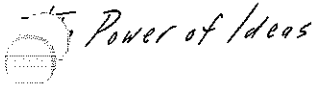


**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2005 AND 2004
&
INDEPENDENT AUDITORS' REPORT
&
SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Fund for West Chester University of Pennsylvania and Subsidiary
West Chester, Pennsylvania

We have audited the accompanying consolidated statement of financial position of The Fund for West Chester University of Pennsylvania and Subsidiary, a nonprofit organization, as of June 30, 2005 and 2004, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Fund for West Chester University of Pennsylvania and Subsidiary as of June 30, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 23 through 28 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Parente Randolph, LLC

Philadelphia, Pennsylvania
August 17, 2005

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004**

	2005	2004
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS (Restricted - \$4,631,356 in 2005 and \$22,587,566 in 2004)	\$ 5,605,827	\$ 23,132,304
ACCOUNTS RECEIVABLE (Net of allowance for uncollectible accounts of \$44,437 in 2005)	34,550	-
PLEDGES RECEIVABLE (Net of allowance for uncollectible pledges of \$67,760 in 2005 and \$86,087 in 2004)	1,260,137	1,412,044
CONSTRUCTION IN PROGRESS	-	26,967,378
PROPERTY AND EQUIPMENT (Net of accumulated depreciation of \$831,169 in 2005)	37,953,424	-
BOND COSTS (Net of accumulated amortization of \$53,505 in 2005 and \$25,590 in 2004)	839,804	867,719
OTHER ASSETS	-	9,933
SPLIT-INTEREST AGREEMENTS	<u>1,426,907</u>	<u>320,062</u>
TOTAL	<u>\$ 47,120,649</u>	<u>\$ 52,709,440</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 582,974	\$ 7,925,816
Other accrued liabilities	321,842	221,642
Bonds payable	42,305,000	42,305,000
Interest rate swap liability	538,198	524,701
Due to West Chester University	<u>501,771</u>	<u>409,674</u>
Total liabilities	<u>44,249,785</u>	<u>51,386,833</u>
NET ASSETS:		
Unrestricted	(533,753)	(529,135)
Temporarily restricted	2,874,525	1,790,695
Permanently restricted	<u>530,092</u>	<u>61,047</u>
Total net assets	<u>2,870,864</u>	<u>1,322,607</u>
TOTAL	<u>\$ 47,120,649</u>	<u>\$ 52,709,440</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE:				
Public support:				
Contributions	\$ 157,942	\$3,864,494	\$469,045	\$4,491,481
Contributions, noncash	<u>1,276,628</u>	<u>793,393</u>	<u>-</u>	<u>2,070,021</u>
Total public support	<u>1,434,570</u>	<u>4,657,887</u>	<u>469,045</u>	<u>6,561,502</u>
Revenue:				4,443,684
Rental	4,443,684		-	228,830
Investment income	210,583	18,247	-	-
Net assets released from restriction	<u>3,612,762</u>	<u>(3,612,762)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,267,029</u>	<u>(3,594,515)</u>	<u>-</u>	<u>4,672,514</u>
Total public support and revenue	<u>9,701,599</u>	<u>1,063,372</u>	<u>469,045</u>	<u>11,234,016</u>
DISTRIBUTIONS AND EXPENSES:				
Distributions to West Chester University	<u>3,612,762</u>	<u>-</u>	<u>-</u>	<u>3,612,762</u>
Total distributions	<u>3,612,762</u>	<u>-</u>	<u>-</u>	<u>3,612,762</u>
Expenses:				1,473,407
Other rental operating	1,473,407	-	-	1,210,276
Salaries and benefits	1,210,276	-	-	33,460
Advertising/marketing	33,460	-	-	27,915
Amortization of bond costs	27,915	-	-	543,440
Bank fees	543,440	-	-	137,806
Consulting/professional services	137,806	-	-	831,169
Depreciation	831,169	-	-	4,147
Dues and subscriptions	4,147	-	-	39,737
Food	39,737	-	-	80,711
Insurance	80,711	-	-	1,152,840
Interest	1,152,840	-	-	47,002
Legal	47,002	-	-	22,000
Audit	22,000	-	-	155,229
Management fee	155,229	-	-	11,972
Fundraising	11,972	-	-	114,000
Contributions	114,000	-	-	34,336
Miscellaneous	34,336	-	-	56,457
Postage	56,457	-	-	37,810
Printing	37,810	-	-	7,075
Equipment	7,075	500	-	35,991
Supplies	35,491	-	-	6,296
Telephone	6,296	-	-	-
Change in net present value of split-interest agreements	-	(20,958)	-	(20,958)
Change in fair value of interest rate swap liability	13,497	-	-	13,497
Travel	<u>17,382</u>	<u>-</u>	<u>-</u>	<u>17,382</u>
Total expenses	<u>6,093,455</u>	<u>(20,458)</u>	<u>-</u>	<u>6,072,997</u>
Total distributions and expenses	<u>9,706,217</u>	<u>(20,458)</u>	<u>-</u>	<u>9,685,759</u>
CHANGE IN NET ASSETS	(4,618)	1,083,830	469,045	1,548,257
NET ASSETS, BEGINNING	<u>(529,135)</u>	<u>1,790,695</u>	<u>61,047</u>	<u>1,322,607</u>
NET ASSETS, END OF YEAR	<u>\$ (533,753)</u>	<u>\$2,874,525</u>	<u>\$530,092</u>	<u>\$2,870,864</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE:				
Public support:				
Contributions	\$ 205,555	\$3,235,822	\$ 61,047	\$3,502,424
Contributions, noncash	<u>1,204,726</u>	<u>502,409</u>	<u>-</u>	<u>1,707,135</u>
Total public support	<u>1,410,281</u>	<u>3,738,231</u>	<u>61,047</u>	<u>5,209,559</u>
Revenue:				
Investment income	7,717	5,891	-	13,608
Net assets released from restriction	<u>3,209,053</u>	<u>(3,209,053)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,216,770</u>	<u>(3,203,162)</u>	<u>-</u>	<u>13,608</u>
Total public support and revenue	<u>4,627,051</u>	<u>535,069</u>	<u>61,047</u>	<u>5,223,167</u>
DISTRIBUTIONS AND EXPENSES:				
Distributions to West Chester University	<u>3,209,053</u>	<u>-</u>	<u>-</u>	<u>3,209,053</u>
Total distributions	<u>3,209,053</u>	<u>-</u>	<u>-</u>	<u>3,209,053</u>
Expenses:				
Salaries and benefits	1,045,033	-	-	1,045,033
Advertising/marketing	954	-	-	954
Amortization of bond costs	25,590	-	-	25,590
Bank fees	2,972	-	-	2,972
Consulting/professional services	92,074	-	-	92,074
Dues and subscriptions	1,627	-	-	1,627
Food	29,598	-	-	29,598
Insurance	4,755	-	-	4,755
Legal	27,816	-	-	27,816
Audit	8,060	-	-	8,060
Management fee	139,647	-	-	139,647
Fundraising	19,530	-	-	19,530
Alumni Services	8,050	-	-	8,050
Contributions	5,000	-	-	5,000
Miscellaneous	8,571	-	-	8,571
Postage	22,593	-	-	22,593
Printing	55,505	-	-	55,505
Equipment	3,673	-	-	3,673
Supplies	12,425	-	-	12,425
Telephone	9,682	-	-	9,682
Change in net present value of split-interest agreements	-	16,439	-	16,439
Change in fair value of interest rate swap liability	524,701	-	-	524,701
Travel	<u>19,127</u>	<u>-</u>	<u>-</u>	<u>19,127</u>
Total expenses	<u>2,066,983</u>	<u>16,439</u>	<u>-</u>	<u>2,083,422</u>
Total distributions and expenses	<u>5,276,036</u>	<u>16,439</u>	<u>-</u>	<u>5,292,475</u>
CHANGE IN NET ASSETS	(648,985)	518,630	61,047	(69,308)
NET ASSETS, BEGINNING OF YEAR	<u>119,850</u>	<u>1,272,065</u>	<u>-</u>	<u>1,391,915</u>
NET ASSETS, END OF YEAR	<u>\$ (529,135)</u>	<u>\$ 1,790,695</u>	<u>\$ 61,047</u>	<u>\$ 1,322,607</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,548,257	\$ (69,308)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	831,169	-
Amortization of bond costs	27,915	25,590
Increase in interest rate swap liability	13,497	524,701
Decrease (increase) in pledges receivable	151,907	(440,521)
Increase in accounts receivable	(34,550)	
Decrease (increase) in other assets	9,933	(9,933)
Increase in split-interest agreements	(1,106,845)	(145,688)
Decrease in accounts payable	(7,342,842)	(33,601)
Increase in other accrued liabilities	100,200	174,773
Increase in due to West Chester University	<u>92,097</u>	<u>344,674</u>
Net cash (used in) provided by operating activities	<u>(5,709,262)</u>	<u>370,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,817,215)	-
Construction in progress	<u>-</u>	<u>(18,740,184)</u>
Net cash used in investing activities	<u>(11,817,215)</u>	<u>(18,740,184)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond issuance	-	42,305,000
Bond costs	<u>-</u>	<u>(893,309)</u>
Net cash provided by financing activities	<u>-</u>	<u>41,411,691</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,526,477)	23,042,194
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,132,304</u>	<u>90,110</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,605,827</u>	<u>\$23,132,304</u>
SUPPLEMENTAL INFORMATION:		
Interest paid (net of capitalized interest of \$346,549 in 2005 and \$738,376 in 2004)	<u>\$ 1,152,840</u>	<u>\$ -</u>
Construction in progress in accounts payable	<u>\$ -</u>	<u>\$ 7,919,816</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. NATURE OF OPERATIONS AND
BASIS OF PRESENTATION**

