

Comprehensive Annual Financial Statements

Delaware State University

(A Component Unit of the State of Delaware)

June 30, 2013 and 2012

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President

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Vice President for Finance

Prepared by Division of Finance

DELAWARE STATE UNIVERSITY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Delaware State University:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Delaware State University (the “University”), a component unit of the State of Delaware, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audits. We did not audit the financial statements of the Delaware State University Foundation, Inc., which represents 49%, 96%, and 4%, respectively, of the assets, net position, and operating revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts presented for the Delaware State University Foundation, Inc., is based solely on the report of the other auditors. 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 opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of Delaware State University as of June 30, 2013 and 2012, and the respective changes in its financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") included on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the MD&A information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



New York, New York
September 30, 2013

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Management's Discussion And Analysis (Unaudited)
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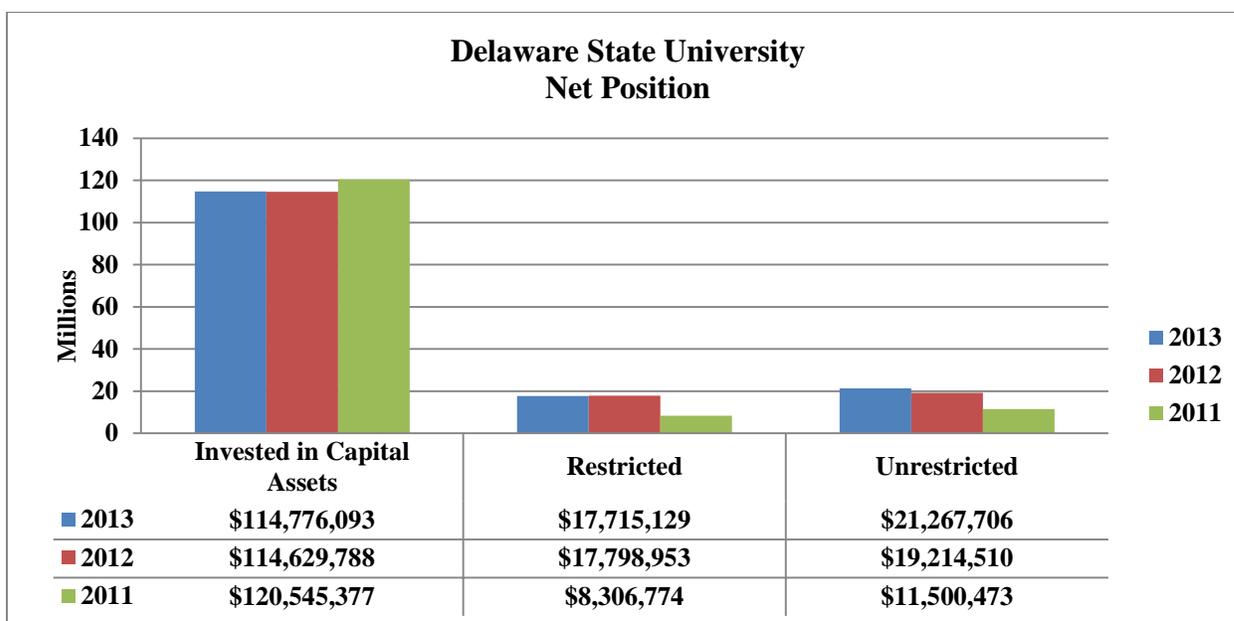
Management's discussion and analysis (MD&A) of Delaware State University's (the "University") financial statements provides an overview of the University's financial activities for the years ended June 30, 2013 and 2012. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparer. This discussion and analysis contains financial activities of Delaware State University only (exclusive of component units).

Financial highlights:

- The University's total net position increased by \$2.1 million or 1.4% to \$153.8 million at June 30, 2013. The University's total net position increased by \$11.3 million or 8.0% to \$151.6 million and \$5.2 million or 3.8% to \$140.4 million at June 30, 2012 and 2011, respectively.
- For fiscal year 2013, the University's operating expenses were \$36.4 million greater than the operating revenues. Operating expenses were \$34.1 million and \$36.1 million greater than the operating revenues for fiscal year 2012 and fiscal year 2011, respectively.
- In fiscal year 2013, State appropriations were 28.6% of total operating expenses (30.0% fiscal year 2012 and 35.4% fiscal year 2011).
- At June 30, 2013, debt as a percentage of capital assets, net was 47.0% (48.1% fiscal year 2012 and 32.3% fiscal year 2011).
- Total net position as a ratio of total operating expenditures is 1.3 times in fiscal year 2013 (1.4 fiscal year 2012 and 1.4 fiscal year 2011).
- For fiscal year 2013, debt as a percentage of net position was 62.7% (64.4% fiscal year 2012 and 39.4% fiscal year 2011).
- For fiscal year 2013, unrestricted net position as a percentage of total net position was 13.8% (12.7% fiscal year 2012 and 8.2% F fiscal year 2011).

Graphically displayed, the comparative net position balances by category and fiscal year, follow:

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The University’s financial position, as a whole, increased during the fiscal year ended June 30, 2013. Its total net position increased \$2.1 million or 1.4% from the previous year, principally due to the operations holding steady with fiscal year 2012 and the University receiving the donated Kirkwood property from the U.S. Department of Education via the U.S. Army Reserve. Net position as of June 30, 2012 increased \$11.3 million or 8.0% from the previous year.

Using This Discussion and Analysis

This discussion and analysis is intended to serve as an introduction to the University’s basic financial statements. This report consists of three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These three statements provide information on the University as a whole. Consistent with the types of programs and services generally associated with higher education institutions, the University has classified its operating expenses into the following categories: instructional, organized research, public service, academic support, student services, institutional support, operation and maintenance of plant and auxiliary enterprises.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the University’s finances is, “is Delaware State University as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position reports information on the University as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the opposite occurs, the result is a decrease in net position. The relationship between operating revenues plus non-capital state appropriations and expenses may be thought of as Delaware State University’s operating results taken as a whole.

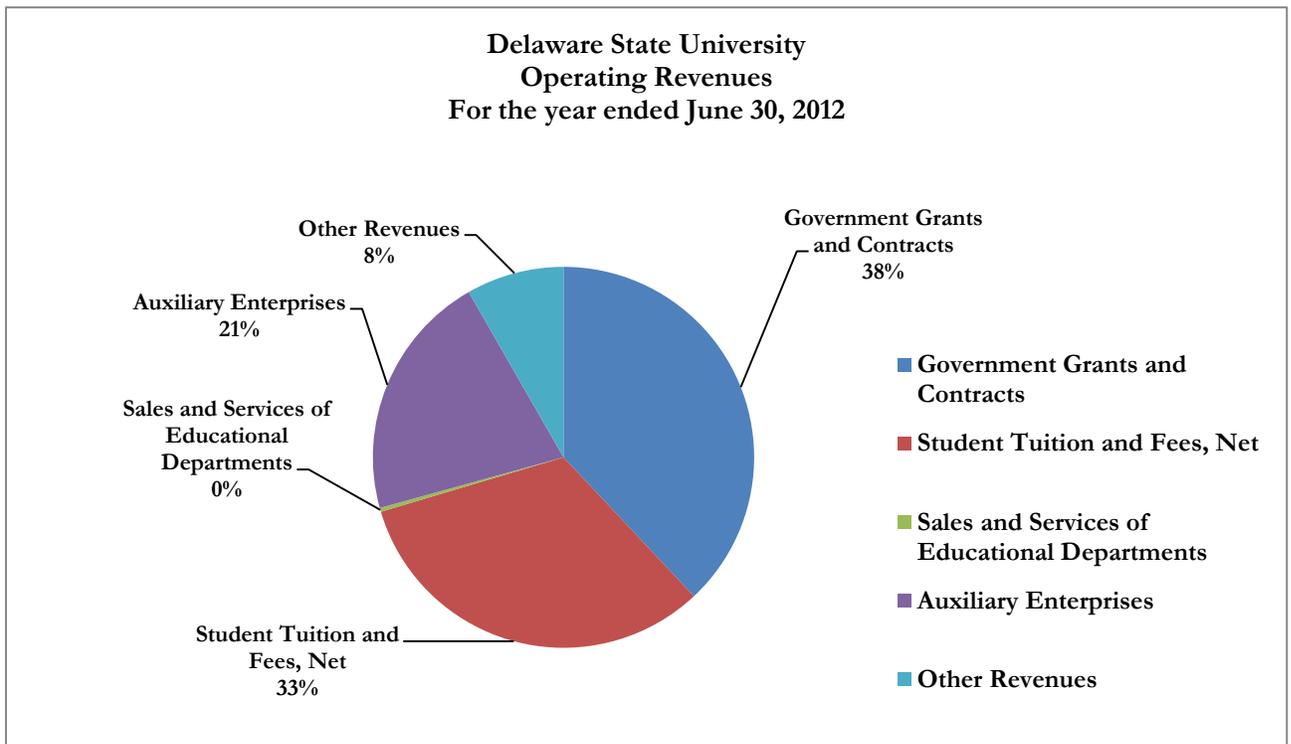
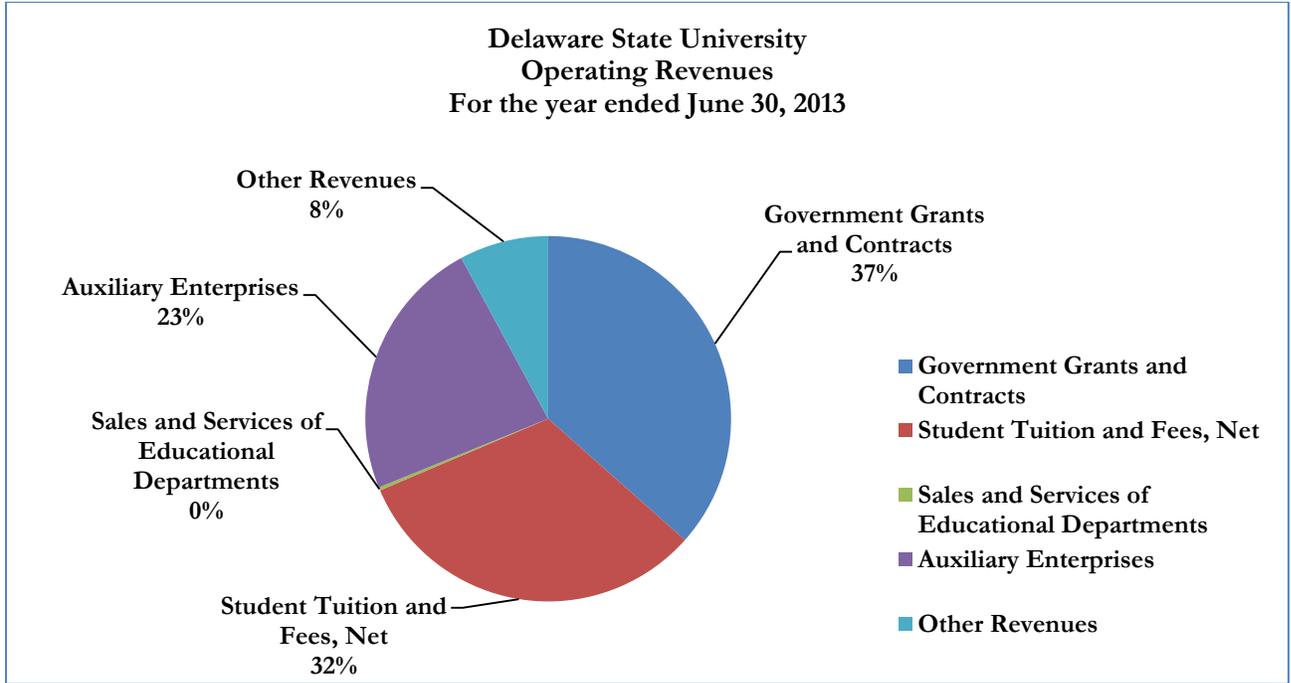
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Delaware State University's net position and related change in net position is one way to measure the University's financial health, or financial position. Over time, increases or decreases in the University's net position are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of student applicants, freshman class size, student retention, physical plant condition, and campus safety, to assess the overall health of the University.

