# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA

## FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2023

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**COMMONWEALTH UNIVERSITY OF PENNSYLVANIA**
**TABLE OF CONTENTS**
**YEAR ENDED JUNE 30, 2023**


| | |
|---|---|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION – PRIMARY INSTITUTION | 19 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY INSTITUTION | 21 |
| STATEMENT OF CASH FLOWS – PRIMARY INSTITUTION | 22 |
| COMBINED STATEMENT OF FINANCIAL POSITION – COMPONENT UNITS | 24 |
| COMBINED STATEMENT OF ACTIVITIES – COMPONENT UNITS | 25 |
| COMBINED STATEMENT OF EXPENSES BY NATURE AND FUNCTION – COMPONENT UNITS | 26 |
| NOTES TO FINANCIAL STATEMENTS | 27 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULES OF FUNDING PROGRESS FOR THE SYSTEM PLAN | 74 |
| SCHEDULES OF PROPORTIONATE SHARE OF REHP NET OPEB LIABILITY AND CONTRIBUTIONS | 75 |
| SCHEDULES OF PROPORTIONATE SHARE OF PSERS NET OPEB LIABILITY AND CONTRIBUTIONS | 76 |
| SCHEDULES OF PROPORTIONATE SHARE OF SERS NET PENSION LIABILITY AND CONTRIBUTIONS | 77 |
| SCHEDULES OF PROPORTIONATE SHARE OF PSERS NET PENSION LIABILITY AND CONTRIBUTIONS | 78 |

# INDEPENDENT AUDITORS' REPORT

Council of Trustees
Commonwealth University of Pennsylvania
of the State System of Higher Education
Bloomsburg, Pennsylvania

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Commonwealth University of Pennsylvania of the State System of Higher Education (the University), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units, which statements reflect total assets, net position, and revenues constituting 100%, 100%, and 100%, respectively, of the 2023 assets, net position, and revenues of the discretely presented component units as of June 30, 2023. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinions are not modified with respect to this matter.

The financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units that are attributable to the transactions of the University. The University is one of ten universities and the System Office of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of Proportionate Share of Net Pension Liability, OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania
October 30, 2023

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Commonwealth University of Pennsylvania (the university) for the year ended June 30, 2023. The university's financial performance is discussed and analyzed within the context of the financial statements and disclosures that follow.

Commonwealth University, established on July 1, 2022 from the integration of Bloomsburg University of Pennsylvania, Lock Haven University of Pennsylvania and Mansfield University of Pennsylvania, is a member of Pennsylvania's State System of Higher Education (State System or System). As a public university of the Commonwealth of Pennsylvania, the university is charged with providing high quality education at the lowest possible cost to its students. With 12,093 students enrolled for fall 2022, the university had the 3rd largest enrollment of the State System's 10 universities.

## SYSTEM REDESIGN AND UNIVERSITY INTEGRATIONS

Between 2016 and 2020, the State System conducted a strategic review of operations and identified improvement opportunities with the priority of ensuring student success, leveraging university strength, and transforming the governance and leadership structure within the State System universities. In support of the System Redesign priorities, on July 1, 2020, the Governor of Pennsylvania signed into law Act 50 of 2020 that allowed the State System's Board of Governors to develop policies and procedures by which the Board may create, expand, consolidate, transfer or affiliate an institution.

On July 14, 2021, the Board approved the final university integration plans which integrate the then existing Bloomsburg University, Lock Haven University, and Mansfield University into a single northeast integrated university, subsequently named Commonwealth University of Pennsylvania, and the then existing California University, Edinboro University, and Clarion University into a single western integrated university, subsequently named Pennsylvania Western University. These integrations were designed to leverage the strength of these universities to position them to better serve students and to improve financial sustainability.

On March 10, 2022, Middle States Commission on Higher Education (MSCHE), approved the two integrations and reaffirmed the accreditation of the Commonwealth University of Pennsylvania and the Pennsylvania Western University.

The integrated universities began operations effective July 1, 2022.

Act 50 contained a sunset provision of June 30, 2023 for the System's Board of Governors to authorize any new plans to create, expand, consolidate, transfer or affiliate an institution.

Detailed information on the progress of System Redesign can be found at:

https://www.passhe.edu/SystemRedesign/ and on Integrations at:

https://www.passhe.edu/systemredesign/Pages/integrations.aspx.

## FINANCIAL HIGHLIGHTS

Following is an overview of the university's financial activities for the year ended June 30, 2023, as compared to the year ended June 30, 2022, as well as future economic factors.

### Tuition and Fees

In its continued efforts to address affordability, in April 2022, the Board voted to **freeze basic in-state tuition** for the 2022-23 academic year. This action resulted in an unprecedented four consecutive years in which tuition was frozen, even while confronting financial challenges brought on in part by the coronavirus pandemic.

The base tuition rate for most full-time Pennsylvania residents will remain at $3,858 per term, or $7,716 for the full 2023-24 academic year. **Nonresident, undergraduate tuition** was also frozen, with the rate for most nonresident students remaining at $19,290 for the 2023-24 academic year. The basic resident **graduate tuition** rate remained at $516 per credit, while the typical nonresident, graduate tuition rate remained at $774 per credit.

The **technology tuition fee** remains at $478 for full-time in-state students and $728 for full-time out-of-state students. All funds raised by the technology tuition fee are used directly to benefit student learning. This fee provides direct support to technology infrastructure on the Commonwealth University campuses. The campus network, student labs, classroom presentation systems, and other technologies used by faculty and students are supported by this fee.

The university's average **price of attendance** (tuition, mandatory fees, room, and board) for in-state undergraduate students remained stable for academic year 2023-24 at $21,878, compared to $21,912 in academic year 2022-23. The average price of attendance among all four-year public universities in the United States in academic year 2022-23 was $23,250.

### Enrollment

The university's fall 2022 student headcount was 12,093, a decrease of 375 students or 3.0% from fall 2021. Following is a breakdown of selected enrollment information.

**Fall Enrollment**

| | 2022-23 | | 2021-22 | |
|---|---|---|---|---|
| Full Time | 9,792 | 81% | 10,496 | 84% |
| Part Time | 2,301 | 19% | 1,972 | 16% |
| | **12,093** | | **12,468** | |
| Undergraduate | 11,032 | 91% | 11,325 | 91% |
| Graduate | 1,061 | 9% | 1,143 | 9% |
| | **12,093** | | **12,468** | |
| Resident | 10,859 | 90% | 11,287 | 91% |
| Non-Resident | 1,234 | 10% | 1,181 | 9% |
| | **12,093** | | **12,468** | |

With an undergraduate population comprised of 90% Pennsylvania residents—and the majority of those being traditional-age students enrolling right out of high school—the university's enrollment has been impacted by the state's decline in high school graduates. In addition to the reductions in the number of high school graduates in Pennsylvania, enrollment has been affected by a decline in the proportion of those who pursue higher education, an overcrowded higher education marketplace in the state and the continued follow-on impact of COVID-19.

**Appropriations**

For fiscal year 2022-23, the State System received General Fund appropriations of $552.5 million, which was an increase of 15.7% over the amount of $477.5 million for fiscal year 2021-22. The university's share of the total appropriation was $84.6 million in fiscal year 2022-23, with an increase of $4.1 million, or 5.1%, over fiscal year 2021-22. In fiscal year 2022-23, these appropriations represented approximately 29.6% of total revenues and gains.

On July 21, 2022, the Board of Governors approved a new allocation method to the state appropriation allocations. This new allocation formula is student-focused and based on core operations and enrollment. The detailed methodology and calculations to support these distributions can be found in **Procedure/Standard 2022-55: Allocation Formula Methodology**. This new formula was fully implemented and used to allocate the state appropriation received beginning in fiscal year 2022-23.

As of 2022, Pennsylvania ranked 46th in the nation in public higher education appropriations per FTE student. State support is a main determinant influencing the State System's overall financial condition and directly impacts the ability of the State System to maintain affordable tuition rates. The recent appropriation increases in both 2022-23 and 2023-24 have been instrumental in the ability to freeze tuition during this year, provide important services for our students, and support our financial health.

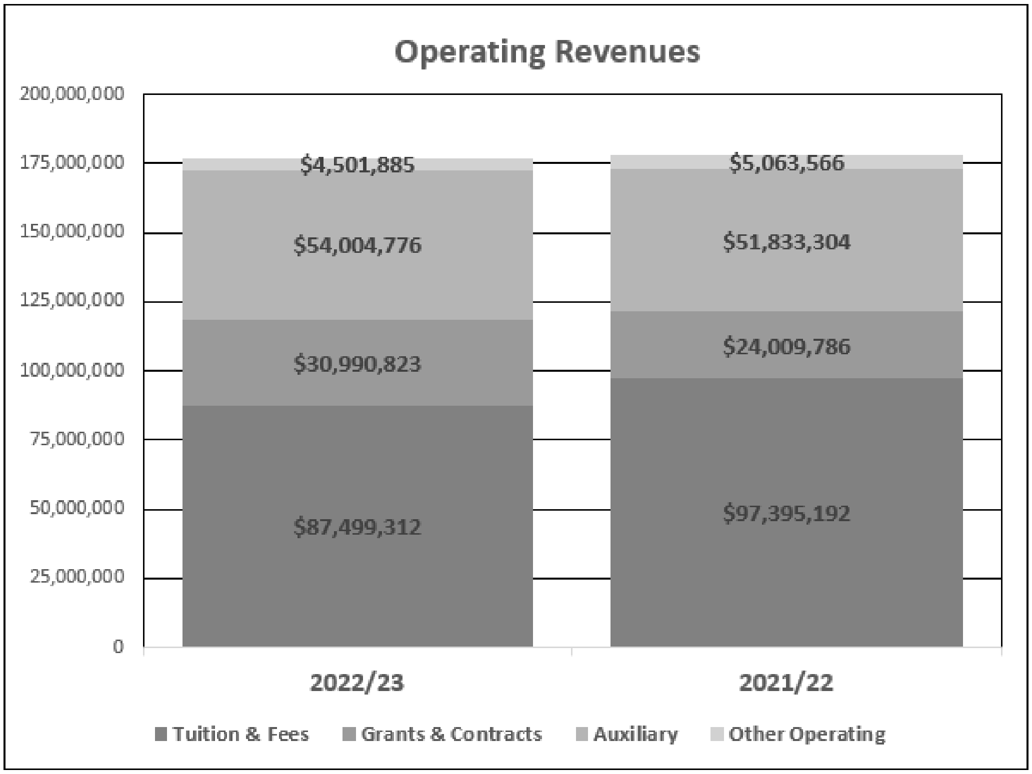
The university received a $4.1 million Realty Transfer Tax allocation in fiscal year 2022-23 from the Commonwealth's Key '93 (Keystone Recreation, Park and Conservation) Fund. With the exception of fiscal years 2009-10 and 2010-11, when no funding was received, Key '93 funds have provided a consistent revenue stream for university deferred maintenance projects since 1993.

In fiscal year 2022-23, the State System universities received an appropriation of $125 million from the Commonwealth's American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds. The university's share of these one-time funds was $17.1 million and will be used to provide institutional aid to students in accordance with regulations outlined in the Coronavirus State and Local Fiscal Recovery Funds Final Rule guidelines. In fiscal year 2021-22, the State System received an appropriation of $50 million from the Commonwealth's American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds. The university's share was $7.1 million. The one-time funds were used to support universities in various initiatives with one-time expenditures (e.g., university integrations, implementation of a new student information system; projects related to student success, diversity, equity, and inclusion, workforce development; and support for universities as they transition to sustainable operations).

**Operating Revenues**

Educational and General Fund tuition and fee revenue, net of discounts and allowances, was $87.5 million for fiscal year 2022-23, a decrease of $9.9 million from the $97.4 million earned in fiscal year 2021-22. Auxiliary fee revenue, net of discounts and allowances, was $48.9 million for fiscal year 2022-23, an increase of $2.4 million from the $46.5 million fee earned in 2021-22.

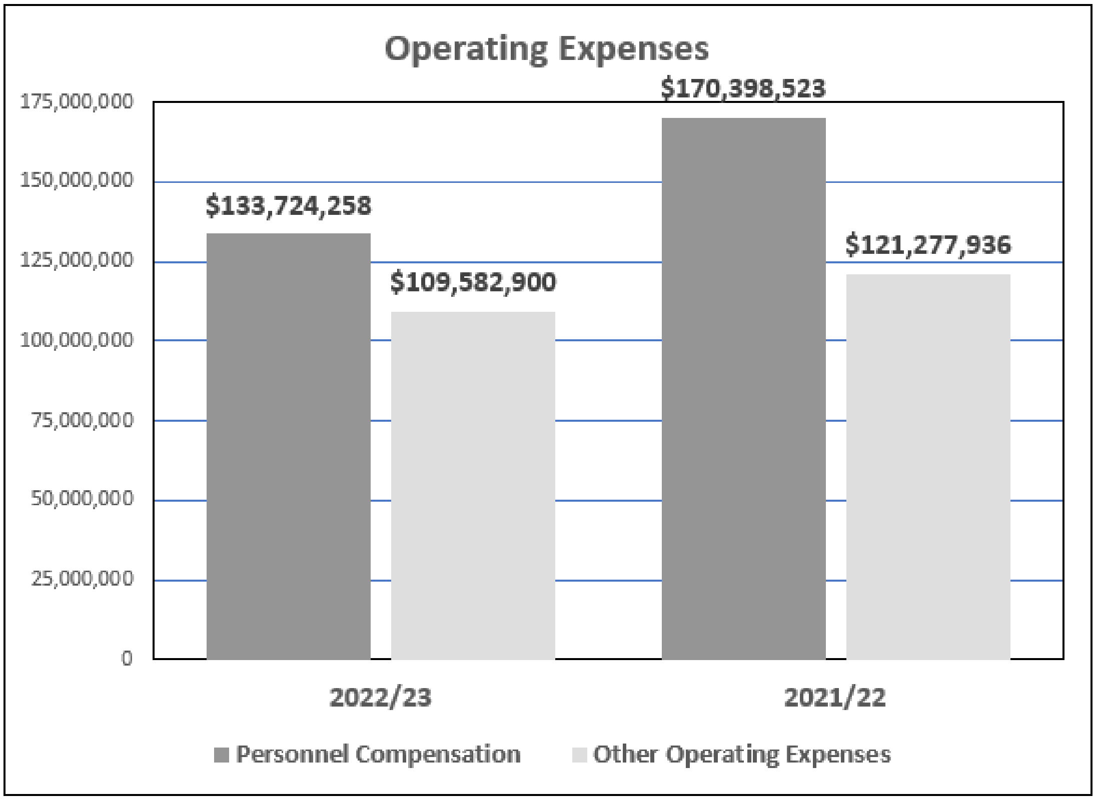
The chart below summarizes the two-year trend of total university operating revenue, including Educational and General fund tuition and fees, auxiliary fees and sales, government and nongovernment grants and contracts, and other miscellaneous operating revenue.




**Operating Expenses**
Educational and General Fund personnel expenditures, including salary, incremental benefits and employer paid fixed rate benefits, were $120.5 million, a decrease of $29.5 million, or 19.7%, in fiscal year 2022-23 as compared to fiscal year 2021-22. The decrease is attributable to the effect of actuarily determined unfunded liabilities – compensated absences, pension and other postemployment benefits (OPEB). All represented employee groups experienced collective bargaining pay increases, and nonrepresented employees received pay increases as well, in fiscal year 2022-23.

Educational and General Fund expenditures, including services, supplies, utilities, capital and other non-personnel expenditures were $51.3 million for fiscal year 2022-23, an increase of $4.4 million, or 9.3%, over fiscal year 2021-22.

The following chart summarizes the two-year trend of total university personnel compensation and other operating expenses, such as services, supplies and utilities.




## FINANCIAL STATEMENTS

### Balance Sheet

The balance sheet reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the university as of the end of the fiscal year.

- ***Assets*** include cash; investments reported at market value; the value of outstanding receivables due from students and from other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation.
- ***Deferred Outflows of Resources***, defined as a consumption of net position that applies to future periods, reports the deferred loss on bond defeasance and certain items associated with the pension and other postemployment benefits, OPEB, liabilities (health and tuition benefits expected to be paid to eligible current and future retirees).
- ***Liabilities*** include payments due to vendors, employees, including students; revenues received but not yet earned; the balance of bonds payable; and amounts estimated to be due for items such as workers' compensation (the university is self-insured), compensated absences (the value of sick and annual leave earned by employees), pension benefits, and other postemployment benefits (OPEB).
- ***Deferred Inflows of Resources***, defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance, the fair value of irrevocable split-interest agreements, and certain items associated with the pension and OPEB.
- ***Net Position***, informally referred to as *Net Assets* or *Fund Balance* (as it was previously called), is the sum of Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources.