The Fund for West Chester University of Pennsylvania (the "Fund") was formed to promote the charitable, scientific and educational interest of West Chester University (the "University"). The Fund achieves this by soliciting funds and other property in accordance with policies established by the University.

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly-owned subsidiary, University Student Housing, LLC ("USH"), a Pennsylvania limited liability company formed to construct, operate and manage student housing facilities for the benefit of the University. All material intercompany transactions and balances have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated financial statements of the Fund have been prepared on the accrual basis of accounting.

BASIS OF FINANCIAL REPORTING

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Fund is required to report information regarding its financial position and activities according to three classes of net assets according to donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the net asset classifications follows:

Unrestricted Net Assets include assets that are available for the support of operations and whose use is not externally restricted.

Temporarily Restricted Net Assets include gifts and accumulated earnings for which donor-imposed restrictions, primarily either the passage of time or occurrence of the specific purpose, have not yet been met.

Permanently Restricted Net Assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income may be made available for operations.

CONTRIBUTIONS

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, contributions with donor restrictions are required to be reported as either temporarily or permanently restricted support. Temporarily restricted assets are reclassified to unrestricted net assets upon satisfaction of applicable purpose or time restrictions.

INCOME TAXES

The Fund and USH, as publicly supported nonprofit organizations, are exempt from federal income tax under Code Section 501(c)(3) of the Internal Revenue Code.

CASH AND CASH EQUIVALENTS

The Fund considers all short-term highly liquid instruments with an original maturity of three months or less to be cash equivalents. At various times, these amounts could exceed federally insured limits.

