

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
FINANCIAL STATEMENTS	
BALANCE SHEETS – PRIMARY INSTITUTION	18
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY INSTITUTION	20
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION	22
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS	24
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS	25
COMBINED STATEMENTS OF EXPENSES BY NATURE AND FUNCTION – COMPONENT UNITS	26
NOTES TO FINANCIAL STATEMENTS	27
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
SCHEDULES OF PROPORTIONATE SHARE OF SERS NET PENSION LIABILITY (NPL) AND CONTRIBUTIONS (UNAUDITED)	80
SCHEDULES OF PROPORTIONATE SHARE OF PSERS NET PENSION LIABILITY (NPL) AND CONTRIBUTIONS (UNAUDITED)	81
UNIVERSITY SYSTEM PLAN OPEB LIABILITY (UNAUDITED)	82
SCHEDULES OF PROPORTIONATE SHARE OF REHP NET OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)	83
SCHEDULES OF PROPORTIONATE SHARE OF PSERS NET OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)	84



INDEPENDENT AUDITORS' REPORT

Council of Trustees
Slippery Rock University of Pennsylvania
of the State System of Higher Education
Slippery Rock, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Slippery Rock University of Pennsylvania of the State System of Higher Education (the University), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component units, Slippery Rock Student Government Association, Slippery Rock University Foundation, and SRUF Campus Housing Inc. and Subsidiary, which represent 100% of the assets, net position, and revenues of the discretely presented component units. 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. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of 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, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Proportionate Share of Net Pension Liability and Contributions, OPEB Liability, and Proportionate Share of Net OPEB Liability and Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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

Plymouth Meeting, Pennsylvania
October 30, 2020

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

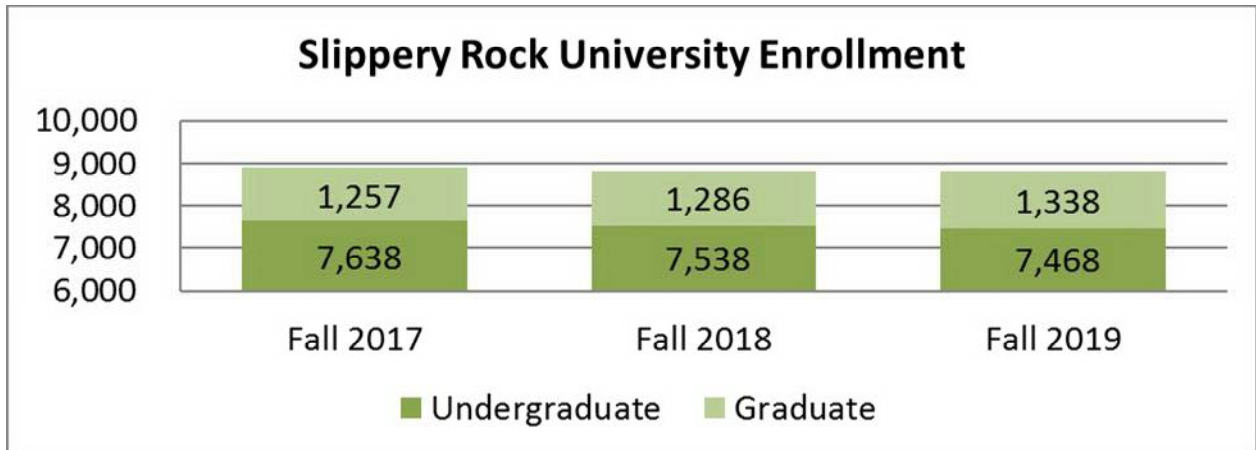
Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Slippery Rock University of Pennsylvania (the University) for the year ended June 30, 2020. The University's financial performance is discussed and analyzed within the context of the financial statements and disclosures that follow.

Slippery Rock University, founded in 1889, is a member of Pennsylvania's State System of Higher Education (State System). As a public university of the Commonwealth of Pennsylvania, the University is charged with providing high quality education at the lowest possible cost to its students. Slippery Rock University enrolled 8,806 students fall 2019.

The following is an overview of the University's financial activities for the year ended June 30, 2020, as compared to the prior year ended June 30, 2019 and 2018. Note that due to rounding, certain increases or decreases may vary slightly from audited financials.

