Financial Statements and
Report of Independent Certified Public Accountants

Delaware State University Student Housing
Foundation

June 30, 2013 and 2012
# DELAWARE STATE UNIVERSITY STUDENT HOUSING FOUNDATION

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Certified Public Accountants</td>
<td>1 - 2</td>
</tr>
<tr>
<td>Financial statements:</td>
<td></td>
</tr>
<tr>
<td>Statements of financial position</td>
<td>3</td>
</tr>
<tr>
<td>Statements of activities</td>
<td>4</td>
</tr>
<tr>
<td>Statements of cash flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to financial statements</td>
<td>6 - 13</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees

Delaware State University Student Housing Foundation:

We have audited the accompanying financial statements of the Delaware State University Student Housing Foundation (the Housing Foundation), a component unit of Delaware State University, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware State University Student Housing Foundation as of June 30, 2013 and 2012, 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.

Emphasis of Matter
As discussed in Note 1, effective March 1, 2012 the Housing Foundation transferred all of the assets, liabilities, net assets and related operations of the Phase III Project to Delaware State University.

Grant Thornton LLP
New York, New York
September 30, 2013
## Delware State University Student Housing Foundation

### Statements of Financial Position

As of June 30, 2013 and 2012

The accompanying notes are an integral part of these statements.

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$121,844</td>
<td>$100,004</td>
</tr>
<tr>
<td>Tenant accounts receivable, net</td>
<td>156,470</td>
<td>67,110</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>16,672</td>
<td>15,767</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>165,517</td>
<td>138,274</td>
</tr>
<tr>
<td>Due from affiliate</td>
<td>3,443,393</td>
<td>2,682,098</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$3,903,896</td>
<td>$3,003,253</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets held in trust</td>
<td>2,564,707</td>
<td>2,600,484</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>10,023,288</td>
<td>10,383,018</td>
</tr>
<tr>
<td>Bond issuance costs, net</td>
<td>393,022</td>
<td>411,869</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>12,981,017</td>
<td>13,395,371</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$16,884,913</td>
<td>$16,398,624</td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets (Deficit)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of bonds payable</td>
<td>$420,000</td>
<td>$405,000</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>72,455</td>
<td>102,364</td>
</tr>
<tr>
<td>Accrued employee compensation</td>
<td>33,774</td>
<td>30,942</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>380,580</td>
<td>388,072</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>160,237</td>
<td>167,859</td>
</tr>
<tr>
<td>Deferred income</td>
<td>274,865</td>
<td>236,409</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,341,911</td>
<td>1,330,646</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable, net</td>
<td>14,860,865</td>
<td>15,268,657</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>16,202,776</td>
<td>16,599,303</td>
</tr>
</tbody>
</table>

### Commitments and Contingencies

### Net Assets (Deficit)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>682,137</td>
<td>(200,679)</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$16,884,913</td>
<td>$16,398,624</td>
</tr>
</tbody>
</table>
# DELAWARE STATE UNIVERSITY STUDENT HOUSING FOUNDATION
## Statements of Activities
For the years ended June 30, 2013 and 2012

### OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenant revenue</td>
<td>$3,524,134</td>
<td>$6,632,871</td>
</tr>
<tr>
<td>Auxiliary enterprises and other</td>
<td>$30,946</td>
<td>$1,485,583</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$3,555,080</td>
<td>$8,118,454</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>$2,098,056</td>
<td>$5,038,350</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$165,796</td>
<td>$346,005</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$359,730</td>
<td>$979,562</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$2,623,582</td>
<td>$6,363,917</td>
</tr>
<tr>
<td><strong>Excess of operating revenues over expenses</strong></td>
<td>$931,498</td>
<td>$1,754,537</td>
</tr>
</tbody>
</table>

### NONOPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers of net assets to Delaware State University</td>
<td>-</td>
<td>$(2,198,800)</td>
</tr>
<tr>
<td>Realized and unrealized (loss) gain on investments</td>
<td>$(62,765)</td>
<td>$38,851</td>
</tr>
<tr>
<td>Investment income</td>
<td>$14,083</td>
<td>$47,034</td>
</tr>
<tr>
<td><strong>CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)</strong></td>
<td>$882,816</td>
<td>$(358,378)</td>
</tr>
</tbody>
</table>