Following is a summary of the university's balance sheet at June 30, 2023 and 2022.

**Statement of Net Position**

| *(in millions)* | June 30, 2023 | June 30, 2022 | Change from Prior Year |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $134.4 | $146.4 | (8.2%) |
| Capital assets, net | 375.7 | 386.5 | (2.8%) |
| Other assets | 34.5 | 25.1 | 37.5% |
| Deferred outflows | 82.7 | 70.2 | 17.8% |
| **Total assets and deferred outflows** | 627.3 | 628.2 | (0.1%) |
| **Liabilities** | | | |
| Workers' Compensation | 1.3 | 1.1 | 18.2% |
| Compensated absences | 18.5 | 26.2 | (29.4%) |
| Net pension liability | 186.1 | 123.6 | 50.6% |
| Net OPEB liability | 199.6 | 295.0 | (32.3%) |
| Bonds payable | 202.8 | 217.7 | (6.8%) |
| Lease obligations and financed purchases | 7.2 | 2.1 | 242.9% |
| Other liabilities | 52.1 | 45.0 | 15.8% |
| Deferred inflows | 152.4 | 159.9 | (4.7%) |
| **Total liabilities and deferred inflows** | 820.0 | 870.6 | (5.8%) |
| **Net Position** | | | |
| Net investment in capital assets | 165.9 | 167.0 | (0.7%) |
| Restricted | 13.1 | 11.5 | 13.9% |
| Unrestricted | (371.7) | (420.9) | (11.7%) |
| **Total net position** | (192.7) | (242.4) | (20.5%) |
| **Total liabilities, deferred inflows, and net position** | $627.3 | $628.2 | (0.1%) |

**Net Position**
Net position in fiscal year 2022-23 increased by $49.7 million from fiscal year 2021-22 net position.

In accordance with GASB requirements, the university reports three components of net position:

- **Net investment in capital assets** – informally known as NIP (from its former name, *Net investment in plant*), is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation, less any associated debt (primarily bonds payable). This balance is not available for the university's use in ongoing operation since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits a state university from selling university land and buildings without prior approval.

- **Restricted** net position represents the portion of balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. *Nonexpendable* restricted net position represents the corpus of endowments and similar arrangements in which only the associated investment income can be spent. *Expendable* restricted net position represents the portion of restricted funds that is available for expenditures as long as any external purpose and time restrictions are met.

- **Unrestricted** net position includes funds that the university president has designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted of invested in capital assets.

Unrestricted net position includes three liabilities that the university does not fund – compensated absences, net pension liability, and OPEB - along with the respective deferred outflows and deferred inflows of resources. Because these liabilities will be realized gradually over future years, and because of their size, the universities are expected to fund these liabilities only on a "pay-as-you-go" basis; i.e., as they become due.

- The liability for **compensated absences** represents the dollar value, based on an employee's current salary, of annual and sick leave that employees have earned and could potentially receive in the form of cash payouts upon retirement or other termination. All full-time employees are eligible to be paid, upon termination, for their accumulated unused annual, personal, and holiday leave, with a maximum annual accumulation of 45 days. Sick leave payouts, however, are subject to vesting requirements, and the value of accumulated unused sick leave is paid only to those employees who retire and meet service and/or age requirements, and it is capped depending upon the number of days accumulated. The liability for sick leave is estimated based on historical sick leave payouts. As employees earn and accumulate leave, the compensated absences liability increases; as employees use leave or terminate, the liability decreases. The liability decreased from a balance of $26.2 million in fiscal year ending June 30, 2022 to $18.6 million in fiscal year ending June 30,2023. The university funds this liability only as cash payouts are made to employees upon termination.

- The **net pension liability**, along with the related deferred outflows and inflows of resources, is the university's allocated share of the difference between the Commonwealth's defined benefit pension obligations and the funding set aside by the Commonwealth in a qualified trust to pay the future benefits that are promised to current employees, retirees, and their beneficiaries. The annual increase in the liability is the amount that current employees earn each fiscal year as a pension benefit, actuarially calculated based on years of service, age, and estimates of future service and employee longevity. The liability decreases when funding of the qualified trust increases and when employees or retirees leave the pension plans. The negative effect of this liability, along with the related deferred outflows and inflows of resources, on net position at June 30, 2023, was $150.0 million, compared to $150.9 million at June 30, 2022. The university funds this liability on a "pay-as-you-go" basis; that is, they fund only the annual contractually required contributions to the State Employees Retirement System (SERS) and the Public School Employees Retirement System (PSERS).

- The liability for **other postemployment benefits,** or OPEB, represents the estimated future healthcare costs for current and future retirees. The annual increase in the liability is the amount that current employees earn each fiscal year as a retiree healthcare benefit, actuarially calculated based on years of service, age, and estimates of future service and employee longevity. The liability also increases as healthcare costs increase. The liability decreases when required contributions by retirees are increased, when the number of eligible employees decreases, and when retirees leave the plan. The negative effect of this liability, along with the related deferred outflows and inflows of resources, on net position at June 30, 2023, was $304.2 million, compared to $356.2 million at June 30, 2022. Like the pension liability, the university funds these liabilities on a "pay-as-you-go" basis. For the State System plan, the university makes biweekly contributions to fund the actual claims incurred by retirees during the year; for the Retired Employees Health Program (REHP) and PSERS OPEB plans, the university makes contractually required contributions as determined by the Commonwealth.

Following is a summary of the effect of the three unfunded liabilities, including the related deferred outflows of resources (DOR) and deferred inflows of resources (DIR), on the university's net position. The university's Alternative Retirement Plan is a defined contribution plan and has no liability. The university was not required to report a liability for the REHP OPEB and PSERS OPEB plans prior to July 1, 2018.

**Effect of the Unfunded Liabilities,**
**including the respective Deferred Outflows of Resources and Deferred Inflows of Resources,**
**on Unrestricted Net Position**

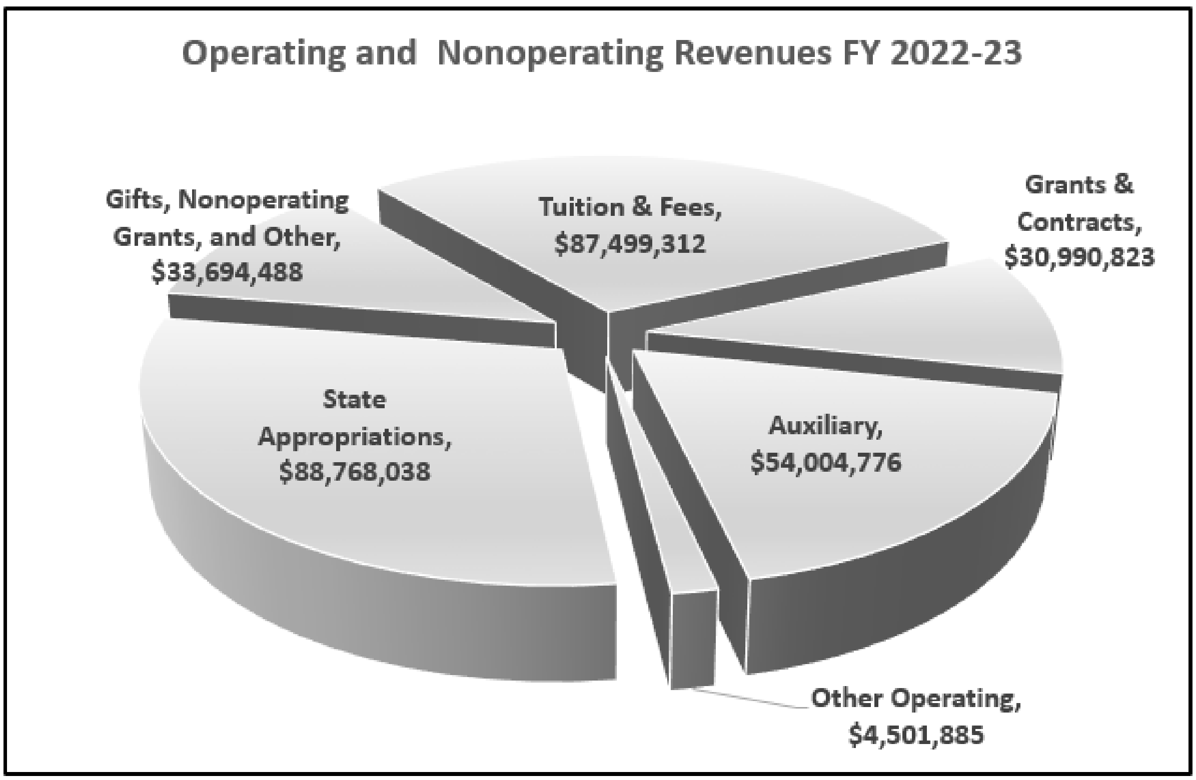
| *(in millions)* | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **Unrestricted Net Position when the effect of the unfunded liabilities is included** | ($371.7) | ($420.9) |
| Pension Liabilities, including DOR and DIR | | |
| SERS Pension | 136.9 | 137.0 |
| PSERS Pension | 13.1 | 13.8 |
| Alternative Retirement Plan | - | - |
| Total Pension Liabilities | 150.0 | 150.8 |
| OPEB Liabilities, including DOR and DIR | | |
| SSHE OPEB Plan | 200.3 | 226.4 |
| REHP OPEB Plan | 103.2 | 129.2 |
| PSERS OPEB Plan | 0.6 | 0.7 |
| Total OPEB Liabilities | 304.1 | 356.3 |
| Compensated Absences Liability | 18.6 | 26.2 |
| Total Unfunded Liabilities, including DOR and DIR | 472.7 | 533.3 |
| **Unrestricted Net Position when the effect of the unfunded liabilities is excluded** | $101.0 | $112.4 |

When the unfunded liabilities and related DOR and DIR are excluded, unrestricted net position decreased by $11.4 million, or 10.1%, from fiscal year 2021-22 to 2022-23.

**Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, the university has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations and appropriations and grants received as a result of the CARES, CRRSAA and ARP Acts are nonoperating revenues. In addition, GASB requires classification of gifts, Pell grants, investment income and expenses, unrealized gains and losses on investments, interest expense, and gains and losses on disposals and acquisitions of assets as nonoperating. The State System classifies all of its remaining activities as operating.

Following is a chart and a table that illustrate the composition of the university's total operating and nonoperating revenues for fiscal year 2022-23 and summarize comparative operating and nonoperating revenues for the years ended June 30, 2023 and June 30, 2022.



**Revenues and Gains**

| *(in millions)* | June 30, 2023 | June 30, 2022 | Change from Prior Year |
|---|---|---|---|
| **Operating revenues** | | | |
| Tuition and fees, net | $87.5 | $97.4 | (10.2%) |
| Grants and contracts | 31.0 | 24.0 | 29.2% |
| Auxiliary enterprises, net | 54.0 | 51.8 | 4.2% |
| Other | 4.5 | 5.1 | (11.8%) |
| **Total operating revenues** | **177.0** | **178.3** | (0.7%) |
| **Nonoperating revenues and gains** | | | |
| State appropriations | 88.8 | 85.4 | 4.0% |
| Federal & state approp. & grants-COVID | 5.4 | 41.3 | (86.9%) |
| Investment income, net | 4.3 | 1.5 | 186.7% |
| Gifts, nonoperating grants, and other | 24.0 | 40.5 | (40.7%) |
| **Total nonoperating revenues and** | **122.5** | **168.7** | (27.4%) |
| **Total revenues and gains** | **$299.5** | **$347.0** | (13.7%) |

Overall, fiscal year 2022-23 **operating revenues** decreased by 0.7% over the prior fiscal year. Nonoperating revenues decreased by 27.4% due to reduced COVID related appropriations and grants received in 2022-23 and the revenue recognition of a PASSHE loan received by the Mansfield campus in 2021-22 for $20 million. The overall decrease in revenues and gains was 13.7%.

**Tuition and fee revenue** are shown net of discounts and allowances and bad debt expense. Discounts and allowances represent financial aid to students in the form of grants, scholarships, and waivers. A freeze in tuition and mandatory fees set by the university, coupled with a decline in enrollment, resulted in an overall decrease of net tuition and fee revenue of $9.9 million in fiscal year 2022-23, or 10.2%, from fiscal year 2021-22.

Total **financial aid** to students (excluding CARES Act emergency aid for students) in the form of grants, waivers, and scholarships was $53.8 million in fiscal year 2022-23, compared to $49.4 million in fiscal year 2021-22. Federal Pell grants and other federal aid decreased by $1.4 million, while Pennsylvania Higher Education Assistance Agency (PHEAA) grants increased by $.7 million, over fiscal year 2021-22.

Following is the breakdown of financial aid in fiscal years 2022-23 and 2021-22.

| Student Financial Aid | | |
|---|---|---|
| *(in millions)* | **2022-23** | **2021-22** |
| Federal Pell grants | $16.5 | $17.8 |
| Other federal aid | 1.2 | 1.3 |
| State financial aid including PHEAA grants | 12.7 | 12.0 |
| Local government financial aid | | - |
| Endowments and all other restricted financial aid grants | 3.9 | 2.7 |
| E&G scholarships/fellowships recorded as grants/gift revenue | 8.2 | 1.5 |
| Tuition and fee waivers and institutional scholarships | 10.5 | 13.7 |
| Housing and dining waivers and institutional scholarships | 0.8 | 0.5 |
| **Total** | $53.8 | $49.4 |

Tuition and fee waivers and institutional scholarships granted by the university decreased by $3.2 million, or 23.6%, in fiscal year 2022-23 over 2021-22. Waivers and institutional scholarships represent discounts offered to students for which there is no outside funding source to replenish the lost operating revenue.

**Auxiliary enterprises revenue**, which includes food service sales, housing fees, and fees for the operation, maintenance, debt service, and renewal of student union and recreation centers increased to $54.0 million in fiscal year 2022-23, from $51.8 million in fiscal year 2021-22.

**State appropriations** include general and capital cash appropriations that are received from the Commonwealth. The fiscal year 2022-23 general cash appropriation allocated to the university was $84.6 million, an increase of $4.1 million, or 5.1%, over the fiscal year 2021-22 allocation, while capital appropriations decreased $.7 million to $4.1 million in fiscal year 2022-23 from $4.8 million in fiscal year 2021-22.

**Investment income** (net of related investment expenses) for fiscal year 2022-23 was $4.3 million. This represents an increase of $2.8 million over fiscal year 2021-22. The increase is largely due to increasing interest rates during the fiscal year. Rates moved from a low of .76% in fiscal year 2021-22 to a high of 3.56% during fiscal year 2022-23.

**Other Revenue** includes CARES, CRRSAA and ARPA Act funds that have been provided to the university for emergency aid to students whose lives have been disrupted by the pandemic, as well as funds that can be used by the university to help cover costs associated with providing a safe campus and work environment throughout this pandemic. Most funds under these programs were fully expensed by the fiscal year 2021-22. The $5.4 million in COVID related appropriations recognized as revenue in fiscal year 2022-23 was related to the $125 million appropriation from the Commonwealth's American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds. The remaining amount of $11.7 million allocated to the university is anticipated to be recognized as revenue over the next three fiscal years.

### Expenses and Losses

Following is a summary of expenses and losses for the years ending June 30, 2023 and June 30, 2022.

**Expenses and Losses**

| *(in millions)* | June 30, 2023 | June 30, 2022 | Change from Prior Year |
|---|---|---|---|
| **Operating expenses** | | | |
| Instruction | $74.0 | $98.3 | (24.7%) |
| Research and public service | 2.9 | 2.2 | 31.9% |
| Academic support | 17.8 | 17.3 | 2.4% |
| Student services | 23.6 | 25.9 | (8.8%) |
| Institutional support | 36.5 | 37.1 | (1.6%) |
| Operations and maintenance of plant | 15.2 | 14.9 | 1.6% |
| Depreciation | 27.9 | 26.4 | 5.6% |
| Student aid | 12.9 | 32.5 | (60.2%) |
| Auxiliary enterprises | 32.5 | 37.0 | (12.2%) |
| **Total operating expenses** | 243.3 | 291.7 | (16.6%) |
| **Other expenses and losses** | | | |
| Interest expense on capital asset-related debt | 6.3 | 6.6 | (3.7%) |
| Loss on disposal/acquisition of assets | 0.1 | 1.8 | |
| **Total other expenses and losses** | 6.5 | 8.4 | (23.3%) |
| **Total expenses and losses** | $249.8 | $300.1 | (16.8%) |

Operating expenditures include personnel and other non-personnel operating expense, including depreciation.

