Annual Summary Report of Direct University Support To and Contributions Made By West Chester University Foundation For the Year Ending June 30, 2007

Direct University support to West Chester University Foundation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advancement Associates</td>
<td>$188,082</td>
</tr>
<tr>
<td>ARAMARK funds</td>
<td>$50,000</td>
</tr>
<tr>
<td>Personnel and operating expenses</td>
<td>$1,134,139</td>
</tr>
</tbody>
</table>

Contributions made to or benefiting West Chester University of Pennsylvania

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Gifts</td>
<td>$2,660,726</td>
</tr>
<tr>
<td>In-Kind Gifts</td>
<td>$154,134</td>
</tr>
<tr>
<td>Charlotte Newcomb Foundation match</td>
<td>$5,000</td>
</tr>
<tr>
<td>NEH Challenge Grant match</td>
<td>$50,000</td>
</tr>
<tr>
<td>Filano Hall space rental</td>
<td>$24,000</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$38,853</td>
</tr>
</tbody>
</table>

$1,372,221

$2,932,713

Prepared by the Vice President for Administration and Finance West Chester University of Pennsylvania

Mark P. Mixner

Date

West Chester University of Pennsylvania is a member of the State System of Higher Education
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereafter referred to as the “MOU”) is made by and between the West Chester University Foundation (hereafter referred to as the “Foundation”) and West Chester University of Pennsylvania (hereafter referred to as WCU) this 1st day of July, 2007:

BACKGROUND

WHEREAS, the Foundation has been established to advance the charitable, educational, and scientific purposes of WCU as defined by the President of WCU, and

WHEREAS, the Foundation will raise, receive, and manage gifts and endowments for the benefit of WCU, and

WHEREAS, the Foundation will conduct other activities for the benefit of WCU as defined in Foundation’s Articles of Incorporation and Bylaws,

NOW THEREFORE, based upon the mutual promises, covenants, and conditions set forth herein, and agreeing to be bound hereby, the Foundation and WCU agree as follows:

AGREEMENT

1. INCORPORATION. The background set forth herein above is specifically made part of this MOU.

2. ACTIVITIES. In addition to the activities defined in its Bylaws, the Foundation may participate in matters of University development, planned giving, gift processing and recording, gift stewardship, facilities development, grant and gift management and other functions as appropriate in consultation with the WCU President and under the direction of the WCU Vice President for Advancement.

3. MANAGEMENT OF ENDOWMENT ASSETS. Upon approval of the WCU Council of Trustees, WCU may transfer management of all endowment and similar assets to the Foundation. The Foundation’s management of endowment assets and related investments shall be governed by a separate MOU between WCU and the Foundation. Each year and as determined by the Council of Trustees of WCU, a percentage of the value of the endowment assets managed by the Foundation will be distributed to WCU to advance WCU’s educational purposes and goals and the intentions of the donors of said assets. Earnings from endowment assets shall be considered as part of the endowment. Furthermore, the Foundation agrees to assess the performance of its endowment managers and report the results to the WCU Council of Trustees.

4. DISTRIBUTION OF GIFT INCOME NOT DESIGNATED FOR ENDOWMENT. All gifts contributed to WCU will be given to the Foundation for processing, investment, and/or disposition. Endowment gifts shall remain with the Foundation as described in Article 3 of this MOU. Unless otherwise directed by WCU, the
Foundation shall make regular (at least quarterly) distributions of all other gift income and earnings thereon to WCU, less operational costs as approved by the Vice President for Administrative and Fiscal Affairs of WCU and the Executive Director of the Foundation.

5. BOARD REPRESENTATION. In order to foster close collaboration between the Foundation and WCU, a member of the WCU Council of Trustees appointed by the Chairman of the Council of Trustees will serve as an ex officio trustee of the Foundation.

6. COLLABORATION AND SERVICES. In the spirit of the State System of Higher Education Board of Governor’s resolution of April 16, 1985 regarding fund raising and affiliated organizations, it is the desire of WCU to enhance the ability of the Foundation to function and succeed in its efforts to raise funds and conduct other activities in support of the goals of WCU. Therefore, WCU and the Foundation agree to collaborate with each other to provide the services necessary for the Foundation to undertake the activities described in Article 2 of this MOU or other activities assigned to it by agreement between WCU and the Foundation. This support will be reviewed annually.

6A. STAFF. The Foundation shall employ at its own expense an Executive Director who shall be responsible for day-to-day management of the Foundation’s operations including efforts to secure private support and conduct other activities for the benefit of WCU. The Foundation may employ other staff at its discretion.