**NET ASSETS (DEFICIT) - UNRESTRICTED, beginning of year**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS (DEFICIT) - UNRESTRICTED, end of year</strong></td>
<td>$682,137</td>
<td>$(200,679)</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these statements.*
## DELAWARE STATE UNIVERSITY STUDENT HOUSING FOUNDATION

### Statements of Cash Flows

For the years ended June 30, 2013 and 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrestricted net assets</td>
<td>$882,816</td>
<td>($358,378)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>359,730</td>
<td>979,562</td>
</tr>
<tr>
<td>Amortization of bond issuance costs</td>
<td>18,847</td>
<td>25,511</td>
</tr>
<tr>
<td>Accretion of bond discount</td>
<td>12,208</td>
<td>18,640</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>(33,198)</td>
<td>101,407</td>
</tr>
<tr>
<td>Net realized and unrealized (gain) loss on investments</td>
<td>62,765</td>
<td>(38,851)</td>
</tr>
<tr>
<td>Transfer of Phase III to Delaware State University</td>
<td>-</td>
<td>3,863,990</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenant accounts receivable</td>
<td>(56,162)</td>
<td>(48,939)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(905)</td>
<td>10,701</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>(27,243)</td>
<td>187,168</td>
</tr>
<tr>
<td>Due from affiliate</td>
<td>(761,295)</td>
<td>(218,082)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(29,909)</td>
<td>(185,719)</td>
</tr>
<tr>
<td>Accrued employee compensation</td>
<td>2,832</td>
<td>(89,567)</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>(7,492)</td>
<td>(10,119)</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>(7,622)</td>
<td>(194,090)</td>
</tr>
<tr>
<td>Deferred income</td>
<td>38,456</td>
<td>(351,126)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$453,828</td>
<td>3,692,108</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM FINANCING ACTIVITIES** |            |            |
| Payments of bonds payable     | (405,000)  | (1,090,000) |
| Change in assets held in trust | (26,988)   | (5,619,958) |
| Net cash used in financing activities | (431,988) | (6,709,958) |

| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 21,840     | (3,017,850) |

| **CASH AND CASH EQUIVALENTS, beginning of year** | 100,004    | 3,117,854   |

| **CASH AND CASH EQUIVALENTS, end of year** | $121,844   | $100,004    |

| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** |            |            |
| Interest paid | $773,367   | $119,054   |

*The accompanying notes are an integral part of these statements.*
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Delaware State University Student Housing Foundation (the Foundation) was 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 property is located in Dover, Delaware and originally consisted of three phases, collectively known as Phases I, II (416 beds) and III (628 beds) Projects. The Foundation is considered to be a discretely presented component unit of the University and, is reported as such in the University’s financial statements.

On March 1, 2012 the Foundation transferred all of the assets, liabilities, net assets and related operations of the Phase III Project which consisted of 628 beds, to the University as part of a plan to refinance the 2004B Bonds, which was approved by the Foundation’s and University’s Boards of Directors/Trustees. Accordingly, the $33,170,000 2004B Bonds were refinanced by University issued debt and, the University received $38,146,890 in assets and $35,948,090 in liabilities, which effectively amounted to a transfer of net assets of $2,198,800. Consequently, the accompanying 2012 financial statements reflect the revenues and expenses of the Phase III Project for the 8-month period ended February 29, 2012.

The Foundation 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. Delaware State University Student Housing Foundation Phases I and II and Delaware State University Student Housing Foundation Phase III are exempt from federal income tax under separate 501(c)(3) determinations.

Basis of Presentation

The accompanying financial statements have been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Foundation’s 2012 combined financial statements present the assets, liabilities, net assets, changes in net assets and cash flows of the Foundation, which consists of Phases I, II and III of a three-phase apartment complex. Effective March 1, 2012, the Phase III operations and net assets were transferred to the University. The Foundation’s 2013 financial statements present the assets, liabilities, net assets, changes in net assets and cash flows of the Foundation, which consists of only Phases I and II.