Cash and cash equivalents of \$4,631,356 and \$22,587,566 as of June 30, 2005 and 2004, respectively, are restricted for the construction and operation of student housing facilities and repayment of the Series 2003 Bonds (see Notes 3 and 7).

PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Management has provided for an allowance for uncollectible pledges receivable based upon a periodic review of individual pledges.

SPLIT-INTEREST AGREEMENTS

The Fund's split-interest agreements with donors consist of charitable gift annuities, charitable remainder unitrusts, and a charitable lead annuity trust. Assets are invested and distributions are made to beneficiaries in accordance with the terms and conditions of their respective agreements.

Contribution revenue for charitable gift annuities is recognized at the date the agreement is established, net of the liability for the present value of the estimated future payments. Contribution revenue for charitable remainder trusts is recognized upon establishment of the agreement, at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

The present value of payments to beneficiaries of charitable gift annuities and the estimated future receipts from charitable remainder trusts are calculated using discount rates which represent the risk-free rates in existence at the date of the gift and current market rates, as applicable. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset category in the consolidated statement of activities and changes in net assets.

The present value of estimated future receipts from the charitable lead annuity trust is calculated using a discount rate which represents the risk-free rate in existence at the date of the gift. Accretions of the discount are recorded as increases in net assets in the consolidated statement of activities and changes in net assets.

The liability to donors and beneficiaries under terms of the agreements included in other liabilities was \$141,365 at June 30, 2005 and \$133,235 at June 30, 2004.

Split-interest agreements at June 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
Charitable gift annuities	\$ 281,549	\$255,144
Beneficial interest in charitable remainder unitrusts	82,241	64,918
Charitable lead annuity trust	<u>1,063,117</u>	<u>-</u>
Total	<u>\$1,426,907</u>	<u>\$320,062</u>

THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PROPERTY AND EQUIPMENT

Additions of property and equipment in excess of \$1,000 are capitalized at cost when purchased. Depreciation of buildings and equipment is provided on the straight-line method over the estimated useful life of the assets. The estimated useful lives for buildings is 27.5 years, furniture and fixtures is 5 years and machinery and equipment is 7 years. Depreciation expense was \$831,169 in 2005 and \$-0- in 2004.

CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2004 consisted of the cost of student housing facilities and furnishings under construction (Note 6).

BOND COSTS

Bond costs, related to the issuance of the Series 2003 Bonds, are being amortized on a straight-line basis over the estimated term of the bonds (32 years). Revisions of the amortization period will be made as bonds are redeemed prior to maturity. Amortization expense was \$27,915 and \$25,590 for the years ended June 30, 2005 and 2004, respectively.

DERIVATIVE FINANCIAL INSTRUMENT

The Fund has entered into an interest rate swap agreement, which is considered a derivative financial instrument, to manage interest rate exposure on the Series 2003 Bonds payable. The interest rate swap agreement is reported at fair value in the statement of financial position, and related changes in fair value are reported currently in the statement of activities.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain 2004 amounts have been reclassified to conform to the 2005 financial statement presentation.

3. RESTRICTED CASH

Restricted cash consists of funds established pursuant to the terms of the Trust Indenture Agreement entered into upon the issuance of the Series of 2003 Bonds (Note 7):

	<u>2005</u>	<u>2004</u>
Debt service reserve fund	\$2,953,269	\$ 2,951,279
East Bradford escrow	396,528	1,119,719
Property management account	245,480	-
Surplus fund	191,567	-
Replacement fund	139,806	-
Construction account	139,077	17,401,963
Prepaid revenue	135,193	-
Administrative fees	125,551	-
Subordinated expense account	118,222	-
Collected rent revenue	93,288	87,618
General account of the bond fund	61,130	-
System fee account	21,109	-
Rent expense account	10,674	-
Current revenue	462	-
Capitalized interest account	-	701,326
Capitalized letter of credit account	-	285,978
Capitalized remarketing fee account	-	<u>39,683</u>
Total	<u>\$4,631,356</u>	<u>\$22,587,566</u>

The following is a brief description of the restricted funds:

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

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

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

THE FUND FOR WEST CHESTER UNIVERSITY
PENNSYLVANIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

The subordinated expense account is used to pay the subordinated management fee related to the property management agreement (Note 9). Funds are also used to pay borrower's expenses which include payroll, overhead, professional fees, and administration costs incurred in association with the student housing project.

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

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

The system fee account is used to pay the Pennsylvania State System of Higher Education fee related to the ground lease expense (see Note 9).

The rent expense account is used to pay the base rent of the ground lease (see Note 9).

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

4. ACCOUNTS RECEIVABLE

USH's accounts receivable are substantially from rent related to the student housing facilities. Management has provided for an allowance for doubtful accounts based upon a percentage of aged receivables and revenue. The allowance for doubtful accounts was \$44,437 and \$-0- at June 30, 2005 and 2004, respectively.