The President of the Foundation Board of Trustees shall direct the Vice President for Advancement of WCU in his or her role as an ex officio trustee of the Foundation Board of Trustees to provide day-to-day supervision and evaluation of the Executive Director of the Foundation. In the case of a search for the Executive Director, the President of the Foundation Board shall designate the Vice President for Advancement of WCU to serve as a member of the Search Committee. In addition to the Vice President for Advancement of WCU, the Search Committee shall include one other member who is an employee of the University selected by the Vice President for Advancement of WCU and two members selected by the President of the Foundation Board of Trustees for a total of four members.

The Vice President for Advancement of WCU and the Foundation Board of Trustees shall complete an annual evaluation of the Executive Director.

6B. SERVICES. WCU and the Foundation may contract with each other to provide professional and clerical services; communication services to include telecommunications, postage, printing, public relations, and data management and similar services that both the Foundation and WCU deem necessary to accomplish the purposes for which the Foundation was created. In addition, WCU may provide operational supplies and services to include, but not limited to, internal stores and maintenance agreements to which WCU is a party.

6C. FACILITIES. WCU shall provide facilities to the Foundation that include, but are not limited to, space, utilities, maintenance, and housekeeping as may be
necessary to conduct Foundation functions and activities. In compensation for the
use of these facilities, the Foundation shall make monthly rental payments to the
University at fair market rates as determined by the Vice President for Administrative
and Fiscal Affairs of WCU.

7. REPORTS. In compliance with the Board of Governor’s Policy 1985-04A, the
Foundation will submit to WCU the following documentation annually and no later
than four months following the completion of the fiscal year.

A. Memorandum of Understanding
B. Annual audited financial statements and reports
C. Summarization of contributions made by the Foundation to WCU
D. The list of the Board of Trustees and any changes in fiduciary agreements,
articles of incorporation, and bylaws.

In order for WCU to ensure compliance with Board of Governor’s Policy 1985-04A,
WCU shall have the right to review WCU and Commonwealth of Pennsylvania
resources used to support the Foundation’s operations. It is the responsibility of the
Executive Director of the Foundation to transmit this information to WCU on behalf
of the Foundation Board of Trustees.

8. INDEMNIFICATION AND INSURANCE. The Foundation shall hold WCU
harmless from and indemnify WCU against any and all claims, demands and actions
based upon and arising out of any activities performed by the Foundation for WCU.

The Foundation shall purchase and maintain, at its expenses from income received,
comprehensive commercial general liability insurance issued by companies deemed
to be financially sound by WCU. The insurance coverage would be $1,000,000 each
occurrence for bodily injury and property damage. Policy/ies shall be on an
occurrence basis only. The Foundation shall name WCU as an additional insured.

Upon receipt of written notice of any matter for which indemnification might be
claimed by WCU, the Foundation shall promptly defend, contest, or otherwise protect
against any such suit, action, investigation, claim or proceeding at its own cost and
expense. WCU agrees to make a demand for indemnification within fourteen days of
any claim being made against it.

9. PROTECTION OF STATUS. WCU and the Foundation shall refrain from taking
any action that would violate the terms or conditions of a gift or asset; or the
corporate status or purposes of the other; or threaten the Foundation’s status as a tax
exempt [501(c)(3)] organization.

10. BYLAWS AMENDMENTS. This MOU may be amended by a majority vote of both
the Foundation Board of Trustees and the WCU Council of Trustees. In the event
that one party to this MOU approves an amendment or amendments of the Bylaws
of the Foundation without the concurrence of the other party, which concurrence shall
not be unreasonably withheld, the Foundation shall transfer to WCU all of its assets
including gifts and endowments given to the Foundation by WCU, gifts contributed
directly to the Foundation, and endowment principal and income.
11. DISSOLUTION. In the event that one or both parties to this agreement determine that the affiliation between the Foundation and WCU should be dissolved, the Foundation shall transfer to WCU all of its assets including gifts and endowments given to the Foundation by WCU, gifts contributed directly to the Foundation endowment principal and income, property of any kind, and all records and information in the possession of the Foundation or its affiliates.

12. NOTICE. All written notice required to be given under this MOU shall be sent to the President and Executive Director of the Foundation and the President of WCU.

13. TERM AND REVIEW OF MOU.

13A. The initial term of this MOU will be from July 1, 2007 to the ending date of June 30, 2008. June 30, 2008 and each June 30 thereafter shall serve as the anniversary date for this MOU.

13B. The MOU will automatically renew and continue in effect for an additional one (1) year period commencing from the ending date to the first anniversary date, and then from anniversary dates to anniversary dates.

13C. If either party desires to renegotiate the MOU, that party must provide the other party with written notice at least sixty (60) days prior to the next anniversary date of the party's intention to renegotiate the MOU.

13D. If the MOU is not thereafter renegotiated by a writing signed by both parties prior to the next anniversary date, then the MOU will terminate at the next anniversary date and the affiliation will be dissolved as defined in Section 10 of this MOU.