In fiscal year 2022-23, $133.7 million, or 49.8%, of the university's total operating expenses were related to salary and wages. Salary and wages decreased $9.3 million, or 7.1%, from fiscal year 2021-22. Total benefits, including healthcare costs, health and welfare, and post-retirement were $12.6 million in fiscal year 2022-23, or 5.2%, of total operating expenses. This represents a decrease of $27.4 million, or 68.5%, from fiscal year 2021-22 benefits expense of $40.0 million.

This decrease is related to net actuarial assumptions associated with the Compensated Absences, OPEB and pension liabilities, as well as the reduction in workforce.

- Employer share of employee health care costs, including hospitalization insurance and the health and welfare fund, was $20.3 million in fiscal year 2022-23, a decrease of $.3 million, or 1.1%, compared to fiscal year 2021-22.
- Employer share of postretirement health care expense was a negative $46.4 million, a decrease of $37.4 million, or 416.3%, compared to fiscal year 2021-22, primarily related to a decrease in the actuarially calculated OPEB expenses in excess of pay-as-you-go.
- Employer contributions to SERS, a defined benefits pension plan, were $16.8 million in fiscal year 2022-23, an increase of $.2 million and 1.2% from fiscal year 2021-22.
- Employer contributions to PSERS, a defined benefits pension remained steady at $1.7 million, from fiscal year 2021-22 to fiscal year 2022-23.
- Employer contributions to the Alternative Retirement Plan (ARP), a defined contribution plan, decreased slightly in fiscal year 2022-23 by $.1 million to $5.6 million.

Other operating expenses, including student aid, supplies and other services, utilities, and depreciation, were $109.6 million in fiscal year 2022-23, a decrease of $11.7 million, or 9.6%, from fiscal year 2021-22. This decrease is primarily due to a decrease in student aid disbursements related to CARES Act funding.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the university's cash receipts and cash payments. It may be used to determine the university's ability to generate future net cash flows and meet its obligations as they come due, as well as its possible need for external financing.

The table below shows the university's cash balance at the end of fiscal years 2022-23 and 2021-22.

| | **FY 2022-23** | **FY 2021-22** |
|---|---|---|
| Cash flows from operating activities | ($111,615,991) | ($131,867,088) |
| Cash flows from noncapital financing activities | 123,297,741 | 162,452,069 |
| Cash flows from capital financing activities | (27,935,381) | (36,048,525) |
| Cash flows from investing activities | 4,258,877 | 1,578,351 |
| **Net increase (decrease) in cash** | ($11,994,754) | ($3,885,192) |
| **Cash-beginning of year** | $146,430,768 | $150,315,962 |
| Cash-end of year | $134,436,014 | $146,430,769 |

## OTHER ECONOMIC FACTORS AND CONSIDERATIONS

In the upcoming fiscal year, 2023-24, there are several economic factors and considerations to note with respect to the university's financial outlook.

### Tuition and Fees

In its continued efforts to address affordability, in July 2023, the Board voted to freeze basic in-state tuition for the 2023-24 academic year. The Board also set a tentative tuition rate for the 2024-25 academic year that was also frozen. These actions provide assurances and financial relief to current and potential students and ensure that the State System will maintain its place as the affordable higher education option for students of the Commonwealth. The State System will continue to monitor its funding sufficiency and propose a tuition rate for 2024-25 for the Board's consideration in 2024.

### Enrollment

Enrollment is expected to continue its downward trend for fiscal year 2023-24. The impact to the universities of the reductions in the number of high school graduates is compounded by a decline in the proportion of those who pursue higher education, an overcrowded higher education marketplace in the state and the impact of COVID-19.

### Appropriation

On August 3, 2023, Governor Josh Shapiro signed a fiscal year 2023-24 Commonwealth General Fund budget of $44.5 billion that provides for increased funding of higher education. The spending plan appropriated to the State System was $585.6 million in General Funds, an increase of $33.1 million or 6.0% over the prior fiscal year 2022-23. The university's share will be $88.4 million.

**Compensation Costs**
Approximately 88% of the university's full-time (FTE) employees are covered by 6 collective bargaining agreements. During 2022-23, a new collective bargaining agreement was established with the Security, Police and Fire Professionals of America (SPFPA) through August 2025. The collective bargaining agreements with the 5 other unions expired June 30, 2023. The terms of the prior contracts remain in effect until successor agreements are ratified. Efforts are actively underway to secure successor agreements with these groups. In August 2023, the Commonwealth and AFSCME signed a four-year contract, the provisions of which apply to the university's clerical, administrative, technical, maintenance and trade employees whom AFSCME represents, which is approximately 32% of the university's labor force. Pay increases for nonrepresented employees are approved by the Board of Governors. Overall salaries and wages are projected to increase by .4%.

**Pension Costs and Healthcare**
The pension cost of employer retirement contributions has increased significantly year-over-year but has recently seen a leveling out, or a lower rate of increase. The employer contribution rate for the university's most common pension plan, SERS, is increasing 5.6% in fiscal year 2023-24. Healthcare rates are expected to increase for all units by between .2% and 10.0% in fiscal year 2023-24. The assumption of increased employer rates across all units remains likely in years beyond 2024. Overall, total benefits are projected to decrease by 5.4% as the result of the workforce reduction initiatives that have been implemented in the prior three fiscal years.

**Rating Agencies**
In June 2022, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3, but revised the outlook from stable to negative. The negative outlook reflects Moody's expectations of ongoing student demand difficulties leading to a continued trend of thin operating performance and weakening debt service coverage through fiscal 2022. In June 2022, Moody's published an updated Environmental, Social, and Governance methodology which introduces ESG Issuer Profile (IPS) and Credit Impact Scores (CIS) for rated entities.

The new scores are incorporated in the credit ratings of ESG issues. The State System has been assigned a CIS-4, reflecting Moody's assessment that the State System has high exposure to social risks, primarily demographics, with neutral to low environmental and governance risks. The next rating update from Moody's is anticipated in the fall of 2023. In March 2023, Fitch Ratings reviewed the State System's rating of A+ with stable outlook and no rating change was made.

**Requests for Information**
Requests for information, including questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Commonwealth University of Pennsylvania
Accounting Services
400 East Second Street
Bloomsburg, PA 17815

# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
# STATEMENT OF NET POSITION − PRIMARY INSTITUTION
# JUNE 30, 2023

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash and Cash Equivalents | $ 134,436,017 |
| Investments | 182,054 |
| Accounts Receivable: | |
| Governmental Grants and Contracts | 5,221,018 |
| Students, Net of Allowance for Doubtful Accounts of $6,896,433 | 14,040,426 |
| Other | 2,101,236 |
| Interest Income Receivable | 448,172 |
| Inventories | 116,970 |
| Prepaid Expenses | 3,031,074 |
| Current Portion of Leases Receivable | 159,121 |
| Due from Component Units | 1,916,671 |
| Other Assets | 895 |
| Total Current Assets | 161,653,653 |
| **NONCURRENT ASSETS** | |
| Long-Term Investments, Including Endowments | 943,919 |
| Beneficial Interests | 4,548,677 |
| Non-Depreciable Capital Assets | 14,887,963 |
| Depreciable or Amortizable Capital Assets, Net of Accumulated Depreciation and Amortization | 360,813,439 |
| Long-Term Portion of Leases Receivable | 1,736,026 |
| Total Noncurrent Assets | 382,930,024 |
| Total Assets | 544,583,677 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Unamortized Loss on Refunding of Debt | 843,235 |
| Deferred Outflows from SERS Contributions | 46,903,625 |
| Deferred Outflows from PSERS Contributions | 2,231,367 |
| Deferred Outflows from OPEB Contributions | 32,717,501 |
| Total Deferred Outflows of Resources | 82,695,728 |
| Total Assets and Deferred Outflows of Resources | $ 627,279,405 |

*See accompanying Notes to Financial Statements.*

**COMMONWEALTH UNIVERSITY OF PENNSYLVANIA**
**STATEMENT OF NET POSITION − PRIMARY INSTITUTION (CONTINUED)**
**JUNE 30, 2023**

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | |
|---|---|
| **CURRENT LIABILITIES** | |
| Accounts Payable and Accrued Expenses | $ 23,766,154 |
| Unearned Revenue | 19,690,809 |
| Students' Deposits | 15,336 |
| Other Deposit Liabilities | 790,117 |
| Workers' Compensation | 610,976 |
| Current Portion of Compensated Absences | 3,236,714 |
| Current Postretirement Benefit Obligations | 5,632,157 |
| Current Portion of Lease Liabilities | 411,528 |
| Current Portion of Subscription Liabilities | 1,624,975 |
| Current Portion of Bonds Payable, Net | 14,544,220 |
| Due to System, Academic Facilities Renovation Bond Program (AFRP) | 127,621 |
| Due to Component Units | 6,002,078 |
| Due to Component Units - Lease Liabilities | 496,853 |
| Other Current Liabilities | 200,959 |
| Total Current Liabilities | 77,150,497 |
| **NONCURRENT LIABILITIES** | |
| Unearned Revenue | 1,035,271 |
| Workers' Compensation, Net of Current Portion | 642,286 |
| Compensated Absences, Net of Current Portion | 15,316,643 |
| Long-Term Portion of Lease Liabilities | 574,227 |
| Postretirement Benefit Obligations, Noncurrent | 193,978,258 |
| Long-Term Portion of Subscription Liabilities | 3,736,944 |
| Bonds Payable, Net | 188,312,070 |
| Due to System, AFRP, Net of Current Portion | 321,295 |
| Due to Component Units - Lease Liabilities | 374,136 |
| Net Pension Liability | 186,060,040 |
| Other Noncurrent Liabilities | 171,429 |
| Total Noncurrent Liabilities | 590,522,599 |
| Total Liabilities | 667,673,096 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unamortized Gain on Refunding of Debt | 134,375 |
| Deferred Inflows from SERS Contributions | 12,326,563 |
| Deferred Inflows from PSERS Contributions | 786,739 |
| Deferred Inflows from OPEB Contributions | 137,263,423 |
| Deferred Inflow - Lease Receivable | 1,845,751 |
| Total Deferred Inflows of Resources | 152,356,851 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 165,886,393 |
| Restricted for: | |
| Expendable: | |
| Scholarships and Fellowships | 1,403,948 |
| Capital Projects | 6,550,234 |
| Other | 585,739 |
| Nonexpendable: | |
| Scholarships and Fellowships | 4,548,677 |
| Other | 517 |
| Unrestricted Net Position | (371,726,048) |
| Total Net Position | (192,750,541) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | $ 627,279,405 |

*See accompanying Notes to Financial Statements.*

# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION − PRIMARY INSTITUTION
# YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| **OPERATING REVENUES** | |
| Tuition and Fees | $ 129,164,797 |
| Less: Scholarship Discounts and Allowances | (41,665,484) |
| Net Tuition and Fees | 87,499,312 |
| | |
| Governmental Grants and Contracts: | |
| Federal | 3,818,449 |
| State | 26,807,610 |
| Local | 50,000 |
| Nongovernmental Grants and Contracts | 314,764 |
| Sales and Services of Educational Departments | 3,254,116 |
| Auxiliary Enterprises | 54,004,776 |
| Other Revenues | 1,247,770 |
| Total Operating Revenues | 176,996,797 |
| | |
| **OPERATING EXPENSES** | |
| Instruction | 73,995,612 |
| Research | 292,983 |
| Public Service | 2,613,192 |
| Academic Support | 17,771,319 |
| Student Services | 23,612,779 |
| Institutional Support | 36,542,113 |
| Operations and Maintenance of Plant | 15,154,302 |
| Depreciation and Amortization | 27,928,927 |
| Student Aid | 12,911,409 |
| Auxiliary Enterprises | 32,484,521 |
| Total Operating Expenses | 243,307,157 |
| | |
| **OPERATING LOSS** | (66,310,360) |
| | |
| **NONOPERATING REVENUES (EXPENSES)** | |
| State Appropriations, General and Restricted | 84,635,284 |
| Federal and State Appropriations and Grants-COVID | 5,413,760 |
| Commonwealth On-Behalf Contributions to PSERS | 933,592 |
| Pell Grants | 16,474,806 |
| Investment Income, Net of Related Investment Expense of $496,010 | 4,283,170 |
| Unrealized Increase in Fair Value in Beneficial Interests | 452,571 |
| Gifts for Other than Capital Purposes | 4,731,988 |
| Interest Expense | (6,344,734) |
| Loss on Disposal of Assets | (112,853) |
| Other Nonoperating Revenue (Expense) | 230,268 |
| Nonoperating Revenues, Net | 110,697,852 |
| | |
| **INCOME BEFORE OTHER REVENUES** | 44,387,492 |
| | |
| **OTHER REVENUES** | |
| State Appropriations, Capital | 4,132,754 |
| Capital Gifts and Grants | 1,174,333 |
| Total Other Revenues | 5,307,087 |
| | |
| **INCREASE IN NET POSITION** | 49,694,579 |
| | |
| Net Position - Beginning of Year | (242,445,119) |
| | |
| **NET POSITION - END OF YEAR** | $ (192,750,541) |

*See accompanying Notes to Financial Statements.*

# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
# STATEMENT OF CASH FLOW – PRIMARY INSTITUTION
# YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Net Tuition and Fees | $ 83,668,343 |
| Grants and Contracts | 29,915,535 |
| Payments to Suppliers for Goods and Services | (65,662,289) |
| Payments to Employees | (202,476,172) |
| Loans Collected from Students | 45,548 |
| Student Aid | (13,105,950) |
| PLUS, Stafford, and Other Loans Receipts (Non-Perkins) | 97,314,471 |
| PLUS, Stafford, and Other Loans Disbursements (Non-Perkins) | (97,314,471) |
| Auxiliary Enterprise Charges | 53,098,296 |
| Sales and Services of Educational Departments | 3,286,289 |
| Other Operating Receipts | (385,589) |
| Net Cash Used by Operating Activities | (111,615,989) |
| | |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State Appropriations | 101,782,773 |
| Gifts and Nonoperating Grants for Other than Capital Purposes | 21,213,239 |
| Agency Transactions, Net | 71,461 |
| Other | 230,262 |
| Net Cash Provided by Noncapital Financing Activities | 123,297,735 |
| | |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | |
| Capital Appropriations | 4,132,754 |
| Capital Gifts and Grants Received | 1,091,966 |
| Proceeds from Sales of Capital Assets | 355,900 |
| Purchases of Capital Assets | (9,499,940) |
| Principal Paid on Debt, Leases, Subscriptions, and Financed Purchases | (15,947,366) |
| Interest Paid on Debt, Leases, Subscriptions, and Financed Purchases | (8,068,695) |
| Net Cash Used by Capital Financing Activities | (27,935,381) |
| | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Proceeds from Sales and Maturities | 257,354 |
| Interest on Investments | 4,001,523 |
| Net Cash Provided by Investing Activities | 4,258,877 |
| | |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (11,994,758) |
| | |
| Cash and Cash Equivalents - Beginning of Year | 146,430,775 |
| | |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 134,436,017 |

*See accompanying Notes to Financial Statements.*

## COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
## STATEMENT OF CASH FLOW − PRIMARY INSTITUTION (CONTINUED)
## YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | |
| Operating Loss | $ (66,310,360) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Used by Operating Activities: | |
| Depreciation and Amortization Expense | 27,928,927 |
| Expenses Paid by Commonwealth or Donor | 933,592 |
| Changes in Assets and Liabilities: | |
| Receivables, Net | (7,087,188) |
| Lease rental receivable (3rd Party & Comp Units) Activity | (6,498) |
| Inventories | 25,980 |
| Other Assets | (2,130,224) |
| Accounts Payable and Accrued Expenses | (5,761,185) |
| Unearned Revenue | 2,071,358 |
| Students' Deposits | (859,214) |
| Compensated Absences | (7,692,218) |
| Loans to Students | 45,548 |
| Postretirement Benefits Liability (OPEB) Activity | (52,038,774) |
| Net Pension Activity | (814,348) |
| Other Liabilities | 78,615 |
| Net Cash Used by Operating Activities | $ (111,615,989) |
| | |
| **SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL FINANCING ACTIVITIES** | |
| Capital Assets Acquired by New ROU Leases | $ 611,553 |
| Capital Assets Acquired by New ROU Leases with Comp Units | $ 100,906 |
| Capital Assets Acquired by New Subscription Agreements | $ 7,266,311 |
| Capital Assets Acquired by Gift or Appropriation | $ 82,367 |