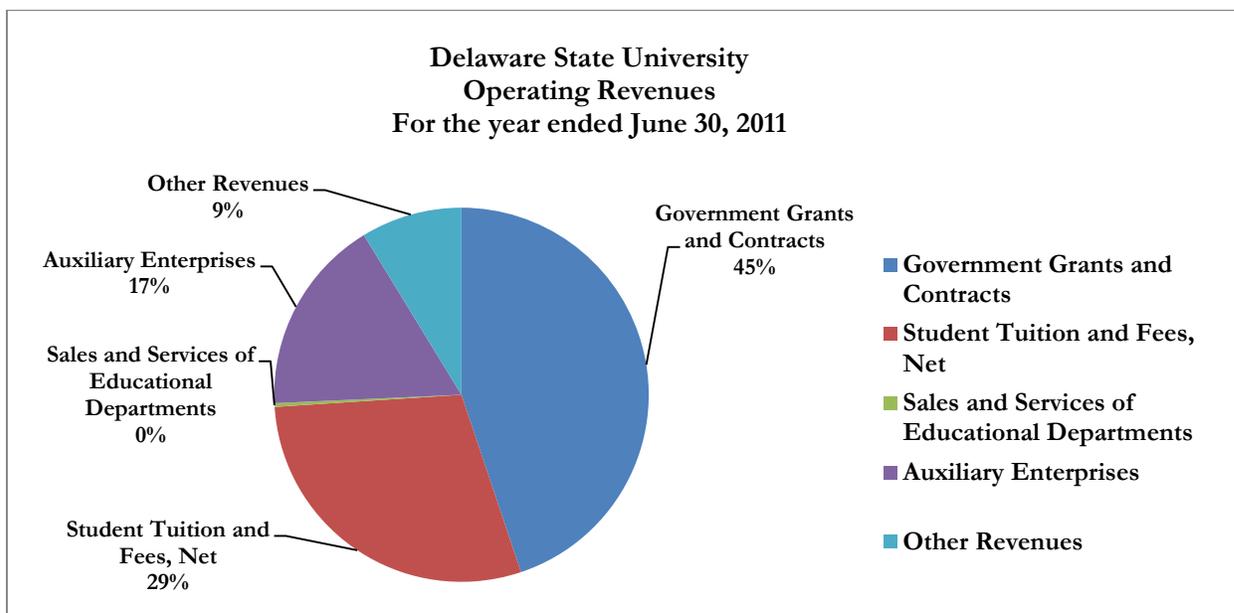
The aforementioned statements include all assets and liabilities of the University using the accrual basis of accounting, which is the same accounting method used by private-sector institutions. Under this method of accounting, all of the current year's resources, obligations, revenues and expenses are taken into account regardless of when cash is received or paid.

	Fiscal year ended June 30		
	2013	2012	2011
SUMMARY OF NET POSITION			
Current assets	\$ 50,042,574	\$ 50,200,731	\$ 31,654,393
Noncurrent assets	223,167,943	223,322,106	185,293,890
Total assets	<u>273,210,517</u>	<u>273,522,837</u>	<u>216,948,283</u>
Current liabilities	\$ 19,916,712	\$ 20,111,860	\$ 16,820,744
Noncurrent liabilities	99,534,878	101,767,726	59,774,915
Total liabilities	<u>119,451,590</u>	<u>121,879,586</u>	<u>76,595,659</u>
Net position:			
Investment in capital assets, net of related debt	\$ 114,776,093	\$ 114,629,788	\$ 120,545,377
Restricted	17,715,129	17,798,953	8,306,774
Unrestricted	21,267,706	19,214,510	11,500,473
Total net position	<u>153,758,928</u>	<u>151,643,251</u>	<u>140,352,624</u>
Increase or decrease in net position	<u>\$ 2,115,677</u>	<u>\$ 11,290,627</u>	<u>\$ 5,171,490</u>
OPERATING REVENUES			
Student tuition and fees (net of scholarship allowance of \$22.7, \$21.5 and \$21.2 million)	\$ 26,393,346	\$ 24,529,713	\$ 19,002,442
Government grants and contracts	30,114,058	28,797,756	29,270,677
Sales and services of educational departments	228,987	250,792	209,400
Auxiliary enterprises	19,164,920	15,912,279	11,090,476
Other revenues	6,491,472	6,278,032	5,695,198
Total operating revenues	<u>\$ 82,392,783</u>	<u>\$ 75,768,572</u>	<u>\$ 65,268,193</u>

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Significant changes in the 2013 net position, compared to 2012, follow:

- Current assets decreased by \$.2 million, principally due to decreases in cash and equities held with the state treasurer which were partially offset by increases in student and grant receivables.
- Noncurrent assets decreased by \$.2 million, primarily due to a decrease in assets held in trust which was partially offset by increases in investments and capital assets.
- Current liabilities decreased by \$.2 million, primarily due to a decrease in accounts payable which was partially offset by increases in the University's liability to the Housing Foundation, unearned revenue, and the current portion of long-term debt.
- Long term liabilities decreased by \$2.2 million, due primarily to debt retirement payments and reduction of the liability to the Department of Education.

Significant changes in revenues, follow:

- Gross revenues from student tuition and other fees increased in fiscal year 2013 to \$49.1 million versus \$46.1 million in fiscal year 2012, an increase of \$3million principally from an increase in tuition, fees and enrollment.
- Net student revenues include scholarship allowances of \$22.7 million in fiscal year 2013 and \$21.5 million in fiscal year 2012, an increase of approximately \$1.2 million. The University increased its scholarship program by \$1.1 million and federal Pell awards decreased by \$.1 million in fiscal year 2013.
- Government grants and contracts increased in fiscal year 2013 by \$1.3 million, principally from an increase in competitive grant awards.

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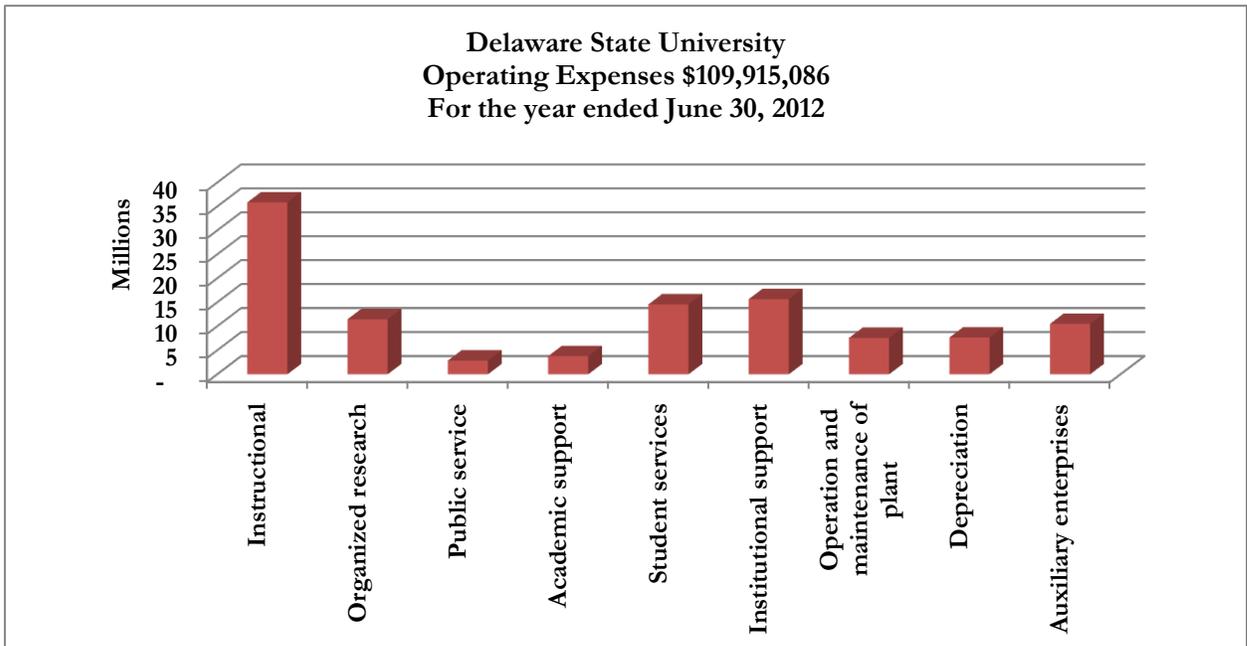
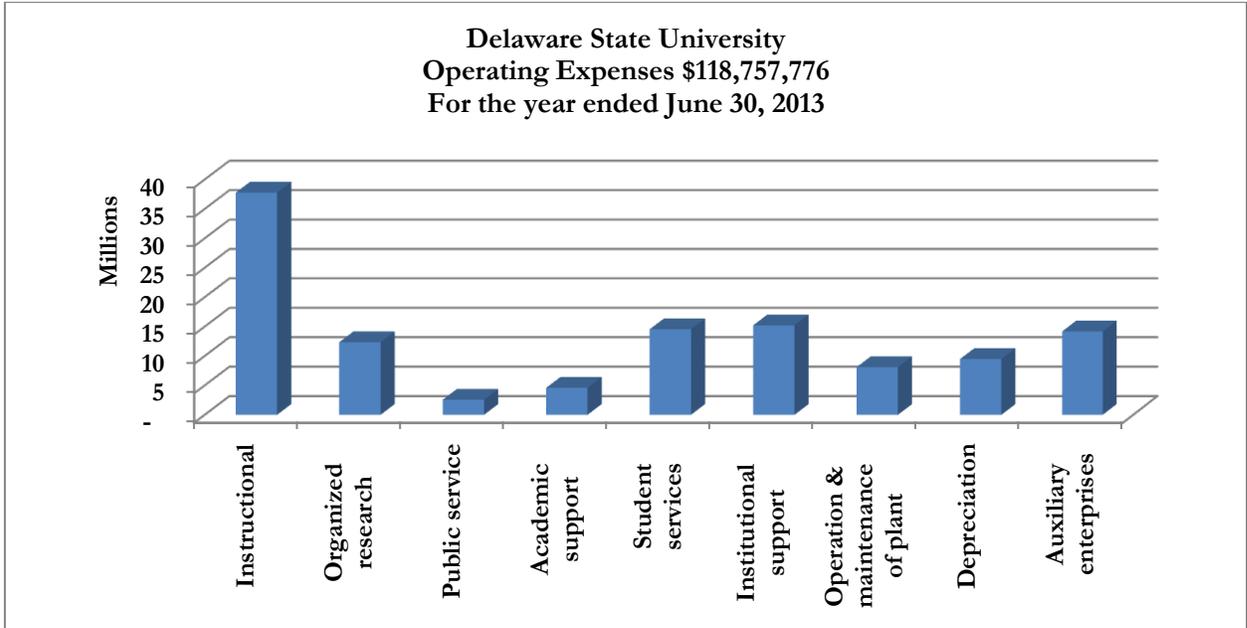
- Auxiliary enterprise revenues increased in fiscal year 2013 by \$3.3 million as a result of the Village acquisition on March 1, 2012. fiscal year 2013 revenues include 12 months of Village activity compared to 3 months of Village revenue activity in fiscal year 2012.
- Other revenues increased slightly in fiscal year 2013 by \$.2 million due to increases in bookstore commissions and athletic game guarantees.