The Foundation for West Chester University  West Chester University of Pennsylvania
By: [Signature]  By: [Signature]
Date: 5/1/07  Date: 5/1/07

Approved for Form and Legality:
By: [Signature]  Date: 5/14/07
University Legal Counsel
ARTICLES OF INCORPORATION

OF

WEST CHESTER UNIVERSITY FOUNDATION

A PENNSYLVANIA NONPROFIT CORPORATION

In compliance with the requirements of Pa. Stat. Ann. Tit. 15, § 7316, the undersigned, desiring to be incorporated as a nonprofit corporation, hereby certifies that:

1. Name. The name of the Corporation is West Chester University Foundation.

2. Address. The location and post office address of the initial registered office of the Corporation in this Commonwealth is West Chester University of Pennsylvania, 628 South High Street, West Chester, Pennsylvania 19383-7100. The county of venue is Chester.

3. Purposes.

A. The Corporation is formed exclusively for charitable, educational, and scientific purposes within the meaning of § 7311 of the Pennsylvania Nonprofit Corporation Law and § 501(c)(3) of the Internal Revenue Code of 1954, as amended, or any other corresponding section of any future federal tax code (the “Code”).

B. Specific Purposes. In furtherance of its exclusively charitable, educational, and scientific purposes, the Corporation shall promote the interests of West Chester University of Pennsylvania of the State System of Higher Education, a Pennsylvania body corporate described in § 509(a)(1) and (2) of the Code, and such other affiliated entities as fall within the class of organizations described both by § 501(c)(3) and § 509(a)(1) and (2) of the Code, and the Corporation shall, without otherwise limiting its powers, perform the following:

   a. solicit funds and other property for the charitable, scientific, and educational purposes of West Chester University of Pennsylvania in accordance with priorities set by West Chester University of Pennsylvania;

   b. receive, manage, and liquidate material assets, including unique gifts such as jewelry, artworks, and real property, to benefit West Chester University of Pennsylvania;
c. contribute capital, make loans and grants, and provide other financial assistance to West Chester University of Pennsylvania, any of its affiliated entities, and any institutions or organizations that become affiliated with the Corporation; provided all such entities are organizations described in either Section 170(b)(1)(A) or Section 501(c)(3) of the Code;

d. manage the relationship, including the selection and negotiation of services, with a financial institution or institutions for the purposes of holding endowment funds, life income gifts, and similar funds;

e. manage any contract for the advancement of West Chester University of Pennsylvania;

f. provide funds and services to conduct the business of the Corporation;

g. manage the Corporation’s endowment fund, and upon request and with proper approvals, the endowment fund of West Chester University of Pennsylvania; and

h. engage in and do any and all acts and engage in all lawful business which a nonprofit corporation may do consistent with or in furtherance of the purposes herein set forth above.

4. **Term.** The term for which the Corporation is to exist is perpetual.

5. **Non-stock.** The Corporation is organized on a non-stock basis.

6. **Members.** The Corporation shall have no members.

7. **Nonprofit.** The Corporation does not contemplate pecuniary gain or profit, incidental, or otherwise. No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its trustees, officers, or other persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein. No substantial part of the activities of the Corporation shall be carrying on of propaganda or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene (including publishing or distribution of statements) in any political campaign on behalf of any candidate for public office.

8. **Status.** Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b)
by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

9. **Dissolution.** Upon the liquidation or dissolution of the Corporation, the Board of Trustees of the Corporation shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purpose of the Corporation in such manner, or to the West Chester University of Pennsylvania of the State System of Higher Education, or its successor, if such organization is a permitted beneficiary under the requirements of Income Tax Regulation § 1.501(c)(3)-1(b)(4), or to such organizations organized and operated exclusively for charitable, educational, or scientific purposes as at the time shall qualify as an exempt organization or organizations under § 501(c)(3) of the Internal Revenue Code of 1954, as amended, as the Board of Trustees shall determine. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas of the County in which the principal office of the Corporation is then located.

10. **The name and post office address of the Incorporators is:**

   Name: Madeleine Wing Adler, President
   Address: West Chester University of Pennsylvania
             Philips Memorial Building, First Floor
             700 South High Street
             West Chester, PA 19383

IN WITNESS WHEREOF, the incorporators signed these Articles of Incorporation on August 11, 2000.

