SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Council of Trustees
Shippensburg University of Pennsylvania
of the State System of Higher Education
Shippenburg, 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 Shippensburg 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, Shippensburg University Student Services, Inc. (Student Services) and Shippensburg University Foundation (the Foundation), which represent 100%, 100%, and 100%, respectively, of the assets, net position, and revenues 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 Board (GASB) Statements No. 96 *Subscription Based Information Technology Arrangements* – for the year ended June 30, 2023, which represent changes in accounting principle. 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

CliftonLarsonAllen LLP

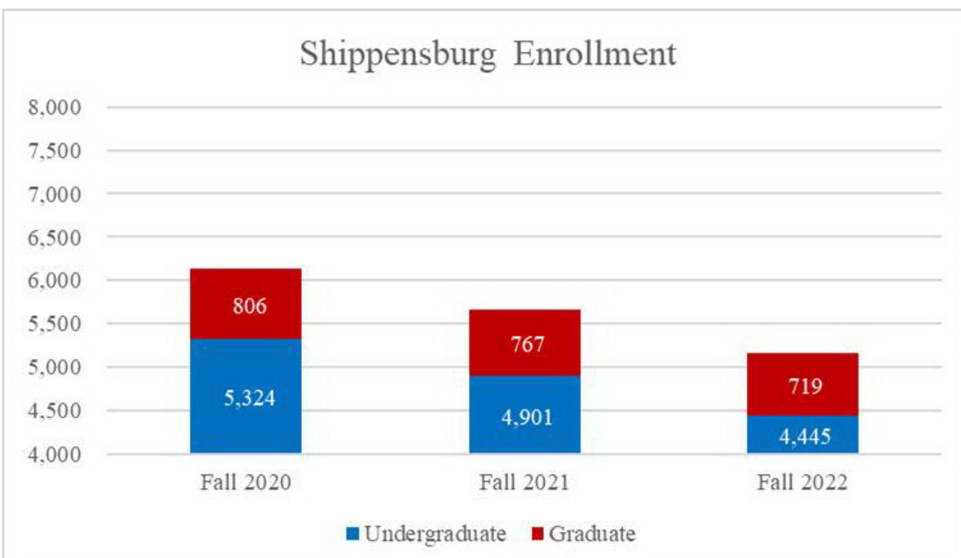
King of Prussia, Pennsylvania
October 31, 2023

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Shippensburg University of Pennsylvania (the University) of the State System of Higher Education as of and 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 and should be read in conjunction with the financial statements and accompanying notes.

Shippensburg University, founded in 1871, is a public four-year university of the Commonwealth of Pennsylvania (Commonwealth). The University is one of ten universities that make up Pennsylvania's State System of Higher Education (the System). As a public university, it is the priority of the University to provide high quality education at the lowest possible cost to the students. With 5,164 students enrolled in Fall 2022, the University ranked 8th in enrollment within the State System.

The University functions independently, however, being part of the State System enables the University to share resources and benefit from economies of scale.

Enrollment headcount for Fall 2022 included 4,445 undergraduate and 719 graduate students, for a total of 5,164 students. Fall 2022 total enrollment headcount was comprised of 4,658 resident students and 506 nonresident students. The graph below summarizes a three-year trend of undergraduate and graduate enrollment.



The State System's Board of Governors (the Board) froze annual tuition for the 2022-23 academic year. This is an unprecedented fourth consecutive year tuition was frozen. The Board also froze the technology tuition fee for students for a fourth consecutive year. Universities are mandated to use the technology tuition fee to directly benefit student learning.

Mandatory student fees set by the University for all undergraduate students (admitted before Fall 2019) did not change for fiscal 2023. For undergraduate students admitted Fall 2019 or after, a Student Success Fee of $325 per semester is also charged. Room rates in fiscal 2023 for all Units remained unchanged and Food Service fees also remained unchanged.

Financial Highlights

The 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.

The total Commonwealth appropriation to the State System in fiscal year 2023 was $552.5 million, as compared to $477.5 million during the prior year. The University's share of the appropriation through the appropriation formula increased from $31.2 million in fiscal year 2022 to $37.5 million in fiscal year 2023.

The University received $1.6 million from the Commonwealth's Key '93 (Keystone Recreation, Park and Conservation) Fund in fiscal year 2023, and $2.0 million in the prior fiscal year. Key '93 funds have provided a consistent revenue stream for university deferred maintenance projects since 1993. Key 93 funds are being accumulated for deferred maintenance projects including, but not limited to renovations and repairs to the Old Main Building.

During fiscal 2020 the University was affected by the COVID-19 pandemic. As a response to the COVID-19 pandemic, the Coronavirus Aid. Relief and Economic Security (CARES) Act was passed on March 27, 2020, and the Coronavirus Response and Relief Supplemental Appropriations Act (HEERF II) was passed on December 27, 2020. The American Rescue Plan (ARP) was passed on March 11, 2021. The CARES Act provided funding to the University in the amount of $7.6 million and the HEERF II provided an additional $8.8 million. The University was provided $14.9 million in funding from ARP (HEERF III). Funds were received from the US Department of Education (DOE) through the Higher Education Emergency Relief fund (HEERF). During the year the University expended the remaining $2.0 million exclusively for financial aid to students.

The Coronavirus State and Local Fiscal Recovery Funds (CSFRF), a part of the ARP delivers $350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The program ensures that governments have the resources to:

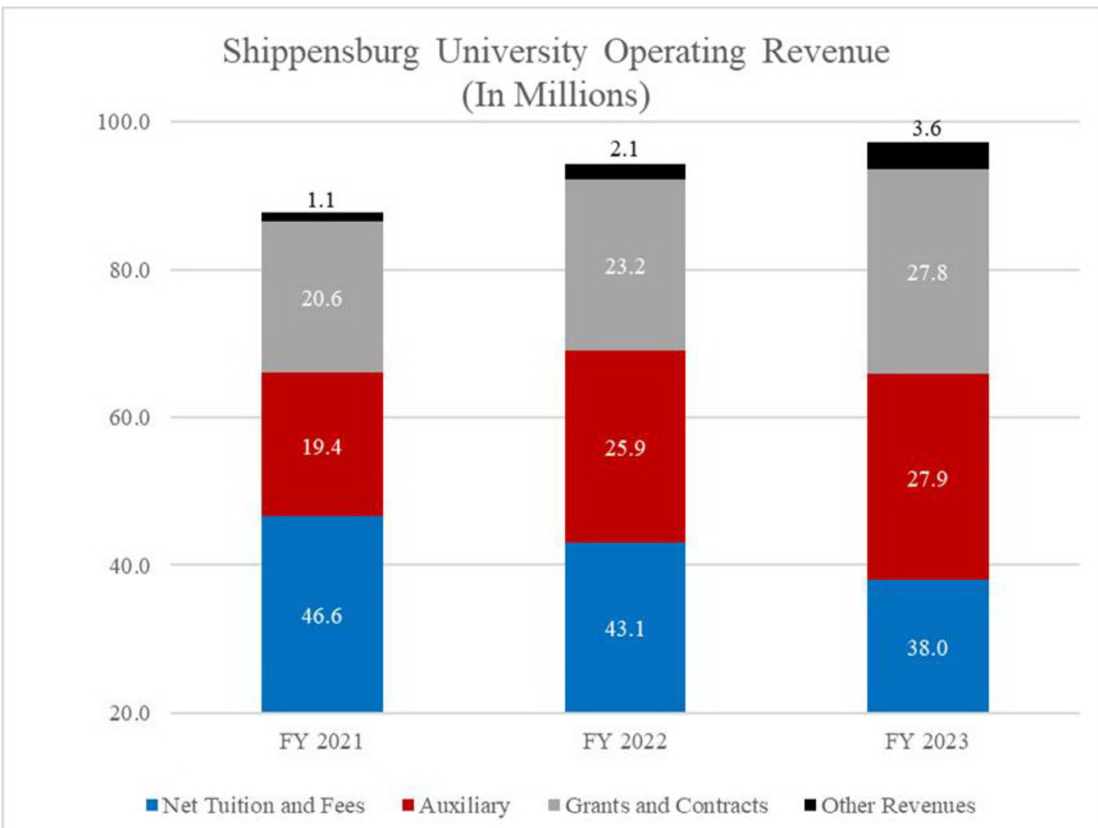
- Fight the pandemic and support families and businesses struggling with its public health and economic impacts,
- Maintain vital public services, even amid declines in revenue, and
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

During fiscal year 2022, the PASSHE Executive Leadership Group (ELG) and the Board approved the distribution of $18.5 million for student success initiatives as part of the $50 million in CSFRF funds allocated from the Commonwealth. The University received $1,752,000 to be used for enrollment and student success, diversity equity and inclusion, and workforce development. To date, the University has expended $792,000 with $960,000 available for disbursement. The funds must be expended by December 31, 2024.

During fiscal year 2023 the system distributed $125 million of CSFRF funds appropriated to PASSHE as outlined in section 192.1-C of Act 54-2022. The University received $7.8 million to be used to provide institutional aid to students who have Expected Family Contributions (EFC) of $10 thousand or less. To date, $1.8 million has been expended with an additional $4.6 million obligated for future fiscal years. These funds must be obligated by December 31, 2024, and expended by December 31, 2026.

Education and General Fund tuition and fee revenue, net of discounts and allowances, was $38.0 million for fiscal 2023. Auxiliary revenue, net of discounts and allowances, was $27.9 million for fiscal 2023.

The chart below summarizes a 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.