	For the year ended june 30,		
	2013	2012	2011
OPERATING EXPENSES			
Instructional	\$ 37,772,395	\$ 35,866,863	\$ 33,584,934
Organized research	12,336,662	11,472,862	10,603,890
Public service	2,563,480	2,849,235	2,503,960
Academic support	4,592,281	3,774,606	3,912,604
Student services	14,530,576	14,568,116	14,007,772
Institutional support	15,203,799	15,659,289	13,146,357
Operation and maintenance of plant	8,100,166	7,578,748	6,417,416
Depreciation	9,481,725	7,651,346	7,587,807
Auxiliary enterprises	14,176,692	10,494,021	9,606,388
Total operating expenses	<u>\$ 118,757,776</u>	<u>\$ 109,915,086</u>	<u>\$ 101,371,128</u>

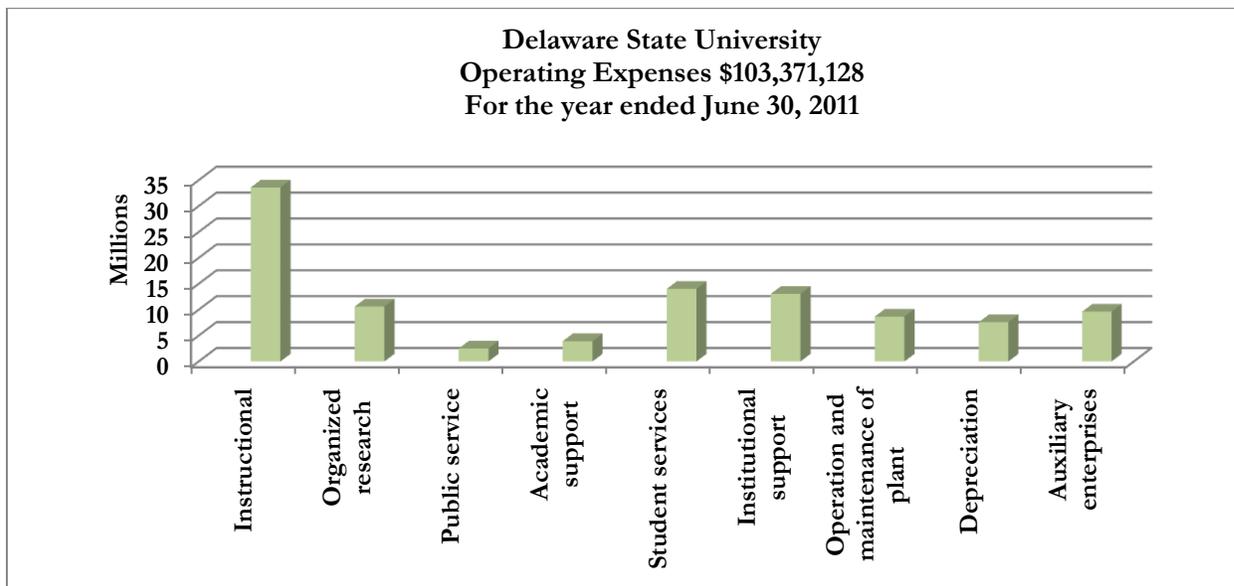
Overall operating expenses increased as a result of the following:

- Instructional expenses increased by \$1.9 million during fiscal year 2013 as a result of increased demand on instruction due to the increase in enrollment and increasing faculty positions.
- Academic support expenses increased by \$.8 million primarily due to a change in methodology for allocating expenses related to plant items not capitalized.
- Operation and maintenance of plant expenses increased \$.5 million due to an increase in general repair and maintenance items and professional services.
- Depreciation expenses primarily increased by \$1.8 million due to a change in estimate for buildings and land improvements.
- Auxiliary enterprise expenditures increased by \$3.7 million during fiscal year 2013 due to an increase in operational expenditures related to the Village acquisition which occurred on March 1, 2012.

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Capital Asset and Debt Administration

At June 30, 2013, the University had \$205.2 million invested in capital assets, net of accumulated depreciation of \$100.7 million (\$203.0 million at June 30, 2012, net of accumulated depreciation of \$110.2 million). Depreciation charges totaled \$9.4 million for the current fiscal year compared to \$7.7 million in the prior year. Details of the capital assets, net for the three years are shown below:

	Capital assets, net, for the year ended June 30,		
	2013	2012	2011
Land, land improvements and infrastructure	\$ 32,749,653	\$ 18,919,475	\$ 16,968,407
Buildings and improvements	158,498,797	158,744,336	137,599,727
Construction in progress	1,049,278	8,328,417	7,215
Equipment	12,783,286	16,754,257	16,627,234
Library materials	155,091	239,890	278,431
Total	<u>\$ 205,236,105</u>	<u>\$ 202,986,375</u>	<u>\$ 171,481,014</u>

Major capital additions completed during fiscal year 2013 included:

New Kirkwood donated property - DSU at Wilmington	\$ 4.9
Guarantee Energy Savings Agreement (GESA)	3.3
Optical Science Center for Applied Research (OSCAR)	0.6
Dorm Renovations	0.7
	<u>\$ 9.5</u>

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The University is planning to spend approximately \$14 million on capital expenditures for the fiscal year ending June 30, 2014. Planned projects include breaking ground on the Optical Science Center for Applied Research (OSCAR) building in January, 2014 (\$7.5 million), Price Building HVAC upgrade (\$2.5 million), retaining wall extension (\$.5 million), Grossley Hall second floor renovation (\$.5 million), Education and Humanities Building theater renovation (\$.2 million) and a variety of other upgrades on the campus (\$2.8 million). More detailed information about the University's capital assets is presented in Note 4 to the financial statements.

At June 30, 2013, the University had \$96.4 million in debt outstanding versus \$97.7 million in the previous year. In fiscal year 2012, the University entered into a Guaranteed Energy Savings Agreement (GESA) with Johnson Controls, Inc. in the amount of \$11,265,000. The energy efficiency revenue bonds were issued through the State of Delaware Sustainable Energy Utility, Inc. on August 1, 2011. Upon completion of the energy upgrades to various buildings and systems throughout the University, Johnson Controls, Inc. guarantees that the savings achieved will be sufficient to cover the financing cost associated with the bond. In the event that the savings are not realized to such level, Johnson Controls, Inc. will be responsible for any deficiency. The campus wide energy upgrades were completed in June 2013.

On March 1, 2012, the University issued revenue refunding bonds in the amount of \$32,145,000 (par value) through the Delaware Economic Development Authority. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of University Village, a four building, 628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds.

The table below summarizes the University's outstanding debt by type of debt instrument.

	Outstanding debt for the year ended June 30,		
	2013	2012	2011
Lease obligations	\$ -	\$ -	\$ 60,338
Notes payable	633,937	680,274	725,244
Revenue bonds	<u>95,797,956</u>	<u>97,046,487</u>	<u>54,521,902</u>
Totals	<u>\$ 96,431,893</u>	<u>\$ 97,726,761</u>	<u>\$ 55,307,484</u>

The University's revenue bond rating of A+ was re-affirmed with the 2012 bond issuance. More detailed information about the University's long-term liabilities is presented in Note 6 to the financial statements.

Summary of Operations

In fiscal year 2013 and for the third year in a row, the University saw an unprecedented increase in enrollment which resulted in an increase in tuition and fee revenue as well as operational expenses. Conversely, the percentage of total operating expenses covered by appropriation revenue (28.6% in fiscal year 2013, 29.730.0% in fiscal year 2012, and 35.4% in fiscal year 2011) continues to decline. Although, state appropriations of \$34.3

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million for the current fiscal year (fiscal year 2014) improved slightly, it essentially represents flat funding as compared to the fiscal years ended June 30, 2013 (\$33.9 million) and June 30, 2012 (\$32.7 million).

