the University.

2. Basis of Presentation

The accompanying financial statements of the Project have been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Project's financial statements present the assets, liabilities, net assets, changes in net assets and cash flows of the Project, which constitute only Phase III of a three-phase apartment complex.

3. Cash Equivalents

The Project defines cash and cash equivalents as those assets with a maturity date of three months or less at the time of purchase.

4. Tenant Accounts Receivable and Allowance for Doubtful Accounts

Tenant accounts receivable represent amounts due from students for dormitory rent. The Project's allowance for doubtful accounts is based upon management's judgments, including such factors as previous collection history and type of the receivables. The Project writes-off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The allowance was \$368,415 and \$253,279 at June 30, 2011 and 2010, respectively.

5. Affiliate Transactions

In an arrangement with the University's component units, the Project and the Delaware State University Foundation, the University provides day-to-day management and accounting services, which also include additional services such as: security, operational support, utilities, telecommunications and shared dining facilities. The exchange of such services results in affiliate transactions, which are reported on the Project's statements of financial position.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Assets Held in Trust

Assets held in trust are under the control of outside bond trustees and represent reserves for the payment of principal and interest due on the bonds. These funds are invested, and investment return and realized and unrealized gains or losses are recorded in the accompanying statements of activities.

7. Capital Assets

Buildings, furniture, fixtures and equipment are recorded at cost or, if received by gift at fair value, on the date of donation, and are depreciated over the estimated useful life of the respective asset. Depreciation is computed using the straight-line method. Estimated useful lives used for depreciation purposes are forty years for buildings, the lesser of estimated useful life or 40 years for improvements, and seven years for equipment.

8. Bond Issuance Costs

Costs incurred with the issuance of the Project's bond are amortized over the life of the bond. Accumulated amortization for such issuance costs at June 30, 2011 and 2010 was \$135,286 and \$125,290, respectively.

9. Deferred Income

Deferred income consists primarily of funds that are received prior to the beginning of the rental term. As such, it is the Project's policy to recognize these balances over the course of the period that the corresponding service is provided.

10. Unrestricted Net Assets

None of the Project's net asset is subject to donor-imposed restrictions. Accordingly, all resources are accounted for as unrestricted, in accordance with accounting principles generally accepted in the United States of America.

The Project had net assets of \$876,057 and a net deficit of \$136,624 for the years ended June 30, 2011 and 2010, respectively. The fiscal 2011 net assets resulted from higher tenant revenues, no outstanding capital leases, and a reduction in interest rate swap payments.

The Project and the University are continuously monitoring the expenses of the apartments, resulting in a significant reduction in the deficit since the University assumed responsibility for the management of these facilities. The Project continues to complete regularly scheduled facility maintenance to avoid major repair costs.

11. Tenant Revenue

Tenant revenue is derived from on-campus students who are generally contracted under annual dormitory lease arrangements. Tenant revenue is recognized ratably, in accordance with the University's operating cycle.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Income Taxes

Under provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Delaware, the Project is exempt from taxes on income other than unrelated business income, if any.

The Project recognizes or derecognizes a tax position based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Project does not believe its financial statements include any material uncertain tax positions.

13. Concentration of Credit Risk

The Project’s financial instruments, which are exposed to concentrations of credit risk, consist primarily of cash and cash equivalents and assets held in trust. These funds are held in various high-quality financial institutions. Additionally, the Project maintains its cash and cash equivalents in financial institutions, which at times exceed federally insured limits. The Project believes that concentrations of credit risk are limited to its cash and cash equivalents and assets held in trust.

14. Measure of Operations

The accompanying statements of activities distinguish between operating and nonoperating activities. Operating activities primarily include all revenues and expenses that are an integral part of the Project’s direct activities. Amounts not included in the measure of operations consist of investment return unrealized and realized gains/losses, and other activities, if any, considered by management to be of a nonoperating nature.

15. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts, and useful lives of fixed assets. Actual results could differ from these estimates.

NOTE B - ASSETS HELD IN TRUST

Assets held in trust represent funds held by the Bond Trustee and consist of cash, money market investments, and securities that are primarily issued by the U.S. Government. These investments are stated at fair value. Under the terms of the Trust Indenture, various funds such as Construction, Bond, Capitalized Interest, and Debt Service must be established and maintained for the Foundation on behalf of the Project.