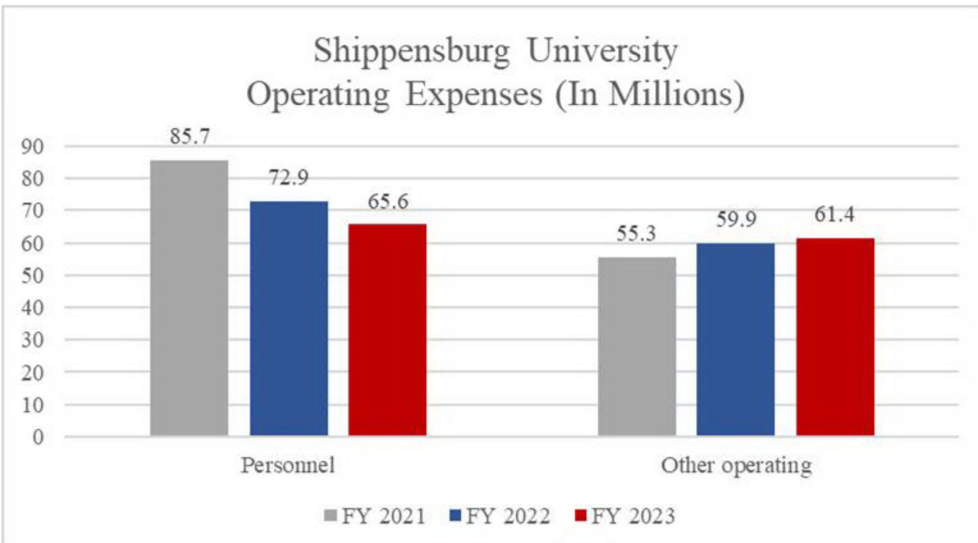
Net tuition and fees decreased by $5.1 million or 11.8% from the prior year. Gross tuition revenue decreased 6.3% because of a credit hours decline. Auxiliary revenue increased by $2.0 million primarily due to increased residence hall occupancy and increased dining revenues.

Total personnel expenses, including salary, incremental benefits and employer paid fixed rate benefits were $65.6 million, $7.3 million lower or 10.0% less in fiscal year 2023 as compared to fiscal year 2022. The expense related to unfunded liabilities was $7.0 million less in fiscal year 2023 due to reductions in other post-employment benefits and compensated absences.

Salaries and wages were $4.8 million less in fiscal year 2023, achieved through position vacancies. During this time, the University continued implementation of a financial sustainability plan in support of the system redesign and as required by Board of Governors Policy 2019-01.

Non-personnel operating expenses were $61.4 million or $1.5 million more in fiscal year 2023 as compared to fiscal year 2022. The increase was due to the Gaining Early Awareness & Readiness for Undergraduate Programs Grant increased expenditures.

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



The Financial Statements

Balance Sheet (Statement of Net Position) The Balance Sheet reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position of the University as of the end of the fiscal year. **Assets** include cash, and investments reported at market value, the value of outstanding receivables due from students and other parties, and land, buildings and equipment reported at cost less accumulated depreciation. **Deferred outflows** are the consumption of net position applicable to a future reporting period, such as the unamortized loss on refunding of debt and certain items associated with pension and other postemployment benefit liabilities. **Liabilities** include payments due to vendors, employees, and students and revenues received but not yet earned, the balance of bonds payable, and liabilities such as worker's compensation (the University is self-insured), compensated absences, (the value of sick and annual leave earned by employees) and post-retirement benefits (benefits expected to be paid to certain current and future retirees). **Deferred inflows** are acquisitions of net position applicable to a future reporting period, such as the unamortized gain on refunding of debt and certain items associated with pension and other postemployment benefit liabilities. The difference between the assets, deferred outflows of resources and liabilities, deferred inflows of resources is reported as **Net position**.

Following is a summary of the University's balance sheet at June 30, 2023, 2022, and 2021:

	2023	2022	2021
Assets			
Cash and Equivalents	$ 49,381,694	$ 43,480,007	$ 47,895,892
Capital Assets, Net	163,754,373	170,378,672	178,408,848
Other Assets and Deferred Outflows	54,059,824	51,854,228	60,156,779
Total Assets and Deferred Outflows	$ 267,195,891	$ 265,712,907	$ 286,461,519
Liabilities			
Workers' Compensation	$ 327,433	$ 329,382	$ 410,659
Compensated Absences	9,379,975	13,038,606	12,908,111
Net Pension Liability	70,391,049	47,140,019	63,124,650
Net OPEB Liability	84,603,918	124,062,020	138,470,770
Bonds Payable	141,110,753	148,181,398	154,938,209
Other Liabilities and Deferred Inflows	91,926,400	83,379,452	81,426,317
Total Liabilities and Deferred Inflows	397,739,528	416,130,877	451,278,716
Net Position			
Net Investment in Capital Assets	20,281,988	21,605,761	22,654,906
Restricted	12,027,969	12,459,592	11,792,871
Unrestricted	(162,853,594)	(184,483,323)	(199,264,974)
Total Net Position	(130,543,637)	(150,417,970)	(164,817,197)
Total Liabilities, Deferred Inflows, and Net Position	$ 267,195,891	$ 265,712,907	$ 286,461,519

Accounts Receivable

Student accounts receivable decreased to $3.5 million in fiscal 2023 from $4.7 million in the prior year. The decrease is due to the reduction in credit hours and increased approval of write-offs from the Office of the Attorney General during fiscal 2023. During fiscal 2023, the Office of Attorney General, where delinquent accounts are sent, returned significantly more accounts as uncollectible resulting in an increase in accounts receivable accounts written off amounting to $937,000. Allowance for uncollectible accounts decreased to $1.6 million as compared to $2.4 million in the prior year.

Other Assets and Deferred Outflows

Deferred outflows increased from $28.2 million to $32.9 million during fiscal 2023 due to an increase in SERS deferred outflows.

Subscription-Based Information Technology Arrangements (SBITA)

Under Statement 96 of the Governmental Accounting Standards Board (GASB), right to use subscription assets are capitalized with a corresponding subscription liability. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software. Net capital assets includes $1,024,000 in subscription right to use assets and the related liabilities amount to $534,000.

Net Pension Liability

The SERS pension liability increased due to plan investment losses and a decrease in the discount rate. The PSERS pension liability increased due to a decline in investment returns.

Net OPEB Liability

The net OPEB liability decreased due to:

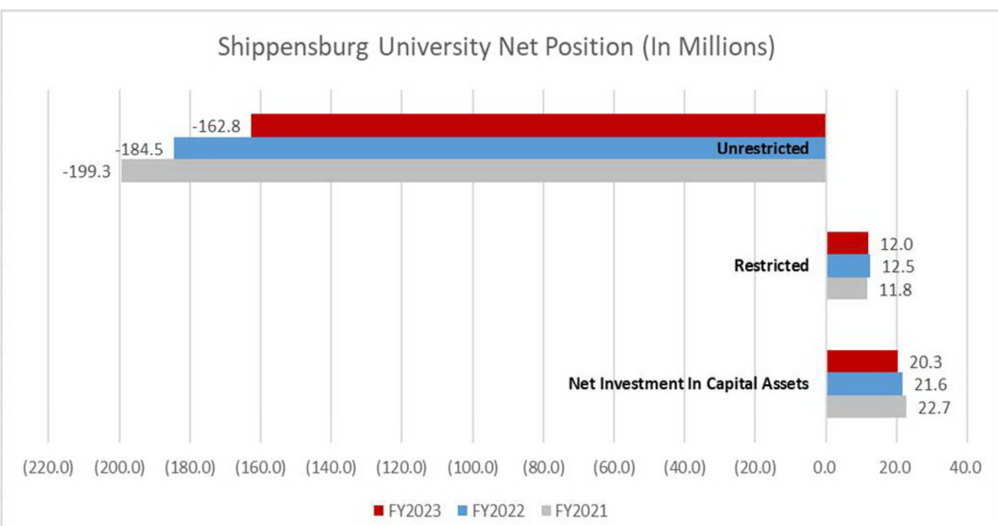
- SSHE plan decrease in the health care trend rate, increase in the discount rate, and decrease University proportion
- REHP plan increase in the discount rate, decrease in PASSHE proportion, and decrease in University proportion
- PSERS plan increase in the discount rate and decrease in the University proportion.

Net Position

Net investment in capital assets is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation and less any associated debt such as bonds payable. The balance is not available for the University's use in ongoing operations, 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 the State System from selling university land and buildings without prior approval.

Restricted net position represents the balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent.

Unrestricted net position includes all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net position increased by $21.6 million. The net pension liability, when including the pension amounts in deferred inflows and outflows decreased $1.1 million to $56.5 million. The net OPEB liability, which includes amounts in deferred inflows and outflows decreased by $18.5 million from the prior year. Overall net position in fiscal 2023 increased by $19.9 million (to 130.5 million) from the prior year.



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 non-operating. GASB has determined that all public college and university state appropriations are non-operating revenues. In addition, GASB requires classification of gifts, Pell grants, investment income and expenses, unrealized gains and losses on investment, interest expense, and losses on disposal and acquisition of assets as non-operating. The University classifies all its remaining activities as operating.