Cash Equivalents

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

Tenant Accounts Receivable and Allowance for Doubtful Accounts

Tenant accounts receivable represent amounts due primarily from students for dormitory rent. The Foundation’s allowance for doubtful accounts is provided based upon management’s judgments, including such factors as previous collection history and characteristics of the receivables. The Foundation writes-off receivables when they become uncollectible, and payments subsequently received, if any, on such receivables are credited to the allowance for doubtful accounts. At June 30, 2013 and 2012, the allowance was $341,402 and $374,600, respectively.
Affiliate Transactions
In an arrangement with the University, 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 recorded as incurred on the Foundation’s statements of financial position.

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 income and gains and losses are recorded in the accompanying statements of activities.

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, ten to forty years for improvements, and seven years for equipment.

Bond Issuance Costs
Costs incurred with the issuance of the Foundation’s bonds are amortized over the lives of the bonds. As such, accumulated amortization for such issuance costs at June 30, 2013 and 2012 was $172,387 and $153,540, respectively.

Deferred Income
Deferred income consists primarily of funds that are received prior to the beginning of the rental term. As such, it is the Foundation’s policy to recognize these balances over the course of the period that the service is rendered.

Unrestricted Net Assets
None of the Foundation’s net assets (deficit) 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.

Tenant Revenue
Tenant revenue is principally derived from on-campus students who are generally contracted under annual dormitory lease arrangements. Tenant revenue is recognized ratably on a monthly basis, in accordance with the University’s operating cycle. Certain tenant revenue is pledged as collateral for the 2004A Bonds (Note 4).

Income Taxes
The Foundation follows the provisions of Accounting Standards Codification (“ASC”) 740. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing
The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and the applicable income tax regulations of Delaware. Nevertheless, the Foundation may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ended June 30, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. Management has determined that there are no uncertain tax positions within the accompanying financial statements.

Concentration of Credit Risk

The Foundation’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 Foundation maintains its cash and cash equivalents in financial institutions, which at times exceed federally insured limits, however, the Foundation believes that concentrations of credit risk are limited.

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 Foundation’s direct activities. Amounts not included in the measure of operations consist of investment returns and other non-core activities, if any, considered by management to be of a nonrecurring nature.

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 capital assets. Actual results could differ from these estimates.

2. ASSETS HELD IN TRUST

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

The respective 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, 2013 and 2012, funds held by the Bond Trustee on behalf of the Foundation consisted of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal account</td>
<td>$420,000</td>
<td>$405,000</td>
</tr>
<tr>
<td>Debt service reserve</td>
<td>1,362,239</td>
<td>1,410,921</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>380,579</td>
<td>388,072</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>298,195</td>
<td>298,195</td>
</tr>
<tr>
<td>Issuing exchange account</td>
<td>24,494</td>
<td>24,494</td>
</tr>
<tr>
<td>Renewal/replacement</td>
<td>79,200</td>
<td>73,802</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,564,707</td>
<td>$2,600,484</td>
</tr>
</tbody>
</table>

Fair value and cost consisted of the following at June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>Fair value</th>
<th>Cost</th>
<th>Unrealized loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,403,568</td>
<td>$1,403,568</td>
<td>$-</td>
</tr>
<tr>
<td>Government and agencies</td>
<td>1,161,139</td>
<td>1,227,403</td>
<td>(66,264)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,564,707</td>
<td>$2,630,971</td>
<td>(66,264)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair value</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td>$1,161,139</td>
</tr>
</tbody>
</table>

The Foundation 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 Foundation 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 assets held in trust, which were comprised of cash and cash equivalents and government and agency securities, were the only financial assets carried at fair value as of June 30, 2013 and 2012. These items were valued using a market approach with Level 1 inputs.