*See accompanying Notes to Financial Statements.*

## COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
## COMBINED STATEMENT OF FINANCIAL POSITION − COMPONENT UNITS
## YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| **ASSETS** | |
| **CURRENT ASSETS** | |
| Cash and Cash Equivalents | $ 12,779,650 |
| Accounts Receivable | 664,991 |
| Prepaid Expenses and Inventories | 1,082,770 |
| Pledges Receivable | 9,369,258 |
| Due from University | 106,101 |
| Investments | 100,107,387 |
| Total Current Assets | 124,110,157 |
| **NONCURRENT ASSETS** | |
| Restricted Cash | 104,091 |
| Capital Assets, Net | 37,591,297 |
| Other Assets | 7,116,358 |
| Total Noncurrent Assets | 44,811,746 |
| Total Assets | $ 168,921,903 |
| **LIABILITIES AND NET ASSETS** | |
| **CURRENT LIABILITIES** | |
| Accounts Payable and Accrued Expenses | $ 980,434 |
| Deferred Revenue | 181,428 |
| Annuity Liabilities | 585,051 |
| Due to University | 911,136 |
| Other Deposits Liability | 2,301,034 |
| Total Current Liabilities | 4,959,083 |
| **NONCURRENT LIABILITIES** | |
| Long-Term Debt | 37,843,260 |
| Other Noncurrent Liabilities | 1,771,102 |
| Total Noncurrent Liabilities | 39,614,362 |
| Total Liabilities | 44,573,445 |
| **NET ASSETS** | |
| Without Donor Restrictions | 24,992,419 |
| With Donor Restrictions | 99,356,039 |
| Total Net Assets | 124,348,458 |
| Total Liabilities and Net Assets | $ 168,921,903 |

*See accompanying Notes to Financial Statements.*

**COMMONWEALTH UNIVERSITY OF PENNSYLVANIA**
**COMBINED STATEMENT OF ACTIVITIES − COMPONENT UNITS**
**YEAR ENDED JUNE 30, 2023**

| | |
|---|---|
| **CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | |
| **REVENUES AND OTHER ADDITIONS** | |
| Contributions | $ 486,634 |
| Sales & Services | 6,197,074 |
| Student Fees | 4,340,730 |
| Grants and Contracts | 2,497,000 |
| Rental Income | 6,484,432 |
| Investment Return, Net | 596,716 |
| Other Revenues and Gains | 1,510,143 |
| Restrictions | 7,327,161 |
| Total Revenues and Other Additions | 29,439,890 |
| **EXPENSES AND OTHER DEDUCTIONS** | |
| Program Services: | |
| Scholarships and Grants | 5,189,911 |
| Student Activities and Programs | 5,123,820 |
| University Stores | 5,527,629 |
| Housing | 5,690,103 |
| Other Programs | 1,627,410 |
| Management and General | 4,053,651 |
| Fundraising | 2,382,111 |
| Total Expenses and Losses | 29,594,635 |
| **CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | (154,745) |
| **CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS** | |
| Contributions | 6,301,862 |
| Investment Income | 7,379,095 |
| Other Revenue and Gains | 438,028 |
| Net Assets Released from Restrictions | (7,327,161) |
| **CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS** | 6,791,824 |
| **CHANGE IN TOTAL NET ASSETS** | 6,637,079 |
| Net Assets - Beginning of Year | 117,711,379 |
| **NET ASSETS - END OF YEAR** | $ 124,348,458 |

*See accompanying Notes to Financial Statements.*

# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
# COMBINED STATEMENT OF EXPENSES BY NATURE AND FUNCTION – COMPONENT UNITS
# YEAR ENDED JUNE 30, 2023

| | Program Activities | | | | | | Supporting Activities | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Natural Expense | Scholarship and Grants | Student Activities and Programs | University Stores | Housing | Other Programs | Total Programs | Management and General | Fundraising | Total Supporting | Total Expenses |
| Salaries and Benefits | $ - | $ 386,649 | $ 796,996 | $ 627,000 | $ (29,021) | $ 1,781,624 | $ 2,043,092 | $ 1,547,150 | $ 3,590,242 | $ 5,371,866 |
| Gifts and Grants | 5,189,911 | 373,754 | - | - | 134,402 | 5,698,067 | 121,488 | 12,267 | 133,755 | 5,831,822 |
| Supplies and Travel | - | 2,768,405 | 51,593 | 142,337 | 348,258 | 3,310,593 | 69,874 | 152,950 | 222,824 | 3,533,417 |
| Services and Professional Fees | - | 410,891 | 580 | 238,178 | 681,846 | 1,331,495 | 783,288 | 158,113 | 941,401 | 2,272,896 |
| Office and Occupancy | - | 13,501 | 508,313 | 1,215,808 | 20,127 | 1,757,749 | 222,593 | 270,555 | 493,148 | 2,250,897 |
| Depreciation | - | 11,501 | 64,485 | 1,639,267 | 29,832 | 1,745,085 | 269,248 | 22,480 | 291,728 | 2,036,813 |
| Interest | - | - | - | 1,228,405 | - | 1,228,405 | 169,726 | 16,739 | 186,465 | 1,414,870 |
| Other | - | 1,159,119 | 4,105,662 | 599,108 | 441,966 | 6,305,855 | 374,342 | 201,857 | 576,199 | 6,882,054 |
| Total Expenses | $ 5,189,911 | $ 5,123,820 | $ 5,527,629 | $ 5,690,103 | $ 1,627,410 | $ 23,158,873 | $ 4,053,651 | $ 2,382,111 | $ 6,435,762 | $ 29,594,635 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

On July 14, 2021, the Pennsylvania State System of Higher Education (PASSHE) Board approved the final university integration plans which integrate the then existing Bloomsburg University, Lock Haven University, and Mansfield University into a single northeast integrated university, subsequently named Commonwealth University of Pennsylvania. On July 1, 2022, Bloomsburg University, Lock Haven University, and Mansfield University transferred their assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position to the newly created Commonwealth University of Pennsylvania. As a result of the transfer, Commonwealth University of Pennsylvania recognized the following assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position:

| | Bloomsburg University | Lock Haven University | Mansfield University | Transferred Amounts |
|---|---|---|---|---|
| Current Assets | $ 101,406,938 | $ 53,982,399 | $ 9,018,482 | $ 164,407,819 |
| Noncurrent Assets | 219,732,221 | 91,563,271 | 82,275,095 | 393,570,587 |
| Total Assets | 321,139,159 | 145,545,670 | 91,293,577 | 557,978,406 |
| Deferred Outflows of Resources | 39,261,758 | 20,638,752 | 10,288,825 | 70,189,335 |
| Total Assets and Deferred Outflows of Resources | $ 360,400,917 | $ 166,184,422 | $ 101,582,402 | $ 628,167,741 |
| Current Liabilities | $ 42,047,383 | $ 15,343,285 | $ 11,340,423 | $ 68,731,091 |
| Noncurrent Liabilities | 334,988,009 | 165,991,185 | 140,971,977 | 641,951,171 |
| Total Liabilities | 377,035,392 | 181,334,470 | 152,312,400 | 710,682,262 |
| Deferred Inflows of Resources | 88,966,276 | 47,522,390 | 23,441,932 | 159,930,598 |
| Net Position | (105,600,751) | (62,672,438) | (74,171,930) | (242,445,119) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | $ 360,400,917 | $ 166,184,422 | $ 101,582,402 | $ 628,167,741 |
| Operating Revenues | $ 116,146,448 | $ 41,225,467 | $ 40,929,932 | $ 198,301,847 |
| Operating Expenses | 169,819,363 | 74,881,515 | 46,975,577 | 291,676,455 |
| Operating Loss | (53,672,915) | (33,656,048) | (6,045,645) | (93,374,608) |
| Net Nonoperating Revenues/Expenses | 72,129,182 | 39,604,995 | 23,511,790 | 135,245,967 |
| Income Before Other Revenues | 18,456,267 | 5,948,947 | 17,466,145 | 41,871,359 |
| Other Revenues | 2,361,332 | 1,545,033 | 1,149,942 | 5,056,307 |
| Increase in Net Position | 20,817,599 | 7,493,980 | 18,616,087 | 46,927,666 |
| Net Position - Beginning of Year | (126,418,350) | (70,166,418) | (92,788,017) | (289,372,785) |
| Net Position - End of Year | $ (105,600,751) | $ (62,672,438) | $ (74,171,930) | $ (242,445,119) |

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Organization (Continued)

This integration was designed to leverage the strength of these universities to position them to better serve students and to improve financial sustainability.

The University is one of ten universities of the Pennsylvania State System of Higher Education (the State System). The State System was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

### Reporting Entity

The University functions as a Business-Type Activity, as defined by the Governmental Accounting Standards Board (GASB).

The University has determined the Community Government Association of Bloomsburg University, Bloomsburg University Foundation, the Husky Research Corporation, Inc., College Community Services, Inc., Mansfield Auxiliary Corporation, Lock Haven University Foundation, Lock Haven Student Auxiliary Services, and Clearfield Educational Foundation, Inc. should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

The Community Government Association of Bloomsburg University is a legally separate, tax-exempt entity, which is responsible for the operations of the University Store, student, and community activities, and student housing. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of May 31, 2023.

The Bloomsburg University Foundation is a legally separate, tax-exempt entity, which acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Foundation is presented as of June 30, 2023.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Reporting Entity (Continued)

The Husky Research Corporation is a legally separate, tax-exempt entity, which is organized to administer grants, contracts, and special programs for the University. Because the Corporation exists for the benefit of the University and its students, the Corporation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Corporation is presented as of June 30, 2023. Complete financial statements for the Association, the Foundation, and the Corporation may be obtained at the University's administrative office.

College Community Services, Inc. (CCSI) is a legally separate tax-exempt entity that provides bookstore services to students and accounting services for student activity organizations including the Student Government Association. Because the economic resources received and held by CCSI are for the direct benefit of the University and the influence of the University over CCSI, CCSI is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of CCSI is presented as of and for the year ended May 31, 2023.

Mansfield Auxiliary Corporation (MAC) is a legally separate tax-exempt entity that provides construction, operation, and management of student housing facilities or other projects for the benefit of the students of the University. Because the economic resources received and held by MAC are for the direct benefit of the University, MAC is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of MAC is presented as of and for the year ended June 30, 2023.

The Lock Haven University Foundation, Clearfield Educational Foundation and Lock Haven Student Auxiliary Services are private nonprofit organizations reported in accordance with Financial Accounting Standards Board (FASB) requirements, including FASB Codification Section 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences.

Lock Haven Student Auxiliary Services (SAS) is the successor corporation to Commonwealth University of PA Student Cooperative Council, Inc. (the Council). SAS collects student activity fees and other miscellaneous revenues, which are allocated to clubs, organizations, athletic programs, and general administration. SAS also operates the Campus Bookstore and the Student Recreation Center.

SAS is a legally separate tax-exempt entity that is considered a component unit of the University and is included within the University's financial reporting entity because the economic resources received and held by SAS are for the direct benefit of the University and because of the influence the University has over SAS. The financial activity of SAS is presented as of and for the fiscal year ended June 30, 2023.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Reporting Entity (Continued)

The Lock Haven University Foundation and Clearfield Educational Foundation are legally separate, tax-exempt entities that act as fundraising organizations to supplement the resources that are available to the University in support of its programs. In addition, the Lock Haven University Foundation develops and manages student housing facilities and the Durrwachter Alumni Conference Center. Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest related to their fundraising efforts are restricted by the donors to the activities of the University. Because these restricted resources held by both foundations can only be used by, or for the benefit of, the University, both foundations are considered component units of the University and are discretely presented in the University's financial statements. The financial activity of both foundations are presented as of and for the year ended June 30, 2023.

### Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* an amendment of FASB Codification Topic 958, *Not-for-Profit-Entities.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

### Operating Revenues and Expenses

The University records tuition; all academic, instructional, and other student fees; student financial aid; auxiliary activity; and corporate partnerships as operating revenue. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the University are recorded as operating revenue. All expenses, with the exception of interest expense, losses on the disposal of assets, and expenses associated with the closing of the Perkins Loan program are recorded as operating expenses. Appropriations, Pell grants, investment income, gifts for other than capital purposes and parking, and library fines are reported as nonoperating revenue.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deferred Outflows and Deferred Inflows of Resources

The balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources.

*Deferred Outflows of Resources*, reported after *Total Assets*, is defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). *Deferred Inflows of Resources*, reported after *Total Liabilities*, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s).

Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The University is required to report the following as Deferred Outflows of Resources or Deferred Inflows of Resources.

- Deferred gain or loss on bond refunding, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities to the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and the University's pension and OPEB contributions subsequent to the pension or OPEB valuation measurement date.

- For lessor accounting: a deferred inflow of resources associated with leases where the University is a lessor, recognized as income over the term of the lease.

### Net Position

Net position is the residual of assets, plus Deferred Outflows of Resources, less liabilities, less Deferred Inflows of Resources. The University maintains the following classifications of net position.

*Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation and amortization, and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

*Restricted – Nonexpendable:* The portion of net position subject to externally imposed conditions requiring that it be maintained by the University in perpetuity.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Position (Continued)

*Restricted – Expendable:* The portion of net position use of which is subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

*Unrestricted:* All other categories of net position. Unrestricted net position may be designated for specific purposes by the University's Council of Trustees.

When both restricted and unrestricted funds are available for expenditure, the restricted funds will be used first.

### Cash Equivalents and Investments

The University considers all demand and time deposits, money market funds, and overnight repurchase agreements to be cash equivalents. Investments purchased are stated at fair value. Investments received as gifts are recorded at their fair value or appraised value as of the date of the gift. The University classifies investments as short-term when they are readily marketable and intended to be converted to cash within one year.

### Accounts and Loans Receivable

Accounts receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants, contracts, and other miscellaneous sources. Loans receivable consist of funds loaned to students under federal loan programs.

Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

### Inventories

Inventories consist mainly of supplies and stored fuels and are stated at the lower of cost or market, with cost determined principally on the weighted average method.

### Capital Assets

Land and buildings at the University's campus acquired or constructed prior to the creation of the State System on July 1, 1983, are owned by the Commonwealth and made available to the University. Since the University neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed utilizing capital funds appropriated by the Commonwealth after June 30, 1983, and made available to the University.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Capital Assets (Continued)

All assets with a purchase cost, or acquisition value if acquired by gift, in excess of $5,000 with an estimated useful life of two years or greater are capitalized. Buildings, portions of buildings, capital improvements, and equipment and furnishings acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation.

Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized on a composite basis in the year of purchase. Assets purchased under financed leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Assets under right to use leases are recorded at the present value of the minimum lease payments plus any other amounts that must be included per the GASB standards. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under right to use leases is included in depreciation and amortization expense over the shorter of the lease term or the life of the underlying asset. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materiality prolong its useful life.

The University does not capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

### Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2023.

### Leases and Subscription-Based Information Technology Arrangements

The University routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the University is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the University recognized a lease or subscription liability and an intangible right of use asset based on the present value of the future lease payments or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right of use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases and Subscription-Based Information Technology Arrangements (Continued)

The right of use lease and subscription assets are amortized over the term of the lease or SBITA, as the University is not expected to lease assets beyond the underlying asset's useful life. The University also serves as a lessor for certain real estate. For those agreements required to be capitalized, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

The University uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs unless the rate the lessor charges is known. This rate is based on the general obligation bonds' weighted average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease or SBITA, the present value is remeasured, and corresponding adjustments made. Payments based on future performance are not included in the measurement of the lease or subscription liability or lease receivable but recognized as expense or revenue in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

A minimum dollar threshold was established for lease reporting purposes of $25,000.