Financial Highlights

Enrollment for fall 2019 was a total headcount of 8,806, for an overall decrease of 18, or 0.2%, compared to the prior year. Enrollment included 7,468 undergraduate students, which is a decrease of 70, or 0.9% over the prior year, and 1,338 graduate students, for an increase of 52, or 4.0% over the prior year. Compared to the prior year, fall 2019 total enrollment was comprised of 7,923 resident students, which is an increase of 385, or 5.1%, 811 nonresident students and 72 international students, for a total of 883 nonresident students, and a decrease of 403, or 31.3%. The chart below summarizes a three-year trend of undergraduate and graduate enrollment.

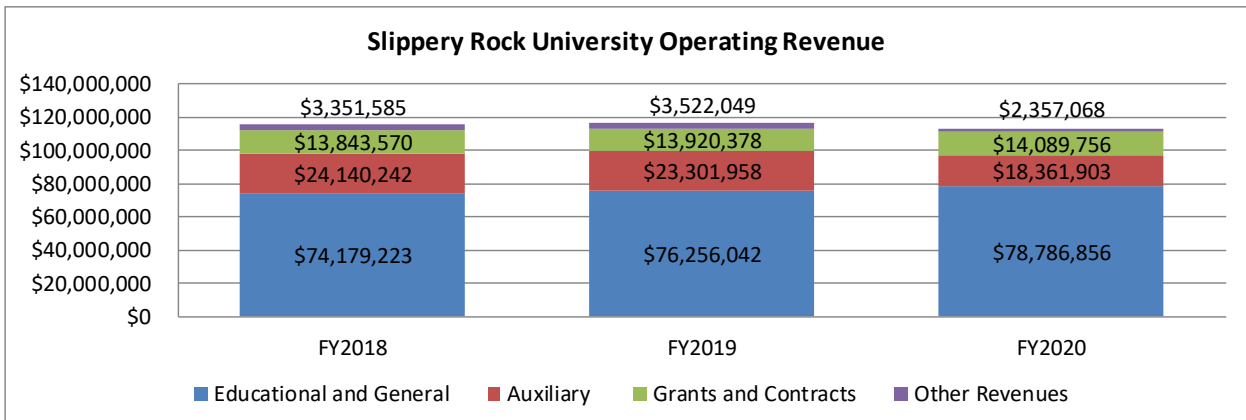


- The State System's Board (the Board) approved a flat annual full-time tuition rate for undergraduate resident students in fiscal year 2020, which is 2.99% lower than the prior fiscal year 2019 increase of 2.99%.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

- The total Commonwealth appropriation to the State System in fiscal year 2020 was \$477.5 million, a 2.0% increase from the \$468.1 million appropriation of fiscal year 2019. The University's share of the base appropriation, through the appropriation formula, increased by \$0.9 million or 2.2% from \$38.9 million fiscal year 2019 to \$39.8 million fiscal year 2020.
- Capital appropriations, which include appropriations for furnishings and equipment for Commonwealth Key 93 funded construction, was \$1.4 million, or \$0.1 million and 4.2% lower than the prior fiscal year 2019 appropriation of \$1.5 million.
- Educational and General Fund tuition and fee revenue, net of discounts and allowances, was \$78.8 million in fiscal year 2020 and \$2.5 million higher than the prior fiscal year 2019. Auxiliary revenue, net of discounts and allowances, was \$18.4 million in fiscal year 2020 and \$4.9 million lower than the prior fiscal year 2019, mostly due to Novel Coronavirus (COVID-19) related revenue losses.

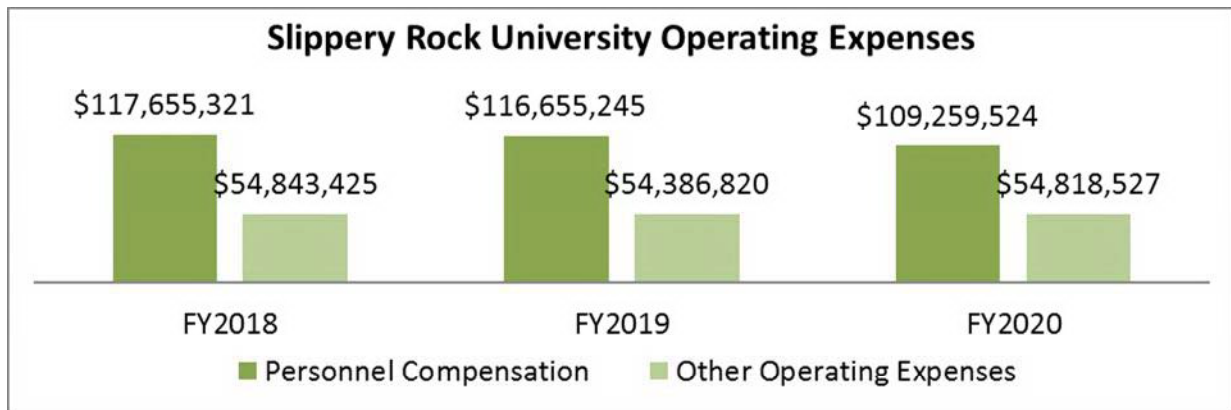
The chart below summarizes a trend of total University operating revenue, including Educational and General fund tuition and fees, Auxiliary fees and sales, government and nongovernment grants and contracts, and other miscellaneous operating revenue.