Following is a summary of the University's Statement of Revenues, Expenses, and Changes in Net Position for the fiscal years ending June 30, 2023, 2022, and 2021:

	2023	2022	2021
Operating Revenues			
Tuition and Fees, Net	$ 38,016,937	$ 43,122,029	$ 46,554,192
Auxiliary Enterprises, Net	27,878,614	25,906,122	19,357,314
Grants and Contracts	27,813,719	23,179,992	20,688,736
Sales and Services	2,691,691	1,562,685	714,870
Other	939,684	564,619	361,339
Total Operating Revenues	97,340,645	94,335,447	87,676,451
Operating Expenses			
Instruction	38,057,818	39,981,542	45,503,683
Research	442,926	512,666	588,151
Public Service	18,516,531	13,440,495	12,949,550
Academic Support	11,840,205	10,883,602	11,857,683
Student Services	13,398,704	10,985,845	13,081,654
Institutional Support	11,761,210	11,374,983	14,573,059
Operations and Maintenance of Plant	7,515,546	6,149,160	6,015,328
Depreciation	13,746,521	13,681,887	13,831,963
Student Aid	4,586,620	8,231,904	6,324,426
Auxiliary Enterprises	7,193,628	17,630,069	16,222,059
Total Operating Expenses	127,059,709	132,872,153	140,947,556
Net Operating Revenues (Expenses)	(29,719,064)	(38,536,706)	(53,271,105)
Nonoperating Revenue (Expenses)			
State Appropriations	39,103,956	33,127,578	32,781,496
Federal CARES Act COVID Relief (net)	5,849,064	12,944,231	10,684,051
Commonwealth On-Behalf Contributions to PSERS	330,962	305,292	732,663
Pell Grants	6,620,424	7,123,857	7,810,190
Investment Income, Net	1,662,628	301,153	791,387
Unrealized Gain (Loss) on Investments	60,135	(748,005)	967,920
Gifts, Nonoperating Grants, and Other	1,449,313	3,418,435	3,532,320
Interest Expense	(5,478,604)	(5,587,206)	(5,818,153)
Gain/(Loss) on Acq/Disposal of Capital Assets, Net	(4,480)	2,050,598	(436,787)
Total Nonoperating Revenues (Expenses)	49,593,398	52,935,933	51,045,087
Changes in Net Position	19,874,334	14,399,227	(2,226,018)
Net Position - Beginning of Year	(150,417,971)	(164,817,197)	(162,591,179)
Net Position-End of Year	$ (130,543,637)	$ (150,417,970)	$ (164,817,197)

Statement of Cash Flows

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

Following is a summary of the University's statement of cash flows for the years ended June 30, 2023, 2022, and 2021:

	2023	2022	2021
Cash Flows used by Operating Activities	$ (36,783,016)	$ (46,299,542)	$ (44,689,666)
Cash Flows from Noncapital Financing Activities	56,861,347	52,614,846	48,369,990
Cash Flows used by Capital Financing Activities	(15,760,169)	(11,025,775)	(15,756,883)
Cash Flows from Investing Activities	1,583,525	294,586	881,601
Net Increase (Decrease) in Cash	5,901,687	(4,415,885)	(11,194,958)
Cash - Beginning of Year	43,480,007	47,895,892	59,090,850
Cash - End of Year	$ 49,381,694	$ 43,480,007	$ 47,895,892

Cash

Total cash at year end increased by $5.9 million from the prior year or 13.6%. During the year, the university received $7.4 million in HEERF III Institutional Aid, reported in receivables during the prior year, and $2.0 million in HEERF III Student Aid.

Future Economic Factors

The University Fall 2023 freshman incoming class enrollment was 3% greater than the Fall 2022 freshman incoming class. The second-year retention rate of first-time, full-time students increased by 14% over the previous year. Pennsylvania is projected to have increases in high school graduates through 2025-26 followed by decreases in the period 2026-2027. The University is impacted by the amount of high school graduates pursuing a higher education.

On July 20, 2023, the Board voted unanimously to freeze tuition for an unprecedented fifth consecutive year. If tuition had kept pace with inflation since 2018, it would be 21% higher today.

In fiscal 2023 the University received a general state appropriation of $37.5 million of the overall System appropriation from the Commonwealth of Pennsylvania of $552.5 million. The fiscal year 2024 Commonwealth budget provides a $585.6 million appropriation for the System, a $33.1 million increase from the prior year. The University expects to receive $41.1 million during FY 2024 an increase of $3.6 million. The University is committed to continuing cost control efforts.

The University continues to progress on capital projects as funds become available. During fiscal 2023, Heiges Field House and Grove Stadium Locker Room projects were completed. Ongoing projects include Henderson Locker Rooms, and the One-SIS implementation.

The University (and the State System) has no control over pension related and OPEB related liabilities which totaled approximately $185 million at 6/30/2023. The Commonwealth enacted pension legislation modifying the pension benefits for new hires, slowing the rate of growth of the pension liability, though it did not affect any changes that would reduce the existing liability.

No legislation has been enacted to either reduce or slow the growth of the OPEB liabilities administered by the Commonwealth. The State System closed the State System OPEB plan to new employees hired after January 2016, except for the Association of Pennsylvania State College and University Faculties employees. Although this will not reduce the existing liability, these new hires bring no additional liability, now or in the future.

Pension Liability Summary			
(in thousands)	**2023**	**2022**	**2021**
Net Pension Liabilities	$ 70,391	$ 47,140	$ 63,124
Deferred Outflows of Resources-Pension	(18,824)	(9,123)	(11,914)
Deferred Inflows of Resources-Pension	4,967	19,645	12,434
Total Pension Liabilities including Deferred Components	56,534	57,662	63,644
Other Post-Employment Benefit Liability (OPEB) Summary			
(in thousands)			
Net OPEB Liabilities	$ 84,604	$ 124,062	$ 138,471
Deferred Outflows of Resources-OPEB	(13,921)	(18,862)	(25,338)
Deferred Inflows of Resources-OPEB	57,917	41,933	44,464
Total OPEB Liabilities including Deferred Components	128,600	147,133	157,597

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

Dr. Jolinda Wilson
Vice President of Administration and Finance
Shippensburg University of Pennsylvania
Old Main 306
1871 Old Main Drive
Shippensburg, PA 17257-2299

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF NET POSITION — PRIMARY INSTITUTION
JUNE 30, 2023

	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 49,381,694
Short-Term Investments	43,238
Accounts Receivable:	
Governmental Grants and Contracts	10,944,506
Students, Net of Allowance for Doubtful Accounts of approximately $1,570,000 in 2023	1,899,871
Other	457,823
Interest Income Receivable	133,766
Inventory	107,459
Prepaid Expenses and Other Current Assets	1,417,631
Leases Receivable	12,846
Due from Component Unit	469,988
Other Assets - Current	8,083
Total Current Assets	64,876,905
NONCURRENT ASSETS	
Beneficial Interests and Other Investments	4,483,299
Capital Assets, Net	163,754,373
Leases Receivable	489,678
Due from Component Unit	94,395
Other Assets	560,114
Total Noncurrent Assets	169,381,859
Total Assets	234,258,764
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Change on Refunding	192,332
Deferred Outflows from Pension Activities	18,824,158
Deferred Outflows from OPEB Activities	13,920,637
Total Deferred Outflows of Resources	32,937,127
Total Assets and Deferred Outflows of Resources	$ 267,195,891

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF NET POSITION — PRIMARY INSTITUTION (CONTINUED)
YEAR ENDED JUNE 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 15,577,120
Unearned Revenue	9,579,102
Students' Deposits	536,727
Other Deposit Liabilities	73,833
Workers' Compensation	199,671
Compensated Absences	1,416,376
Postretirement Benefits	2,513,018
Lease and Subscription Contracts	515,896
Bonds Payable	7,356,633
Bond Program (AFRP)	53,132
Due to Component Unit	158,546
Due to Component Unit - Lease Liabilities	298,183
Other Liabilities	26,137
Total Current Liabilities	38,304,374
NONCURRENT LIABILITIES	
Unearned Revenue	10,279
Workers' Compensation	127,762
Compensated Absences	7,963,599
Postretirement Benefits	82,090,900
Bonds Payable	133,754,120
Net Pension Liability	70,391,049
Lease and Subscription Contracts	362,356
Due to System, AFRP	133,764
Due to Component Unit - Lease Liabilities	916,162
Total Noncurrent Liabilities	295,749,991
Total Liabilities	334,054,365
DEFERRED INFLOWS OF RESOURCES	
Deferred Charge on Refunding	299,111
Deferred Inflows from Pension Activities	4,967,266
Deferred Inflows from OPEB Activities	57,917,311
Deferred Inflows from Lease Receivable	501,475
Total Deferred Inflows of Resources	63,685,163
NET POSITION	
Net Investment in Capital Assets	20,281,988
Restricted for:	
Expendable:	
Scholarships and Fellowships	199,589
Research	
Capital Projects	7,344,004
Other	1,076
Nonexpendable:	
Scholarships and Fellowships	4,483,300
Unrestricted	(162,853,594)
Total Net Position	(130,543,637)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 267,195,891

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2023

	2023
OPERATING REVENUES	
Tuition and Fees	$ 57,692,867
Less: Scholarship Discounts and Allowances	19,675,930
Net Tuition and Fees	38,016,937
Auxiliary Enterprises	29,064,896
Less: Scholarship Discounts and Allowances	1,186,282
Net Auxiliary Enterprises	27,878,614
Governmental Grants and Contracts:	
Federal	15,365,834
State	10,927,800
Local	72,180
Nongovernmental Grants and Contracts	1,447,905
Sales and Services of Educational Departments	2,691,691
Other Revenues	939,684
Total Operating Revenues	97,340,645
OPERATING EXPENSES	
Instruction	38,057,818
Research	442,926
Public Service	18,516,531
Academic Support	11,840,205
Student Services	13,398,704
Institutional Support	11,761,210
Operations and Maintenance of Plant	7,515,546
Depreciation and Amortization	13,746,521
Student Aid	4,586,620
Auxiliary Enterprises	7,193,628
Total Operating Expenses	127,059,709
OPERATING LOSS	(29,719,064)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations, General and Restricted	37,523,022
Federal Appropriations - CARES Act COVID Relief	1,796,313
Federal Grants - CARES Act COVID Relief	4,052,751
Commonwealth On-Behalf Contributions to PSERS	330,962
Pell Grants	6,620,424
Investment Income, Net of Related Investment Expenses of $10,395 in 2023	1,662,628
Unrealized Increase in Fair Value	60,135
Gifts for Other than Capital Purposes	6,514
Interest Expense	(5,478,604)
Loss on Disposal of Capital Assets, Net	(4,480)
Other Nonoperating Revenue	868,860
Nonoperating Revenues, Net	47,438,525
INCOME BEFORE OTHER REVENUES	17,719,461
OTHER REVENUES	
State Appropriations, Capital	1,580,933
Capital Gifts and Grants	573,939
Total Other Revenues	2,154,872
CHANGES IN NET POSITION	19,874,333
Net Position - Beginning of Year	(150,417,970)
NET POSITION - END OF YEAR	$ (130,543,637)