[Signature]

Incorporators
DECLARATIONS

FEDERAL INSURANCE COMPANY
A stock insurance company, incorporated under the laws of Indiana, herein called the Company

Capital Center, 251 North Illinois, Suite 1100
Indianapolis, IN 46204-1927

Policy Number: 8179-6981

THE DIRECTORS AND OFFICERS LIABILITY AND ENTITY LIABILITY, FIDUCIARY LIABILITY AND EMPLOYMENT PRACTICES LIABILITY COVERAGE SECTIONS (WHICHEREVER ARE PURCHASED) PROVIDE CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR DURING AN APPLICABLE EXTENDED REPORTING PERIOD. THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED UNLESS OTHERWISE PROVIDED HEREIN, BY "DEFENSE COSTS," AND "DEFENSE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT WILL THE COMPANY BE LIABLE FOR "DEFENSE COSTS" OR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT IN EXCESS OF THE APPLICABLE LIMIT OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

Item 1. Organization:
West Chester University Foundation & Subsidiary
Principal Address: 628 South High Street
West Chester, PA 19383

Item 2. Policy Period:
(A) From: 12:01 A.M. on October 30, 2007
(B) To: 12:01 A.M. on October 30, 2008
Local time at the address shown in Item 1.

Item 3. A Combined Maximum Aggregate Limit of Liability is applicable:

☐ Yes ☐ No The Combined Maximum Aggregate Limit of Liability for all Claims under all Liability Coverage Sections each Policy Year shall be: $5,000,000

Item 4. Coverage is available for the following only:

☐ Yes ☐ No Directors & Officers Liability and Entity Liability Coverage Section

☐ Yes ☐ No Employment Practices Liability Coverage Section

☐ Yes ☐ No Fiduciary Liability Coverage Section

☐ Yes ☐ No Crime Non-Liability Coverage Section

☐ Yes ☐ No Kidnap/Ransom and Extortion Non-Liability Coverage Section
In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this Policy, the Company and the Insureds agree as follows:

**Territory**

1. Coverage shall extend anywhere in the world.

**Terms and Conditions**

2. Except for these General Terms and Conditions or as specifically provided in any Coverage Section of this Policy, the terms and conditions of each Coverage Section shall apply only to that Coverage Section. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any Coverage Section, the terms and conditions of such Coverage Section shall control for purposes of that Coverage Section. Any defined term referenced in these General Terms and Conditions but defined in a Coverage Section shall, for purposes of coverage under that Coverage Section, have the meaning set forth in that Coverage Section.

**Definitions**

3. When used in this Policy, unless stated to the contrary in any Coverage Section of this Policy:

- **Affiliate** means any entity other than a Subsidiary, during such time as the Organization has the authority to direct the financial or managerial decision making of such entity, whether by operation of law, pursuant to contract or agreement, by means of stock ownership or membership, or pursuant to such entity's charter, articles of incorporation, or by-law provisions.

- **Anniversary Date** means that date and time exactly one (1) year after the date and time set forth in Item 2(A) of the Declarations of these General Terms and Conditions, and each succeeding date and time exactly one (1) year after the previous Anniversary Date.

- **Application** means all signed applications, including attachments and other materials submitted therewith or incorporated therein, submitted by the Insureds to the Company for this Policy or for any policy of which this Policy is a direct or indirect renewal or replacement. Application shall also include all other information or materials provided by the Insureds to the Company in connection with the underwriting or issuance of this Policy, including quarterly and annual reports, financial statements, and all other filings or submissions to or with any government or regulatory agency, whether provided to the Company directly or indirectly through the use of public databases or similar sources. All such applications, attachments, materials and other information are deemed attached to, incorporated into and made a part of this Policy.

- **Claim** shall have the meaning set forth in the applicable Liability Coverage Section.

- **Coverage Event** means the event or loss which must occur or be sustained or discovered in order to invoke coverage under the applicable Non-Liability Coverage Section.

- **Defense Costs** shall have the meaning set forth in the applicable Coverage Section.

- **Domestic Partner** means any natural person qualifying as a domestic partner under the provisions of any applicable federal, state or local law or under the provisions of any formal program established by the Organization.
(a) any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by the United States Environmental Protection Agency or any state, county, municipality or locality counterpart thereof, including, without limitation, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials, or

(b) any other air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products, or any noise.

Potential Employment Claim shall have the meaning set forth in the applicable Coverage Section.

Potential Third Party Claim shall have the meaning set forth in the applicable Coverage Section.

Related Claims means all Claims for Wrongful Acts based upon, arising from, or in consequence of the same or related facts, circumstances, situations, transactions or events or the same or related series of facts, circumstances, situations, transactions or events.

Subsidiary means, subject to the provisions of Subsections 9, 10 and 11 of these General Terms and Conditions:

(a) any not-for-profit entity during any time in which the Organization owns or controls, directly or through one or more Subsidiaries, the present right to elect or appoint more than fifty percent (50%) of such entity's directors or trustees; or

(b) any not-for-profit limited liability company during any time in which the Organization owns or controls, directly or through one or more Subsidiaries, the present right to elect, appoint or designate more than fifty percent (50%) of such entity's Managers.

Third Party Claim shall have the meaning set forth in the applicable Coverage Section.

Wrongful Act shall have the meaning set forth in each applicable Liability Coverage Section.