Delaware State University Student Housing Foundation - Phase III

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE B - ASSETS HELD IN TRUST - Continued

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

At June 30, 2011 and 2010, funds held by the trustee consisted of:

	<u>2011</u>	<u>2010</u>
Construction	\$ 223,138	\$ 223,138
Bond fund interest	572	572
Capitalized fees	120	120
Debt service reserve	2,765,329	2,734,808
Capitalized interest	844	844
Pledged revenue	-	-
Qualified exchange	509,887	597,046
Reimbursement account	1,631,749	1,608,747
Issuing exchange account	16,655	16,655
Rebate account	258	258
Bond replacement	<u>478,874</u>	<u>478,874</u>
	<u>5,627,426</u>	<u>5,661,062</u>
Less current portion	<u>(3,174,544)</u>	<u>(3,043,492)</u>
Total	<u>\$ 2,452,882</u>	<u>\$ 2,617,570</u>

Fair values and cost consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>		
	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized loss</u>
Cash and cash equivalents	\$ 3,174,544	\$ 3,174,544	\$ -
Government and agencies	<u>2,452,882</u>	<u>2,475,836</u>	<u>(22,954)</u>
Total	<u>\$ 5,627,426</u>	<u>\$ 5,650,380</u>	<u>\$ (22,954)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE B - ASSETS HELD IN TRUST - Continued

	<u>2010</u>		
	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized loss</u>
Cash and cash equivalents	\$ 3,043,492	\$ 3,043,492	\$ -
Government and agencies	<u>2,617,570</u>	<u>2,706,936</u>	<u>(89,366)</u>
Total	<u>\$ 5,661,062</u>	<u>\$ 5,750,428</u>	<u>\$ (89,366)</u>

Maturities of long-term investments held in trust are as follows:

	<u>June 30, 2011</u>	
	<u>Fair value</u>	<u>Cost</u>
1 - 5 years	\$ 1,602,865	\$ 1,600,000
Greater than 5 years	<u>850,017</u>	<u>875,836</u>
Total	<u>\$ 2,452,882</u>	<u>\$ 2,475,836</u>

The Project defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the reporting entity's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Project uses a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The only financial assets carried at fair value as of June 30, 2011 and 2010 were the above assets held in trust, which were comprised of cash and cash equivalents and government and agency securities, which were valued using Level 1 inputs. The interest rate swap, which was in effect for the year ended June 30, 2010, was valued using Level 2 inputs and a market approach and, was the only financial liability carried at fair value.

Delaware State University Student Housing Foundation - Phase III

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - CAPITAL ASSETS, NET

Capital asset activity of the Project is as follows:

	<u>2011</u>	<u>2010</u>
Capital assets		
Buildings and improvements	\$ 30,868,676	\$ 30,868,676
Equipment	1,945,907	1,934,707
Land improvements	<u>329,701</u>	<u>329,701</u>
Total capital assets	<u>33,144,284</u>	<u>33,133,084</u>
Less accumulated depreciation		
Buildings and improvements	5,023,894	4,174,785
Equipment	<u>2,220,730</u>	<u>2,100,895</u>
Total accumulated depreciation	<u>7,244,624</u>	<u>6,275,680</u>
Total capital assets, net	<u>\$ 25,899,660</u>	<u>\$ 26,857,404</u>

NOTE D - BONDS PAYABLE, NET

Bonds payable consisted of the following:

	<u>2011</u>	<u>2010</u>
Tax-exempt Series 2004B term bonds dated January 21, 2004; due at various intervals through July 1, 2036; payable in semi-annual installments of interest and annual installments of principal; variable rates were 1% and 3% at June 30, 2011 and 2010, respectively. 2004B Bonds are secured by deed and assignment of rents.	\$ 33,870,000	\$ 34,530,000
Less current portion	(33,633,326)	(660,000)
Less bond discount (net of accumulated amortization of \$71,876 and \$62,228 as of June 30, 2011 and 2010, respectively)	<u>(236,674)</u>	<u>(246,322)</u>
Total long-term bonds payable, net	<u>\$ -</u>	<u>\$ 33,623,678</u>

Pursuant to the trust indenture dated January 1, 2004, the proceeds from the sale of the Series 2004 Bonds are restricted to financing the construction, furnishing, and equipping the Project, to defease in advance of their maturities, the Series 2000B and 2002B Bonds, to fund interest on the Series 2004 Bonds during construction, to fund a debt service reserve fund for the Series 2004B Bonds, and to pay a portion of the costs of issuance of the Series 2004 Bonds.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE D - BONDS PAYABLE, NET - Continued

The 2004B Bonds bear interest at a variable rate per annum as determined weekly by the remarketing agent. If the 2004B Bonds are submitted to the Project for tender, they are remarketed by the remarketing agent on a best-efforts basis. If tendered 2004B Bonds are not remarketed, a liquidity facility is in place to cover the bonds payable. The liquidity facility expired in January 2012 and was not renewed as the 2004B bonds were refinanced effective March 1, 2012 (Note J).

Under the terms of its various debt agreements, the Project is required to comply with various financial covenants associated with these bonds and was required to maintain an interest rate swap agreement with respect to the 2004B Bonds through January 2011.

Maturities of 2004B bonds follow (Note J):

Year ending June 30,

2012

\$ 33,870,000

Fair Value

The fair value of the 2004B bonds was is estimated based on currently published rates for debt obligations with similar characteristics. At June 30, 2011 and 2010, the estimated fair values of bonds outstanding and subordinated debt were \$33,870,000 and \$34,530,000, respectively.