In spite of growing operating expenses and declining state appropriations, the University has decided to make higher education accessibility a priority. The University Board of Trustees responded by electing not to increase tuition, fees, and housing for the Fall 2014 term. Meal plans will increase by an inflationary 3% in fiscal year 2014.

The economic condition of the University remains closely tied to the availability of state appropriations which are necessary for a positive financial outlook. Overall, its financial position improved in spite of its dependency on declining state appropriations in proportion to its operating expenses. The University will continue to monitor operational expenditures closely and maintain strong financial controls throughout the current year.

University Highlights

New Academic Partner

The University recently signed an agreement with the University of Versailles Saint-Quentin-en-Yvelines (UVSQ) that will allow for student and faculty exchange opportunities between the two institutions. Founded in 1991, UVSQ is a French public university with an enrollment of 19,000 and major academic focuses on natural sciences, social sciences and humanities, law and political science, and medicine.

College of Business' International AACSB Accreditation Reaffirmed

The Association to Advance Collegiate Schools of Business (AACSB) has reaffirmed the accreditation of Delaware State University's College of Business. AACSB accreditation is the hallmark of excellence in business education and has been earned by less than five percent of the world's business programs. The reaffirmation of the University's College of Business international accreditation includes its academic programs in accounting, management, as well as hospitality and tourism management. The College of Business has one of the best advisement centers among University colleges and engages in extensive outreach through its Delaware Center for Enterprise Development and its University Center of Economic Development and Trade.

DSU Awarded a School Record \$10.5M Grant for Neuroscience Research

The University was awarded a \$10.5 million research grant that will fund the establishment of the Delaware Center for Neuroscience Research, a joint endeavor by the University, the lead institution, and the University of Delaware. The Center for Biomedical Research Excellence grant has been awarded by the National Institutes of Health.

The Neuroscience Center will support cutting-edge scientific research on brain development and the neurobiology of learning. It will provide support for the established research projects of five investigators at the University of Delaware and Delaware State University, as well as four other faculty members with smaller pilot grants that will allow for the startup of new research projects or a new direction in current research. The center also supports affiliated faculty with an integrated mentoring and professional development program aimed at helping them progress to senior levels of the profession.

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New Optics Research Building

A new state-of-the-art Optical Science Center for Applied Research (OSCAR) will be the new home for the University's prolific Optics Program, which since 2006 has been the recipient of \$23 million in research grants, produced the University's first two intellectual properties, and was involved with NASA in its Mars Curiosity Rover mission. The building was made possible initially by the support of Governor Markell, who earmarked \$10 million in the fiscal 2012 budget for the project. OSCAR will be built in three phases and will be consistent with the University's environmental stewardship efforts and its commitment to be a part of the Obama Administration's Better Building initiative. Towards those goals, OSCAR will be designed to be economic in its long-term energy usage through the installation of radiant cooling and heating systems. Once complete, the building will add the capacity of expanded optical laboratories, computational laboratories, class 100/1000 clean rooms, expanded office areas, and an 150-seat auditorium-style classroom. In its design to promote scholarly interaction, interdisciplinary research and innovation, the building will also include open interaction spaces, meeting rooms and offices, a multipurpose meeting space and departmental offices.

DSU Awarded National Science Foundation Optics Research Grant

The National Science Foundation's (NSF) Center for Research Excellence in Science and Technology has awarded Delaware State University a five-year \$5 million grant in support of the school's optics program. The grant represents NSF's validation and financial renewal of the University's Center for Research Excellence in Optical Sciences and Applications (CREOSA) as a multidisciplinary program of research, education and outreach. The five-year grant will fund CREOSA's phase II work that will build on the accomplishments it has achieved over the previous half-decade.

CREOSA has been instrumental in the prolific development of the University's optics program. Over the last five years, CREOSA has established master and doctoral optics programs, has helped lead to the graduation of a new generation of optical scientists mostly from minority groups underrepresented in the Science, Technology, Engineering and Mathematics (STEM) area, and assisted in the creation of a University culture of innovative integration to foster interdepartmental and multidisciplinary research and education. The University is the only school among Historically Black College and Universities with a PH.D. optics program.

DSU Breaks Enrollment Record

For the third consecutive year, the University has broken its enrollment record with a fall semester 2012 total enrollment of 4,425 students, which marks the first time the institution has gone over the 4,400 threshold. The record enrollment surpasses the previous record of 4,178 set in the fall of 2011. The 2012 enrollment figures include a record of 3,955 undergraduates and record of 470 graduate students (master and doctoral).

DSU Moves Up to 9th in the Annual HBCU Rankings

In a recent U.S. News & World Report, the University moved up to 9th among 81 Historically Black Colleges and Universities (HBCU) in the country. When U.S. News & World Report first published its HBCU ranking in 2008, DSU ranked No. 22. DSU rose to No. 17 in 2009 and 2010, No. 15 in 2011, and then to No. 13 in 2012.

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With its 2013 No. 9 ranking, the University is tied with two other HBCUs: Clark Atlanta University and Florida A&M University. Among the Mid-Atlantic region schools, DSU joins Howard University in the top 10 HBCUs in the latest ranking.

The HBCU rankings are based on the following categories to assess academic quality: assessment by administrators at peer institutions, retention of students, graduation rates, faculty resources, student selectivity, financial resources and alumni giving.

DSU Reaches Agreement to Lease Sheraton with Option to Buy

With an eye toward growing enrollment and increased housing needs, the University entered into a \$12 million, 15-year lease agreement with the owners of a local hotel with an option to buy any time after the second year. The lease on the 153 room facility, located a quarter-mile north of the campus, began on July 28, 2013 and will provide additional residential space for students as the University embarks on a plan to renovate and upgrade existing residential halls on campus.

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Statements of Net Position
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	Discretely Presented Component Units					
	Delaware State University		2013		2012	
	2013	2012	Delaware State University Student Housing Foundation	Delaware State University Foundation, Inc.	Delaware State University Student Housing Foundation	Delaware State University Foundation, Inc.
CURRENT ASSETS						
Cash	\$ 18,336,842	\$ 20,988,168	\$ 287,361	\$ 3,450,432	\$ 238,278	\$ 3,599,116
Expendable investments	364,209	661,009	-	-	-	-
Cash held with State Treasurer	16,525,976	17,592,148	-	-	-	-
Students receivables, net	3,075,604	1,895,320	156,470	-	67,110	-
Government grants receivable	9,101,218	6,025,389	-	-	-	-
Other receivables	2,570,259	2,954,970	-	435,118	-	140,213
Due from affiliate	68,466	83,727	3,443,393	12,512	2,682,098	26,690
Other assets	-	-	16,673	-	15,767	-
Total current assets	<u>50,042,574</u>	<u>50,200,731</u>	<u>3,903,897</u>	<u>3,898,062</u>	<u>3,003,253</u>	<u>3,766,019</u>
NONCURRENT ASSETS						
Investments	10,625,402	9,090,409	-	12,469,785	-	11,823,644
Assets held in trust	5,943,412	9,525,714	2,564,707	-	2,600,484	-
Other assets	30,137	288,078	-	-	-	-
Deferred charges	1,332,887	1,431,530	393,022	-	411,869	-
Capital assets, net	<u>205,236,105</u>	<u>202,986,375</u>	<u>10,023,288</u>	<u>5,358</u>	<u>10,383,018</u>	<u>8,929</u>
Total noncurrent assets	<u>223,167,943</u>	<u>223,322,106</u>	<u>12,981,017</u>	<u>12,475,143</u>	<u>13,395,371</u>	<u>11,832,573</u>
Total assets	<u>273,210,517</u>	<u>273,522,837</u>	<u>16,884,914</u>	<u>16,373,205</u>	<u>16,398,624</u>	<u>15,598,592</u>
CURRENT LIABILITIES						
Accounts payable	5,709,938	7,630,783	232,692	104,219	270,223	10,257
Due to affiliate	3,455,905	2,708,788	-	68,466	-	83,727
Accrued employee compensation	3,563,612	3,574,337	33,774	-	30,942	-
Accrued interest	896,605	1,161,195	380,580	-	388,072	-
Unearned revenue	2,524,295	1,987,666	274,866	480,779	236,409	445,686
Compensated absences	2,078,611	1,822,754	-	-	-	-
Long-term debt	1,687,746	1,226,337	420,000	-	405,000	-
Total current liabilities	<u>19,916,712</u>	<u>20,111,860</u>	<u>1,341,912</u>	<u>653,464</u>	<u>1,330,646</u>	<u>539,670</u>
NONCURRENT LIABILITIES						
Accrued liability	720,410	1,336,113	-	-	-	-
Compensated absences	4,070,321	3,931,189	-	-	-	-
Long-term debt	<u>94,744,147</u>	<u>96,500,424</u>	<u>14,860,865</u>	<u>-</u>	<u>15,268,657</u>	<u>-</u>
Total noncurrent liabilities	<u>99,534,878</u>	<u>101,767,726</u>	<u>14,860,865</u>	<u>-</u>	<u>15,268,657</u>	<u>-</u>
Total liabilities	<u>119,451,590</u>	<u>121,879,586</u>	<u>16,202,777</u>	<u>653,464</u>	<u>16,599,303</u>	<u>539,670</u>
NET POSITION						
Invested in capital assets, net of related debt	114,776,093	114,629,788	-	-	-	-
Restricted expendable:						
Capital projects	17,265,165	16,400,496	-	-	-	-
Loans	14,993	16,842	-	-	-	-
Debt service	-	1,040,954	-	-	-	-
Grants and contracts	434,971	340,661	-	-	-	-
Quasi endowment	-	-	-	7,561,873	-	7,011,150
Restricted nonexpendable:						
Endowment	-	-	-	6,554,340	-	6,479,657
Unrestricted	<u>21,267,706</u>	<u>19,214,510</u>	<u>682,137</u>	<u>1,603,528</u>	<u>(200,679)</u>	<u>1,568,115</u>
Total net position	<u>\$ 153,758,928</u>	<u>\$ 151,643,251</u>	<u>\$ 682,137</u>	<u>\$ 15,719,741</u>	<u>\$ (200,679)</u>	<u>\$ 15,058,922</u>

The accompanying notes are an integral part of these statements.