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF CASH FLOW — PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Tuition and Fees	$ 38,285,993
Grants and Contracts	29,148,813
Payments to Suppliers for Goods and Services	(42,625,191)
Payments to Employees	(91,536,452)
Loans Collected from Students	(324)
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	41,338,294
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(41,338,294)
Student Aid	(4,661,873)
Auxiliary Enterprise Charges	28,046,034
Sales and Services of Educational Departments	2,691,691
Other Receipts	3,868,293
Net Cash Used by Operating Activities	(36,783,016)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	45,309,200
Gifts and Nonoperating Grants for Other Than Capital Purposes	10,679,688
Agency Transactions, Net	(1,747)
Other	874,206
Net Cash Provided by Noncapital Financing Activities	56,861,347
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Appropriations	1,580,933
Capital Gifts and Grants Received	573,939
Purchases of Capital Assets	(3,912,369)
Principal Paid on Debt, Leases, Subscriptions, and Financed Purchases	(8,116,421)
Interest Paid on Debt, Leases, Subscriptions, and Financed Purchases	(5,886,251)
Net Cash Used by Capital Financing Activities	(15,760,169)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	27,236
Interest Income	1,581,803
Purchase of Investments	(25,514)
Net Cash Provided by Investing Activities	1,583,525
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,901,687
Cash and Cash Equivalents - Beginning of Year	43,480,007
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 49,381,694

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF CASH FLOW — PRIMARY INSTITUTION (CONTINUED)
YEAR ENDED JUNE 30, 2023

	2023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (29,719,064)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	13,746,521
Expenses Paid by Commonwealth or Donor	330,962
Changes in Assets and Liabilities:	
Receivables, Net	2,695,628
Lease Rental Receivable (3rd Party & Comp Units)	(476,376)
Inventories	24,184
Other Assets	393,659
Accounts Payable	(186,403)
Unearned Revenue	(675,647)
Students' Deposits	(63,984)
Compensated Absences	(3,658,631)
Loans to Students	(324)
Postretirement Benefits Liability (OPEB)	(39,458,102)
Defined Benefit Pensions	23,251,030
Other Liabilities	(9,213)
Deferred Outflows of Resources Related to Pensions	(9,701,041)
Deferred Outflows of Resources Related to OPEB	4,941,564
Deferred Inflows of Resources Related to Pensions	(14,678,070)
Deferred Inflows of Resources Related to OPEB	15,984,608
Deferred Inflows of Resources Related to Lease Receivables	475,683
Net Cash Used by Operating Activities	$ (36,783,016)

SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL FINANCING ACTIVITIES	
Capital assets Acquired by New Right to Use Leases	$ 394,017
Capital Assets Acquired by New Right To Use Leases with Comp Units	$ 1,242,185
Capital Assets Acquired by New Subscription Agreements	$ 1,578,131

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF FINANCIAL POSITION — COMPONENT UNITS
JUNE 30, 2023

		2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,950,493
Accounts Receivable		294,449
Pledges Receivable		1,956,777
Due from University		158,546
Other Current Assets		2,280,545
Total Current Assets		7,640,810
NONCURRENT ASSETS		
Capital Assets, Net		23,992,094
Investments		74,039,626
Total Noncurrent Assets		98,031,720
Total Assets	$	105,672,530
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$	950,670
Deferred Revenue		271,923
Other Deposit Liabilities		94,406
Annuity Liabilities		1,145,717
Due to University		564,383
Other Current Liabilities		721,414
Total Current Liabilities		3,748,513
LONG-TERM DEBT		25,777,050
Total Liabilities		29,525,563
NET ASSETS		
Without Donor Restrictions		3,409,683
With Donor Restrictions		72,737,284
Total Net Assets		76,146,967
Total Liabilities and Net Assets	$	105,672,530

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF ACTIVITIES — COMPONENT UNITS
YEAR ENDED JUNE 30, 2023

	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES AND OTHER ADDITIONS	
Contributions	$ 1,098,257
Investment Income	145,085
Rental Income	2,356,581
Sales and Services	2,598,620
Student Activity Fees	2,246,243
Hotel Operations	3,261,471
Other Revenues	430
Net Position Released from Restrictions	5,256,716
Total Revenues and Other Additions	16,963,403
EXPENSES AND OTHER DEDUCTIONS	
Program Expenses	4,571,872
Supporting Services Expenses	3,610,216
Student Activities	3,107,939
University Store	256,239
Management and General	5,255,510
Total Expenses and Other Deductions	16,801,776
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	161,627
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	8,835,016
Investment Income	7,294,297
Other Additions	1,060,757
Net Position Released from Restrictions	(5,256,716)
Changes in Net Assets With Donor Restrictions	11,933,354
CHANGES IN NET ASSETS	12,094,981
Net Assets - Beginning of Year	64,051,986
NET ASSETS - END OF YEAR	$ 76,146,967

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF FUNCTIONAL EXPENSES — COMPONENT UNITS
YEAR ENDED JUNE 30, 2023

	2023								
	Program Activities					Supporting Activities			
Natural Expense	Student Activities	Parking	University Store	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Wages	$ 194,938	$ -	$ -	$ 1,227,063	$ 1,422,001	$ 1,968,395	$ 198,538	$ 2,166,933	$ 3,588,934
Payroll Taxes	14,929	-	-	116,711	131,640	158,435	12,965	171,400	303,040
Employee Benefits	30,486	-	-	191,765	222,251	448,277	40,461	488,738	710,989
Contracted Labor	187,397	-	-	474,217	661,614	44,409	-	44,409	706,023
Land Lease	-	221,425	-	-	221,425	-	-	-	221,425
Donated Facilities	21,554	-	256,239	-	277,793	38,258	-	38,258	316,051
Programs and Special Events	976	-	-	-	976	-	-	-	976
Supplies and Equipment	614,419	360	-	72,162	686,941	7,319	-	7,319	694,260
Capital Projects for SU	422,768	56,194	-	-	478,962	-	-	-	478,962
Repairs and Maintenance	36,343	15,738	-	-	52,081	-	-	-	52,081
Transportation	604,203	-	-	-	604,203	6,547	47,518	54,065	658,268
Meals and Lodging	461,075	-	-	-	461,075	300	-	300	461,375
Officials	88,453	-	-	-	88,453	-	-	-	88,453
Scouting and Recruiting	496	-	-	-	496	-	-	-	496
Dues and Fees	85,233	-	-	-	85,233	3,282	-	3,282	88,515
Conferences and Seminars	16,438	-	-	637,476	653,914	33,060	-	33,060	686,974
Movies and Films	3,020	-	-	-	3,020	-	-	-	3,020
Prizes	25,843	-	-	-	25,843	-	-	-	25,843
Copyrights and Royalties	15,469	-	-	-	15,469	-	-	-	15,469
Scholarships/Awards/Proposal Funding	169,420	-	-	2,204,301	2,373,721	-	-	-	2,373,721
Advertising	402	-	-	12,881	13,283	14,854	-	14,854	28,137
Office Expenses	-	-	-	77,376	77,376	5,416	2,269	7,685	85,061
Occupancy	-	-	-	606,079	606,079	707,119	18,562	725,681	1,331,760
Insurance	81,128	8,051	-	69,575	158,754	100,528	-	100,528	259,282
Printing and Publications	25,469	-	-	-	25,469	1,007	-	1,007	26,476
Posting and Shipping	32	-	-	-	32	810	-	810	842
Telephone	1,908	-	-	-	1,908	-	-	-	1,908
Legal and Professional	1,701	-	-	-	1,701	51,030	-	51,030	52,731
Management and Administrative Fees	-	-	-	-	-	100,845	-	100,845	100,845
Annual Giving/Major Gifts/Fundraising	-	-	-	-	-	-	176,377	176,377	176,377
Miscellaneous	-	-	-	826,809	826,809	315,208	-	315,208	1,142,017
Income Tax Benefit (Deferred Asset)	-	-	-	28,834	28,834	-	-	-	28,834
Interest	-	-	-	201,175	201,175	762,594	-	762,594	963,769
Equipment Rental	2,085	-	-	-	2,085	515	-	515	2,600
Depreciation	1,754	-	-	706,045	707,799	418,463	-	418,463	1,126,262
Loss on Extinguishment of Debt	-	-	-	-	-	-	-	-	-
Total Expenses	$ 3,107,939	$ 301,768	$ 256,239	$ 7,452,469	$ 11,118,415	$ 5,186,671	$ 496,690	$ 5,683,361	$ 16,801,776

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Shippensburg University of Pennsylvania of the State System of Higher Education (the University), a public four-year institution located in Shippensburg, Pennsylvania, was founded in 1871. The University is one of 10 universities of the Pennsylvania State System of Higher Education (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).

The Commonwealth determines the State appropriation allocated to the State System. The State System determines the allocation to each University from the state appropriated amount. Tuition rates are set by the Board of Governors of the State System, for all 10-member universities. Labor agreements are negotiated at either the State System level or Commonwealth level.

Reporting Entity

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

The University has determined that Shippensburg University Student Services, Inc. (Student Services) and the Shippensburg University Foundation (the Foundation) 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.

Student Services is an independent, legally separate, tax-exempt entity organized under Section 501(c)(3) of the Internal Revenue Code and is primarily responsible for the operations of student government and the University Store. Although the University does not control the resources of Student Services, the activities of Student Services are solely for the benefit of the University and its students. Because these resources are held by Student Services and can only be used to benefit the University and its students, Student Services is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of Student Services is presented as of June 30, 2023.