Extended Reporting Period

4. (a) If any Liability Coverage Section is either terminated or not renewed for any reason other than nonpayment of premium, any Insured shall have the right to purchase an Extended Reporting Period for the period set forth in Item 5(A) of the Declarations of these General Terms and Conditions. This right to purchase an Extended Reporting Period shall lapse unless written notice of election to purchase the Extended Reporting Period, together with payment of the additional applicable premium due as set forth in Item 5(B) of the Declarations of these General Terms and Conditions, is received by the Company within thirty (30) days after the end of the Policy Period.

(b) If the Extended Reporting Period is purchased, then coverage otherwise afforded by such Liability Coverage Section will be extended to apply to Loss from Claims first made during such Extended Reporting Period but only for Wrongful Acts committed or allegedly committed before the end of the Policy Period or the date of any conversion of coverage described in Subsection 9, 10 or 11 of these General Terms and Conditions, whichever is earlier. The entire additional premium for the Extended Reporting Period shall be deemed fully earned at the inception of such Extended Reporting Period. The Limit of Liability for the Extended Reporting Period shall be part of and not in addition to the applicable Limits of Liability for the Policy Year immediately preceding the expiration of the Policy Period.

Limits of Liability

5. (a) Solely with respect to all Liability Coverage Sections:
(i) an **Insured** becomes aware of circumstances during the **Policy Period** which could give rise to a **Claim** and gives written notice of such circumstances to the Company as soon as practicable during the **Policy Period**, or

(ii) an **Insured** receives during the **Policy Period** a written request to toll or waive a statute of limitations applicable to **Wrongful Acts** committed, attempted, or allegedly committed or attempted before or during the **Policy Period** and gives written notice of such request and of such alleged **Wrongful Acts** to the Company as soon as practicable during the **Policy Period**, then any **Claim** subsequently arising from such circumstances referred to in (i) above, or from the **Wrongful Acts** referred to in (ii) above shall be deemed to have been first made against the **Insured** during the **Policy Year** in which the written notice described in (i) or (ii) above was first given by an **Insured** to the Company, provided any such subsequent **Claim** is reported to the Company as set forth in Subsection 6(a) above. With respect to any such subsequent **Claim**, no coverage under the Directors & Officers Liability and Entity Liability Coverage Section or the Fiduciary Liability Coverage Section shall apply to loss incurred prior to the date such subsequent **Claim** is actually made.

(c) Solely with respect to the Employment Practices Liability Coverage Section, if during the **Policy Period** any **Insured**:

(i) becomes aware of a **Potential Employment Claim** or **Potential Third Party Claim** and gives written notice of such **Potential Employment Claim** or **Potential Third Party Claim** to the Company as soon as practicable during the **Policy Period**; and

(ii) requests coverage under the Employment Practices Liability Coverage Section for any **Employment Claim** or **Third Party Claim** subsequently resulting from such **Potential Employment Claim** or **Potential Third Party Claim**;

then any **Employment Claim** or **Third Party Claim** subsequently arising from such **Potential Employment Claim** or **Potential Third Party Claim** referred to in (i) above shall be deemed to have been first made against the **Insured** during the **Policy Year** in which the written notice described in (i) and (ii) above was first given by an **Insured** to the Company, provided any such subsequent **Employment Claim** or **Third Party Claim** is reported to the Company as set forth in Subsection 6(a) above. With respect to any such **Employment Claim** or **Third Party Claim**, no coverage under the Employment Practices Liability Coverage Section shall apply to loss incurred prior to the date such subsequent **Employment Claim** or **Third Party Claim** is actually made.

(d) Solely with respect to any **Non-Liability Coverage Section**, the **Insureds** shall give notice of a **Coverage Event** in accordance with the applicable Proof of Loss and Legal Proceedings Subsection of such Coverage Section.

(e) The **Insureds** shall, as a condition precedent to exercising any right to coverage under this Policy, give to the Company such information, assistance, and cooperation as the Company may reasonably require, and shall include in any notice under Subsection 6(a), (b) or (c) above a description of the **Claim**, **Potential Employment Claim**, **Potential Third Party Claim** or circumstances, the nature of any alleged **Wrongful Acts**, the nature of the alleged or potential damage, the names of all actual or potential claimants, the names of all actual or potential defendants, and the manner in which such **Insured** first became aware of the **Claim**, **Potential Employment Claim**, **Potential Third Party Claim** or circumstances.

**Spouses, Estates and Legal Representatives**
(ii) acquires another organization by merger into or consolidation with the Organization such that the Organization is the surviving entity, then coverage shall be provided for such other organization, and its Insureds, with respect to any:

(1) Liability Coverage Section: solely for Wrongful Acts committed, attempted, or allegedly committed or attempted after the effective date of such acquisition or creation unless the Company agrees, after presentation of a complete application and all other appropriate information, to provide coverage by endorsement for Wrongful Acts committed, attempted, or allegedly committed or attempted by such Insureds before such acquisition or creation; or

(2) Non-Liability Coverage Section: after the effective date of such event, pursuant to the Liability for Prior Losses Subsection of such Non-Liability Coverage Section.