DELAWARE STATE UNIVERSITY
Statements of Revenue, Expenses and Changes in Net Position
June 30, 2013 and 2012

	Discretely Presented Component Units					
			2013		2012	
	Delaware State University		Delaware State University Student Housing Foundation	Delaware State University Foundation, Inc.	Delaware State University Student Housing Foundation	Delaware State University Foundation, Inc.
	2013	2012				
REVENUES						
Operating revenues:						
Government grants and contracts	\$ 30,114,058	\$ 28,797,756	\$ -	\$ -	\$ -	\$ -
Student tuition and fees (net of scholarship allowances of \$22,728,042 and \$21,534,569, respectively)	26,393,346	24,529,713	-	-	-	-
Auxiliary enterprises	19,164,920	15,912,279	3,524,134	-	6,632,871	-
Sales and services of educational departments	228,987	250,792	-	-	-	-
Athletics	2,267,032	1,450,643	-	-	-	-
Indirect cost recovery	1,795,173	1,822,115	-	-	-	-
Miscellaneous revenues	2,429,267	3,005,274	30,946	153,864	1,485,583	117,301
Total operating revenues	<u>82,392,783</u>	<u>75,768,572</u>	<u>3,555,080</u>	<u>153,864</u>	<u>8,118,454</u>	<u>117,301</u>
EXPENSES						
Operating expenses:						
Educational and general:						
Instructional	37,772,395	35,866,863	-	-	-	-
Organized research	12,336,662	11,472,862	-	-	-	-
Public service	2,563,480	2,849,235	-	-	-	-
Academic support	4,592,281	3,774,606	-	-	-	-
Student services	14,530,576	14,568,116	-	-	-	-
Institutional support	15,203,799	15,659,289	-	919,504	-	938,132
Operation and maintenance of plant	8,100,166	7,578,748	-	-	-	-
Depreciation	9,481,725	7,651,346	359,729	-	979,561	-
Student aid	-	-	-	994,181	-	826,656
Auxiliary enterprises	14,176,692	10,494,021	2,263,853	-	5,384,357	-
Total operating expenses	<u>118,757,776</u>	<u>109,915,086</u>	<u>2,623,582</u>	<u>1,913,685</u>	<u>6,363,918</u>	<u>1,764,788</u>
Operating (loss) income	<u>(36,364,993)</u>	<u>(34,146,514)</u>	<u>931,498</u>	<u>(1,759,821)</u>	<u>1,754,536</u>	<u>(1,647,487)</u>
Nonoperating revenues (expenses):						
State appropriations	33,942,859	32,677,597	-	-	-	-
Private gifts	87,940	22,081	-	1,243,487	-	1,897,854
Investment income	466,780	893,537	14,083	219,466	47,034	174,676
Net gain (loss) on investments	474,515	(400,426)	(62,765)	957,687	38,852	(1,217,272)
Interest on loans receivable	2,235	18,273	-	-	-	-
Interest expense	(3,833,659)	(3,009,281)	-	-	-	-
Total nonoperating revenues (expenses)	<u>31,140,670</u>	<u>30,201,781</u>	<u>(48,682)</u>	<u>2,420,640</u>	<u>85,886</u>	<u>855,258</u>
(Loss) income before other revenues (expenses), gains and (losses)	<u>(5,224,323)</u>	<u>(3,944,733)</u>	<u>882,816</u>	<u>660,819</u>	<u>1,840,422</u>	<u>(792,229)</u>
Other revenues (expenses), and gains and (losses):						
Capital appropriations - State	3,000,000	13,500,000	-	-	-	-
Donated capital asset - Kirkwood	4,340,000	-	-	-	-	-
Transfer of Village net assets	-	2,198,800	-	-	(2,198,800)	-
Loss on Village debt retirement	-	(463,440)	-	-	-	-
Total other revenue (expenses), and gains and (losses)	<u>7,340,000</u>	<u>15,235,360</u>	<u>-</u>	<u>-</u>	<u>(2,198,800)</u>	<u>-</u>
Change in net position	2,115,677	11,290,627	882,816	660,819	(358,378)	(792,229)
Net position:						
Net position, beginning of year	151,643,251	140,352,624	(200,679)	15,058,922	157,699	15,851,151
Net position, end of year	<u>\$ 153,758,928</u>	<u>\$ 151,643,251</u>	<u>\$ 682,137</u>	<u>\$ 15,719,741</u>	<u>\$ (200,679)</u>	<u>\$ 15,058,922</u>

The accompanying notes are an integral part of these statements.

DELAWARE STATE UNIVERSITY
Statements of Cash Flows
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of tuition and fees	\$ 25,213,062	\$ 25,579,998
Receipts from grants and contracts	27,038,229	28,250,923
Loan repayments received from students	34,174	66,837
Receipts from residence halls	19,701,550	15,912,279
Receipts from sales and service of educational departments	228,987	250,792
Other receipts	7,134,124	6,440,008
Payments to vendors	(34,639,685)	(19,671,515)
Payments for utilities	(3,391,346)	(3,908,172)
Payments to employees	(54,572,206)	(53,551,605)
Payments for benefits	<u>(18,096,894)</u>	<u>(19,243,696)</u>
Net cash used in operating activities	<u>(31,350,005)</u>	<u>(19,874,151)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	33,942,859	32,677,597
Receipts from private gifts for non-capital purposes	87,940	22,081
Receipt of interest on student loans	<u>2,235</u>	<u>18,273</u>
Net cash provided by non-capital financing activities	<u>34,033,034</u>	<u>32,717,951</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State capital appropriations	3,000,000	13,500,000
Proceeds from 2012 Bonds	-	34,010,368
Proceeds from Energy Efficiency Bonds	-	12,108,339
Payment for retirement of Village 2004B Bonds	-	(33,170,000)
Payment for retirement of 1999 Bonds	-	(2,725,000)
Payment for bond issuance costs	-	(538,432)
Cash received in Village transfer	-	3,114,113
Change in assets held in trust	3,582,302	(6,052,086)
Purchases of capital assets	(7,391,456)	(13,841,261)
Principal paid on capital debt and leases	(1,226,587)	(3,699,430)
Interest paid on capital debt and leases	<u>(4,067,887)</u>	<u>(410,038)</u>
Net cash (used in) provided by capital financing activities	<u>(6,103,628)</u>	<u>2,296,573</u>

The accompanying notes are an integral part of these statements.

DELAWARE STATE UNIVERSITY
Statements of Cash Flows
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from earnings on investments	401,082	893,537
Sale of investments	1,851,123	7,828,990
Purchase of investments	<u>(2,549,104)</u>	<u>(7,539,242)</u>
Net cash (used in) provided by investing activities	<u>(296,899)</u>	<u>1,183,285</u>
Net (decrease) increase in cash and cash equivalents	(3,717,498)	16,323,658
Cash and cash equivalents, beginning of the year	<u>38,580,316</u>	<u>22,256,658</u>
Cash and cash equivalents, end of the year	<u>\$ 34,862,818</u>	<u>\$ 38,580,316</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (36,364,993)	\$ (34,146,514)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	9,481,725	7,651,346
Bad debt expense on student receivables	213,928	(1,812,813)
Elimination of due to affiliate from Village transfer	-	6,310,256
Changes in operating assets and liabilities:		
Student receivables	(1,394,212)	1,050,284
Other receivables	384,711	(760,997)
Due from affiliate	15,261	(20,097)
Government grants receivable	(3,075,829)	(621,385)
Student notes	34,174	66,837
Other assets	257,941	74,552
Accounts payable	(2,570,721)	3,547,413
Due to affiliate	747,116	222,911
Deferred revenue	536,629	17,400
Accrued employee compensation and compensated absences	<u>384,265</u>	<u>(1,453,344)</u>
Net cash used in operating activities	<u>\$ (31,350,005)</u>	<u>\$ (19,874,151)</u>

DELAWARE STATE UNIVERSITY
Notes to Financial Statements
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements present the net position, results of operations, changes in net assets, and cash flows of Delaware State University (the "University"), a federal land grant institution. The financial statements of the University include the activity of its main campus in Dover, Delaware and its associated campuses in Wilmington and Georgetown, Delaware. The University is a tax-exempt institution under Section 501(c)(3) of the Internal Revenue Code and similar State of Delaware (the "State") provisions. Accordingly, there is no provision made for income taxes in the accompanying financial statements.

The University defines its reporting entity in accordance with Governmental Accounting Standards Board (GASB) criteria. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete.

Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University's reporting entity as discretely presented component units. Each of these affiliated organizations are considered to: 1) receive or hold economic resources that are to be used for the benefit of the University, 2) receive or hold economic resources which the University is entitled to or otherwise have the ability to access, and 3) are significant to the financial statements of the University with which the organization is affiliated.

Accordingly, the Delaware State University Student Housing Foundation (the "Housing Foundation") and the Delaware State University Foundation, Inc. (the "Advancement Foundation") are considered reportable component units due to the significance of the financial statement amounts to the University's financial statements. The Housing Foundation and the Advancement Foundation are organized as non-profit corporations under the laws of the State of Delaware and are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and similar State provisions.

All of the University's component units are non-governmental entities that prepare financial statements using the principles and accounting standards promulgated by the Financial Accounting Standards Board (FASB). Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Finance and Administration Office, Delaware State University, 1200 N. DuPont Highway, Dover, DE 19901.

The University is a discretely presented component unit of the State of Delaware (the "State"). The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

Basis of Presentation

The University's accounting policies conform to accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board ("GASB"). For financial reporting purposes, the University is considered to be a special-purpose government engaged only in business-type activities. GASB defines business-type activities as activities financed, in whole or in part, by fees charged to external parties for goods or services. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
June 30, 2013 and 2012

accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recognized when earned and expenses are recognized when incurred.

Adoption of New Accounting Standards

In November of 2011, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (Statement No. 60). The objective of Statement No. 60 is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in Statement No. 60, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. Statement No. 60 applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The implementation of Statement No. 60 in 2013 had no impact on the University.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of Statement No. 63 in 2013 required the University to change the reference of net assets to net position.

Cash and Cash Equivalents

The University defines cash and cash equivalents as those assets with an original maturity date of three months or less at time of purchase.

Tuition Revenue and Student Receivables

The University’s tuition and fees revenue is reported net of any scholarship allowance. The scholarship allowance represents monies received as tuition from outside resources such as Title IV Federal Grant Program, restricted grants and scholarships, as well as tuition waivers. Tuition also includes pledged revenues as security for 2007 bonds in the amounts of \$1,519,800 and \$1,495,622 as of June 30, 2013 and 2012, respectively.