The Foundation is an independent, legally separate, tax-exempt entity organized under Section 501(c)(3) of the Internal Revenue Code and acts primarily as a fund-raising 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, which the Foundation holds and invests are restricted to activities of the University by the donors. Since 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)

Complete financial statements for Student Services and the Foundation may be obtained at the administrative office of each entity.

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

Operating revenues of the University consist of tuition, all academic, instructional, and other student fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. 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, are recorded as operating expenses. Appropriations, gifts, investment income, capital grants, gains and (losses) on the disposal of assets, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

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.

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

Net Position (Continued)

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

Restricted – Expendable: The portion of net position whose use 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 assets are available for expenditure, the restricted funds will be used first.

Cash and Cash Equivalents

The University considers all demand and time deposits and money market funds 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 and loans 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. 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 universities' historical losses and periodic review of individual accounts.

Inventory

Inventory consists mainly of supplies and fuel and is stated at the lower of cost or market, with cost being 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, and capital improvements acquired or constructed by the universities 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 of 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 of 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 materially prolong its useful life.

The Fashion Archives and Museum at the University maintains a collection of works of art, literary works, historical treasures, and artifacts. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service and are not capitalized; purchases of collection items are recorded as expenses in the University’s financial statements in the period in which the items are acquired.

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 year 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.

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

Leases and Subscription-Based Information Technology Arrangements (Continued)

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. 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 statement 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 and SBITA reporting purposes of $25,000.

Deferred Outflows of Resources and Deferred Inflows of Resources

The statement of net position 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:

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

- Deferred gain or loss on bond refundings, 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, the net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities of the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and University pension and OPEB contributions subsequent to the respective pension or OPEB plan valuation measurement date.

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

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

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.

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

Pension Plans and OPEB Plans (Continued)

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 University allocates the cost of scholarships, waivers, and other student financial aid between Scholarship 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

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

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of a Service Concession Agreement (SCA) or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

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

New Accounting Standards (Continued)

The University adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The University adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION

The following represents combining condensed statements of financial position information for the component units as of June 30:

	2023		
	Student Services	The Foundation	Total
Due from University	$ 719	$ 157,827	$ 158,546
Capital Assets, Net	2,923	23,989,171	23,992,094
Investments	1,775,571	72,264,055	74,039,626
Other Assets	493,400	6,988,864	7,482,264
Total Assets	$ 2,272,613	$ 103,399,917	$ 105,672,530
Due to University	$ 10,227	$ 554,156	$ 564,383
Long-Term Debt	-	25,777,050	25,777,050
Other Liabilities	770,549	2,413,581	3,184,130
Total Liabilities	$ 780,776	$ 28,744,787	$ 29,525,563
Net Assets:			
Without Donor Restrictions	$ 1,491,837	$ 1,917,846	$ 3,409,683
With Donor Restrictions	-	72,737,284	72,737,284
Total Net Assets	$ 1,491,837	$ 74,655,130	$ 76,146,967

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining condensed statements of activities information for the component units for the years ended June 30:

	2023		
	Student Services	The Foundation	Total
Changes in Net Assets Without Donor Restrictions:			
Revenues and Other Additions:			
Contributions	$ 351,551	$ 746,706	$ 1,098,257
Investment Income	30,387	114,698	145,085
Rental Income	-	2,356,581	2,356,581
Sales and Services	860,357	1,738,263	2,598,620
Student Activity Fees	2,246,243	-	2,246,243
Hotel Operations	-	3,261,471	3,261,471
Other Revenues	430	-	430
Net Assets Released from Restrictions	-	5,256,716	5,256,716
Total Revenues and Other Additions	3,488,968	13,474,435	16,963,403
Expenses and Other Deductions:			
Program Expenses	301,768	4,270,104	4,571,872
Supporting Services	-	3,610,216	3,610,216
Student Activities	3,107,939	-	3,107,939
University Store	256,239	-	256,239
Management and General	513,411	4,742,099	5,255,510
Total Expense and Other Deductions	4,179,357	12,622,419	16,801,776
Changes in Net Assets Without Donor Restrictions	(690,389)	852,016	161,627
Changes in Net Assets With Donor Restrictions:			
Contributions	-	8,835,016	8,835,016
Investment Income	-	7,294,297	7,294,297
Other Deductions	-	1,060,757	1,060,757
Net Assets Released from Restrictions	-	(5,256,716)	(5,256,716)
Increase in Net Assets With Donor Restrictions	-	11,933,354	11,933,354
CHANGES IN NET ASSETS	(690,389)	12,785,370	12,094,981
Net Assets - Beginning of Year	2,182,226	61,869,760	64,051,986
NET ASSETS - END OF YEAR	$ 1,491,837	$ 74,655,130	$ 76,146,967

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 Universities 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 University's account as interest income. The University's portion of pooled funds total $34,755,036 at June 30, 2023.

Board *Policy 1986-02-A, Investment*, authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's 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 or university trustees may be invested in the investments described above as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, the University uses local financial institutions for activities such as deposits of cash. 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

CMO Risk: CMOs are sometimes 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.

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 assets and liabilities 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued):

Level 2 Investments whose values are based on quoted prices in active markets for similar assets, or quoted prices in inactive markets for identical assets, 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.

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.

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 local investments of $324,026 recorded at fair value as of June 30, 2023 which are primarily classified in Level 1 of the fair value hierarchy. These local investments are included in Beneficial Interests and Other Investments in the financial statements.

University Local Deposits and Investments: As of June 30, 2023, the carrying amount of the University's demand and time deposits was $9,151,982 as compared to bank balance of $8,612,733. The difference is primarily caused by items in transit and outstanding checks. Of the bank balances at June 30, 2023, $296,835 was covered by federal government depository insurance or were collateralized by a pledge of United States Treasury obligations held by Federal Reserve banks in the name of the banking institutions; $8,315,898 was uninsured and uncollateralized but covered under the collateralization provisions of 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 were exposed to foreign currency risk. The University also held $5,474,676 of checks on hand and petty cash as of June 30, 2023.

NOTE 4 BENEFICIAL INTERESTS AND OTHER INVESTMENTS

At June 30, 2023 the fair value of beneficial interest and other investments totaled approximately $4,483,299 The beneficial interest represents gifts that donors placed in trust in perpetuity with third parties. The University receives a restricted revenue stream in accordance with the donors' wishes. The other 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 only when they are readily marketable and intended to be converted to cash within one year.

NOTE 5 INVESTMENTS — COMPONENT UNITS

The fair value of investments at June 30 were as follows:

	2023
Money Market Funds	$ 2,970,836
Mutual Funds	34,265,571
Stocks and Insurance Contracts	33,553,085
Student Loans	984,564
Bonds	637,932
Real Estate	27,500
Certificates of Deposit	347,736
Government-Sponsored Entity Bonds	1,252,402
Total	$ 74,039,626

NOTE 6 CAPITAL ASSETS

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

	Balance June 30, 2022	2022-23 Additions	Retirements/ Adjustments	2022-23 Reclassifications	Balance June 30, 2023
Land	$ 197,129	$ -	$ -	$ -	$ 197,129
Construction in Progress	1,417,402	2,113,007	-	(825,283)	2,705,126
Total Capital Assets not being Depreciated	1,614,531	2,113,007	-	(825,283)	2,902,255
Buildings, Including Improvements	269,704,227	578,175	-	389,065	270,671,467
Improvements Other than Buildings	18,608,324	186,285	-	436,218	19,230,827
Furnishings and Equipment	41,981,774	1,013,722	-	-	42,995,496
Library Books	4,409,780	41,769	(476)	-	4,451,073
Right Of Use Assets Buildings	816,274	1,238,483	(492,571)	-	1,562,186
Right Of Use Assets Furnishings and Equipment	180,243	377,129	(180,243)	-	377,129
Subscription Assets	-	1,578,131	-	-	1,578,131
Total Capital Assets being Depreciated and Amortized	335,700,622	5,013,694	(673,290)	825,283	340,866,309
Less Accumulated Depreciation and Amortization:					
Buildings, Including Improvements	(113,027,742)	(10,394,233)	-	-	(123,421,975)
Improvements Other than Buildings	(11,610,052)	(722,144)	-	-	(12,332,196)
Furnishings and Equipment	(37,374,874)	(1,682,660)	-	-	(39,057,534)
Library Books	(4,226,543)	(38,399)	476	-	(4,264,466)
Right Of Use Assets Buildings	(523,830)	(299,881)	489,792	-	(333,919)
Right Of Use Assets Furnishings and Equipment	(173,440)	(55,386)	178,542	-	(50,284)
Subscription Assets	-	(553,817)	-	-	(553,817)
Total Accumulated Depreciation and Amortization	(166,936,481)	(13,746,520)	668,810	-	(180,014,191)
Total Capital Assets Being Depreciated and Amortized, Net	168,764,141	(8,732,826)	(4,480)	825,283	160,852,118
Capital Assets, Net	$ 170,378,672	$ (6,619,819)	$ (4,480)	$ -	$ 163,754,373

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2023
Employees	$ 7,360,441
Suppliers and Services	552,705
Interest	230,274
Other	7,433,700
Total	$ 15,577,120

NOTE 8 LEASE RECEIVABLE

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

	2023 Third Parties
Lease Revenue	$ 27,892
Interest Income	1,783
Total	$ 29,675

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

	Balance June 30, 2022	2022-23 Additions	2022-23 Reductions	Balance June 30, 2023
Lease Receivable,				
Third Parties	$ 26,148	$ 503,573	$ (27,197)	$ 502,524
Total	$ 26,148	$ 503,573	$ (27,197)	$ 502,524

NOTE 9 BONDS AND NOTES PAYABLE

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 a loan agreement 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 years ended June 30, were as follows:

	2023					
	Weighted Average Interest Rate	Balance July 1, 2022	Bonds Issued	Bonds Redeemed	Balance June 30, 2023	Current Portion
Series AP Issued in 2014 to Refund Series Z and Series AA	5.00 %	96,918	-	47,332	49,586	49,586
Series AQ issued in 2015 to Refund Series AC and AE	4.42 %	2,224,271	-	583,703	1,640,568	613,066
Series AS issued in 2016 to Refund Series AF	4.26 %	1,699,887	-	307,599	1,392,288	322,936
AU issued in 2018 to Refund AH Rec Center	3.49 %	6,388,038	-	992,765	5,395,273	1,017,770
AV issued in 2019 for Student Housing	4.18 %	122,275,000	-	3,220,000	119,055,000	3,445,000
AW issued in 2020 to Refund Series AJ	4.66 %	2,963,113	-	365,786	2,597,327	383,888
Series AX issued in July 2020 Final maturity in June 2042	3.80 %	4,466,572	-	467,618	3,998,954	491,269
Series AY issued in October 2020 Final maturity in June 2036	1.56 %	6,471,584	-	685,847	5,785,737	691,443
Total Bonds Payable		$ 146,585,383	$ -	$ 6,670,650	139,914,733	$ 7,014,958
Plus: Unamortized Bond Premium Costs		1,596,015			1,196,020	
Outstanding at End of Year		$ 148,181,398			$ 141,110,753	

NOTE 9 BONDS AND NOTES PAYABLE (CONTINUED)

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

Series		2024	2025	2026	2027	2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
AP	Principal	49,586	-	-	-	-	-	-	-	-	49,586
	Interest	2,479	-	-	-	-	-	-	-	-	2,479
	Total	52,065	-	-	-	-	-	-	-	-	52,065
AQ	Principal	613,065	643,736	383,767	-	-	-	-	-	-	1,640,568
	Interest	82,028	51,375	19,188	-	-	-	-	-	-	152,591
	Total	695,093	695,111	402,955	-	-	-	-	-	-	1,793,159
AS	Principal	322,936	339,125	356,167	374,060	-	-	-	-	-	1,392,288
	Interest	69,614	53,468	36,511	18,703	-	-	-	-	-	178,296
	Total	392,550	392,593	392,678	392,763	-	-	-	-	-	1,570,584
AU	Principal	1,017,770	1,046,454	1,077,984	1,107,505	1,145,560	-	-	-	-	5,395,273
	Interest	160,888	133,314	102,684	71,046	36,154	-	-	-	-	504,086
	Total	1,178,658	1,179,768	1,180,668	1,178,551	1,181,714	-	-	-	-	5,899,359
AV	Principal	3,445,000	3,620,000	3,745,000	3,880,000	4,015,000	22,615,000	27,650,000	33,985,000	16,100,000	119,055,000
	Interest	4,883,606	4,767,338	4,640,638	4,505,818	4,362,258	19,320,490	14,283,740	7,947,775	936,970	65,648,633
	Total	8,328,606	8,387,338	8,385,638	8,385,818	8,377,258	41,935,490	41,933,740	41,932,775	17,036,970	184,703,633
AW	Principal	383,887	400,741	420,716	441,315	463,786	486,882	-	-	-	2,597,327
	Interest	129,866	110,672	90,635	69,599	47,533	24,344	-	-	-	472,649
	Total	513,753	511,413	511,351	510,914	511,319	511,226	-	-	-	3,069,976
AX	Principal	491,269	515,994	540,719	568,668	596,618	1,285,686	-	-	-	3,998,954
	Interest	199,948	175,384	149,585	122,549	94,115	97,179	-	-	-	838,760
	Total	691,217	691,378	690,304	691,217	690,733	1,382,865	-	-	-	4,837,714
AY	Principal	691,443	697,038	705,032	714,624	725,016	2,252,584	-	-	-	5,785,737
	Interest	90,250	84,200	76,358	66,664	55,945	91,671	-	-	-	465,088
	Total	781,693	781,238	781,390	781,288	780,961	2,344,255	-	-	-	6,250,825
Total	Principal	7,014,956	7,263,088	7,229,385	7,086,172	6,945,980	26,640,152	27,650,000	33,985,000	16,100,000	139,914,733
	Interest	5,618,679	5,375,751	5,115,599	4,854,379	4,596,005	19,533,684	14,283,740	7,947,775	936,970	68,262,582
	Total	$ 12,633,635	$ 12,638,839	$ 12,344,984	$ 11,940,551	$ 11,541,985	$ 46,173,836	$ 41,933,740	$ 41,932,775	$ 17,036,970	$ 208,177,315

NOTE 9 BONDS AND NOTES PAYABLE (CONTINUED)

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. This program will provide $100,000,000 in funding over the next several years. 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 under the AFRP pool of funding were as follows:

	2023
Balance at July 1	$ 237,536
Repayments	(50,640)
Balance at June 30	$ 186,896

Bonds Payable — Component Unit

The Foundation has issued a $1,360,000 note payable to Orrstown Bank, with monthly principal and interest payments secured by first mortgage on 480 Baltimore Road; to mature January 2040 with a variable interest rate of Wall Street Prime. The interest rate at June 30, 2023 was 8.25%. This note was paid off in August 2023.

The Foundation has a $3,000,000 unsecured revolving line of credit with F&M Trust. The note has a variable interest rate of the U.S. Prime Rate. The interest rate at June 30, 2023 was 8.25%.

In June 2020, the Foundation applied for and was granted $150,000 in funds through the Economic Injury Disaster Loan (EIDL) program with the SBA. The funds were designed to provide economic assistance to businesses during the Coronavirus pandemic. The funds are provided through a loan agreement that requires monthly principal and interest payments and was originally to begin twelve months from the date of the note. However, there have been subsequent deferrals of the repayments date granted and payments started in January 2023 with interest accruing during the deferral period.

In January 2021, the Foundation also applied for and was granted $150,000 in funds through the EIDL program with the SBA. The funds are provided through a loan agreement that requires monthly principal and interest payments and was originally to begin 12 months from the date of the note. However, there have been subsequent deferrals of the repayment date granted and the note is scheduled to start requiring payments in July 2023 with interest accruing during the deferral period.

NOTE 9 BONDS AND NOTES PAYABLE (CONTINUED)

Bonds Payable — Component Unit (Continued)

On August 31, 2021, the Foundation obtained financing of $26,035,500 from F&M Trust to pay off the existing Cumberland County Industrial Development Authority Revenue Note, Series A of 2013 and the mortgage payable to CNB Bank. The terms of the refinancing consist of three notes of $16,500,00 tax-exempt and $2,710,500 taxable to the Foundation and a $6,825,000 note to the Foundation.

Long-term debt of the Foundation consisted of the following at June 30:

	2023
Cumberland County Industrial Development Authority F&M Trust	$ 15,176,030
Note Payable to F&M Trust	7,159,830
Notes Payable to Orrstown Bank	994,201
F&M Line of Credit	2,350,000
Notes Payable to U.S. Small Business Administration	298,472
Total	25,978,533
Less: Debt Issuance Costs	(201,483)
Total	$ 25,777,050

The aggregate future principal payments on long-term debt of the Foundation as of June 30, 2023 are as follows:

Year Ending June 30,	Amount
2024	$ 4,195,829
2025	893,383
2026	921,176
2027	899,350
2028	790,124
Thereafter	18,278,671
Subtotal	25,978,533
Less: Debt Issuance Cost	(201,483)
Total	$ 25,777,050

The Cumberland County Industrial Development Authority loan agreements contain various covenants. As of June 30, 2023, the Foundation is in compliance with the debt coverage ratio requirement.

NOTE 10 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	2023	
	Current	Noncurrent
Student Tuition and Fees	$ 1,468,596	$ 10,279
Grants	1,526,387	-
Other	594,254	-
Federal Appropriations	5,989,865	-
Total	$ 9,579,102	$ 10,279

NOTE 11 COMPENSATED ABSENCES

Compensated absences consisted of the following at June 30:

	2023	
	Current	Noncurrent
Compensated Absences	$ 1,416,376	$ 7,963,599

Changes in compensated absences are as follows:

	2023
Balance at July 1	$ 13,038,606
Current Changes in Estimate	(3,234,765)
Payouts	(423,866)
Balance at June 30	$ 9,379,975

NOTE 12 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), PASSHE Officers Association (POA), 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).

NOTE 12 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and Service Employees International Union (SEIU, Local 668), formerly 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.

The University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense consisted of the following at June 30:

	System Plan	REHP
	2023	2023
Net OPEB Liabilities	$ 60,173,008	$ 24,221,148
Deferred Outflows of Resources:		
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	100,071
Difference Between Expected and Actual Experience	-	922,182
Changes in Assumptions	7,777,166	2,195,456
Changes in Proportion	-	369,464
Contributions After the Measurement Date	1,931,357	581,661
Total Deferred Outflows of Resources	9,708,523	4,168,834
Deferred Inflows of Resources:		
Difference Between Expected and Actual Experience	17,594,898	7,228,388
Changes in Assumptions	22,348,251	4,463,930
Changes in Proportion	-	6,220,267
Total Deferred Inflows of Resources	39,943,149	17,912,585
OPEB Expense	(7,952,019)	(8,047,685)
Contributions Recognized by OPEB Plans	1,931,357	581,661

NOTE 12 POSTRETIREMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

	PSERS	Total
(Continued)	2023	2023
Net OPEB Liabilities	$ 209,762	$ 84,603,918
Deferred Outflows of Resources:		
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	575	100,646
Difference Between Expected and Actual Experience	1,920	924,102
Changes in Assumptions	23,300	9,995,922
Changes in Proportion	4,992	374,456
Contributions After the Measurement Date	12,493	2,525,511
Total Deferred Outflows of Resources	43,280	13,920,637
Deferred Inflows of Resources:		
Difference Between Expected and Actual Experience	1,152	24,824,438
Changes in Assumptions	49,544	26,861,725
Changes in Proportion	10,881	6,231,148
Total Deferred Inflows of Resources	61,577	57,917,311
OPEB Expense	(1,530)	(16,001,234)
Contributions Recognized by OPEB Plans	12,493	2,525,511

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $1,931,357 for the System Plan, $581,661 for the REHP plan, and $12,493 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending 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 Ending June 30,	System Plan	REHP	PSERS
2024	(7,915,420)	(5,769,641)	(6,273)
2025	(5,832,330)	(3,639,397)	(4,097)
2026	(6,953,110)	(2,083,203)	(5,505)
2027	(5,732,561)	(2,032,595)	(7,361)
2028	(5,732,561)	(800,575)	(7,553)
Thereafter	-	-	-

NOTE 12 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. Non-spouse dependents may be covered until age 19 or until age 25 if a certified full-time student. SCUPA, SPFPA, OPEIU, POA, and non-represented 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), including 5,817 active employees that may be entitled to 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, POA, and non-represented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

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. 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, and 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. 2% of vested former members are assumed to return to coverage each year upon reaching age 45.
- 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.