### Unearned Revenue

Unearned revenue includes amounts for tuition and fees, grants, corporate sponsorship payments, and certain auxiliary activities received prior to the end of the fiscal year but earned in a subsequent accounting period.

### Compensated Absences

The estimated cost of future payouts of annual leave and sick leave that employees have earned for services rendered, and which the employees may be entitled to receive upon termination or retirement, is recorded as a liability.

### Pension Plans and OPEB Plans

Eligible employees of the University enroll in one of three available retirement plans immediately upon employment. The University also offers healthcare and tuition benefits to eligible employees upon employment, which vary depending upon the employee's labor group.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Pension Plans and OPEB Plans (Continued)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) and additions to/deductions from SERS and PSERS fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System Plan, Retired Employees Health Program (REHP) and Premium Assistance Program (Premium Assistance) and additions to/deductions from the System Plan, REHP and Premium Assistance plans' fiduciary net position have been determined on the same basis as they are reported by the System Plan, REHP and Premium Assistance plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Scholarships and Waivers

In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), the State System allocates the cost of scholarships, waivers, and other student financial aid between discounts and allowances (netted against tuition and fees) and student aid expense. Scholarships and waivers of room and board fees are reported in auxiliary enterprises. The cost of tuition waivers granted to employees is reported as employees' benefits expense.

### Income Taxes

The University, as a member of the State System, is tax-exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

### 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, disclosures 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.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New Accounting Standards

GASB has issued several accounting standards that were required to be adopted by the University in the current or prior fiscal year, as discussed below.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for reporting periods beginning after June 15, 2022. Statement No. 94 establishes the definitions for public-private and public-public partnerships (P3s) and availability payment arrangements (APAs) and provide uniform guidance for governments to report assets and liabilities related to P3s on a consistent basis and disclose important information about P3 transactions. The adoption of this statement had no impact on previously reported beginning net position at June 30, 2022.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for fiscal years beginning after June 15, 2022. Statement No. 96 establishes accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this statement, a government is required to recognize a subscription liability and a right of use subscription asset for SBITAs with a subscription term greater than twelve months. The adoption of this statement resulted in recognition of subscription-related assets and liabilities. Note 13 provides details on the statement of net position amounts reported.

## NOTE 2 CONDENSED COMPONENT UNITS INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2023.

| | Bloomsburg Community Government Association | Bloomsburg Foundation | Husky Research Corporation | LHU Foundation | LHU Student Auxiliary Services | Clearfield Education Foundation | Mansfield Auxiliary Corp | College Community Service Inc. | Total |
|---|---|---|---|---|---|---|---|---|---|
| Capital Assets, Net | $ 11,371,142 | $ 18,817,659 | $ - | $ 5,974,617 | $ 92,118 | $ 1,182,592 | $ 136,164 | $ 17,005 | $ 37,591,297 |
| Other Assets | $20,970,556 | $77,657,634 | $239,133 | 23,040,335 | 6,554,468 | 2,111 | 2,430,036 | 330,232 | 131,224,505 |
| Due from University | - | - | - | - | 78,543 | - | - | 27,558 | 106,101 |
| Total Assets | $ 32,341,698 | $ 96,475,293 | $ 239,133 | $ 29,014,952 | $ 6,725,129 | $ 1,184,703 | $ 2,566,200 | $ 374,795 | $ 168,921,903 |
| Due to University | $ - | $ - | $ 156,713 | $ 558,768 | $ 195,655 | $ - | $ - | $ - | $ 911,136 |
| Long-Term Debt | 10,022,002 | 16,416,849 | - | 11,404,409 | - | - | - | - | 37,843,260 |
| Derivative Financial Instrument, at Fair Value | - | - | - | - | - | - | - | - | - |
| Other Liabilities | 3,372,179 | 829,545 | 5,257 | 691,788 | 551,759 | - | 15,746 | 352,775 | 5,819,049 |
| Total Liabilities | 13,394,181 | 17,246,394 | 161,970 | 12,654,965 | 747,414 | - | 15,746 | 352,775 | 44,573,445 |
| Net Assets: | | | | | | | | | |
| Without Donor Restrictions | 18,947,517 | 2,739,126 | 77,163 | (6,402,188) | 5,873,624 | 1,184,703 | 2,550,454 | 22,020 | 24,992,419 |
| With Donor Restrictions | - | 76,489,773 | - | 22,762,175 | 104,091 | - | - | - | 99,356,039 |
| Total Net Assets | 18,947,517 | 79,228,899 | 77,163 | 16,359,987 | 5,977,715 | 1,184,703 | 2,550,454 | 22,020 | 124,348,458 |
| Total Liabilities and Net Assets | $ 32,341,698 | $ 96,475,293 | $ 239,133 | $ 29,014,952 | $ 6,725,129 | $ 1,184,703 | $ 2,566,200 | $ 374,795 | $ 168,921,903 |

* Information is presented as of May 31, 2023.

## NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2023:

| | Bloomsburg Community Government Association | Bloomsburg Foundation | Husky Research Corporation | LHU Foundation | LHU Student Auxiliary Services | Clearfield Education Foundation | Mansfield Auxiliary Corp | College Community Service Inc. | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | | | | | | | | |
| Revenues and Other Additions: | | | | | | | | | |
| Contributions | $ - | $ 186,907 | $ - | $ 275,178 | $ - | $ 18,650 | $ 5,899 | $ - | $ 486,634 |
| Sales & Services | 4,313,437 | 326,048 | 386,098 | 5,460 | 959,144 | - | - | 206,887 | 6,197,074 |
| Student Fees | 1,987,738 | - | - | - | 1,286,280 | - | - | 1,066,712 | 4,340,730 |
| Grants and Contracts | - | 2,207,428 | 289,572 | - | - | - | - | - | 2,497,000 |
| Rental Income | 2,630,691 | 1,525,728 | - | 2,328,013 | - | - | - | - | 6,484,432 |
| Investment Return, Net | 32,800 | 3,407 | 3,046 | 63,457 | 293,887 | - | 200,095 | 24 | 596,716 |
| Other Revenues and Gains | 633,499 | 131,304 | - | 424,207 | 191,605 | - | - | 129,528 | 1,510,143 |
| Net Assets Released from Restrictions | - | 5,147,124 | - | 2,164,513 | 15,524 | - | - | - | 7,327,161 |
| Total Revenues and Other Additions | 9,598,165 | 9,527,946 | 678,716 | 5,260,828 | 2,746,440 | 18,650 | 205,994 | 1,403,151 | 29,439,890 |
| Expenses and Other Deductions: | | | | | | | | | |
| Program Services: | | | | | | | | | |
| Scholarships and Grants | - | 4,003,861 | 3,500 | 1,143,273 | 1,127 | 15,650 | 22,500 | - | 5,189,911 |
| Student Activities and Programs | 2,050,140 | 1,352,705 | - | - | 858,483 | - | - | 862,492 | 5,123,820 |
| University Stores | 4,295,610 | - | - | - | 1,015,294 | - | - | 216,725 | 5,527,629 |
| Housing | 1,778,709 | 1,574,364 | - | 2,337,030 | - | - | - | - | 5,690,103 |
| Other Programs | 168,389 | - | 630,516 | 815,186 | - | - | 13,319 | - | 1,627,410 |
| Management and General | 996,992 | 1,620,767 | 57,924 | 603,698 | 591,355 | 2,591 | 21,695 | 158,629 | 4,053,651 |
| Fundraising | - | 2,245,349 | - | 136,662 | - | 100 | - | - | 2,382,111 |
| Total Expenses and Losses | 9,289,840 | 10,797,046 | 691,940 | 5,035,849 | 2,466,259 | 18,341 | 57,514 | 1,237,846 | 29,594,635 |
| Change in Net Assets Without Donor Restrictions | 308,325 | (1,269,100) | (13,224) | 224,979 | 280,181 | 309 | 148,480 | 165,305 | (154,745) |
| **Changes in Net Assets with Donor Restrictions** | | | | | | | | | |
| Contributions | - | 4,095,684 | - | 2,156,178 | 50,000 | - | - | - | 6,301,862 |
| Investment Income | - | 5,684,885 | - | 1,694,210 | - | - | - | - | 7,379,095 |
| Other Revenue and Gains | - | (20,338) | - | 458,366 | - | - | - | - | 438,028 |
| Other Expenses and Losses | - | - | - | - | - | - | - | - | - |
| Net Assets Released from Restrictions | - | (5,147,124) | - | (2,164,513) | (15,524) | - | - | - | (7,327,161) |
| Changes in Net Assets with Donor Restrictions | - | 4,613,107 | - | 2,144,241 | 34,476 | - | - | - | 6,791,824 |
| **CHANGE IN NET ASSETS** | 308,325 | 3,344,007 | (13,224) | 2,369,220 | 314,657 | 309 | 148,480 | 165,305 | 6,637,079 |
| Net Assets - Beginning of Year | 18,639,192 | 75,884,892 | 90,387 | 13,990,767 | 5,663,058 | 1,184,394 | 2,401,974 | (143,285) | 117,711,379 |
| **NET ASSETS - END OF YEAR** | $ 18,947,517 | $ 79,228,899 | $ 77,163 | $ 16,359,987 | $ 5,977,715 | $ 1,184,703 | $ 2,550,454 | $ 22,020 | $ 124,348,458 |

* Information for The Association is presented as of May 31, 2023.

## NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of $1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals $130,126,644 at June 30, 2023. Included in the University's portion of pooled funds are $5,924,509 of amounts held on behalf of the Association at June 30, 2023.

The State System invests its funds in accordance with board of governors' policy 1986-02-A, *Investment,* which authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, bankers' acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the board may be invested in the investments described above, as well as in corporate equities and approved pooled common funds. In addition, the University may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, the State System recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be made in U.S. dollar-denominated debt of high quality U.S. and non U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained, and guidelines are followed.

Safety of principal and liquidity are the top priorities for the investment of the State System's operating funds. Within those guidelines, income optimization is pursued. Speculative investment activity is not allowed; this includes investing in asset classes such as commodities, futures, short sales, equities, real or personal property, options, venture capital investments, private placements, letter stocks, and unlisted securities.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The State System's operating funds are invested and reinvested in the following types of instruments with qualifications as provided. (See *Board of Governors' Policy 1986-02-A, Investment*, for a complete list of and more details on permissible investments and associated qualifications.)

| Investment Categories | Qualifications/Moody's Ratings Requirements |
|---|---|
| United States Government Securities | Together with repurchase agreements must comprise at least 20% of the market value of the fund. |
| Repurchase Agreements | Underlying collateral must be direct obligations of the United States Treasury and be in the State System's or its agent's custody. |
| Commercial Paper | P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer. Total may not exceed 20% of the market value of the fund. |
| Municipal Bonds | Bonds must carry long-term debt rating of A or better. Total may not exceed 20% of the market value of the fund. |
| Corporate Bonds | 15% must carry long-term debt rating of A or better; 5% may be rated Baa2 or better. Total may not exceed 20% of the market value of the fund. |
| Collateralized Mortgage Obligations (CMOs) | Must be rated Aaa and guaranteed by U.S. government. Total may not exceed 20% of the market value of the fund. |
| Asset-Backed Securities | Must be Aaa rated. Total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer. |
| System Investment Fund Loans (University Loans and Bridge Notes) | Total may not exceed 20% of the market value of the fund, and loan terms may not exceed five years. |

### CMO Risk

CMOs sometimes are based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in the State System's portfolio do not have IO or PO structures; however, they are subject to extension or contraction risk based on movements in interest rates.

### Moody's Rating

The State System uses ratings from Moody's Investors Service, Inc., to indicate the credit risk of investments, i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An Aaa rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with Aa indicate high quality obligations subject to very low credit risk; ratings that begin with A indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with Baa indicate medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of P-1 indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of P-2 indicates that issuers have a strong ability to repay short-term debt obligations.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### Modified Duration

The State System denotes interest rate risk, or the risk that changes in interest rates will affect the fair value of an investment, using modified duration. Duration is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. Modified duration takes into account changing interest rates. The State System maintains a portfolio duration target of 1.8 years with an upper limit of 2.5 years for the intermediate-term component of the operating portion of the investment portfolio. The State System's duration targets are not applicable to its long-term investments.

### Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurement and Application,* requires that investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as observable or unobservable: Observable inputs are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability"; Unobservable inputs are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability."

Statement No. 72's fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three "levels":

*Level 1* – Investments whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market, such as stocks listed in the S&P 500 or NASDAQ. If an up-to-date price of the investment can be found on a major exchange, it is a Level 1 investment.

*Level 2* – Investments whose values are based on their quoted prices in inactive markets or whose values are based on models, and the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability.

*Level 3* – Investments that trade infrequently, and as a result do not have many reliable market prices. Valuations of Level 3 investments typically are based on management assumptions or expectations. For example, a private equity investment or complex derivative would likely be a Level 3 investment.

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### Fair Value Hierarchy (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

Commonfund investments, held locally by some of the universities, are valued based upon the unit values (NAV) of the funds held by the universities at year-end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the universities have invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice. Both the Multi-Strategy Equity Fund and the High Quality Bond Fund, held by the University, are restricted to withdrawals on the last day of business of the month.

*Custodial Credit Risk*: Custodial Credit Risk is the risk that in the event of failure, the University would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Management believes they are not exposed to this credit risk.

*Concentration of Credit Risk*: The University does not have a formal investment policy for concentration of credit risk. At June 30, 2023, the University had the following investments which exceeded 5% of the Universities total investments:

| Issuer | Type of Investment | Amount | Percentage of Total Long-Term Investments |
|---|---|---|---|
| Commonfund | Multi-Strategy Equity Fund | $ 214,343 | 23% |
| Commonfund | Multi-Strategy Bond Fund | 729,576 | 77% |

Detailed information regarding the fair value of the State System pooled deposits and investment portfolio is available in the financial statements of the State System, which can be found at www.passhe.edu. The University had $182,054 local investments recorded as fair value as of June 30, 2023 classified as Level 1 of the fair value hierarchy.

Investment revenue is reported net of related investment expenses. Investment expenses for the year ended June 30, 2023 were $496,010.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### Demand and Time Deposits

On June 30, 2023, the carrying amount of the University's demand and time deposits were $4,270,160, as compared to bank balances of $4,282,594. The differences are primarily caused by items in-transit and outstanding checks. Of the bank balances at June 30, 2023, $250,000 was covered by federal government depository insurance; $0 were uninsured and uncollateralized; and $4,032,594, was uninsured and uncollateralized but covered under the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2023, none of the University's demand and time deposits is exposed to foreign currency risk.

## NOTE 4 LEASE RECEIVABLES

The University routinely leases various land or facilities to third parties and component units. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur. The leases expire at various dates through 2038 and annual installment payments total between $23,760 and $31,620 plus interest at a rate of 1.5%.