DELAWARE STATE UNIVERSITY

Notes To Financial Statements

June 30, 2013 and 2012

Student receivables are obligations of students resulting from course registrations. In the normal course of business, the University extends credit to students. These students are predominately from the Middle Atlantic region. Realization of receivables is somewhat dependent upon the collection efforts of the University as well as the general economic climate. An allowance for doubtful accounts is provided based upon management's judgments including such factors as previous collection history and characteristics of the respective receivables. Tuition receivables are due before the end of the semester for which they were incurred. Amounts that remain uncollected three weeks after the end of the semester are considered delinquent and are referred to the collection manager. The allowance for doubtful accounts was \$6,807,993 and \$6,582,085 as of June 30, 2013 and 2012, respectively. In fiscal year 2013, the University revised the percentages used to estimate bad debts which it believes provide a better indication of collection experience. The effect of this change in estimate decreased bad debt expense for the year ended June 30, 2013 by \$1.2 million.

Federal Financial Assistance Programs

The University participates in certain federally funded student financial aid programs including: Federal Direct Loan Program, Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, SMART Grants and the Perkins Loan program. The University is also the recipient of awards for research and development activities as well as other federal awards to support University activities. Major federal programs are audited in accordance with the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*.

Assets Held in Trust

Assets held in trust are under the control of outside bond trustees and represent reserves for payment of principal and interest due on the bonds, the maintenance of debt service reserve funds and construction funds.

Under the terms of the Housing Foundation Trust Indenture, various funds such as Construction, Bond, Capitalized Interest, and Debt Service must be established and maintained for the Housing Foundation. 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 coverage.

Investments

Investments in debt and equity securities are recorded at fair value based upon quoted market prices. All gains and losses arising from sales or other disposition of investments are recorded on a specific identification basis calculated as of the trade date.

Capital Assets

Capital assets are defined by the University as a purchase with a value of greater than \$5,000 and a useful life of more than one year. Capital assets are stated at cost or, if received by gift, at fair value on the date of contribution. Capital assets, with the exception of land, are depreciated on a straight-line basis over the estimated useful lives of forty years for buildings and building improvements, twenty-five years for land improvements and infrastructure, seven years for equipment and vehicles, five years for software, and five years for library books. The cost of ordinary maintenance and repairs that do not materially extend the asset's lives are expensed as incurred.

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
June 30, 2013 and 2012

In fiscal year 2013, the University implemented the Fixed Asset Module within its ERP system. Consequently, a complete review of its fixed assets was performed that led to the adoption of a revised fixed asset policy. The review resulted in recording additional assets identified during an extensive inventory process, the elimination of salvage values for buildings and equipment, and the inclusion of land improvements as depreciable assets. Depreciation of the building salvage values and land improvements were calculated using the remaining lives of the applicable capital assets. However, certain operational buildings and land improvements that had reached the end of their assigned useful lives were extended such that the salvage values and land improvements could be depreciated. . The effect of this change in estimate increased depreciation expense for the year ended June 30, 2013 by \$ 2.9 million.

Long-lived Assets

Long-lived assets, such as buildings, land improvements, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that there is a significant unexpected decline in the service utility of a capital asset. The service utility of a capital asset is the usable capacity that at acquisition was expected to be used to provide service. Impairment is measured using one of three approaches that best reflects the decline in service utility. Assets to be disposed of and assets held for sale, if any, are reported at the lower of the carrying amount or fair value less costs to sell.

Unearned Revenue

The University reports unearned revenues on its statements of net position. Unearned revenues primarily consist of funds that are received prior to the respective service being provided by the University. As such, it is the University's policy to recognize these balances over the course of the period that the service is rendered.

Compensated Absences

It is the University's policy to allow employees to carry over unused annual leave up to a maximum of 32 days. Therefore, liabilities in the amounts of \$3,563,798 and \$2,856,247 at June 30, 2013 and 2012, respectively, have been recorded to reflect earned, but unused annual leave at those dates, as such amounts are not expected to be paid out within the following 12 month period.

It is the University's policy, upon retirement, to pay out sick leave balances that have been accrued up to a maximum of 60 days and for the collective bargaining unit members (1007, 1267 & 2888) to pay out yearly balances that exceed 60 days at the rate of one half day for every day accrued. Therefore, the University has recorded a liability in the amounts of \$2,585,134 and \$2,897,696 to reflect earned, unused sick leave at June 30, 2013 and 2012, respectively.

Noncurrent Assets and Liabilities

Noncurrent assets and liabilities include resources and obligations expected to be realized or consumed beyond the normal operating cycle (more than 12 months).

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
June 30, 2013 and 2012

Net Position

Net position is classified as restricted, unrestricted or invested in capital assets, net of related debt. Restricted net position is those assets for which there are externally imposed constraints, which have not yet been met. When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first and the unrestricted resources as they are needed. Net position invested in capital assets, net of related debt; represent the net book value of capital assets less the outstanding portion of the related debt financing.

Operating and Nonoperating Components

Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and State appropriations are reported as components of nonoperating activities. Restricted and unrestricted resources are spent and tracked by the departments of the University within the guidelines of donor restrictions.

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 judgments that affect reported amounts of assets and liabilities and disclosures about contingent assets and liabilities at the date of the statements of net position and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Delaware State University established a policy "Statement of Investment Objectives and Guidelines for Investment Managers", as amended, on September 12, 2011. The primary objective of the guidelines is the safety of principal by minimizing credit risk and interest rate risk. According to University policy, risk tolerance can be characterized as medium to medium low. The University presents its deposits and investments in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including repurchase agreements) and Reverse Repurchase Agreements*. This standard requires that state and local governments including colleges and universities disclose essential risk information about deposits and investments.

University policy specifies the types of investments the managers can make; the maximum percentage of assets that may be invested in particular instruments; the minimum credit quality of these investments; and the maximum length of time the assets can be invested.

Custodial Credit Risk - Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the University would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the University and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2013 and 2012, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustee's name. The University's custodial arrangements are kept with institutions with strong credit ratings and cash deposits are held in the University's name. The Bank of New York (BONY) manages the majority of

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
June 30, 2013 and 2012

the University's investment portfolio. At times, the University's cash deposits may be in excess of the Federal Deposit Insurance Corporation limit of \$250,000.

Concentration of Credit Risk - Concentration of credit risk is assumed to arise when the amount of investments that the University has with one issuer exceeds 5% or more of the total value of the University's investments. The University has a formal policy for concentration of credit risk. According to this policy "holdings in any one company may generally not exceed 5% of the market value of each equity portfolio." In addition, the policy also stipulates that "Portfolios should be well diversified in order to mitigate risk of loss." As of June 30, 2013 and 2012, respectively, there was no portion of the University portfolio, excluding U. S. Government guaranteed obligations, which exceed 5% of the portfolio.

Credit Risk - Credit risk is the risk that the University will lose money because of the default of the security issuer or investment counterparty. University policy has not clearly defined ratings for each type of investments; however, it states that "Investments should focus on high quality companies with an established and profitable operating record, be in sound financial condition, and have competent management." As of June 30, 2013 and 2012, respectively, there was no portion of the University portfolio that was invested in below investment grade securities.

The University's \$7,999,181 in fixed income investments was not rated as of June 30, 2013 using the Standard and Poor's rating scale.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University policy does not specifically address interest rate risk. However, it is the University's intent to hold securities to maturity in order to mitigate interest rate risk.

At June 30, 2013 and 2012, cash on hand for petty cash and change fund was \$28,705 and \$28,705, respectively, and bank balances of the University's deposits were \$20,591,865 and \$22,271,058, respectively. The carrying value of these deposits was \$18,336,842 and \$20,988,168 at June 30, 2013 and 2012, respectively. The University established a contractual agreement with PNC Bank for funds to be transferred daily from its operating account, included within cash in the accompanying statement of net position, in a repurchase/sweep agreement to cover checks as presented. Positive pay is used to safeguard the University's liquid assets. The University transmits daily check issue files to its depository banks which enables the banks to match the University's check issue file to checks being presented for payment. If the check data does not match the information on the check issue file, the check will not be honored.

An additional \$16,525,976 and \$17,592,148 at June 30, 2013 and 2012, respectively, of cash and cash equivalents related to unexpended State appropriations are included in the statements of net position. Personnel of the State Treasurer's Office in Dover, Delaware control these funds and any investment decisions are made by the State Treasurer's Office. The deposits held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the University, but the deposit and investment risks cannot be specifically categorized for these deposits. Investment risk for such amounts held by the State depends on the investment decisions made by the State Treasurer's Office and the risk of loss resides with the State.

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
June 30, 2013 and 2012

The University's investments totaled \$16,933,023 and \$19,277,132 at June 30, 2013 and 2012, respectively. These investments were stated at quoted market prices and are owned by the University.

The University's cash and investments were as follows for the years ended June 30, 2013 and 2012:

June 30, 2013	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	5 to 10	>10
Federal agencies	\$ 4,994,701	\$ -	\$ 979,450	\$ 3,787,048	\$ 228,203
Corporate bonds	3,004,480	-	3,004,480	-	-
Total fixed income	<u>7,999,181</u>	<u>\$ -</u>	<u>\$ 3,983,930</u>	<u>\$ 3,787,048</u>	<u>\$ 228,203</u>
Other investments	654,326				
Money market	1,312,920				
Equities	6,966,595				
Total investments	<u>16,933,023</u>				
Cash on hand	28,705				
Cash deposits	18,308,137				
Cash held with State Treasurer	<u>16,525,976</u>				
Total cash	<u>34,862,818</u>				
Total cash and investments	<u>\$ 51,795,841</u>				

Reconciliation to Statement of Net Position:

Cash	\$ 18,336,842
Expendable investments	364,209
Cash held with State Treasurer	16,525,976
Investments	10,625,402
Assets held in trust	<u>5,943,412</u>
Total cash and investments	<u>\$ 51,795,841</u>

June 30, 2012	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	5 to 10	>10
Federal agencies	\$ 1,002,430	\$ -	\$ 1,002,430	\$ -	\$ -
Corporate bonds	2,866,172	-	480,305	2,176,180	209,687
Total fixed income	<u>3,868,602</u>	<u>\$ -</u>	<u>\$ 1,482,735</u>	<u>\$ 2,176,180</u>	<u>\$ 209,687</u>
Other investments	3,982,626				
Money market	5,201,667				
Mutual funds	306,320				
Equities	5,917,917				
Total investments	<u>19,277,132</u>				
Cash on hand	28,705				
Cash deposits	20,959,463				
Cash held with State Treasurer	17,592,148				
Total cash	<u>38,580,316</u>				
Total cash and investments	<u>\$ 57,857,448</u>				

Reconciliation to Statement of Net Position:

Cash	\$ 20,988,168
Expendable investments	661,009
Cash held with State Treasurer	17,592,148
Investments	9,090,409
Assets held in trust	<u>9,525,714</u>
Total cash and investments	<u>\$ 57,857,448</u>

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
June 30, 2013 and 2012

Assets Held in Trust

At June 30, 2013 and 2012, assets held in trust consisted of:

	<u>2013</u>	<u>2012</u>
Expense fund	\$ -	\$ 497
Interest account	-	3
Debt service reserve fund	5,245,842	5,540,022
GESA – Sustainable Energy Utility account	697,565	3,982,626
Expense account	-	2,561
Settlement account	5	5
Total assets held in trust	<u>\$ 5,943,412</u>	<u>\$ 9,525,714</u>

Investment Return

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. University management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the University from having to sell investments below original cost for that purpose. Investments at June 30, 2013, met the University's investment policy as of that date.