(b) If, at the time of an acquisition or creation described in paragraph 9(a) above,

(i) the total assets of any such acquired or created organization exceed twenty-five percent (25%) of the total assets of the Organization (as reflected in the most recent audited consolidated financial statements of such organization and the Organization, respectively, as of the date of such acquisition or creation); or

(ii) solely with respect to the Employment Practices Liability Coverage Section, if purchased as set forth in Item 4 of the Declarations of these General Terms and Conditions, the total number of employees of the acquired or created organization exceeds twenty-five percent (25%) of the total number of employees of the Organization immediately prior to the acquisition or creation,

then the Organization shall give written notice of such acquisition or creation to the Company as soon as practicable, but in no event later than sixty (60) days after the date of such acquisition or creation, together with such other information as the Company may require and shall pay any reasonable additional premium required by the Company. If the Organization fails to give such notice within the time specified in the preceding sentence, or fails to pay the additional premium required by the Company, coverage for such acquired or created organization and its Insured Persons shall terminate with respect to Claims first made more than sixty (60) days after such acquisition or creation. Coverage for any acquired or created organization described in this paragraph, and for its Insureds, shall be subject to such additional or different terms, conditions and limitations of coverage as the Company in its sole discretion may require.

10. Acquisition by Another Organization

If:

(a) the Organization merges into or consolidates with another organization and the Organization is not the surviving entity; or

(b) another organization or person or group of organizations and/or persons acting in concert acquires securities or voting rights which result in ownership or voting control by the other organization(s) or person(s) of more than fifty percent (50%) of the outstanding securities or voting rights representing the present right to vote for the election of or to appoint directors or Managers of the Organization.

then coverage under this Policy with respect to:
13. In the event of any payment under this Policy, the Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery, and such Insured shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit or otherwise pursue subrogation rights in the name of the Insured.

**Action Against the Company**

14. No action may be taken against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy. No person or entity shall have any right under this Policy to join the Company as a party to any action against any Insured to determine such Insured's liability nor shall the Company be impleaded by such Insured or legal representatives of such Insured.

**Organization Rights and Obligations**

15. By acceptance of this Policy, the Organization first named in Item 1 of the Declarations of these General Terms and Conditions ("First Named Organization") agrees that it shall be considered the sole agent of, and shall act on behalf of, each Insured with respect to: the payment of premiums and the receiving of any return premiums that may become due under this Policy; the negotiation, agreement to and acceptance of endorsements; the giving or receiving of any notice provided for in this Policy (except the giving of notice to apply for an Extended Reporting Period); the adjustment of loss amounts; and the receipt or enforcement of payment of Loss (and the First Named Organization further agrees that it shall be responsible for application of any such payment as provided in this Policy). Each Insured agrees that the First Named Organization shall act on its behalf with respect to all such matters.

**Alteration and Assignment**

16. No change in, modification of, or assignment of interest under this Policy shall be effective except when made by written endorsement to this Policy which is signed by an authorized employee of Chubb & Son, a division of Federal Insurance Company.

**Termination of Policy or Coverage Section**

17. This Policy or any Coverage Section shall terminate at the earliest of the following times:

(a) upon expiration of the Policy Period as set forth in Item 2(B) of the Declarations of these General Terms and Conditions;

(b) twenty (20) days after receipt by the Organization of a written notice of termination from the Company based upon non-payment of premium, unless the premium is paid within such twenty (20) day period; or

(c) at such other time as may be agreed upon by the Company and the Organization.

The Company shall refund the unearned premium computed pro rata. Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of a notice of termination, but such payment shall be made as soon as practicable thereafter.
West Chester University Foundation and Subsidiary

Financial Report

June 30, 2007
West Chester University Foundation and Subsidiary

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June 30, 2007

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To the Board of Trustees
West Chester University Foundation and Subsidiary

We have audited the accompanying consolidated statement of financial position of West Chester University Foundation and Subsidiary (a nonprofit organization) as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 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 our audit provides 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 West Chester University Foundation and Subsidiary as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Beard Miller Company LLP
Paoli, Pennsylvania
August 31, 2007
## West Chester University Foundation and Subsidiary
### Consolidated Statement of Financial Position
#### June 30, 2007