3. CAPITAL ASSETS, NET

Capital asset activity of the Foundation is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements (Note 4)</td>
<td>$13,986,946</td>
<td>$13,986,946</td>
</tr>
<tr>
<td>Equipment</td>
<td>$1,112,800</td>
<td>$1,112,800</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>$15,099,746</td>
<td>$15,099,746</td>
</tr>
<tr>
<td>Less accumulated depreciation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>(3,977,963)</td>
<td>(3,627,523)</td>
</tr>
<tr>
<td>Equipment</td>
<td>(1,098,495)</td>
<td>(1,089,205)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(5,076,458)</td>
<td>(4,716,728)</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$10,023,288</td>
<td>$10,383,018</td>
</tr>
</tbody>
</table>
4. BONDS PAYABLE, NET

The Foundation’s bonds payable consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-exempt Series 2004A term bonds dated January 21, 2004; due at various intervals through July 1, 2034, payable in semi-annual installments of interest and annual installments of principal; various fixed coupon rates, ranging from 2.00% to 5.125%, as defined in the trust indenture, are secured by deed and assignment of rents.</td>
<td>$ 15,540,000</td>
<td>$ 15,945,000</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(420,000)</td>
<td>(405,000)</td>
</tr>
<tr>
<td>Less bond discount (net of accumulated amortization of $94,900 and $154,568, respectively)</td>
<td>(259,135)</td>
<td>(271,343)</td>
</tr>
<tr>
<td>Total bonds payable, net</td>
<td><strong>$ 14,860,865</strong></td>
<td><strong>$ 15,268,657</strong></td>
</tr>
</tbody>
</table>

Pursuant to the trust indenture dated January 1, 2004, proceeds from the sale of the 2004A Bonds were restricted to refunding the Series 200A and 2002A Bonds, to fund a debt service reserve fund for the 2004A Bonds, to fund an operating reserve fund for the 2004A Bonds, and to pay a portion of the costs of issuance of the 2004A Bonds.

Maturities of long-term debt, follow:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 420,000</td>
</tr>
<tr>
<td>2015</td>
<td>435,000</td>
</tr>
<tr>
<td>2016</td>
<td>455,000</td>
</tr>
<tr>
<td>2017</td>
<td>475,000</td>
</tr>
<tr>
<td>2018</td>
<td>495,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>13,260,000</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$ 15,540,000</strong></td>
</tr>
</tbody>
</table>

Fair Value

The fair value of long-term debt is estimated based on currently published rates for debt obligations with similar characteristics. At June 30, 2013 and 2012, the carrying amounts and estimated fair values of bonds outstanding and subordinated debt were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount</td>
<td>Estimated fair value</td>
</tr>
<tr>
<td>Series 2004A</td>
<td>$ 15,540,000</td>
<td>$ 13,415,990</td>
</tr>
</tbody>
</table>
5. RELATED PARTY TRANSACTIONS

On February 1, 2002, the Foundation (lessee) and the University (lessor) entered into an amendment of the original ground lease dated September 1, 2000, for Phases I and II of the respective dormitory project (Courtyard). Pursuant to the amended ground lease, the term expiration date was changed from August 31, 2035 to October 1, 2038. 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’s interest in the property. The Phases I and II ground lease agreement also requires the utilization of the dormitory by students and faculty of the University for a minimum of 38 years. At the end of the lease date, the property reverts to the ownership of the University. No rental payments are due for the next five years under this agreement.

In an arrangement with the University, the University provides day-to-day management and accounting services, and additional services such as: security, operational support, utilities, telecommunications and shared dining facilities. The University also collects rents on behalf of the Foundation. Such service arrangements result in affiliate transactions with the University. At June 30, 2013 and 2012, amounts due from the University totaled $3,443,393 and $2,682,098, respectively.

6. COMMITMENTS AND CONTINGENCIES

In the normal course of its activities, the Foundation 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 Foundation is of the opinion that the outcome thereof will not have a material effect on the accompanying financial statements.

7. PENSION PLAN AND OTHER POST-RETIREMENT BENEFITS

University Student Housing Foundation 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 contribution rate was 18.76% and 17.2% of employees’ salary for fiscal years 2013 and 2012, respectively. Employees hired prior to January 1, 2012 contribute 3% of salary in excess of $6,000 and are vested after five consecutive years of service. Employees hired after January 1, 2012, contribute 5% of salary in excess of $6,000 and are vested after ten consecutive years of service. Pension costs of $31,147 and $67,873 for 2013 and 2012, respectively, were included in the accompanying financial statements.

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 at www.delawarepensions.com.

8. SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2013 financial statements for subsequent events through September 30, 2013, the date the accompanying financial statements were available to be issued. Based upon the Foundation’s evaluation, management determined that no subsequent events met the criteria for recognition or disclosure in the accompanying financial statements.