Investment return included the following for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Net interest and dividends	\$ 466,780	\$ 893,537
Net increase (decrease) in the fair value of investments	474,515	(400,426)
Total investment return	<u>\$ 941,295</u>	<u>\$ 493,111</u>

3. OTHER RECEIVABLES

The University's other receivables, as of June 30, consisted of the following:

	<u>2013</u>	<u>2012</u>
Vendor credits	\$ 396,577	\$ 187,078
State of Delaware payroll	969,602	969,602
Other miscellaneous	1,234,217	2,086,368
	<u>2,600,396</u>	<u>3,243,048</u>
Less: non-current other assets	30,137	288,078
Total other receivables	<u>\$ 2,570,259</u>	<u>\$ 2,954,970</u>

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
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4. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity of the University for the years ended June 30, 2013 and 2012, follow:

	Balance June 30, 2012	Additions and transfers	Retirements and transfers	Balance June 30, 2013
Assets not being depreciated:				
Land	\$ 1,340,685	\$ 2,141,612	\$ -	\$ 3,482,297
Construction in progress	<u>8,328,417</u>	<u>761,997</u>	<u>(8,041,136)</u>	<u>1,049,278</u>
Total assets not being depreciated	<u>9,669,102</u>	<u>2,903,609</u>	<u>(8,041,136)</u>	<u>4,531,575</u>
Assets being depreciated:				
Land improvements and infrastructure	17,578,790	3,084,738	-	20,663,528
Buildings and improvements	217,469,988	17,830,895	-	235,300,883
Equipment	61,886,313	1,667,609	(24,755,416)	38,798,506
Library books	<u>6,617,926</u>	<u>-</u>	<u>-</u>	<u>6,617,926</u>
Total assets being depreciated	<u>303,553,017</u>	<u>22,583,242</u>	<u>(24,755,416)</u>	<u>301,380,843</u>
Total	<u>313,222,119</u>	<u>25,486,851</u>	<u>(32,796,552)</u>	<u>305,912,418</u>
Less accumulated depreciation:				
Land improvements and infrastructure	856,472	2,008,581	(305,441)	2,559,612
Buildings and improvements	57,869,180	7,769,464	-	65,638,644
Equipment	45,132,056	3,922,099	(23,038,933)	26,015,222
Library books	<u>6,378,036</u>	<u>84,799</u>	<u>-</u>	<u>6,462,835</u>
Total accumulated depreciation	<u>110,235,744</u>	<u>13,784,943</u>	<u>(23,344,374)</u>	<u>100,676,313</u>
Total capital assets, net	<u>\$ 202,986,375</u>	<u>\$ 11,701,908</u>	<u>\$ (9,452,178)</u>	<u>\$ 205,236,105</u>
	Balance June 30, 2011	Additions and transfers	Retirements and transfers	Balance June 30, 2012
Assets not being depreciated:				
Land and land improvements	\$ 16,968,407	\$ 1,951,068	\$ -	\$ 18,919,475
Construction in progress	<u>7,215</u>	<u>8,321,202</u>	<u>-</u>	<u>8,328,417</u>
Total assets not being depreciated	<u>16,975,622</u>	<u>10,272,270</u>	<u>-</u>	<u>27,247,892</u>
Assets being depreciated:				
Buildings and improvements	186,587,192	30,882,796	-	217,469,988
Equipment	52,805,525	9,198,940	(118,152)	61,886,313
Library books	6,583,912	34,014	-	6,617,926
Assets under capital lease	<u>3,402,475</u>	<u>-</u>	<u>(3,402,475)</u>	<u>-</u>
Total assets being depreciated	<u>249,379,104</u>	<u>40,115,750</u>	<u>(3,520,627)</u>	<u>285,974,227</u>
Total	<u>266,354,726</u>	<u>50,388,020</u>	<u>3,520,627</u>	<u>313,222,119</u>
Less accumulated depreciation:				
Buildings and improvements	48,987,465	9,738,187	-	58,725,652
Equipment	36,178,291	9,062,645	(108,880)	45,132,056
Library books	6,305,481	72,555	-	6,378,036
Assets under capital lease	<u>3,402,475</u>	<u>-</u>	<u>(3,402,475)</u>	<u>-</u>
Total accumulated depreciation	<u>94,873,712</u>	<u>18,873,387</u>	<u>(3,511,355)</u>	<u>110,235,744</u>
Total capital assets, net	<u>\$ 171,481,014</u>	<u>\$ 31,514,633</u>	<u>\$ 7,031,982</u>	<u>\$ 202,986,375</u>

DELAWARE STATE UNIVERSITY
Notes To Financial Statements
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5. LONG-TERM OBLIGATIONS

Details of the University's non-current liabilities as of June 30, 2013 and 2012, follow:

	June 30, 2013				
	June 30, 2012	Additions	Reductions	June 30, 2013	Current portion
Accrued liability	\$ 1,625,000	-	717,637	907,363	186,953
Compensated absences	5,753,943	394,989	-	6,148,932	2,078,611
Note payable	680,274	-	46,337	633,937	47,746
Revenue bonds	97,046,487	-	1,248,531	95,797,956	1,640,000
Total	<u>\$ 105,105,704</u>	<u>\$ 394,989</u>	<u>\$ 2,012,505</u>	<u>\$ 103,488,188</u>	<u>\$ 3,953,310</u>

	June 30, 2012				
	June 30, 2011	Additions	Reductions	June 30, 2012	Current portion
Accrued liability	\$ -	\$ 1,625,000	\$ -	\$ 1,625,000	\$ 100,000
Compensated absences	5,407,738	346,205	-	5,753,943	1,822,754
Capital Lease obligations	60,338	-	60,338	-	-
Note payable	725,244	-	44,970	680,274	46,337
Revenue bonds	54,521,902	46,118,707	3,594,122	97,046,487	1,180,000
Total	<u>\$ 60,715,222</u>	<u>\$ 48,089,912</u>	<u>\$ 3,699,430</u>	<u>\$ 105,105,704</u>	<u>\$ 3,149,091</u>

6. LONG-TERM DEBT

Delaware State University

Note Payable

On December 15, 2005, the University entered into an agreement with the Delaware River and Bay Authority (DRBA) to demolish the existing terminal building located at the Cheswold Airport and construct a new building containing approximately 14,375 rentable square feet of space and to submit the building and land together with any improvements to the Delaware Air Park Condominium. The University agreed to pay the DRBA the Special Assessment in consideration for the creation of the DSU Unit and the conveyance of the DSU Unit to the University in accordance with the terms of the Project Development Agreement. In connection with this agreement, Delaware State University entered into a twenty-year mortgage in the amount of \$1,011,545. Principal and interest is payable in 240 monthly installments of \$5,509 beginning January 1, 2007. The interest rate for the first 60 payments is 1.5%, 3% for payments 61-120 and 5.32% for all remaining payments.

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Following is a summary of remaining payment schedule.

Fiscal year	Principal	Interest	Total
2014	\$ 47,746	\$ 18,365	\$ 66,111
2015	49,198	16,913	66,111
2016	44,815	21,296	66,111
2017	40,916	25,196	66,112
2018	43,146	22,965	66,111
2019 - 2023	253,685	76,872	330,557
2024 - 2026	154,431	10,848	165,279
Totals	<u>\$ 633,937</u>	<u>\$ 192,455</u>	<u>\$ 826,392</u>

Revenue Bonds

Series 1999 Bonds

On May 6, 1999, the University issued revenue refunding bonds in the amount of \$15,865,000 (par value) through the Delaware Economic Development Authority (the "Authority"). The bonds are due on October 1, 2017 and are secured by un-appropriated gross revenues of the University.

The Bond Trust Indenture requires the University to maintain a debt service reserve fund equal to the maximum annual debt service on all bonds outstanding under the Indenture. The University meets this requirement by providing for the deposit through a surety bond in the Debt Reserve Fund. This bond was obtained from MBIA Insurance Corporation in the amount of \$1,580,000, and expires on October 1, 2017. The University has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding.

On March 1, 2012 the University issued revenue refunding bonds in the amount of \$32,145,000 (par value) through the Authority which were in part used to refund certain maturities of Series 1999 bonds. The issuance of Series 2012 bonds and refunding resulted in a \$2,725,000 reduction in Series 1999 bond obligations. As of June 30, 2013, \$3,126,117 including \$3,883 of unamortized bond discount remained outstanding on the 1999 Revenue Bonds.

Series 2007 Bonds

On December 20, 2007 the University issued revenue refunding bonds in the amount of \$47,580,000 (par value) through the Authority. The bonds are interest only through October 1, 2018; due on October 1, 2036; and are secured by un-appropriated gross revenues of the University. The 2007 bonds were being issued as "Additional Bonds" under the Indenture, secured equally and ratable with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. The 2007 Bonds are insured by MBIA Insurance Corporation. The University has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. The bonds were secured for the construction of a new student union, a swimming pool and a student wellness/recreation center.

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As of June 30, 2013, \$47,844,521 including \$264,521 of unamortized bond premium remained outstanding on the 2007 revenue bonds.