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (restricted $6,126,669)</td>
<td>$6,207,503</td>
</tr>
<tr>
<td>Accounts receivable (net of allowance for uncollectible accounts of $128,210)</td>
<td>118,285</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>1,149,811</td>
</tr>
<tr>
<td>Investments</td>
<td>2,391,687</td>
</tr>
<tr>
<td>Property and equipment (net of accumulated depreciation of $4,163,906)</td>
<td>34,755,620</td>
</tr>
<tr>
<td>Deferred financing costs (net of accumulated amortization of $109,337)</td>
<td>783,971</td>
</tr>
<tr>
<td>Other assets</td>
<td>74,935</td>
</tr>
<tr>
<td>Interest rate swap asset</td>
<td>1,379,409</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>$47,154,794</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets | |
| Liabilities | $269,893 |
| Accounts payable | 471,017 |
| Other accrued liabilities | 120,000 |
| Line of credit, West Chester University | 58,062 |
| Due to West Chester University | 42,125,000 |
| Bonds payable | 43,043,972 |
| **Total Liabilities** | |
| Net Assets | (1,112,540) |
| Unrestricted | 3,060,087 |
| Temporarily restricted | 2,163,275 |
| Permanently restricted | 4,110,822 |
| **Total Net Assets** | $47,154,794 |
| **Total Liabilities and Net Assets** | |

*See notes to consolidated financial statements.*
<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Support and Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>239,166</td>
<td>2,707,186</td>
<td>544,934</td>
<td>3,491,286</td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td>86,436</td>
<td>-</td>
<td>86,436</td>
</tr>
<tr>
<td>Contributions, noncash</td>
<td>1,134,139</td>
<td>147,719</td>
<td>-</td>
<td>1,281,858</td>
</tr>
<tr>
<td><strong>Total Public Support</strong></td>
<td>1,373,305</td>
<td>2,941,341</td>
<td>544,934</td>
<td>4,859,580</td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions, noncash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>7,779,015</td>
<td>(2,636,468)</td>
<td></td>
<td>5,142,547</td>
</tr>
<tr>
<td><strong>Total Public Support and Revenues</strong></td>
<td>9,152,320</td>
<td>304,873</td>
<td>544,934</td>
<td>10,002,127</td>
</tr>
<tr>
<td><strong>Distributions and Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions to West Chester University</td>
<td>2,852,726</td>
<td>-</td>
<td>-</td>
<td>2,852,726</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
West Chester University Foundation and Subsidiary

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2007

<table>
<thead>
<tr>
<th>Distributions and Expenses (Continued)</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other rental operating</td>
<td>1,279,895</td>
<td>-</td>
<td>-</td>
<td>1,279,895</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>1,682,376</td>
<td>-</td>
<td>-</td>
<td>1,682,376</td>
</tr>
<tr>
<td>Advertising/marketing</td>
<td>21,345</td>
<td>-</td>
<td>-</td>
<td>21,345</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>102,757</td>
<td>-</td>
<td>-</td>
<td>102,757</td>
</tr>
<tr>
<td>Letter of credit/bank fees</td>
<td>295,064</td>
<td>-</td>
<td>-</td>
<td>295,064</td>
</tr>
<tr>
<td>Consulting/professional services</td>
<td>140,205</td>
<td>-</td>
<td>-</td>
<td>140,205</td>
</tr>
<tr>
<td>Consulting/professional services</td>
<td>1,667,928</td>
<td>-</td>
<td>-</td>
<td>1,667,928</td>
</tr>
<tr>
<td>Depreciation</td>
<td>26,872</td>
<td>-</td>
<td>-</td>
<td>26,872</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>198,834</td>
<td>-</td>
<td>-</td>
<td>198,834</td>
</tr>
<tr>
<td>Food</td>
<td>99,436</td>
<td>-</td>
<td>-</td>
<td>99,436</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,459,238</td>
<td>-</td>
<td>-</td>
<td>1,459,238</td>
</tr>
<tr>
<td>Interest</td>
<td>27,916</td>
<td>-</td>
<td>-</td>
<td>27,916</td>
</tr>
<tr>
<td>Amortization of deferred financing fees</td>
<td>12,549</td>
<td>-</td>
<td>-</td>
<td>12,549</td>
</tr>
<tr>
<td>Legal</td>
<td>39,500</td>
<td>-</td>
<td>-</td>
<td>39,500</td>
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<tr>
<td>Audit</td>
<td>248,172</td>
<td>-</td>
<td>-</td>
<td>248,172</td>
</tr>
<tr>
<td>Management fee</td>
<td>74,017</td>
<td>-</td>
<td>-</td>
<td>74,017</td>
</tr>
<tr>
<td>Fundraising</td>
<td>56,810</td>
<td>-</td>
<td>-</td>
<td>56,810</td>
</tr>
<tr>
<td>Contributions</td>
<td>45,721</td>
<td>-</td>
<td>-</td>
<td>45,721</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>39,536</td>
<td>-</td>
<td>-</td>
<td>39,536</td>
</tr>
<tr>
<td>Postage</td>
<td>84,821</td>
<td>-</td>
<td>-</td>
<td>84,821</td>
</tr>
<tr>
<td>Printing</td>
<td>18,783</td>
<td>-</td>
<td>-</td>
<td>18,783</td>
</tr>
<tr>
<td>Scholarships</td>
<td>23,318</td>
<td>-</td>
<td>-</td>
<td>23,318</td>
</tr>
<tr>
<td>Supplies</td>
<td>6,931</td>
<td>-</td>
<td>-</td>
<td>6,931</td>
</tr>
<tr>
<td>Telephone</td>
<td>48,367</td>
<td>-</td>
<td>-</td>
<td>48,367</td>
</tr>
<tr>
<td>Travel</td>
<td>48,367</td>
<td>-</td>
<td>-</td>
<td>48,367</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>7,700,391</strong></td>
<td>-</td>
<td>-</td>
<td><strong>7,700,391</strong></td>
</tr>
<tr>
<td><strong>Total Distributions and Expenses</strong></td>
<td><strong>10,555,117</strong></td>
<td>-</td>
<td>-</td>
<td><strong>10,555,117</strong></td>
</tr>
<tr>
<td><strong>Changes in Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Changes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merged net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets - Beginning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets - Ending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
West Chester University Foundation and Subsidiary