The lease revenue and interest income for the fiscal year ended June 30, 2023 are summarized in the following schedule.

| | Third Parties |
|---|---|
| Lease Revenue | $ 186,174 |
| Lease Revenue - Variable | 20,606 |
| Interest Income | 29,992 |
| Total | $ 236,771 |

The following summary provides aggregated information reported for June 30, 2023 lease receivables including additions, reductions for the years then ended.

| | Balance June 30, 2022 | 2022-23 Additions | 2022-23 Reductions | Balance June 30, 2023 |
|---|---|---|---|---|
| Leases, Third Parties | $ 2,074,823 | $ - | $ (179,676) | $ 1,895,147 |
| Total | $ 2,074,823 | $ - | $ (179,676) | $ 1,895,147 |

## NOTE 5 CAPITAL ASSETS

Classifications of capital assets and related depreciation and amortization at June 30, 2023, follow.

| | Balance June 30, June 30, 2022 (revised) | 2022-23 Additions | 2022-23 Retirements/ Adjustments | 2022-23 Reclassifications | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Land | $ 8,292,736 | $ - | $ (464,239) | $ - | $ 7,828,497 |
| Construction in Progress | 4,179,194 | 4,390,125 | - | (1,509,853) | 7,059,466 |
| Total Capital Assets Not Being Depreciated | 12,471,930 | 4,390,125 | (464,239) | (1,509,853) | 14,887,963 |
| Buildings, Including Improvements | 567,597,254 | 827,416 | - | 1,172,900 | 569,597,570 |
| Improvements Other Than Buildings (Land and Improvements) | 78,277,119 | 119,839 | - | 131,579 | 78,528,537 |
| Furnishings and Equipment, Including Capital Leases | 61,871,651 | 2,973,553 | (501,858) | 205,374 | 64,548,720 |
| Library Books | 14,389,700 | 64,309 | (4,971) | - | 14,449,038 |
| Right-to-Use Assets Land | 802,883 | - | (112,636) | - | 690,247 |
| Right-to-Use Assets Equipment | 562,667 | 554,827 | (562,667) | - | 554,827 |
| Right-to-Use Assets Building | 2,722,373 | 157,632 | (74,152) | - | 2,805,853 |
| Subscription Assets | 8,473,375 | - | - | - | 8,473,375 |
| Total Capital Assets Being Depreciated and Amortized | 734,697,022 | 4,697,576 | (1,256,284) | 1,509,853 | 739,648,167 |
| Less: Accumulated Depreciation and Amortization: | | | | | |
| Buildings, Including Improvements | (240,887,573) | (18,543,650) | - | - | (259,431,223) |
| Land Improvements | (42,139,542) | (3,218,643) | - | - | (45,358,185) |
| Furnishings and Equipment Including Capital Leases | (53,567,041) | (3,412,870) | 497,344 | - | (56,482,567) |
| Library Books | (13,524,392) | (186,107) | 4,971 | - | (13,705,528) |
| Right-to-Use Assets Land | (376,220) | (150,564) | 112,636 | - | (414,148) |
| Right-to-Use Assets Equipment | (558,064) | (115,568) | 562,667 | - | (110,965) |
| Right-to-Use Assets Building | (1,104,738) | (652,992) | 74,152 | - | (1,683,578) |
| Subscription Assets | - | (1,648,533) | - | - | (1,648,533) |
| Total Accumulated Depreciation and Amortization | (352,157,570) | (27,928,927) | 1,251,770 | - | (378,834,727) |
| Total Capital Assets Being Depreciated and Amortized, Net | 382,539,452 | (23,231,351) | (4,514) | 1,509,853 | 360,813,440 |
| Capital Assets, Net | $ 395,011,382 | $ (18,841,226) | $ (468,753) | $ - | $ 375,701,403 |

## NOTE 6 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30:

| | |
|---|---|
| Employees | $ 15,613,945 |
| Suppliers and Service | 7,614,821 |
| Interest | 384,933 |
| Other | 152,455 |
| Total | $ 23,766,154 |

## NOTE 7 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

| | Current | Noncurrent |
|---|---|---|
| Student Tuition and Fees | $ 6,619,401 | $ - |
| Sales and Services | 157,489 | - |
| Grants | 295,136 | 60,123 |
| Federal Appropriation | 11,733,729 | - |
| Food Service Contract | 616,544 | 946,922 |
| Other | 268,510 | 28,226 |
| Total | $ 19,690,809 | $ 1,035,271 |

## NOTE 8 DEBT OBLIGATIONS

Bonds payable consist of tax-exempt revenue bonds issued by the State System through the Pennsylvania Higher Educational Facilities Authority (PHEFA). In connection with the bond issuances, the State System entered into loan agreements with PHEFA on behalf of the University under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The State System's board of governors has allocated portions of certain bond issuances to the University to undertake various capital projects or to advance refund certain previously issued bonds. The University is responsible for the repayment of principal and interest on its applicable portion of each obligation.

The various bond series allocated to the University for the year ended June 30, 2023 are as follows:

| | Weighted Average Interest Rate | Balance July 1, 2022 | Bonds Issued | Bonds Redeemed/ Refunded | Balance June 30, 2023 | Current Portion |
|---|---|---|---|---|---|---|
| Series AN issued in March 2012 final maturity June 2023 | 0.00% | $ 377,312 | $ - | (377,312) | $ - | $ - |
| Series AO issued in July 2013 final maturity June 2038 | 4.16% | 115,000 | - | (115,000) | - | - |
| Series AP issued in May 2014 final maturity June 2024 | 5.00% | 712,810 | - | (348,117) | 364,693 | 364,693 |
| Series AQ issued in May 2015 final maturity June 2036 | 4.30% | 2,829,337 | - | (692,610) | 2,136,727 | 727,409 |
| Series AR issued in September 2015 final maturity June 2040 | 3.76% | 7,892,418 | - | (387,123) | 7,505,295 | 402,107 |
| Series AT issued in September 2016 final maturity June 2055 | 3.47% | 138,854,228 | - | (4,368,582) | 134,485,646 | 4,585,185 |
| Series AU issued in September 2017 final maturity June 2042 | 3.47% | 29,130,000 | - | (2,080,000) | 27,050,000 | 2,185,000 |
| Series AV issued in September 2018 final maturity June 2045 | 4.14% | 428,970 | - | (306,354) | 122,616 | 122,616 |
| Series AW issued in September 2019 final maturity June 2044 | 4.61% | 8,506,801 | - | (3,003,866) | 5,502,935 | 3,214,685 |
| Series AX issued in July 2020 final maturity June 2042 | 3.73% | 1,289,558 | - | (86,596) | 1,202,962 | 93,447 |
| Series AY issued in October 2020 final maturity June 2036 | 1.65% | 11,794,043 | - | (1,249,912) | 10,544,131 | 1,260,110 |
| Total Bonds Payable | | $ 201,930,477 | $ - | $ (13,015,472) | 188,915,005 | $ 12,955,252 |
| Plus: Unamortized Bond Premium Costs, Net | | | | | 13,941,285 | |
| Outstanding - End of Year | | | | | $ 202,856,290 | |

## NOTE 8 DEBT OBLIGATIONS (CONTINUED)

Principal and interest maturities for each of the next five years and in subsequent five-year periods ending June 30 are as follows:

| Series | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029-2033 | 2034-2038 | 2039-2043 | 2044-2048 | 2049-2053 | 2054-2055 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AP | Principal | $ 364,693 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 364,693 |
| | Interest | 18,235 | - | - | - | - | - | - | - | - | - | - | 18,235 |
| | | 382,928 | - | - | - | - | - | - | - | - | - | - | 382,928 |
| AQ | Principal | 727,409 | 763,886 | 645,432 | - | - | - | - | - | - | - | - | 2,136,727 |
| | Interest | 106,836 | 70,466 | 32,272 | - | - | - | - | - | - | - | - | 209,574 |
| | | 834,245 | 834,352 | 677,704 | - | - | - | - | - | - | - | - | 2,346,301 |
| AR | Principal | 402,107 | 420,383 | 438,659 | 450,350 | 462,040 | 2,512,721 | 2,100,842 | 718,193 | - | - | - | 7,505,295 |
| | Interest | 306,837 | 289,656 | 271,562 | 260,156 | 248,401 | 1,037,031 | 466,184 | 43,382 | - | - | - | 2,923,209 |
| | | 708,944 | 710,039 | 710,221 | 710,506 | 710,441 | 3,549,752 | 2,567,026 | 761,575 | - | - | - | 10,428,504 |
| AT | Principal | 4,585,185 | 4,818,440 | 5,056,694 | 5,309,949 | 5,578,203 | 32,307,900 | 38,199,275 | 29,125,000 | 4,710,000 | 3,505,000 | 1,290,000 | 134,485,646 |
| | Interest | 5,408,701 | 5,179,442 | 4,938,520 | 4,685,685 | 4,420,188 | 17,695,392 | 10,357,700 | 4,318,300 | 1,652,200 | 865,250 | 88,500 | 59,609,878 |
| | | 9,993,886 | 9,997,882 | 9,995,214 | 9,995,634 | 9,998,391 | 50,003,292 | 48,556,975 | 33,443,300 | 6,362,200 | 4,370,250 | 1,378,500 | 194,095,524 |
| AU | Principal | 2,185,000 | 2,290,000 | 2,405,000 | 2,525,000 | 2,650,000 | 14,995,000 | - | - | - | - | - | 27,050,000 |
| | Interest | 1,109,450 | 1,000,200 | 885,700 | 765,450 | 639,200 | 1,466,150 | - | - | - | - | - | 5,866,150 |
| | | 3,294,450 | 3,290,200 | 3,290,700 | 3,290,450 | 3,289,200 | 16,461,150 | - | - | - | - | - | 32,916,150 |
| AV | Principal | 122,616 | - | - | - | - | - | - | - | - | - | - | 122,616 |
| | Interest | 6,131 | - | - | - | - | - | - | - | - | - | - | 6,131 |
| | | 128,747 | - | - | - | - | - | - | - | - | - | - | 128,747 |
| AW | Principal | 3,214,685 | 414,480 | 437,180 | 455,121 | 478,783 | 502,686 | - | - | - | - | - | 5,502,935 |
| | Interest | 275,147 | 114,413 | 93,688 | 71,830 | 74,208 | - | - | - | - | - | - | 629,286 |
| | | 3,489,832 | 528,893 | 530,868 | 526,951 | 552,991 | 502,686 | - | - | - | - | - | 6,132,221 |
| AX | Principal | 93,447 | 100,382 | 102,317 | 109,504 | 116,692 | 500,619 | 180,000 | - | - | - | - | 1,202,961 |
| | Interest | 51,348 | 46,676 | 41,657 | 36,541 | 31,066 | 71,805 | 5,400 | - | - | - | - | 284,493 |
| | | 144,795 | 147,058 | 143,974 | 146,045 | 147,758 | 572,424 | 185,400 | - | - | - | - | 1,487,454 |
| AY | Principal | 1,260,110 | 1,270,307 | 1,284,875 | 1,302,356 | 1,321,293 | 4,105,191 | - | - | - | - | - | 10,544,132 |
| | Interest | 164,475 | 153,449 | 139,158 | 121,491 | 101,956 | 167,062 | - | - | - | - | - | 847,591 |
| | | 1,424,585 | 1,423,756 | 1,424,033 | 1,423,847 | 1,423,249 | 4,272,253 | - | - | - | - | - | 11,391,723 |
| **Total** | Principal | 12,955,252 | 10,077,878 | 10,370,157 | 10,152,280 | 10,607,011 | 54,924,117 | 40,480,117 | 29,843,193 | 4,710,000 | 3,505,000 | 1,290,000 | 188,915,005 |
| | Interest | 7,447,160 | 6,854,302 | 6,402,557 | 5,941,153 | 5,515,019 | 20,437,440 | 10,829,284 | 4,361,682 | 1,652,200 | 865,250 | 88,500 | 70,394,547 |
| | | $ 20,402,412 | $ 16,932,180 | $ 16,772,714 | $ 16,093,433 | $ 16,122,030 | $ 75,361,557 | $ 51,309,401 | $ 34,204,875 | $ 6,362,200 | $ 4,370,250 | $ 1,378,500 | $ 259,309,552 |

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. The State System will issue bonds to provide a pool for funding for AFRP ($2,499,340 was outstanding as of June 30, 2023). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program.

Changes in the balance owed by the University to the AFRP pool of funding were as follows:

| | |
|---|---|
| Balance at July 1 | $ 570,549 |
| Repayments | (121,633) |
| Balance at June 30 | $ 448,916 |

## NOTE 9 COMPENSATED ABSENCES

Compensated absences activity consisted of the following during 2023:

| | Current | Noncurrent |
|---|---|---|
| Compensated Absences | $ 3,236,714 | $ 15,316,643 |
| Total | $ 3,236,714 | $ 15,316,643 |

## NOTE 9 COMPENSATED ABSENCES (CONTINUED)

Changes in the compensated absence liability were as follows:

| | |
|---|---|
| Balance - July 1 | $ 26,245,575 |
| Current Changes in Estimate | (5,869,271) |
| Payouts | (1,822,947) |
| Balance - June 30 | $ 18,553,357 |

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB)

Other postretirement benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave.

University employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and Pennsylvania Social Services Union (PSSU) participate in the Retired Employees Health Program (REHP), which is a defined benefit healthcare plan sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF).

In addition to the above, any employee who participates in the Public School Employees' Retirement System (PSERS) pension plan is eligible to receive benefits from the PSERS Health Insurance Premium Assistance Program (Premium Assistance), a defined benefit plan, and all eligible retirees and their eligible dependents receive tuition waivers at any of the 10 State System universities.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal year ended June 30, 2023.

| | SSHE Plan | REHP | PSERS | Total |
|---|---|---|---|---|
| Net OPEB Liabilities | $ 133,264,440 | $ 65,754,235 | $ 591,739 | $ 199,610,415 |
| Deferred Outflows of Resources: | | | | |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments | - | 271,668 | 1,625 | 273,293 |
| Difference Between Expected and Actual Experience | - | 2,503,488 | 5,417 | 2,508,905 |
| Changes in Assumptions | 17,223,996 | 5,960,102 | 65,729 | 23,249,827 |
| Changes in Proportion | - | 1,003,003 | 14,085 | 1,017,088 |
| Contributions After the Measurement Date | 4,176,316 | 1,455,839 | 36,229 | 5,668,388 |
| Total Deferred Outflows of Resources | $ 21,400,312 | $ 11,194,100 | $ 123,085 | $ 32,717,501 |
| Deferred Inflows of Resources: | | | | |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments | $ - | $ - | $ - | $ - |
| Difference Between Expected and Actual Experience | 38,967,210 | 19,623,232 | 3,250 | 58,593,692 |
| Changes in Assumptions | 49,494,404 | 12,118,430 | 139,764 | 61,752,598 |
| Changes in Proportion | - | 16,886,439 | 30,697 | 16,917,133 |
| Total Deferred Inflows of Resources | $ 88,461,614 | $ 48,628,101 | $ 173,711 | $ 137,263,423 |
| OPEB Expense | $ (21,864,816) | $ (24,522,620) | $ 31,672 | $ (46,355,764) |
| Contributions Recognized by OPEB Plans | $ 4,176,316 | $ 1,455,839 | $ 36,229 | $ 5,668,384 |

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $4,176,316 for the System Plan, $1,455,839 for the REHP plan, and $36,229 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | Amortization | | |
|---|---|---|---|
| Fiscal Year Ended June 30, | SSHE | REHP | PSER |
| 2024 | $ (17,530,187) | $ (15,663,104) | $ (17,696) |
| 2025 | (12,916,791) | (9,880,034) | (11,557) |
| 2026 | (15,398,970) | (5,655,365) | (15,529) |
| 2027 | (12,695,835) | (5,517,977) | (20,766) |
| 2028 | (12,695,835) | (2,173,360) | (21,307) |
| Thereafter | - | - | - |

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### System Plan

Plan Description

The System Plan is a single-employer defined benefit healthcare plan administered by the System Office. Act 188 empowers the board to establish and amend benefit provisions and to require the System Office to pay OPEB as the benefits come due. The System Office discretely accounts for and accumulates all System Plan contributions that have been collected from the universities (employer) and retirees, but not yet been paid to the provider; however, the System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

The System Plan provides eligible retirees and their eligible dependents with healthcare benefits, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the benefits in effect when they retired, and benefits may continue for the retiree's lifetime. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Nonspouse dependents may be covered until age 19 or until age 25 if a certified full-time student. SCUPA, SPFPA, OPEIU, and nonrepresented employees whose retirement date is on or after January 1, 2016, and APSCUF employees whose retirement date is on or after July 1, 2017, receive the same pre-Medicare benefits as active employees, with benefits changing as active employee benefits change. All other pre-Medicare retirees continue to receive the same benefits to which they were entitled at retirement.

A total of 11,307 individuals are covered by the benefit terms (down from 11,872 in the prior actuarial valuation), receive benefit payments upon retirement, 314 retired participants entitled to but not yet receiving benefits, and 5,176 retired participants receiving benefits. Effective January 16, 2016, the State System OPEB plan became closed to newly hired SCUPA, SPFPA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

Funding Policy

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### System Plan (Continued)

Funding Policy (Continued)

Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2023:

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members, with the exception of nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.
- Plan members, with the exception of nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.
- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement.

Actuarial Assumptions and Other Inputs

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year-end. The actuarial valuation on which the total OPEB liability as of June 30, 2023 is based is dated July 1, 2022, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025, with rates gradually decreasing from 5.4% in 2026 to 3.9% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on a generational projection using Scale MP-2020 to reflect mortality improvement.
- The discount rate increased from 2.28% to 4.06%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022.
- Participant data is based on census information as of July 1, 2022.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.5% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0% decreasing to 2.9%) or one percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates (6.0% decreasing to 3.9%).