5. PLEDGES RECEIVABLE

As of June 30, 2005 and 2004, pledges receivable consisted of the following:

	<u>2005</u>	<u>2004</u>
Pledges receivable, Campaign for Excellence	\$1,370,445	\$1,547,112
Discount to net present value	(42,548)	(48,981)
Allowance for uncollectible pledges	<u>(67,760)</u>	<u>(86,087)</u>
Total pledges receivable, net	<u>\$1,260,137</u>	<u>\$1,412,044</u>

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

	<u>2005</u>	<u>2004</u>
Due in less than one year	\$ 600,547	\$ 656,106
Due in one to five years	658,525	754,770
Due in more than five years	<u>1,065</u>	<u>1,168</u>
Total	<u>\$1,260,137</u>	<u>\$1,412,044</u>

6. PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

	<u>2005</u>	<u>2004</u>
Buildings	\$37,244,125	\$ -
Furniture and fixtures	1,538,947	-
Machinery and equipment	1,521	-
Construction in progress	<u>-</u>	<u>26,967,378</u>
Total	38,784,593	26,967,378
Less accumulated depreciation	<u>831,169</u>	<u>-</u>
Property and equipment, net	<u>\$37,953,424</u>	<u>\$26,967,378</u>

During the year ended June 30, 2005, the construction of student housing facilities was completed and construction costs of approximately \$36,000,000 were transferred to buildings. Total interest capitalized related to this project was \$346,549 and \$738,376, net of interest income of \$72,079 and \$417,698 during the years ended June 30, 2005 and 2004, respectively.

7. BONDS PAYABLE

On August 1, 2003, USH entered into a loan agreement with Chester County Industrial Development Authority ("CCIDA"), in which CCIDA lent the proceeds of a \$42,305,000 Series 2003 Student Housing Revenue Bonds to USH for the construction of student housing facilities (the "Project"); funding of capitalized interest and other bond-issuance related costs; and funding a debt service reserve fund. Among other matters, the loan agreement contains a provision that, commencing October 2004, USH charges rental rates such that Income Available for Debt Service equals or exceeds 120% of the Debt Service Requirement, as those terms are defined in the loan agreement.

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

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

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

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

In connection with the above-described transaction, USH, on August 19, 2003, as amended January 31, 2005, entered into a credit and security agreement (the "facility agreement") with Citizens Bank (the Bank), a major financial institution, expiring in August 2008, for the purpose of providing credit/liquidity support to USH by issuing a direct pay letter-of-credit in favor of the Trustee. The Project, along with related furnishings and future revenues, are pledged as collateral for this facility.

The facility agreement contains various affirmative and negative covenants, the most significant of which are USH maintaining a fixed charge coverage ratio, as defined in the facility agreement, of 1:20:1.0; and meeting an occupancy rate requirement of at least 90%, tested twice during the school year.

USH has entered into an interest rate swap agreement with the Bank pursuant to which the Bank, as counterparty to USH, agrees to make payments to USH at a variable rate, based on the 7 Day Bond Market Association Swap Index Rate, in exchange for payments by USH at a fixed annual rate of 3.4% for five years, based on the notional amount equal to the principal amount of the bonds during the five-year period.

THE FUND FOR WEST CHESTER UNIVERSITY
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The swap was issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to its fair value at June 30, 2005 and 2004, which because of changes in the variable rate described above resulted in a liability for the fair value of the future net payments forecasted under the swap (Note 10).

Annual scheduled principal payments, based on provisions outlined in the facility agreement, are as follows as of June 30, 2005:

	\$	-
2006		180,000
2007		235,000
2008		305,000
2009		<u>41,585,000</u>
Thereafter		
Total		<u>\$42,305,000</u>

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

8. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2005 and 2004, temporarily restricted net assets primarily arise from time restrictions.

Net assets of \$3,612,762 and \$3,209,053 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors during the years ended June 30, 2005 and 2004, respectively.

9. COMMITMENTS

GROUND LEASE

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

The agreement calls for annual base rent, commencing August 2004, of \$50,000, with annual increases of 3%. Additionally, the lease agreement calls for payments of percentage rent, based on excess cash flows as defined in the agreement, and a system fee payment based on revenues, as defined in the agreement.

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

At June 30, 2005, future aggregate minimum lease payments due under the lease are as follows:

YEAR ENDING JUNE 30

2006	\$ 51,500
2007	53,045
2008	54,637
2009	56,276
2010	57,964
Thereafter	<u>2,187,129</u>
Total	<u>\$2,460,551</u>

Rent expense totaled \$94,016 for 2005.

PROPERTY MANAGEMENT AGREEMENT

In August 2003, USH entered into a property management agreement with an unrelated third party to manage, operate and maintain the student housing facilities, commencing in August 2005. The agreement is for one year and automatically renews for an additional one-year term unless terminated by either party. USH is to pay a management fee equal to 3.5% of gross revenue, as that term is defined in the agreement, and a subordinated management fee equal to 1.5% of gross revenue. The management fee was \$155,229 for 2005. For the 2005 fiscal year, the subordinated management fee was waived by the third-party property manager.

THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY
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SERVICE AGREEMENT

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

YEAR ENDING JUNE 30

2006	\$ 254,872
2007	262,517
2008	269,569
2009	278,430
2010	<u>23,265</u>
Total	<u>\$1,088,653</u>

Service agreement expense totaled \$221,809 for 2005.

CONTRIBUTION

In prior years, the Fund pledged to contribute \$250,000 to the University's National Endowment for the Humanities challenge grant. The unpaid portion of this pledge at June 30, 2005 and 2004 is as follows:

October 2005	\$100,000
October 2006	<u>50,000</u>
Total	<u>\$150,000</u>

Contributions to the University totaled \$114,000 in 2005 and \$5,000 in 2004.

10. INTEREST RATE SWAP

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

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

Management believes that losses related to credit risk are remote. The net cash paid or received under the swap agreement is recognized as an adjustment to interest expense.