Statement of Cash Flows
For the Year Ended June 30, 2007

Cash Flows from Operating Activities
Changes in net assets
Adjustments to reconcile changes in net assets to net cash provided by operating activities:

Depreciation
Amortization of deferred financing costs
Net realized and unrealized gains on investments
(Gain) loss on split-interest agreements
Bad debts
Change in fair value of derivative financial instrument

(Increase) decrease in assets:
Contributions receivable
Accounts receivable
Other assets
Split interest agreement

Increase (decrease) in liabilities:
Accounts payable
Other accrued liabilities
Due to West Chester University

Net Cash Provided by Operating Activities

Cash Flows from Investing Activities
Purchase of investments
Proceeds from sale of investments

Net Cash Used in Investing Activities

Cash Flows from Financing Activities
Proceeds from line of credit
Payments on note payable
Payment on bonds payable

Net Cash Used in Financing Activities

Net Increase in Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning

Cash and Cash Equivalents - Ending

Supplemental Information
Interest paid

Supplemental Disclosure of Noncash Investing Activities
Transfer of assets from merger of the Fund of West Chester University and the West Chester University Foundation

See notes to consolidated financial statements.
Note 1 - Significant Accounting Policies

Organization and Nature of Operations

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

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

Principles of Consolidation

The consolidated financial statements of the Foundation include the accounts of the Foundation 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.

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. Consequently, revenues are generally recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, the Foundation 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. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes subject to limitations specified by Pennsylvania law.
Note 1 - Significant Accounting Policies (Continued)

Uses 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Foundation and USH qualify as non-profit organizations under Section 501(c)(3) of the Internal Revenue Code and therefore, are not subject to income tax.

Cash and Cash Equivalents

The Foundation considers all short-term highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Investments

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values based on quoted market values in the Statements of Financial Position. Unrealized gains and losses are included in the consolidated statement of activities.

Contributions 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 Foundation’s split-interest agreements with donors consist of charitable gift annuities, charitable remainder unitrusts, and charitable lead trusts. 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.
Note 1 - Significant Accounting Policies (Continued)

Split-Interest Agreements (Continued)

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 trusts are 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.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

<table>
<thead>
<tr>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
</tr>
<tr>
<td>Machinery and equipment</td>
</tr>
</tbody>
</table>

Management's policy is to capitalize property and equipment having a cost of $1,000 or greater. Repairs and maintenance are expensed as incurred.

 Deferred Financing Costs

Deferred financing costs consist of deferred bond costs, related to the issuance of the Series 2003 Bonds, amortized on an effective interest-rate method over the estimated term of the bonds (32 years). Revisions of the amortization period will be made if bonds are redeemed prior to maturity. Amortization expense was $27,916 for the year ended June 30, 2007.

Derivative Financial Instruments

The Foundation has entered into interest rate swap agreements, which are considered derivative financial instruments, to manage interest rate exposure on the Series 2003 Bonds payable. The interest rate swap agreements are reported at fair value in the consolidated statement of financial position, and related changes in fair value are reported in the current period in the consolidated statement of activities.
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.

Donated Materials and Services
Donated materials and services are reflected as contributions at their estimated value at the date of receipt and reflected in the statement of activities.

Concentration of Credit Risk
Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, investments, receivables, and amounts receivable pertaining to interest rate swap agreements. The investments are managed by professional investment managers. The degree and concentration of credit risk varies by the type of investment. Receivables result primarily from rent and unconditional promises to give, which are from individuals, most of whom reside in the local area of the University.

The Foundation maintains cash balances in major financial institutions in excess of the $100,000 federally insured limit by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses and believes it is not exposed to any significant credit risk with cash equivalents. Credit risk pertaining to interest rate swap agreements is described in Note 13.