Sensitivity of the System Plan's Proportionate Share of the University's
Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

| | 1% Decrease (5.0% decreasing to 2.9%) | Healthcare Cost Trend Rates (6.0% decreasing to 3.9%) | 1% Increase (7.0% decreasing to 4.9%) |
|---|---|---|---|
| 2023 | $ 113,109,719 | $ 133,264,440 | $ 158,749,689 |

The following presents the University's net OPEB liability as June 30, 2023, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.06%) or one percentage point higher (5.06%) than the current discount rate (4.06%).

Sensitivity of the System Plan's Proportionate Share of the University's
Net OPEB Liability to Changes in the Discount Rate

| | 1% Decrease 3.06% | Current Rate 4.06% | 1% Increase 5.06% |
|---|---|---|---|
| 2023 | $ 153,129,294 | $ 133,264,440 | $ 117,032,305 |

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### System Plan (Continued)

OPEB Liability

The University's share of the System Plan's total OPEB liability as of June 30, 2023 of $133,264,440 was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2021 that was rolled forward to July 1, 2022.

| **Changes in the System Plan Total OPEB Liability** | Fiscal Year Ending June 30, 2023 |
|---|---|
| Total OPEB Liability - Beginning Balance | $ 213,703,834 |
| Service Cost | 6,257,250 |
| Interest | 4,937,254 |
| Changes of Benefit Terms | (1,260,296) |
| Differences Between Expected and Actual Experience | (32,077,711) |
| Changes in Assumptions | (46,968,652) |
| Benefit Payments | (11,327,239) |
| Net Changes | (80,439,394) |
| Total OPEB Liability - Ending Balance | $ 133,264,440 |
| | |
| Covered Employee Payroll | $ 76,137,200 |
| OPEB Liability as a Percent of Covered Payroll | 175.03% |

### REHP

Plan Description

The Retired Employees Health Program (REHP) is a single-employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and the Secretary of Administration. The REHP does not have a governing board. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity, but is reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR) as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The CAFR is an audited financial statement and is available at www.budget.pa.us.

The REHP provides eligible retirees and their eligible dependents with subsidized healthcare for the retiree's lifetime. Benefits include healthcare, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the plan they choose. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Nonspouse dependents may be covered until age 26.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### REHP (Continued)

Funding Policy

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2023.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members who retired on or after July 1, 2005, and prior to July 1, 2007, pay 1% of their final annual salary.
- Plan members who retired on or after July 1, 2007, and prior to July 1, 2011, pay 3% of either final gross annual base salary or final average salary, whichever is less. Members eligible for Medicare pay 1.5% of either final gross annual base salary or final average salary, whichever is less.
- Plan members who retire on or after July 1, 2011, pay 3% of final average salary. Members eligible for Medicare pay 1.5% of final gross annual base salary.

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of $230 per pay period for each current REHP eligible active employee during the period July 1, 2020 through January 15, 2021, and $-0- from January 16, 2021 through June 30, 2021. The rate during the period July 1, 2021, through June 30, 2023 was $120 per pay period.

Actuarial Assumptions and Other Inputs

The State System records its REHP pension liability annually utilizing a measurement date one year prior to its fiscal year-end. The Commonwealth's State Employees' Retirement System (SERS) performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2015 through 2019 and was presented to the SERS Board in July 2020. The approved recommendations from that study were used to determine the assumptions in the REHP annual valuations, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 7.3%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2022_f4 for the December 31, 2021 measurement date
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2020.
- Participant data based on census information as of December 31, 2021, for the June 30, 2022, measurement date.

The following assumptions were made with regard to the discount rate:

- Discount rate of 4.67% as of June 30, 2022.
- The discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.54% based on the 20-year Bond Buyer GO Index as of the end of June 2022.

The long-term expected rate of return on REHP plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 40.0 % | 5.1 % |
| International Equity | 27.0 | 5.5 |
| Fixed Income | 23.0 | 1.6 |
| Real Estate | 8.0 | 4.7 |
| Cash and Cash Equivalents | 1.5 | - |
| Private Equity | 0.5 | 8.3 |
| Total | 100.0 % | |

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 3.6478% for the measurement date of June 30, 2022, a decrease of 0.3782% from its proportion calculated as of June 30, 2021, measurement date.

The following presents the University's share of the REHP net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.3% decreasing to 2.9%) or one percentage point higher (8.3% decreasing to 4.9%) than the current healthcare cost trend rates (7.3% decreasing to 3.9%).

Sensitivity of the REHP Net OPEB
Liability to Changes in the Healthcare Cost Trend Rate

| | 1% Decrease (6.3% decreasing to 2.9%) | Healthcare Cost Trend Rates (7.3% decreasing to 3.9%) | 1% Increase (8.3% decreasing to 4.9%) |
|---|---|---|---|
| 2023 | $ 56,802,298 | $ 65,754,236 | $ 76,738,487 |

The following presents the University's share of the REHP net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.67%) or one percentage point higher (5.67%) than the current discount rate (4.67%).

Sensitivity of the REHP Net OPEB
Net OPEB Liability to Changes in the Discount Rate

| | 1% Decrease 3.67% | Current Rate 4.67% | 1% Increase 5.67% |
|---|---|---|---|
| 2023 | $ 74,527,679 | $ 65,754,236 | $ 58,368,919 |

The assets of the REHP are managed by the Commonwealth's Treasury in an investment pool. The REHP investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania's amendment to fiscal code 72 P.S. §30.1, the principles of Prudent Investors Standards.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### Premium Assistance

Plan Description

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiple-employer OPEB plan administered by the administrative staff of PSERS. The members eligible to participate in the program include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (PSERS Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. Additional plan information can be found in the PSERS Comprehensive Annual Financial Report at www.psers.pa.gov.

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program. Plan members receiving benefits are not required to make contributions.

Funding Policy

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.75% of covered payroll for the fiscal year ended June 30, 2023 of the covered payroll. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 0.375% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year-end. The total OPEB liability, as of the June 30, 2022 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2021, to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021.
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at $1,200 per year.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2021/22.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following assumptions were made with regard to the discount rate:

- The discount rate used to measure the total OPEB liability was 4.09% at June 30, 2022.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

### Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2022.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 100.0 % | 0.5 % |
| Total | 100.0 % | |

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2021, to June 30, 2022. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1780% for the measurement dates of June 30, 2022.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 6.0%) or one percentage point higher (between 6.0% and 8.0%) than the current healthcare cost trend rates (between 5.0% and 7.0%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

| | 1% Decrease (Between 4.0% and 6.0%) | Healthcare Cost Trend Rates (Between 5.0% and 7.0%) | 1% Increase (Between 6.0% and 8.0%) |
|---|---|---|---|
| 2023 | $ 591,558 | $ 591,739 | $ 591,739 |

## NOTE 10 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

**Premium Assistance (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rates (4.09%).

Sensitivity of the Premium Assistance Net OPEB
Net OPEB Liability to Changes in the Discount Rate

| | 1% Decrease 3.09% | Current Rate 4.09% | 1% Increase 5.09% |
|---|---|---|---|
| 2023 | $ 669,024 | $ 591,739 | $ 526,913 |

Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS, and additions to and deductions from PSERS' fiduciary net position, have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional plan information can be found in the PSERS Comprehensive Annual Financial Report at www.psers.pa.gov.

## NOTE 11 PENSION BENEFITS

The University's employees participate in one of three retirement plans. The Public School Employees' Retirement System (PSERS) and the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) are governmental cost-sharing multiple-employer defined benefit plans. The Alternative Retirement Plan (ARP) is a defined contribution plan administered by the State System.

## NOTE 11 PENSION BENEFITS (CONTINUED)

Following is the total of the University's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and the pension expense and expenditures for the fiscal year ended June 30, 2023.

| | SERS | PSERS | ARP | Total |
|---|---|---|---|---|
| Net Pension Liabilities | $ 171,502,381 | $ 14,557,676 | $ - | $ 186,060,057 |
| Deferred Outflows of Resources: | | | | |
| Difference Between Expected and Actual Experience | 2,492,350 | 6,593 | - | 2,498,943 |
| Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments | 23,295,294 | - | - | 23,295,294 |
| Changes in Assumptions | 11,566,978 | 434,760 | - | 12,001,738 |
| Difference Between Employer Contributions and Proportionate Share of Contributions | 336,034 | 41,684 | - | 377,718 |
| Changes in Proportion | - | 69,591 | - | 69,591 |
| Contributions After the Measurement Date | 9,212,969 | 1,678,738 | - | 10,891,707 |
| Total Deferred Outflows of Resources | $ 46,903,625 | $ 2,231,366 | $ - | $ 49,134,991 |
| Deferred Inflows of Resources | | | | |
| Difference Between Expected and Actual Experience | $ 475,972 | $ 125,996 | $ - | $ 601,968 |
| Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments | - | 247,048 | - | 247,048 |
| Difference Between Employer Contributions and Proportionate Share of Contributions | 192,649 | - | - | 192,649 |
| Changes in Proportion | 11,657,942 | 413,699 | - | 12,071,641 |
| Total Deferred Inflows of Resources | $ 12,326,563 | $ 786,743 | $ - | $ 13,113,306 |
| Pension Expense | $ 16,586,512 | $ 1,876,588 | $ 5,645,920 | $ 24,109,020 |
| Contributions Recognized by Pension Plans | $ 16,679,744 | $ 1,678,738 | N/A | $ 18,358,482 |

The University will recognize the $9,212,969 reported as 2023 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $1,678,738 reported as 2023 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2024.

## NOTE 11 PENSION BENEFITS (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Amortization | |
|---|---|---|
| Year Ending June 30, | SERS | PSERS |
| 2024 | $ 185,727 | $ (147,117) |
| 2025 | 4,998,011 | (84,988) |
| 2026 | 6,905,427 | (345,697) |
| 2027 | 13,141,985 | 343,687 |
| 2028 | 132,943 | - |
| Total | $ 25,364,093 | $ (234,115) |

### SERS

Plan Description

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit pension plan. SERS also is the administrator of the State Employees' Defined Contribution Plan, which was established as part of Commonwealth Act 2017-5. Both the defined benefit plan and the defined contribution plan were established by the Commonwealth to provide retirement benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option, to participate.

Benefits Provided

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit provisions of the plan to the General Assembly. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly.

Employees who were hired prior to January 1, 2011, and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011 through December 31, 2018.

## NOTE 11 PENSION BENEFITS (CONTINUED)

### SERS (Continued)

Benefits Provided (Continued)

The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members, but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other nonpension obligations.

For the SERS defined benefit plan, the State System's actuarially determined contribution rate for most active members was 38.82% of active members' annual covered payroll at June 30, 2023, with less common rates ranging between 26.05% and 30.44%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 16.18% or 16.43% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 14.87% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University's contributions to SERS for the year ended June 30, 2023, were approximately $16,679,743, equal to the required contractual contribution.

## NOTE 11 PENSION BENEFITS (CONTINUED)

### SERS (Continued)

Contributions (Continued)

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5.0% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 3.25% or 3.5% of gross salary, depending upon what class of membership was elected.

For the SERS defined contribution plan, the University contributed actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2023, depending on the plan chosen by the employee. The University recognized SERS defined contribution pension expense of $108,314 for the year June 30, 2023. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 410(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

The contribution rate to the defined contribution plan for active members who participate in the SERS defined benefit/defined contribution hybrid plan was either 3.25% or 3.5% of gross salary (in addition to the required contributions to the defined benefit plan), depending upon what class of membership was elected. The contribution rate to the defined contribution plan for active members who participate in the straight 401(a) defined contribution plan was 7.5% of gross salary.

Actuarial Methods and Assumptions

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *19th Investigation of Actuarial Experience* study for the period 2015–2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates).

## NOTE 11 PENSION BENEFITS (CONTINUED)

### SERS (Continued)

Actuarial Methods and Assumptions (Continued)

Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the *19th Investigation of Actuarial Experience* at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2022 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.000% to 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2022, measurement date.

- Entry age actuarial cost method.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.50%.
- Investment return of 6.875%, net of manager fees and including inflation.
- Salary increases based on an average of 4.55%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## NOTE 11 PENSION BENEFITS (CONTINUED)

### SERS (Continued)

Actuarial Methods and Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in SERS' current and target asset allocation as of December 31, 2022 are summarized below:

| Asset Class | 2022 Target Allocation | 2022 Long-Term Expected Real Rate of Return |
|---|---|---|
| Private Equity | 16.00 % | 5.75 % |
| Real Estate | 7.00 | 5.12 |
| U.S. Equity | 31.00 | 4.35 |
| International Developed Markets Equity | 14.00 | 4.25 |
| Emerging Markets Equity | 5.00 | 4.65 |
| Fixed Income | 22.00 | (0.50) |
| Inflation Protection (TIPS) | 3.00 | (1.00) |
| Cash | 2.00 | (1.05) |
| Total | 100.0 % | |

The discount rate used to measure the total SERS pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2023, calculated using discount rate of 6.875% for 2023, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.875%) or one percentage point higher (7.875%) than the current rate:

Sensitivity of the University's Proportionate Share of the
SERS Net Pension Liability to Changes in the Discount Rate
(in Thousands)

| | 1% Decrease 5.875% | Current Rate 6.875% | 1% Increase 7.875% |
|---|---|---|---|
| 2023 | $ 202,200 | $ 171,502 | $ 120,192 |

## NOTE 11 PENSION BENEFITS (CONTINUED)

### SERS (Continued)

Proportionate Share

At June 30, 2023, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2022, was approximately $171,502,000.

The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the 2022 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2023/24 from the December 31, 2022 funding valuation to the expected funding payroll. At December 31, 2022, measurement date, the State System's proportion was 4.1504%, a decrease of 0.028% from its proportion calculated as of December 31, 2021, measurement date.

### PSERS

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–8535) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established. The Commonwealth's General Assembly has the authority to amend the benefit terms by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. The Code requires contributions by active members, the employer (State System), and the Commonwealth. PSERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

PSERS issues a comprehensive annual financial report that may be obtained at www.psers.state.pa.us.

## NOTE 11 PENSION BENEFITS (CONTINUED)

### PSERS (Continued)

Benefits Provided

Members who joined prior to July 1, 2011, are eligible for monthly retirement benefits upon reaching age 62 with at least one year of credited service, age 60 with 30 or more years of credited service, or any age with 35 or more years of service. Act 120 preserved the benefits of members who joined prior to July 1, 2011, and introduced benefit reductions for individuals who become new members on or after July 1, 2011, by creating two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must complete a minimum of 35 years of service with a combination of age and service that totals 92 or greater, or they must work until age 65 with a minimum of three years of service.

Depending upon membership class, benefits are generally 1% or 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits. Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.5% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001, and before July 1, 2011, contribute at 7.5% (Class T-D). For these hires and for members who elected Class T-D, the 7.5% contribution rate began with service rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011, contribute at the rate of 7.5% (Class T-E) or 10.3% (Class T-F) of their qualifying compensation. Class T-E and Class T-F members are subject to a "shared risk" provision in Act 120 that could cause the rate in future years to fluctuate between 7.5% and 9.5% for Class T-E and 10.3% and 12.3% for Class T-F.

## NOTE 11 PENSION BENEFITS (CONTINUED)

### PSERS (Continued)

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 17.55% of covered payroll. The University's contributions to PSERS for the year ending June 30, 2023 were approximately $1,678,738, equal to the required contractual contribution.

For the PSERS defined contribution plan, the State System is required to contribute at actuarially determined average rate 0.20% of active members' annual covered payroll for the year ending June 30, 2023, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the State System contributions for the year ended June 30, 2022 were immaterial. The contributions for the year ended June 30, 2023 was $0.

Actuarial Assumptions

The State System records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year end. The total PSERS pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00%, with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation, and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## NOTE 11 PENSION BENEFITS (CONTINUED)

### PSERS (Continued)

Actuarial Assumptions (Continued)

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS board of trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS board of trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022:

| Asset Class | 2022 Target Allocation | 2022 Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Public Equity | 28.0 % | 5.3 % |
| Private Equity | 12.0 | 8.0 |
| Fixed Income | 33.0 | 2.3 |
| Commodities | 9.0 | 2.3 |
| Absolute Return | 6.0 | 3.5 |
| Infrastructure/MLPs | 9.0 | 5.4 |
| Real Estate | 11.0 | 4.6 |
| Cash | 3.0 | 0.5 |
| Leverage | (11.0) | 0.5 |
| Total | 100.0 % | |

The discount rate used to measure the total PSERS pension liability was 7.00% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2023 calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate (in Thousands)

| | 1% Decrease 6.00% | Current Rate 7.00% | 1% Increase 8.00% |
|---|---|---|---|
| 2023 | $ 18,829 | $ 14,558 | $ 10,956 |

## NOTE 11 PENSION BENEFITS (CONTINUED)

### PSERS (Continued)

Proportionate Share

At June 30, 2023, the amount recognized as the University's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows:

| | |
|---|---|
| Total PSERS Net Pension Liability Associated with the University | $ 29,115,352 |
| Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University | 14,557,676 |
| University's Proportionate Share of the PSERS Net Pension Liability | $ 14,557,676 |

PSERS measured the 2023 net pension liability as of June 30, 2022. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. At June 30, 2022, the State System's proportion was 0.1788%, an increase of 0.0011% from its proportion calculated as of June 30, 2021.