**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

- Educational and General Fund personnel expenses, excluding compensation expense related to unfunded liabilities, were \$104.7 million and \$0.6 million or 0.6% higher in fiscal year 2020 as compared to fiscal year 2019 personnel expense of \$104.1 million. During this time, most employee groups experienced collective bargaining increases and there was no merit increase for nonrepresented employees.
- Educational and General Fund total services, supplies and other charges and capital expenditures, were \$23.1 million fiscal year 2020 and \$1.7 million or 6.8% lower than fiscal year 2019 expenditures of \$24.8 million. Fiscal year 2020 was lower than prior years, related to the partial closure of campus, due to COVID-19.

The following chart summarizes a trend of total University personnel compensation and other operating expenses, such as services, supplies, and utilities.



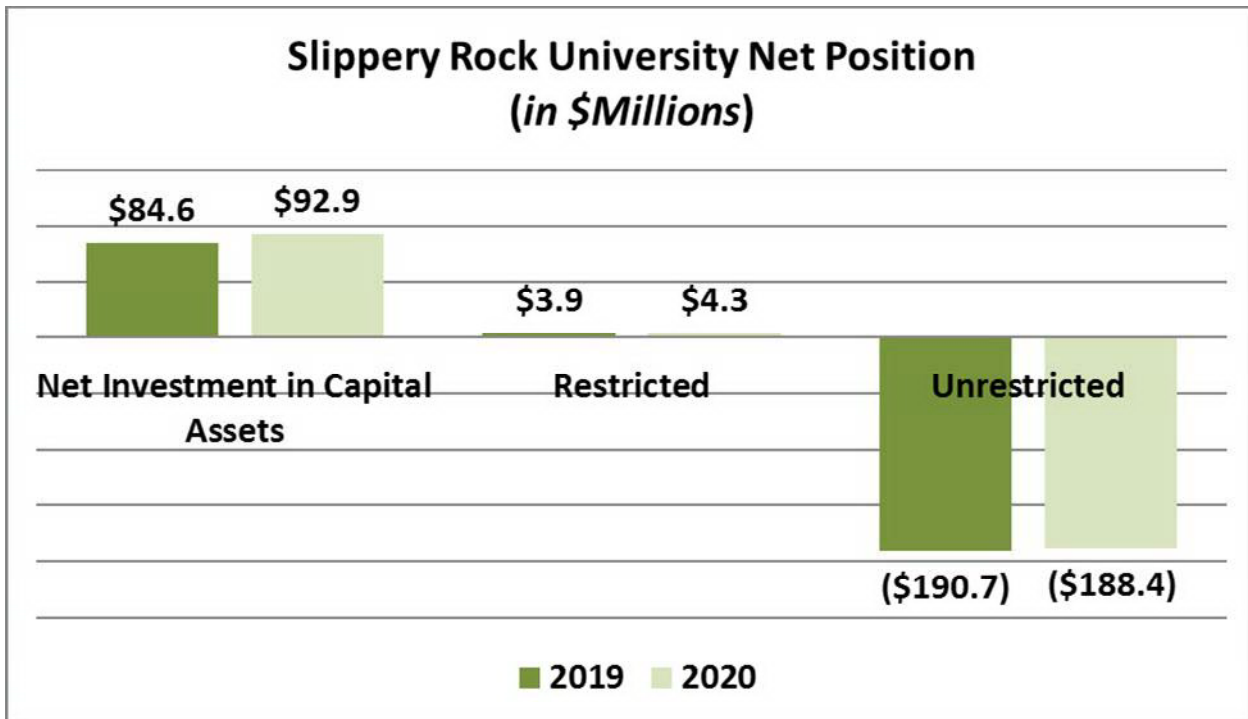
**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

Financial Statements

Balance Sheet

The balance sheet reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. Assets include cash investments reported at fair value, the value of outstanding receivables due from students and from other parties, and land, buildings, and equipment reported at cost, less accumulated depreciation. Liabilities include payments due to vendors and students, 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 postretirement benefits (benefits expected to be paid to certain current and future retirees). The difference between the assets, deferred outflows of resources and liabilities, deferred inflows of resources is reported as net position. Net position in fiscal year 2020 increased by \$11.0 million to (\$91.3) million, from Fiscal year 2019 net position of (\$102.3) million.