At June 30, 2005 USH had the following interest rate swap in effect:

Notional amount	\$42,305,000
Strike rate	3.4%
Period	August 2003 – August 2008

The fair value of the swap agreement is estimated to be the amount that USH would pay to terminate the swap agreement at the reporting date and was based on information supplied by the Bank. USH estimates that it would have paid \$538,198 and \$524,701 to terminate the swap agreement at June 30, 2005 and 2004.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and estimated fair value of the Fund's financial instruments at June 30, 2005 and 2004 are as follows:

2005.....	2004.....	
	<u>CARRYING</u> <u>AMOUNT</u>	<u>FAIR</u> <u>VALUE</u>	<u>CARRYING</u> <u>AMOUNT</u>	<u>FAIR</u> <u>VALUE</u>
Cash and cash equivalents	\$5,605,827	\$5,605,827	\$23,132,304	\$23,132,304
Accounts receivable, net	34,550	34,550	-	-
Pledges receivable, net	1,260,137	1,260,137	1,412,044	1,412,044
Split-interest agreements	1,426,907	1,426,907	320,062	320,062
Accounts payable and other accrued liabilities	904,816	904,816	8,147,458	8,147,468
Bonds payable	42,305,000	42,305,000	42,305,000	42,305,000
Interest rate swap payable	538,198	538,198	524,701	524,701
Due to West Chester University	501,771	-	409,674	-

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those financial instruments. The pledges receivable approximate fair value based on current present value.

The bonds payable approximates fair value as a result of the variable interest rate feature of the bonds payable. The interest rate swap payable fair value is as disclosed in Note 10.

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

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

12. FUNCTIONAL EXPENSES

Expenses have been allocated by functional classification as follows for 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Program services	\$5,676,557	\$1,916,067
Management and general	<u>396,440</u>	<u>167,355</u>
Total	<u>\$6,072,997</u>	<u>\$2,083,422</u>

13. RELATED PARTY TRANSACTIONS

The Fund and USH receive contributions and advances from the University. The Fund and USH recorded donated revenue in the amount of \$1,177,082 and \$99,546 in 2005 and \$1,066,232 and \$138,494 in 2004, respectively, primarily related to payment of operational and administrative expenses.

The amount due the University at June 30, 2005 and 2004 of \$501,771 and \$409,674, represents advances received primarily for the student housing facilities.

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

During fiscal years 2005 and 2004, the Fund received noncash gifts in the amounts of \$793,393 and \$502,409, respectively. These gifts were in the form of certain services (primarily printing), equipment and artwork donated to the Fund. The donated equipment and artwork were transferred to the University during the year.

During 2005, the University paid certain operating expenses that were reimbursed by USH; these expenses totaled \$448,087.

14. CONCENTRATIONS OF RISK

The Fund and USH maintain its cash accounts with two financial institutions. Generally, the amounts in such accounts exceed federally insured limits. Management believes the risk of loss related to these accounts is remote.

15. OTHER RENTAL OPERATING EXPENSES

Other rental operating expenses consist of expenses incurred related to operations of the student housing facilities in the year ended June 30, 2005 as follows:

Utilities	\$ 428,614
Property management payroll	316,011
Temporary housing	202,632
Common area	122,681
Ground lease	94,016
Public safety	63,436
Grounds and landscaping	47,587
Bad debt	44,438
Office	40,873
Campus shuttle	37,125
Maintenance and repair	35,694
Waste management	20,871
Telecommunications	11,000
Laundry	<u>8,429</u>
Total	<u>\$1,473,407</u>

16. SUBSEQUENT EVENT

OFFICE LEASE

In July 2005, the Fund entered into a lease agreement with the University whereby the University is to rent, effective July 2005, certain office space to the Fund. The agreement, expiring in June 2007, may be renewed in writing for three additional terms of one year each. The Fund is to pay annual rent of \$24,000.

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005**

	FUND FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA	UNIVERSITY STUDENT HOUSING, LLC	ELIMINATING/ RECLASS ENTRIES	TOTAL
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS (restricted \$4,631,356)	\$ 950,294	\$ 4,655,533		\$ 5,605,827
ACCOUNTS RECEIVABLE (Net of allowance for uncollectible accounts of \$44,437)	-	34,550		34,550
PLEDGES RECEIVABLE (Net of allowance of \$67,760)	1,260,137	-		1,260,137
PROPERTY AND EQUIPMENT (Net of accumulated depreciation of \$831,169)	-	37,953,424		37,953,424
BOND COSTS (Net of amortization of \$53,505)	-	839,804		839,804
DUE FROM WEST CHESTER UNIVERSITY	30,382	-	\$(30,382)	-
DUE FROM UNIVERSITY STUDENT HOUSING	5,131		(5,131)	-
SPLIT-INTEREST AGREEMENTS	<u>1,426,907</u>	<u>-</u>	<u>-</u>	<u>1,426,907</u>
TOTAL	<u>\$ 3,672,851</u>	<u>\$ 43,483,311</u>	<u>\$(35,513)</u>	<u>\$ 47,120,649</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Accounts payable	\$ 11,629	\$ 571,345		\$ 582,974
Other accrued liabilities	141,365	180,477		321,842
Bonds payable	-	42,305,000		42,305,000
Interest rate swap liability	-	538,198		538,198
Due to West Chester University	-	532,153	\$(30,382)	501,771
Due to Fund for West Chester University	-	5,131	(5,131)	-
Total liabilities	<u>152,994</u>	<u>44,132,304</u>	<u>(35,513)</u>	<u>44,249,785</u>
NET ASSETS:				
Unrestricted	115,240	(648,993)		(533,753)
Temporarily restricted	2,874,525	-		2,874,525
Permanently restricted	<u>530,092</u>	<u>-</u>	<u>-</u>	<u>530,092</u>
Total net assets	<u>3,519,857</u>	<u>(648,993)</u>	<u>-</u>	<u>2,870,864</u>
TOTAL	<u>\$ 3,672,851</u>	<u>\$ 43,483,311</u>	<u>\$(35,513)</u>	<u>\$ 47,120,649</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004**