### ARP

The ARP is a defined contribution plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2023 was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2023 was approximately $5,645,920, from the University; and approximately $3,038,708, from active members. No liability is recognized for the ARP.

## NOTE 12 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims less than $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims less than $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all Universities of the State System contribute in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed $197,553 to the Reserve Fund during the year ended June 30, 2023.

## NOTE 12 WORKERS' COMPENSATION (CONTINUED)

Changes in the University's claims liability were as follows:

| | |
|---|---|
| Balance - July 1 | $ 1,132,116 |
| Current Year Claims and Changes in Estimates | 588,994 |
| Payments | (467,848) |
| Balance - June 30 | $ 1,253,262 |

## NOTE 13 RIGHT-TO-USE LEASES, SUBSCRIPTION AGREEMENTS, AND FINANCED PURCHASES

The University routinely leases various facilities and equipment and enters into subscription-based information technology arrangements (SBITAs) instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease or subscription liability valuation. These are recognized as expenses in the period that they occur. There were no variable payments, termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2023. The leases and SBITAs expire at various dates through 2027 and annual installment payments total between $20,530 and $350,349 plus interest at a rate between of 1.5% and 2.3%.

The following schedule provided future minimum principal and interest payments to maturity for financed purchases and right to use leases.

| Fiscal Year | Right-to-Use Leases With Third Parties | | Right-to-Use Leases With Component Units | | Subscription Agreements | |
|---|---|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | $ 411,528 | $ 14,410 | $ 496,853 | $ 10,217 | $ 1,624,975 | $ - |
| 2025 | 344,620 | 7,334 | 348,253 | 2,723 | 1,765,692 | - |
| 2026 | 113,485 | 2,638 | 25,882 | 199 | 1,395,695 | - |
| 2027 | 116,122 | - | - | - | 575,557 | - |
| Total | $ 985,755 | $ 24,382 | $ 870,988 | $ 13,139 | $ 5,361,919 | $ - |

The following summary provides aggregated information reported for June 30, 2023 right to use liabilities including additions, reductions and reported liabilities for the years then ended.

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Leases, Third Parties | $ 784,420 | $ 611,553 | $ (410,218) | $ 985,755 |
| Leases, Comp Units | 1,265,733 | 100,906 | (495,651) | 870,988 |
| Subscription Liabilities | 7,266,311 | - | (1,904,390) | 5,361,921 |
| | $ 9,316,464 | $ 712,459 | $ (2,810,259) | $ 7,218,664 |

## NOTE 14 BENEFICIAL INTERESTS

At June 30, 2023 the fair value of beneficial interests totaled $4,548,677, representing gifts that donors placed in trust in perpetuity with third parties, with the University receiving a restricted revenue stream in accordance with the donors' wishes.

## NOTE 15 COMMITMENTS AND CONTINGENCIES

### Contingencies

The nature of the educational industry is such that, from time to time, the University is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

The University is self-insured for workers' compensation up to stated limits (see Note 11). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funding in 2020/21 and 2021/22. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will be immaterial.

### Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2023 was approximately $3,539,580.

### COVID-19 Pandemic

COVID-19 may continue to impact various parts of the operations and financial results of the universities and component units, including overall enrollment, method of educational delivery, athletics, housing and food service. Management believes that the universities and component units are taking appropriate actions to mitigate the negative impact.

## NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

### Labor Concentration

Approximately 86% of PASSHE's employees are covered by nine collective bargaining agreements. During 2022-23, new collective bargaining agreements were established for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA) and PASSHE Officers Association (POA) through August 31, 2025. The collective bargaining agreements with the other 7 unions expired on June 30, 2023. The terms of the prior contracts remain in effect until a successor agreement is reached. In August 2023, the Commonwealth and AFSCME signed a four-year contract, the provisions of which apply to the State System's clerical, administrative, technical, maintenance and trade employees whom AFSCME represents, which is approximately 26% of the State System's labor force.

## NOTE 16 RATINGS ACTIONS

In June 2022, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3, but revised the outlook from stable to negative. The negative outlook reflects Moody's expectations of ongoing student demand difficulties leading to a continued trend of thin operating performance and weakening debt service coverage through fiscal 2022. In June 2022, Moody's published an updated Environmental, Social, and Governance methodology which introduces ESG Issuer Profile (IPS) and Credit Impact Scores (CIS) for rated entities. The new scores are incorporated in the credit ratings of ESG issues. The State System has been assigned a CIS-4, reflecting Moody's assessment that the State System has high exposure to social risks, primarily demographics, with neutral to low environmental and governance risks. The next rating update from Moody's is anticipated in the fall of 2023. In March 2023, Fitch Ratings reviewed the State System's rating of A+ with stable outlook and no rating change was made.

# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
## REQUIRED SUPPLEMENTARY INFORMATION
## JUNE 30, 2023
### (UNAUDITED)
### (SEE INDEPENDENT AUDITORS' REPORT)

| **Changes in the System Plan Total OPEB Liability** | Fiscal Year Ending June 30, 2023 | Fiscal Year Ending June 30, 2022 | Fiscal Year Ending June 30, 2021 | Fiscal Year Ending June 30, 2020 | Fiscal Year Ending June 30, 2019 | Fiscal Year Ending June 30, 2018 |
|---|---|---|---|---|---|---|
| Total OPEB Liability - Beginning Balance | $ 213,703,834 | $ 221,072,810 | $ 197,123,749 | $ 205,967,418 | $ 229,241,502 | $ 248,079,869 |
| Service Cost | 6,257,250 | 6,810,309 | 5,105,352 | 5,579,487 | 6,651,617 | 9,246,221 |
| Interest | 4,937,254 | 4,570,507 | 6,670,754 | 6,198,216 | 7,261,871 | 7,498,037 |
| Changes of Benefit Terms | (1,260,296) | | (3,724,259) | (1,744,653) | (159,898) | - |
| Differences Between Expected and Actual Experience | (32,077,711) | - | (19,424,644) | - | (27,605,359) | - |
| Changes in Assumptions | (46,968,652) | (14,315,012) | 44,912,623 | (9,015,262) | (1,812,232) | (27,223,938) |
| Benefit Payments | (11,327,239) | (4,434,780) | (9,590,765) | (9,861,457) | (7,610,083) | (8,358,687) |
| Net Changes | (80,439,394) | (7,368,976) | 23,949,061 | (8,843,669) | (23,274,084) | (18,838,367) |
| Total OPEB Liability - Ending Balance | $ 133,264,440 | $ 213,703,834 | $ 221,072,810 | $ 197,123,749 | $ 205,967,418 | $ 229,241,502 |
| | | | | | | |
| Covered Employee Payroll | $ 76,137,200 | $ 87,514,679 | $ 86,875,640 | $ 89,812,689 | $ 91,317,314 | $ 92,988,472 |
| OPEB Liability as a Percent of Covered Payroll | 175.03% | 244.19% | 254.47% | 219.48% | 225.55% | 246.53% |

**COMMONWEALTH UNIVERSITY OF PENNSYLVANIA**
**REQUIRED SUPPLEMENTARY INFORMATION**
**JUNE 30, 2023**
**(UNAUDITED)**
**(SEE INDEPENDENT AUDITORS' REPORT)**

Schedule of Proportionate Share of REHP's Net OPEB Liability
Determined as of REHP's June 30 Measurement Dates
(in Thousands)

| Fiscal Year | State System's Proportion | University's Proportion Share | University's Covered Employee Payroll | University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll | REHP's Fiduciary Net Position as a % of Total OPEB Liability |
|---|---|---|---|---|---|
| 2017/18 | 4.374 % | $ 160,079 | $ 21,824 | 734 % | 1.4 % |
| 2018/19 | 4.573 | 121,397 | 21,653 | 561 | 2.2 |
| 2019/20 | 4.370 | 85,035 | 21,877 | 389 | 3.8 |
| 2020/21 | 4.275 | 100,017 | 22,050 | 454 | 3.7 |
| 2021/22 | 4.026 | 80,558 | 20,480 | 393 | 3.7 |
| 2022/23 | 3.678 | 65,754 | 18,441 | 357 | 5.9 |

REHP Schedule of Contributions
(in Thousands)

| Fiscal Year | Contractually Required Contributions | Contributions Recognized by REHP | Contribution Deficiency (Excess) | Covered-Payroll | Contributions as a % of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2017/18 | $ 3,955 | $ 3,955 | $ - | $ 26,514 | 14.9 % |
| 2018/19 | 4,818 | 4,818 | - | 27,373 | 17.7 |
| 2019/20 | 3,716 | 3,716 | - | 26,546 | 14.4 |
| 2020/21 | 2,026 | 2,026 | - | 25,564 | 8.0 |
| 2021/22 | 1,677 | 1,677 | - | 23,971 | 7.1 |
| 2022/23 | 1,456 | 1,456 | - | 22,964 | 6.3 |

# COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
# REQUIRED SUPPLEMENTARY INFORMATION
# JUNE 30, 2023
### (UNAUDITED)
### (SEE INDEPENDENT AUDITORS' REPORT)

Schedule of Proportionate Share of PSERS Net OPEB Liability
Determined as of June 30, PSERS Measurement Date
(in Thousands)

| Fiscal Year | PSERS Net OPEB Liability: State System's Proportion | University's Proportion Share | Commonwealth's Proportion Share | Total | University's Covered Employee Payroll | University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll | PSERS Fiduciary Net Position as a % of Total OPEB Liability |
|---|---|---|---|---|---|---|---|
| 2017/18 | 0.1811 % | $ 708 | $ 708 | $ 1,416 | $ 9,248 | 7.66 % | 5.73 % |
| 2018/19 | 0.1836 | 743 | 743 | 1,486 | 9,595 | 7.74 | 5.56 |
| 2019/20 | 0.1886 | 751 | 751 | 1,502 | 9,733 | 7.71 | 5.56 |
| 2020/21 | 0.1852 | 692 | 692 | 1,384 | 8,971 | 7.70 | 5.69 |
| 2021/22 | 0.1770 | 755 | 755 | 1,510 | 9,052 | 8.36 | 5.30 |
| 2022/23 | 0.1780 | 592 | 592 | 1,184 | 9,453 | 6.26 | 6.86 |

PSERS Schedule of Contributions
(in Thousands)

| Fiscal Year | Contractually Required Contributions | Contributions Recognized by PSERS | Contribution Deficiency (Excess) | Covered-Payroll | Contributions as a % of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2017/18 | $ 40 | $ 40 | $ - | $ 9,618 | 0.41 % |
| 2018/19 | 40 | 40 | - | 9,928 | 0.41 |
| 2019/20 | 38 | 38 | - | 9,193 | 0.41 |
| 2020/21 | 37 | 37 | - | 9,633 | 0.40 |
| 2021/22 | 38 | 38 | - | 9,642 | 0.40 |
| 2022/23 | 36 | 36 | - | 9,879 | 0.37 |

Schedule of Proportionate Share of SERS Net Pension Liability (NPL)
Determined as of December 31 SERS Measurement Date
(in Thousands)

| Fiscal Year | State System's Proportion | University's Proportion Share | University's Covered Employee Payroll | University's Proportionate Share of NPL as a % of Covered-Employee Payroll | SERS Fiduciary Net Position as a % of Total Pension Liability |
|---|---|---|---|---|---|
| 2014/15 | 4.9010 % | $ 127,196 | $ 51,880 | 245 % | 64.8 % |
| 2015/16 | 4.7210 | 150,846 | 52,316 | 288 | 58.9 |
| 2016/17 | 4.8370 | 164,553 | 53,131 | 310 | 57.8 |
| 2017/18 | 4.9059 | 149,052 | 54,311 | 275 | 63.0 |
| 2018/19 | 4.8971 | 179,352 | 55,998 | 320 | 56.4 |
| 2019/20 | 4.7732 | 151,167 | 54,880 | 275 | 63.1 |
| 2020/21 | 4.4196 | 144,236 | 53,135 | 271 | 67.0 |
| 2021/22 | 4.1777 | 110,238 | 50,615 | 218 | 76.0 |
| 2022/23 | 4.1504 | 171,502 | 51,291 | 334 | 61.5 |

SERS Schedule of Contributions
Determined as of June 30 Fiscal Year End
(in Thousands)

| Fiscal Year | Contractually Required Contributions | Contributions Recognized by SERS | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a % of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2014/15 | $ 9,969 | $ 9,969 | $ - | $ 51,880 | 19.5 % |
| 2015/16 | 12,192 | 12,192 | - | 52,016 | 23.3 |
| 2016/17 | 13,846 | 13,846 | - | 52,817 | 27.2 |
| 2017/18 | 16,102 | 16,102 | - | 53,100 | 30.3 |
| 2018/19 | 16,981 | 16,981 | - | 54,762 | 30.2 |
| 2019/20 | 17,314 | 17,314 | - | 53,700 | 30.9 |
| 2020/21 | 16,921 | 16,921 | - | 52,468 | 21.3 |
| 2021/22 | 16,513 | 16,513 | - | 50,711 | 31.6 |
| 2022/23 | 16,680 | 16,680 | - | 50,984 | 32.7 |

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# REQUIRED SUPPLEMENTARY INFORMATION
# JUNE 30, 2023
### (UNAUDITED)
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Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
Determined as of June 30 PSERS Measurement Date
(in Thousands)

| | PSERS Net Pension Liability | | | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | State System's Proportion | University's Proportion Share | Commonwealth's Proportion Share | Total | University's Covered Employee Payroll | University's Proportionate Share of NPL as a % of Covered-Employee Payroll | PSERS Fiduciary Net Position as a % of Total Pension Liability |
| 2014/15 | 0.1785 % | $ 13,283 | $ 13,283 | $ 26,566 | $ 7,218 | 155 % | 57.0 % |
| 2015/16 | 0.1852 | 15,119 | 15,119 | 30,238 | 8,985 | 200 | 54.4 |
| 2016/17 | 0.1833 | 17,950 | 17,950 | 35,900 | 9,383 | 200 | 50.1 |
| 2017/18 | 0.1811 | 17,138 | 17,138 | 34,276 | 9,543 | 200 | 51.8 |
| 2018/19 | 0.1836 | 16,898 | 16,898 | 33,796 | 9,478 | 200 | 54.0 |
| 2019/20 | 0.1886 | 16,547 | 16,547 | 33,094 | 9,756 | 200 | 55.7 |
| 2020/21 | 0.1856 | 15,837 | 15,837 | 31,674 | 1,502 | 1100 | 54.3 |
| 2021/22 | 0.1777 | 13,343 | 13,343 | 26,686 | 1,544 | 900 | 63.7 |
| 2022/23 | 0.1788 | 14,558 | 14,558 | 29,115 | 1,633 | 900 | 61.3 |

PSERS Schedule of Contributions
Determined as of June 30 Fiscal Year End
(in Thousands)

| Fiscal Year | Contractually Required Contributions | Contributions Recognized by PSERS | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a % of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2014/15 | $ 979 | $ 979 | $ - | $ 8,120 | 12.0 % |
| 2015/16 | 1,188 | 1,188 | - | 9,457 | 12.6 |
| 2016/17 | 1,362 | 1,362 | - | 9,395 | 14.5 |
| 2017/18 | 1,511 | 1,511 | - | 9,618 | 15.7 |
| 2018/19 | 1,607 | 1,607 | - | 9,927 | 16.1 |
| 2019/20 | 1,520 | 1,520 | - | 9,193 | 16.5 |
| 2020/21 | 1,598 | 1,598 | - | 9,633 | 16.5 |
| 2021/22 | 1,629 | 1,629 | - | 9,642 | 16.8 |
| 2022/23 | 1,679 | 1,679 | - | 9,879 | 17.0 |