NOTE E - INTEREST RATE SWAP AGREEMENT

The Project has an interest rate exchange agreement (Swap Contract) in order to hedge a portion of its interest rate exposure on tax exempt bonds. The Project pays to a financial institution (the Counterparty) a fixed rate, and the Counterparty will pay to the Project a variable rate (based on an index). The Project's Swap Contract contains certain derivative risks, including tax and/or basis risk, counterparty risk, collateral risk and termination risk, among others. The Project entered into the Swap Contract to hedge interest rate exposure and not for speculative purposes.

In February of 2009, the Project settled an interest rate swap held with a financial institution, which was previously entered into for its variable rate, tax-exempt, Series 2004B bonds of \$35,900,000. The settlement of the swap resulted in a payment, in February of 2009, totaling \$212,670. While the settlement of the swap resulted in a violation of its debt covenant for its 2004B Bonds, the Project obtained a waiver for the requirement through February 1, 2010.

In February 2010, the Project entered into an interest rate swap agreement in order to hedge interest rate exposure on the underlying bonds. Due to the impending refinancing of the 2004B bonds, the interest rate swap requirement was waived subsequent to its January 2011 maturity. The swap agreement had a fair value of \$11,204 at June 30, 2010, which was reflected in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE E - INTEREST RATE SWAP AGREEMENT - Continued

The swap agreements follow:

	<u>Notional amount</u>	<u>Start date</u>	<u>Maturity date</u>	<u>Fixed rate</u>	<u>Floating rate</u>
Municipal Swap Index	\$ 34,530,000	02/01/2010	06/30/2010	0.68%	USD/SIFMA
Municipal Swap Index	\$ 33,870,000	07/01/2010	01/22/2011	0.68%	USD/SIFMA

NOTE F - RELATED PARTY TRANSACTIONS

On November, 23, 2003, the Project (lessee) and the University (lessor), entered into a ground lease for the construction of its dormitory. The term commenced on November 25, 2003, with an expiration date on July 31, 2036. The liability of the lessee, with respect to its obligations under the ground lease, was affirmed as non-recourse, and the satisfaction of any of the lessee's obligations is limited to the lessee interest in the property. The Project's ground lease agreement also requires the utilization of the Project by students and faculty of Delaware State University for a minimum of 35 years. At the end of the lease date, the property reverts to the ownership of the University. There are no payments due under this lease for the next five years.

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The Project maintains operating leases for washers, dryers and copying equipment. For each of the years ended June 30, 2011 and 2010, related rental expense amounted to \$53,280. Expected operating lease costs over the next two years are anticipated as follows:

2012	\$53,280
2013	53,280

2. Contingencies

In the normal course of its activities, the Project is a party to various legal and administrative actions. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, the Project is of the opinion that the outcome thereof will not have a material effect on the financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE H - PENSION PLAN AND OTHER POST-RETIREMENT BENEFITS

The Project's employees are covered under the State Employees' Pension Plan. The State Employees' Pension Plan is a cost-sharing, multiple-employer-defined benefit plan. The State and Project each made a contribution of 17.2% of the employees' salary for 2011. The employees contribute 3.00% of salary in excess of \$6,000. Pension cost of \$42,706 in 2011 and \$39,605 in 2010 for the Project's contribution is included in the accompanying financial statements. An employee vests pension rights after five consecutive years of service. Certain significant plan provisions are as follows:

- Early retirement:
 - 15 years of service - age 55 (benefits are reduced by 0.2% each month under age 60)
 - 25 years of service - any age (reduce by 0.02% each month short of 30 years)

- Service Retirement:
 - 15 years of service - age 60
 - 30 years of service - any age
 - 5 years of service - age 62

- Disability retirement:
 - 5 years of service and proof of disability

The State Employees' Pension Plan is part of the Delaware Public Employees' Retirement System, which is a blended component unit of the State of Delaware. More information can be obtained from the Delaware Public Employees' Retirement System Comprehensive Annual Report. To obtain this report, contact the Office of Pensions at McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402, or call 1-800-722-7300.

NOTE J - SUBSEQUENT EVENTS

The Project evaluated its June 30, 2011 financial statements for subsequent events through May 15, 2012, the date the financial statements were available to be issued. Based upon the Foundation's evaluation, management determined that the following subsequent events met the criteria for disclosure.

The Board of Trustees of the Project agreed to allow Delaware State University to re-finance the 2004B bonds, thereby entering into a fixed rate structure. The Project did not enter into a new letter of credit agreement due to the impending re-financing of the 2004B bonds thus the long term portion of the bond liability was classified as current. The University also exercised its right to purchase the Project by paying the current debt of the Project. Settlement occurred on March 1, 2012.