	FUND FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA	UNIVERSITY STUDENT HOUSING, LLC	TOTAL
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS (restricted \$22,587,566)	\$ 436,983	\$ 22,695,321	\$ 23,132,304
PLEDGES RECEIVABLE (Net of allowance of \$86,087)	1,412,044		1,412,044
CONSTRUCTION IN PROGRESS	-	26,967,378	26,967,378
BOND COSTS (Net of amortization of \$25,590)	-	867,719	867,719
OTHER ASSETS	9,000	933	9,933
SPLIT-INTEREST AGREEMENTS	<u>320,062</u>	<u>-</u>	<u>320,062</u>
TOTAL	<u>\$ 2,178,089</u>	<u>\$ 50,531,351</u>	<u>\$ 52,709,440</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Accounts payable	\$ 6,000	\$ 7,919,816	\$ 7,925,816
Other accrued liabilities	133,235	88,407	221,642
Bonds payable	-	42,305,000	42,305,000
Interest rate swap liability	-	524,701	524,701
Due to West Chester University	-	<u>409,674</u>	<u>409,674</u>
Total liabilities	<u>139,235</u>	<u>51,247,598</u>	<u>51,386,833</u>
NET ASSETS:			
Unrestricted	187,112	(716,247)	(529,135)
Temporarily restricted	1,790,695	-	1,790,695
Permanently restricted	<u>61,047</u>	<u>-</u>	<u>61,047</u>
Total net assets	<u>2,038,854</u>	<u>(716,247)</u>	<u>1,322,607</u>
TOTAL	<u>\$ 2,178,089</u>	<u>\$ 50,531,351</u>	<u>\$ 52,709,440</u>

See Notes to Consolidated Financial Statements

THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	FUND FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA				UNIVERSITY STUDENT HOUSING, LLC			CONSOLIDATED			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE:											
Public Support:											
Contributions	\$ 157,942	\$3,864,494	\$469,045	\$4,491,481	\$ -	\$ -	\$ -	\$ 157,942	\$ 3,864,494	\$469,045	\$ 4,491,481
Contributions, noncash	<u>1,177,082</u>	<u>793,393</u>	-	<u>1,970,475</u>	<u>99,546</u>	-	<u>99,546</u>	<u>1,276,628</u>	<u>793,393</u>	-	<u>2,070,021</u>
Total public support	<u>1,335,024</u>	<u>4,657,887</u>	<u>469,045</u>	<u>6,461,956</u>	<u>99,546</u>	-	<u>99,546</u>	<u>1,434,570</u>	<u>4,657,887</u>	<u>469,045</u>	<u>6,561,502</u>
Revenue:											
Rental					4,443,684		4,443,684	4,443,684	-		4,443,684
Investment income	14,640	18,247	-	32,887	195,943	-	195,943	210,583	18,247	-	228,830
Net assets released from restriction	<u>3,612,762</u>	<u>(3,612,762)</u>	-	-	-	-	-	<u>3,612,762</u>	<u>(3,612,762)</u>	-	-
Total revenue	<u>3,627,402</u>	<u>(3,594,515)</u>	-	<u>32,887</u>	<u>4,639,627</u>	-	<u>4,639,627</u>	<u>8,267,029</u>	<u>(3,594,515)</u>	-	<u>4,672,514</u>
Total public support and revenue	<u>4,962,426</u>	<u>1,063,372</u>	<u>469,045</u>	<u>6,494,843</u>	<u>4,739,173</u>	-	<u>4,739,173</u>	<u>9,701,599</u>	<u>1,063,372</u>	<u>469,045</u>	<u>11,234,016</u>
DISTRIBUTIONS AND EXPENSES:											
Distributions:											
Distributions to West Chester University	<u>3,612,762</u>	-	-	<u>3,612,762</u>	-	-	-	<u>3,612,762</u>	-	-	<u>3,612,762</u>
Total distributions	<u>3,612,762</u>	-	-	<u>3,612,762</u>	-	-	-	<u>3,612,762</u>	-	-	<u>3,612,762</u>
Expenses:											
Other rental operating	-	-	-	-	1,473,407	-	1,473,407	1,473,407	-	-	1,473,407
Salaries and benefits	949,140	-	-	949,140	261,136	-	261,136	1,210,276	-	-	1,210,276
Advertising/marketing	6,786	-	-	6,786	26,674	-	26,674	33,460	-	-	33,460
Amortization of bond costs	-	-	-	-	27,915	-	27,915	27,915	-	-	27,915
Letter of credit/bank fees	98	-	-	98	543,342	-	543,342	543,440	-	-	543,440
Consulting/professional services	91,801	-	-	91,801	46,005	-	46,005	137,806	-	-	137,806
Depreciation	-	-	-	-	831,169	-	831,169	831,169	-	-	831,169
Dues and subscriptions	4,147	-	-	4,147	-	-	-	4,147	-	-	4,147
Food	39,737	-	-	39,737	-	-	-	39,737	-	-	39,737
Insurance	2,400	-	-	2,400	78,311	-	78,311	80,711	-	-	80,711
Interest	-	-	-	-	1,152,840	-	1,152,840	1,152,840	-	-	1,152,840
Legal	2,494	-	-	2,494	44,508	-	44,508	47,002	-	-	47,002
Audit	11,000	-	-	11,000	11,000	-	11,000	22,000	-	-	22,000
Management fee	-	-	-	-	155,229	-	155,229	155,229	-	-	155,229
Fundraising	11,972	-	-	11,972	-	-	-	11,972	-	-	11,972
Contributions	114,000	-	-	114,000	-	-	-	114,000	-	-	114,000
Miscellaneous	34,108	-	-	34,108	228	-	228	34,336	-	-	34,336
Postage	56,457	-	-	56,457	-	-	-	56,457	-	-	56,457
Printing	37,810	-	-	37,810	-	-	-	37,810	-	-	37,810
Equipment	7,075	-	-	7,075	-	-	-	7,075	-	-	7,075
Supplies	28,972	500	-	29,472	6,519	-	6,519	35,491	500	-	35,991
Telephone	6,296	-	-	6,296	-	-	-	6,296	-	-	6,296
Change in net present value of split-interest agreements	-	(20,958)	-	(20,958)	-	-	-	-	(20,958)	-	(20,958)
Change in fair value of interest rate swap liability	-	-	-	-	13,497	-	13,497	13,497	-	-	13,497
Travel	<u>17,243</u>	-	-	<u>17,243</u>	<u>138</u>	-	<u>138</u>	<u>17,382</u>	-	-	<u>17,382</u>
Total expenses	<u>1,421,536</u>	<u>(20,458)</u>	-	<u>1,401,078</u>	<u>4,671,919</u>	-	<u>4,671,919</u>	<u>6,093,455</u>	<u>(20,458)</u>	-	<u>6,072,997</u>
Total distributions and expenses	<u>5,034,298</u>	<u>(20,458)</u>	-	<u>5,013,840</u>	<u>4,671,919</u>	-	<u>4,671,919</u>	<u>9,706,217</u>	<u>(20,458)</u>	-	<u>9,685,759</u>
CHANGE IN NET ASSETS	(71,872)	1,083,830	469,045	1,481,003	67,254	-	67,254	(4,616)	1,083,830	469,045	1,548,257
NET ASSETS, Beginning of year	<u>187,112</u>	<u>1,790,695</u>	<u>61,047</u>	<u>2,038,854</u>	<u>(716,247)</u>	-	<u>(716,247)</u>	<u>(529,135)</u>	<u>1,790,695</u>	<u>61,047</u>	<u>1,322,607</u>
NET ASSETS, End of year	<u>\$ 115,240</u>	<u>\$2,874,525</u>	<u>\$530,092</u>	<u>\$3,519,857</u>	<u>\$(648,993)</u>	<u>\$ -</u>	<u>\$(648,993)</u>	<u>\$(533,753)</u>	<u>\$ 2,874,525</u>	<u>\$530,092</u>	<u>\$ 2,870,864</u>