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- 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.
- APSCUF mortality rates based on PubT-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. All other groups mortality rates based on the PubG-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. Both incorporate rates based on a generational projections using Scale MP-2021 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 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 University 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%)	Current Rate (7.0% decreasing to 4.9%)	1% Increase (6.0% decreasing to 3.9%)
$ 51,072,529	$ 60,173,008	$ 71,680,384

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's 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 (3.06%) or one percentage point higher (5.06%) than the current discount rate (4.06%).

	Changes in the Discount Rate		
	1% Decrease 3.06%	Current Rate 4.06%	1% Increase 5.06%
	$ 69,142,602	$ 60,173,008	$ 52,843,697

OPEB Liability

The University's total June 30, 2023 OPEB liability of $60,173,008 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.

University System Plan OPEB Liability
Determined as of the June 30 Measurement Dates

	Fiscal Year Ended 2023
Changes in the System Plan Total OPEB Liability	
Total OPEB Liability - Beginning of Year	$ 94,712,671
Service Cost	2,773,188
Interest	2,188,171
Changes in Benefit Terms	(558,558)
Differences Between Expected and Actual Experience	(14,216,711)
Changes in Assumptions	(20,816,316)
Benefit Payments	(3,909,437)
Net Changes	(34,539,663)
Total OPEB Liability - End of Year	$ 60,173,008

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

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 Annual Comprehensive Financial Report (ACFR) 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 ACFR is an audited financial statement and is available at www.budget.pa.gov.

The REHP provides eligible retirees and their eligible dependents with subsidized healthcare for the retiree's lifetime. Benefits include 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.

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.

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Plan Description (Continued)

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 $120 per pay period for each current REHP eligible active employee during the period July 1, 2022 through June 30, 2023. The rate during the period July 1, 2021, through June 30, 2022 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.

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
- 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 for active employees based on PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.
- Participant data based on census information as of December 31, 2021, for the June 30, 2022, measurement date.

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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	40.00 %	5.1%
International Equity	27.00	5.5%
Fixed Income	23.00	1.6%
Real Estate	8.00	4.7%
Cash and Cash Equivalents	1.50	0.0%
Private Equity	0.50	8.3%
Total	100.00 %	

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 and 4.0260% for the measurement date of June 30, 2021.

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%)	Current Rate (8.3% decreasing to 4.9%)	1% Increase (7.3% decreasing to 3.9%)
	$ 20,923,623	$ 24,221,148	$ 28,267,293

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

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%
$ 27,452,922	$ 24,221,148	$ 21,500,702

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.

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. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Plan Description (Continued)

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 and 0.80% of covered payroll for the fiscal year ended June 30, 2022. 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 University 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.
- 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 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%.

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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 2022.
- 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-2020 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 and 2.18% at June 30, 2021.
- 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 12 POSTRETIREMENT BENEFITS 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	100.00 %	0.50%
Total	100.00 %	

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 University's proportion of the collective net OPEB liability was 0.1780% and 0.1770% for the measurement dates of June 30, 2022 and 2021, respectively.

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% and 6%) or one percentage point higher (between 6% and 8%) than the current healthcare cost trend rates (between 5% and 7%):

	Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
	1% Decrease (between 4% and 6%)	Current Rate (between 5% and 7%)	1% Increase (between 6% and 8%)
	$ 209,698	$ 209,762	$ 209,762

NOTE 12 POSTRETIREMENT BENEFITS OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (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 rate (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%
$ 237,159	$ 209,762	$ 186,782

NOTE 13 PENSION BENEFITS

Employees of the University enroll in one of three available retirement plans immediately upon employment: the Commonwealth of Pennsylvania State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), or the Alternative Retirement Plan (ARP).

The University's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and the pension expense and expenditures consisted of the following at June 30:

	SERS	PSERS	ARP	Total
Net Pension Liabilities:	$ 65,230,290	$ 5,160,759	$ -	$ 70,391,049
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	$ 947,956	$ 2,337	$ -	$ 950,293
Net Difference Between Projected and Actual Investment Earnings	8,860,278	-	-	8,860,278
Changes of Assumptions	4,399,457	154,124	-	4,553,581
Changes in Proportions	-	24,670	-	24,670
Difference Between Employer Contributions and Proportionate Share of Total Contributions	127,809	14,777	-	142,586
Contributions After the Measurement Date	3,717,265	575,485	-	4,292,750
Total Deferred Outflows of Resources	$ 18,052,765	$ 771,393	$ -	$ 18,824,158
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	$ 181,034	$ 44,666	$ -	$ 225,700
Net Difference Between Projected and Actual Investment Earnings	-	87,579	-	87,579
Changes in Proportions	4,434,055	146,658	-	4,580,713
Difference Between Employer Contributions and Proportionate Share of Total Contributions	73,273	-	-	73,273
Total Deferred Inflows of Resources	$ 4,688,362	$ 278,904	$ -	$ 4,967,266
Pension Expense	$ 5,915,031	$ 417,599	$ 3,081,199	$ 9,413,829
Contributions Recognized by Pension Plans	$ 6,559,449	$ 575,485	$ 3,081,199	$ 10,216,133

NOTE 13 PENSION BENEFITS (CONTINUED)

The University will recognize the $3,717,265 reported as 2023 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $575,485 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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year Ending June 30,	SERS	PSERS
2024	$ 70,641	$ (52,154)
2025	1,900,975	(30,129)
2026	2,626,453	(122,551)
2027	4,998,505	121,968
2028	50,565	-
Total	$ 9,647,139	$ (82,866)

SERS

Plan Description

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit pension plan. SERS is also the administrator of the State Employees' Defined Contribution Plan, which was established as part of the 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 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 provision of the plan to the General Assembly. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly.

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

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. 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 on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The 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 non-pension obligations.

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

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 defined benefit plan for the year ended June 30, 2023 was $6,559,449 equal to the required contractual contribution.

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% 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 at actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2023, depending upon the plan chosen by the employee. The University recognized $35,357 in SERS defined contribution pension expense for the year ended June 30, 2023. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 401(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.

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial 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). 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.
- Investments amortized on a straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees who 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.

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0 %	5.75%
Real Estate	7.0	5.12%
U.S. Equity	31.0	4.35%
International Developed Markets Equity	14.0	4.25%
Emerging Markets Equity	5.0	4.65%
Fixed Income - Core	22.0	(0.50%)
Inflation Protection (TIPS)	3.0	(1.00%)
Cash	2.0	(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 the discount rate of 6.88%, 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 (5.88%) or one percentage point higher (7.88%) than the current rate.

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

1% Decrease 5.88%	Current Rate 6.88%	1% Increase 7.88%
$ 76,905,995	$ 65,230,291	$ 45,714,597

NOTE 13 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 $65,230,291.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 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 the December 31, 2022 measurement date, the University's proportion was 4.1504%, a decrease of 0.0273% from its proportion calculated as of the 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.

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Plan Description (Continued)

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

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 of 2010 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, through June 30, 2019, 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% to 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.

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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.

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 University, meaning that the amount that the University actually contributed was 16.93% of covered payroll. The University's contribution to PSERS for the year ended June 30, 2023 was $575,485.

For the PSERS defined contribution plan, the University 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.

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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 the June 30, 2022 measurement date, was determined by rolling forward PSERS' total pension liability at 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 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 MP2020 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.

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	Target Allocation	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 %	

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total PSERS pension liability was 7.00%. 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

1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
$ 6,675,123	$ 5,160,758	$ 3,884,008

Proportionate Share

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:

	2023
Total PSERS Net Pension Liability Associated with the University	$ 10,321,516
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	5,160,758
University's Proportionate Share of the PSERS Net Pension Liability	$ 5,160,758

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 University's proportion was 0.1788%, a increase of 0.0011% from its proportion calculated as of June 30, 2021.

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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 $3,081,199 from the University and $1,658,342 from active members.

NOTE 14 WORKERS' COMPENSATION

The University is self-insured for workers' compensation losses. 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 up to $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims up to $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 $72,563, and was refunded $32,403 to the Reserve Fund during the years ended June 30, 2023.

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

	2023
Balance at July 1	$ 329,382
Current Year Claims and Changes in Estimates	234,553
Payments	(236,502)
Balance at June 30	$ 327,433

NOTE 15 RELATED PARTY TRANSACTIONS

The Foundation has various agreements with the University to provide personnel and other services for the Center for Juvenile Justice Training and Research and for certain fundraising activities. The University reimbursed the Foundation in accordance with these agreements for certain expenses totaling $1,280,091, for the year ended June 30, 2023.