Series 2011 Energy Efficiency Bonds

The University entered into a Guaranteed Energy Savings Agreement with Johnson Controls, Inc. in the amount of \$11,265,000. In connection with this agreement and to fund energy efficiency projects, energy efficiency revenue bonds were issued through the State of Delaware Sustainable Energy Utility, Inc. on August 1, 2011. The bonds are due September 15, 2032 and are limited obligations of the University, payable only from amounts appropriated by the State that are eligible for payment of the Installment Payments pursuant to the Energy Performance Contracting Act. The 2011 bonds are equally and ratably secured by the trust estate, and failure of the State to appropriate each year sufficient available funds will cause insufficient funds to be deposited into the bond fund to pay all principal and interest on the bonds when due. Johnson Controls, Inc. guaranteed that the savings achieved will be sufficient to cover the financing cost associated with the bond, upon completion of the energy upgrades to various buildings and systems throughout the University. In the event that the savings are not realized, Johnson Controls, Inc. will be responsible for the amount of that deficiency. As of June 30, 2013, \$12,088,250 including \$823,250 of unamortized bond premium remained outstanding on the 2011 energy efficiency bonds.

Series 2012 Bonds

On March 1, 2012 the University issued revenue refunding bonds in the amount of \$32,145,000 (par value) through the Delaware Economic Development Authority. The bonds are due October 1, 2036 and are secured by a pledge of certain un-appropriated revenues of the University. The 2012 bonds were issued as "Additional Bonds" under the Indenture, secured equally and ratably with all other Bonds issued and outstanding under the Indenture and any Alternative Indebtedness as provided in the Indenture and in the Loan Agreement. The University has pledged all operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding. The proceeds of the 2012 bonds were used to finance: (1) the refunding of certain maturities of The Delaware Economic Development Authority Revenue Refunding Bonds (Delaware State University Project) Series 1999; (2) the purchase of the University Village, a four building, 628 bed student housing facility and dining hall located on the campus of the University, the construction of which was financed by the Kent County, Delaware Variable Rate Demand Student Housing Revenue Bonds (Delaware State University Student Housing Foundation Project) Series 2004B; (3) the funding of any required reserve funds relating to the 2012 Bonds; and (4) the costs of issuance and any credit enhancement of the 2012 Bonds. As of June 30, 2013 \$32,739,068 including \$1,774,068 of unamortized bond premium remained outstanding on the 2012 revenue bonds.

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Notes To Financial Statements
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Remaining Maturities

Remaining maturities and interest due relating to the University's revenue bonds at June 30, 2013, follows:

Fiscal year	Principal Amount	Interest Amount	Total
2014	\$ 1,640,000	\$ 4,101,172	\$ 5,741,172
2015	2,030,000	4,054,210	6,084,210
2016	2,100,000	3,980,968	6,080,968
2017	2,230,000	3,885,993	6,115,993
2018	2,370,000	3,777,706	6,147,706
2019 – 2023	14,505,000	17,360,940	31,865,940
2024 – 2028	17,955,000	13,925,439	31,880,439
2029 – 2033	22,480,000	9,528,043	32,008,043
2034 – 2038	20,980,000	4,183,500	25,163,500
2039 – 2042	6,650,000	452,250	7,102,250
Total	92,940,000	\$ 65,250,221	\$ 158,190,221
Plus unamortized bond premiums and discount	2,857,956		
Total	\$ 95,797,956		

Delaware State University Student Housing Foundation

The Housing Foundation refinanced its Series 2000A and 2002A Bonds (the Prior Bonds) with a loan payable in an aggregate amount of \$18,420,000 funded with proceeds from the issuance of student housing revenue bonds, Series 2004A (Delaware State University Student Housing Foundation Project). Pursuant to the trust indenture dated January 1, 2004, the proceeds from the sale of the Series 2004A Bonds are restricted to refunding the Prior Bonds, to fund a debt service reserve fund for the Series 2004A Bonds, to fund an operating reserve fund for the Series 2004A Bonds, and to pay a portion of the costs of issuance of the Series 2004A Bonds. Effective February 21, 2004 the Housing Foundation defeased the tax-exempt series 2000A and the tax exempt series 2002A term bonds at face value. The liability of the Housing Foundation under the loan agreements is limited to the value of the building and improvements, pledged revenues and amounts deposited with the trustee. The first monthly interest payment on the Series 2004A Bonds began on July 1, 2004. Total accrued interest as of June 30, 2013 and 2012, was \$380,580 and \$388,072, respectively.

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Interest rates and remaining principal and interest of the Housing Foundation's 2004A revenue bonds follows:

Fiscal year	Interest Rate	Principal Amount	Interest amount	Total
2014	4.00 %	\$ 420,000	\$ 752,759	\$ 1,172,759
2015	4.00 %	435,000	735,659	1,170,659
2016	4.20 %	455,000	717,404	1,172,404
2017	4.30 %	475,000	697,636	1,172,636
2018	4.40 %	495,000	676,534	1,171,534
2019 – 2023	4.50-5.00%	2,840,000	2,998,556	5,838,556
2024 – 2028	5.00 %	3,615,000	2,196,969	5,811,969
2029 – 2033	5.00-5.125%	4,610,000	1,171,150	5,781,150
2039 – 2042	5.125%	<u>2,195,000</u>	<u>113,903</u>	<u>2,308,903</u>
Total		15,540,000	<u>\$ 10,060,569</u>	<u>\$ 25,600,569</u>
Less: unamortized bond premiums and discount				
Total 2004A revenues bonds		<u>(259,135)</u>		<u>\$ 15,280,865</u>

Equipment Under Capital Lease and Lease Commitments

The University had entered into capital leases for certain telephone and electronic equipment with Siemens Financial Services. The economic substance of the leases is that the University is financing the acquisition of the assets through the leases and accordingly, they are recorded in the University's statement of net position.

In 2007, the University entered into certain capital leases with Bank of America Leasing & Capital LLC, in the amount of \$249,513, for the purchase of new fleet vehicles. The economic substance of the leases is that University is financing the acquisition of the assets through the leases and accordingly, they are recorded in the University's assets and liabilities.

The University also entered into a capital lease agreement with Commerce Commercial Leasing LLC, in the amount of \$250,000, for two aircrafts. The economic substance of the lease is that the University is financing the acquisition of the assets through the leases and accordingly, they are recorded in the University's assets and liabilities.

All of the above lease obligations were fully extinguished during fiscal year 2012.

7. PENSION PLAN AND OTHER POST-RETIREMENT BENEFITS

University 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 \$9,121,263 and \$8,106,524 for 2013 and 2012, respectively, were included in the accompanying financial statements.

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Certain significant plan provisions follow:

Early retirement:

- 15 years with service - age of 55 (benefits are reduced by 0.2% each month under age 60)
- 25 years of service - any age (reduce by 0.2%, 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. ENDOWMENT SPENDING POLICY

The Advancement Foundation's Board chooses to spend only a portion of the investment returns each year. Under the policy established by the Board, five percent of the three-year average fair value of endowment investments at March 31 was authorized for expenditure. The remaining amount, if any, is retained for use in future years when the amount computed using the spending rate policy exceeds the investment return. The authorized level of expenditures for the years ended June 30, 2013 and 2012 were \$508,347 and \$447,540, respectively.

9. RELATED PARTY TRANSACTIONS

Affiliate Transactions

In an arrangement with the University's component units, the Housing Foundation and Advancement 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 consisted of the following as of the end of the respective fiscal years:

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	<u>2013</u>	<u>2012</u>
Due from Affiliate:		
Delaware State University	\$ 68,466	\$ 83,727
Housing Foundation	3,443,393	2,682,098
Advancement Foundation	12,512	26,690
Total	<u>\$ 3,524,371</u>	<u>\$ 2,792,515</u>
Due to Affiliate:		
Delaware State University	\$ 3,455,905	\$ 2,708,788
Advancement Foundation	68,466	83,727
Total	<u>\$ 3,524,371</u>	<u>\$ 2,792,515</u>

Ground Lease

On February 1, 2002, Phase I and II of the Housing Foundation (Phase I and II lessee) and the University (lessor) entered into an amendment of the original ground lease dated September 1, 2000. Pursuant to the amended ground lease the term expiration date was changed from August 31, 2035 to October 1, 2038. The Phase I and II ground lease agreement also requires the utilization of the Project by students and faculty of Delaware State University for a minimum of 38 years.

10. CONTINGENCIES AND COMMITMENTS

In the normal course of its activities, the University 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, other than the item below, the University's management is of the opinion that the outcome thereof will not have a material effect on the accompanying financial statements.

During fiscal year 2009, the University remitted \$713,661 to the U.S. Department of Education (DOE) in connection with a program review. On December 17, 2009, the University was informed by the DOE that certain additional matters relating to its program review could result in a probable future settlement of approximately \$750,000, which the University accrued. A final program review determination letter from the DOE dated December 6, 2011 was received by the University's finance office on December 22, 2011. This letter detailed DOE's consideration of the matters relating to the program review and the University's responses thereto and, asserted a liability of \$3,816,476. The University disputed those findings and related assessment and, exercised its rights under the DOE's appeal process. On September 20, 2012, the University entered into an agreement effectively settling the disputed liability in the amount of \$1,007,363. The liability is payable over the period of five years beginning October 1, 2012. At June 30, 2013 the balance was \$907,363.

Student financial aid grants and loans, federal awards for research and development and other activities, and cost-reimbursable contracts specify the types of expenses for which the grant or contract funds may be used. Expenses made by the University under these sponsored activities are subject to audit. To date, other than the above, the University has not been notified by any of its granting agencies of any significant unallowable costs or other noncompliance relating to its federal awards.

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Significant sources of funding for the University are the appropriations that are provided from the State of Delaware. For the years ended June 30, 2013 and 2012, noncapital appropriations to the University were \$33,942,859 and \$32,677,597, and capital appropriations were \$3,000,000 and \$13,500,000, respectively. Given the subsidized tuition of in-state students and the estimated collectability that the University has from its student population, the University is dependent upon these State appropriations, and other support and services from the State of Delaware.

11. SUBSEQUENT EVENTS

The University and its component units evaluated their June 30, 2013 financial statements for subsequent events through September 30, 2013, the date the financial statements were available to be issued. Based on such evaluation, other than the matter referred to below, management determined that there were no subsequent event's that met the criteria for accrual or disclosure to the accompanying financial statements.

The University entered into a \$12 million, 15-year lease agreement with the owners of a local hotel with an option to buy any time after the second year. The lease on the 153 room facility, located a quarter-mile north of the campus, began on July 28, 2013 and will provide additional residential space for students as existing residential halls on campus are renovated and upgraded.