See Notes to Consolidated Financial Statements

THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA A SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	FUND FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA				UNIVERSITY STUDENT HOUSING, LLC			CONSOLIDATED			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE:											
Public Support:											
Contributions	\$ 205,555	\$3,235,822	\$61,047	\$3,502,424	\$ -	\$ -	\$ -	\$ 205,555	\$3,235,822	\$ 61,047	\$ 3,502,424
Contributions, noncash	<u>1,066,232</u>	<u>502,409</u>	-	<u>1,568,641</u>	<u>138,494</u>	-	<u>138,494</u>	<u>1,204,726</u>	<u>502,409</u>	-	<u>1,707,135</u>
Total public support	<u>1,271,787</u>	<u>3,738,231</u>	<u>61,047</u>	<u>5,071,065</u>	<u>138,494</u>	-	<u>138,494</u>	<u>1,410,281</u>	<u>3,738,231</u>	<u>61,047</u>	<u>5,209,559</u>
Revenue:											
Investment income	7,717	5,891	-	13,608	-	-	-	7,717	5,891	-	13,608
Net assets released from restriction	<u>3,209,053</u>	<u>(3,209,053)</u>	-	-	-	-	-	<u>3,209,053</u>	<u>(3,209,053)</u>	-	-
Total revenue	<u>3,216,770</u>	<u>(3,203,162)</u>	-	<u>13,608</u>	-	-	-	<u>3,216,770</u>	<u>(3,203,162)</u>	-	<u>13,608</u>
Total public support and revenue	<u>4,488,557</u>	<u>535,069</u>	<u>61,047</u>	<u>5,084,673</u>	<u>138,494</u>	-	<u>138,494</u>	<u>4,627,051</u>	<u>535,069</u>	<u>61,047</u>	<u>5,223,167</u>
DISTRIBUTIONS AND EXPENSES,											
Distributions:											
Distributions to West Chester University	<u>3,209,053</u>	-	-	<u>3,209,053</u>	-	-	-	<u>3,209,053</u>	-	-	<u>3,209,053</u>
Total distributions	<u>3,209,053</u>	-	-	<u>3,209,053</u>	-	-	-	<u>3,209,053</u>	-	-	<u>3,209,053</u>
Expenses:											
Salaries and benefits	906,539	-	-	906,539	138,494	-	138,494	1,045,033	-	-	1,045,033
Advertising/marketing	954	-	-	954	-	-	-	954	-	-	954
Amortization of bond costs	-	-	-	-	25,590	-	25,590	25,590	-	-	25,590
Bank fees	2,972	-	-	2,972	-	-	-	2,972	-	-	2,972
Consulting/professional services	92,074	-	-	92,074	-	-	-	92,074	-	-	92,074
Dues and subscriptions	1,627	-	-	1,627	-	-	-	1,627	-	-	1,627
Food	29,598	-	-	29,598	-	-	-	29,598	-	-	29,598
Insurance	4,755	-	-	4,755	-	-	-	4,755	-	-	4,755
Legal	1,416	-	-	1,416	26,400	-	26,400	27,816	-	-	27,816
Audit	8,060	-	-	8,060	-	-	-	8,060	-	-	8,060
Management fee	-	-	-	-	139,647	-	139,647	139,647	-	-	139,647
Fundraising	19,530	-	-	19,530	-	-	-	19,530	-	-	19,530
Alumni Services	8,050	-	-	8,050	-	-	-	8,050	-	-	8,050
Contributions	5,000	-	-	5,000	-	-	-	5,000	-	-	5,000
Miscellaneous	8,571	-	-	8,571	-	-	-	8,571	-	-	8,571
Postage	22,593	-	-	22,593	-	-	-	22,593	-	-	22,593
Printing	55,505	-	-	55,505	-	-	-	55,505	-	-	55,505
Equipment	3,673	-	-	3,673	-	-	-	3,673	-	-	3,673
Supplies	12,425	-	-	12,425	-	-	-	12,425	-	-	12,425
Telephone	9,682	-	-	9,682	-	-	-	9,682	-	-	9,682
Change in net present value of split-interest agreements	-	16,439	-	16,439	-	-	-	-	16,439	-	16,439
Change in fair value of interest rate swap liability	-	-	-	-	524,701	-	524,701	524,701	-	-	524,701
Travel	<u>19,127</u>	-	-	<u>19,127</u>	-	-	-	<u>19,127</u>	-	-	<u>19,127</u>
Total expenses	<u>1,212,151</u>	<u>16,439</u>	-	<u>1,228,590</u>	<u>654,832</u>	-	<u>654,832</u>	<u>2,066,983</u>	<u>16,439</u>	-	<u>2,083,422</u>
Total distributions and expenses	<u>4,421,204</u>	<u>16,439</u>	-	<u>4,437,643</u>	<u>654,832</u>	-	<u>654,832</u>	<u>5,276,036</u>	<u>16,439</u>	-	<u>5,292,475</u>
CHANGE IN NET ASSETS	67,353	518,630	61,047	647,030	(716,338)	-	(716,338)	(648,985)	518,630	61,047	(69,308)
NET ASSETS, Beginning of year	<u>119,759</u>	<u>1,272,065</u>	-	<u>1,391,824</u>	<u>91</u>	-	<u>91</u>	<u>119,850</u>	<u>1,272,065</u>	-	<u>1,391,915</u>
NET ASSETS, End of year	<u>\$ 187,112</u>	<u>\$1,790,695</u>	<u>\$61,047</u>	<u>\$2,038,854</u>	<u>\$ (716,247)</u>	<u>\$ -</u>	<u>\$ (716,247)</u>	<u>\$ (529,135)</u>	<u>\$ 1,790,695</u>	<u>\$ 61,047</u>	<u>\$ 1,322,607</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005**