The Foundation also has various lease agreements with Shippensburg University and Shippensburg University Student Services, Inc. for certain facilities, all of which renew annually. Total rental expense from these leases and reimbursed expenses with regard to those leases with the University was $998,311 for the year ended June 30, 2023.

The Foundation provided funds to the University to be used for student scholarships, provided grant funding, and renovations to support various University projects. The total of these funds with the University were $2,195,205 for the year ended June 30, 2023.

In July 2004, the University entered into a Cooperation and Commitment Agreement with the Foundation whereby the Foundation committed to provide matching funds to be used by the University in the construction of the Luhrs Performing Arts Center. The total amount committed, which includes principal and interest on funds borrowed by the University for the Project, was $10,850,106, the balance of which is to be paid as follows:

	2023
Less than One Year	$ 35,000
In One to Five Years	104,821
Total	139,821
Present Value of Future Cash Flows	(11,632)
Total	$ 128,189

The University also provides management and board oversight to Student Services. The University collects student activities fees and pay certain operating costs on behalf of Student Services. Additionally, certain expenditures arise from purchases of capital assets or real-property improvements funded by the student activities fees. These expenditures are considered transfers of ownership to the University. The total amount of these expenditures was $478,962 for the year ended June 30, 2023.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The nature of the educational industry is such that, from time to time, the universities of the State System are 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 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. As of June 30, 2023, the University estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the accompanying financial statements.

COVID-19 Pandemic

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

Insurance

The University is self-insured for workers' compensation up to stated limits (Note 14). 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 significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's insurance 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.

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

Authorized University expenditures for construction projects unexpended as of June 30, 2023 were approximately $2,585,000.

Labor Concentration

Approximately 85% 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 successor agreements are 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 17 RATINGS ACTIONS

In June 2022, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3 with an 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. In March 2023, Fitch Ratings reviewed the State System's rating of A+ with stable outlook and no rating change was made.

NOTE 18 RIGHT TO USE LEASES AND SUBSCRIPTIONS

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. For the fiscal year ended June 30, 2023, lease variable payments, mainly based on performance, totaled $89,678. There were no variable payments for the fiscal year ended June 30, 2023 for SBITAs. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2023. Interest expense on these leases and SBITAs for the fiscal years ended June 30, 2023 totaled $48,620.

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

	Right To Use Leases With Third Parties		Right To Use Leases With Component Units		Subscription Agreements	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 76,385	$ 7,039	$ 298,183	$ 24,448	$ 439,517	$ 4,863
2025	78,161	5,225	276,713	17,918	79,216	551
2026	79,978	3,380	283,145	11,486	15,466	164
2027	81,837	1,505	289,726	4,905	-	-
2028	27,699	80	66,579	120	-	-
Total	$ 344,060	$ 17,229	$ 1,214,346	$ 58,877	$ 534,199	$ 5,578

The following summary provides aggregated information reported for June 30, 2023 and 2022 right of use lease liabilities and SBITAs including additions, reductions and reported liabilities for the years then ended.

	Balance June 30, 2022	2022-23 Additions	2022-23 Reductions	Balance June 30, 2023
Leases,				
Third Parties	$ 7,239	$ 394,017	$ (57,196)	$ 344,060
Leases,				
Comp Units	266,156	1,242,185	(293,996)	1,214,345
Subscription				
Assets	-	1,578,131	(1,043,939)	534,192
Total	$ 273,395	$ 3,214,333	$ (1,395,131)	$ 2,092,597

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

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 Percent of Covered-Employee Payroll	REHP's Fiduciary Net Position as a Percent of Total OPEB Liability
2017/18	4.374%	$ 63,905	$ 8,712	734%	1.4%
2018/19	4.573%	$ 49,197	$ 8,775	561%	2.2%
2019/20	4.370%	$ 33,736	$ 8,663	389%	3.8%
2020/21	4.275%	$ 37,742	$ 8,321	454%	3.7%
2021/22	4.026%	$ 29,068	$ 7,390	393%	6.8%
2022/23	3.648%	$ 24,221	$ 6,793	357%	5.9%

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2017/18	$ 1,603	$ 1,603	$ -	$ 10,185	15.7%
2018/19	$ 1,912	$ 1,912	$ -	$ 10,760	17.8%
2019/20	$ 1,403	$ 1,403	$ -	$ 10,075	13.9%
2020/21	$ 731	$ 731	$ -	$ 9,611	7.6%
2021/22	$ 618	$ 618	$ -	$ 9,088	6.8%
2022/23	$ 582	$ 582	$ -	$ 9,164	6.4%

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 Percent of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total OPEB Liability
2017/18	0.18110%	$ 270	$ 270	$ 540	$ 3,522	7.7%	5.7%
2018/19	0.18360%	$ 293	$ 293	$ 586	$ 3,780	7.7%	5.6%
2019/20	0.18860%	$ 301	$ 301	$ 602	$ 3,906	7.7%	5.6%
2020/21	0.18520%	$ 299	$ 299	$ 598	$ 3,890	7.7%	5.7%
2021/22	0.17700%	$ 282	$ 282	$ 564	$ 3,368	8.4%	5.7%
2022/23	0.17800%	$ 210	$ 210	$ 420	$ 3,351	6.3%	6.9%

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2017/18	$ 15,594	$ 15,594	$ -	$ 3,839	0.4%
2018/19	$ 16,326	$ 16,326	$ -	$ 3,930	0.4%
2019/20	$ 16,460	$ 16,460	$ -	$ 3,983	0.4%
2020/21	$ 14,503	$ 14,503	$ -	$ 3,605	0.4%
2021/22	$ 13,548	$ 13,548	$ -	$ 3,454	0.4%
2022/23	$ 12,493	$ 12,493	$ -	$ 3,400	0.4%

University System Plan OPEB Liability
Determined as of the June 30 Measurement Dates

	Fiscal Year Ended 2023
Changes in the System Plan Total OPEB Liability	
Total OPEB Liability - Beginning of Year	$ 94,712,671
Service Cost	2,773,188
Interest	2,188,171
Changes in Benefit Terms	(558,558)
Differences Between Expected and Actual Experience	(14,216,711)
Changes in Assumptions	(20,816,316)
Benefit Payments	(3,909,437)
Net Changes	(34,539,663)
Total OPEB Liability - End of Year	$ 60,173,008
Covered Employee Payroll	$ 34,378,296
OPEB Liability as a Percent of Covered Payroll	175.03 %

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

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 Percent of Covered-Employee Payroll	SERS Fiduciary Net Position as a Percent of Total Pension Liability
2014/15	4.90100%	$ 53,083	$ 21,651	245%	64.8%
2015/16	4.72080%	$ 61,338	$ 21,273	288%	58.9%
2016/17	4.83700%	$ 65,707	$ 21,215	310%	57.8%
2017/18	4.90590%	$ 58,078	$ 21,161	275%	63.0%
2018/19	4.89710%	$ 69,359	$ 21,655	320%	56.4%
2019/20	4.77320%	$ 61,550	$ 22,345	276%	63.1%
2020/21	4.41960%	$ 56,237	$ 20,718	271%	67.0%
2021/22	4.17770%	$ 42,196	$ 19,374	218%	76.0%
2022/23	4.15039%	$ 65,230	$ 19,508	334%	61.5%

SERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2014/15	$ 4,058	$ 4,058	$ -	$ 21,651	18.7%
2015/16	$ 4,868	$ 4,868	$ -	$ 21,273	22.9%
2016/17	$ 5,734	$ 5,734	$ -	$ 21,215	27.0%
2017/18	$ 6,441	$ 6,441	$ -	$ 20,111	32.0%
2018/19	$ 6,918	$ 6,918	$ -	$ 21,805	31.7%
2019/20	$ 6,751	$ 6,751	$ -	$ 20,671	32.7%
2020/21	$ 6,477	$ 6,477	$ -	$ 19,637	33.0%
2021/22	$ 6,281	$ 6,281	$ -	$ 18,777	33.5%
2022/23	$ 6,559	$ 6,559	$ -	$ 19,318	34.0%

SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

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

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 Percent of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total Pension Liability
2014/15	0.1785%	$ 4,924	$ 4,924	$ 9,848	$ 1,587	310%	57.2%
2015/16	0.1852%	$ 5,539	$ 5,539	$ 11,078	$ 3,291	168%	54.4%
2016/17	0.1833%	$ 6,166	$ 6,166	$ 12,332	$ 3,223	191%	50.1%
2017/18	0.1811%	$ 6,577	$ 6,577	$ 13,154	$ 3,547	185%	51.8%
2018/19	0.1836%	$ 6,662	$ 6,662	$ 13,324	$ 3,737	178%	54.0%
2019/20	0.1836%	$ 6,603	$ 6,603	$ 13,206	$ 3,893	170%	55.7%
2020/21	0.1856%	$ 6,886	$ 6,886	$ 13,773	$ 3,605	191%	54.3%
2021/22	0.1777%	$ 4,944	$ 4,944	$ 9,888	$ 3,454	143%	63.7%
2022/23	0.1788%	$ 5,161	$ 5,161	$ 10,322	$ 3,400	152%	61.3%

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2014/15	$ 361	$ 361	$ -	$ 1,587	22.7%
2015/16	$ 408	$ 408	$ -	$ 3,291	12.4%
2016/17	$ 522	$ 522	$ -	$ 3,223	16.2%
2017/18	$ 596	$ 596	$ -	$ 3,839	15.5%
2018/19	$ 641	$ 641	$ -	$ 3,930	16.3%
2019/20	$ 661	$ 661	$ -	$ 3,983	16.6%
2020/21	$ 592	$ 592	$ -	$ 3,605	16.4%
2021/22	$ 577	$ 577	$ -	$ 3,454	16.7%
2022/23	$ 575	$ 575	$ -	$ 3,400	16.9%