	FUND FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA	UNIVERSITY STUDENT HOUSING, LLC	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 1,481,003	\$ 67,254	\$ 1,548,257
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	-	831,169	831,169
Amortization of bond costs	-	27,915	27,915
Increase in interest rate swap liability	-	13,497	13,497
Decrease in pledges receivable	151,907	-	151,907
(Increase) decrease in due from/due to related organizations	(5,131)	5,131	-
Increase in accounts receivable	-	(34,550)	(34,550)
Decrease in other assets	9,000	933	9,933
Increase in split-interest agreements	(1,106,845)	-	(1,106,845)
Increase (decrease) in accounts payable	5,629	(7,348,471)	(7,342,842)
Increase in other accrued liabilities	8,130	92,070	100,200
(Decrease) increase in due to West Chester University	(30,382)	122,479	92,097
Net cash provided by (used in) operating activities	<u>513,311</u>	<u>(6,222,573)</u>	<u>(5,709,262)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES,			
Purchase of property and equipment	<u>-</u>	<u>(11,817,215)</u>	<u>(11,817,215)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	513,311	(18,039,788)	(17,526,477)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>436,983</u>	<u>22,695,321</u>	<u>23,132,304</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 950,294</u>	<u>\$ 4,655,533</u>	<u>\$ 5,605,827</u>
SUPPLEMENTAL INFORMATION,			
Interest paid (net of capitalized interest of \$360,262)	<u>\$ -</u>	<u>\$ 1,152,840</u>	<u>\$ 1,152,840</u>

See Notes to Consolidated Financial Statements

**THE FUND FOR WEST CHESTER UNIVERSITY
OF PENNSYLVANIA AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

	FUND FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA	UNIVERSITY STUDENT HOUSING, LLC	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 647,030	\$ (716,338)	\$ (69,308)
Change in net assets			
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Amortization of bond costs	-	25,590	25,590
Interest rate swap liability	-	524,701	524,701
Increase in pledges receivable	(440,521)	-	(440,521)
(Increase) decrease in due from/due to related organizations	241,913	(241,913)	-
Increase in other assets	(9,000)	(933)	(9,933)
Increase in split-interest agreements	(145,688)	-	(145,688)
Increase (decrease) in accounts payable	6,000	(39,601)	(33,601)
Increase in other accrued liabilities	86,579	88,194	174,773
Increase in due to West Chester University	-	344,674	344,674
Net cash provided by (used in) operating activities	<u>386,313</u>	<u>(15,626)</u>	<u>370,687</u>
CASH FLOWS USED IN INVESTING ACTIVITIES,			
Construction in progress	-	(18,740,184)	(18,740,184)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Bond issuance	-	42,305,000	42,305,000
Bond costs	-	(893,309)	(893,309)
Net cash provided by financing activities	<u>-</u>	<u>41,411,691</u>	<u>41,411,691</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	386,313	22,655,881	23,042,194
CASH AND CASH EQUIVALENTS, Beginning of year	<u>50,670</u>	<u>39,440</u>	<u>90,110</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 436,983</u>	<u>\$ 22,695,321</u>	<u>\$ 23,132,304</u>
SUPPLEMENTAL INFORMATION:			
Interest paid (net of capitalized interest of \$738,376)	\$ -	\$ -	\$ -
Construction in progress in accounts payable	\$ -	\$ 7,919,816	\$ 7,919,816

See Notes to Consolidated Financial Statements