The following chart shows net position, in millions, net investment in capital assets, restricted and unrestricted funds, for fiscal years ended June 30, 2020, and 2019.



**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

The following is a summary of the balance sheet for fiscal years 2020, 2019, and 2018:

Balance Sheet Summary, Year Ended June 30	2020	2019	2018
ASSETS			
Cash and Cash Equivalents	\$ 102,965,758	\$ 101,280,567	\$ 101,210,756
Other Current Assets	7,782,851	7,834,118	8,280,531
Total Current Assets	<u>110,748,609</u>	<u>109,114,684</u>	<u>109,491,287</u>
Capital Assets, net	147,139,421	142,099,393	137,993,513
Other Noncurrent Assets	3,690,723	4,426,180	4,607,967
Total Non current Assets	<u>150,830,144</u>	<u>146,525,573</u>	<u>142,601,480</u>
TOTAL ASSETS	261,578,753	255,640,257	252,092,767
Total Deferred Outflows of Resources	<u>17,175,358</u>	<u>25,347,953</u>	<u>15,902,328</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 278,754,111</u>	<u>\$ 280,988,210</u>	<u>\$ 267,995,095</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 18,591,493	\$ 16,111,435	\$ 16,036,243
Unearned Revenue	5,758,574	6,481,803	5,948,403
Other Current Liabilities	<u>10,869,551</u>	<u>11,389,041</u>	<u>10,549,084</u>
Total Current Liabilities	35,219,618	33,982,279	32,533,730
Workers Compensation, Compensated Absences, Postemployment Benefit Obligations, and Net Pension Liability	217,927,269	245,693,451	253,345,856
Bonds Payable	50,873,374	54,421,990	58,621,709
Other Noncurrent Liabilities	<u>4,797,949</u>	<u>4,967,696</u>	<u>5,554,522</u>
Total Noncurrent Liabilities	<u>273,598,592</u>	<u>305,083,137</u>	<u>317,522,087</u>
TOTAL LIABILITIES	308,818,210	339,065,416	350,055,817
Total Deferred Inflows of Resources	61,198,832	44,178,035	20,427,693
NET POSITION (DEFICIT)			
Invested in Capital Assets, Net of Related Debt Restricted	92,868,568	84,566,015	79,183,595
Unrestricted	4,251,004	3,910,144	3,069,447
	<u>(188,382,503)</u>	<u>(190,731,400)</u>	<u>(184,741,457)</u>
Total Net Position (Deficit)	<u>(91,262,931)</u>	<u>(102,255,241)</u>	<u>(102,488,415)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 278,754,111</u>	<u>\$ 280,988,210</u>	<u>\$ 267,995,095</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

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. This 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 or 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. Nonexpendable restricted net position represents corpuses of endowments and similar arrangements in which only the associated investment income can be spent. Expendable restricted net position is available for expenditure as long as any external purpose and time restrictions are met.

Unrestricted net position includes all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net position has been reduced by three unfunded liabilities:

- The liability for *compensated absences* increased by \$1.1 million to \$10.7 million at June 30, 2020. Similar to the postretirement benefits liability, cash payouts to employees upon termination or retirement for annual and sick leave balance are realized gradually over time, and because of its size, the University funds it only as it becomes due.
- The liability for *OPEB postretirement benefits* for employees who participate in the State System of Higher Education (SSHE), Retired Employee Healthcare plan (REHP) and Public School Employee's Retirement plan (PSERS) was \$136.8 million at June 30, 2020, a decrease of \$16.1 million. The liability of postretirement benefit obligations for the Retired Employee Healthcare (REHP) plan and the Public School Employee's Retirement (PSERS) plan were newly created and implemented by the Governmental Accounting Standards Board (GASB) Statement No. 75 in fiscal year 2018. The total postretirement benefit liability for fiscal year 2020 is comprised of \$100.3 million for the State System of Higher Education (SSHE) plan, \$36.2 million for the Retired Employee Healthcare (REHP) plan and \$0.3 million for the Public School Employee's Retirement (PSERS) plan. Because the liability is realized gradually over time, and because of its size, the University funds it only as it becomes due.

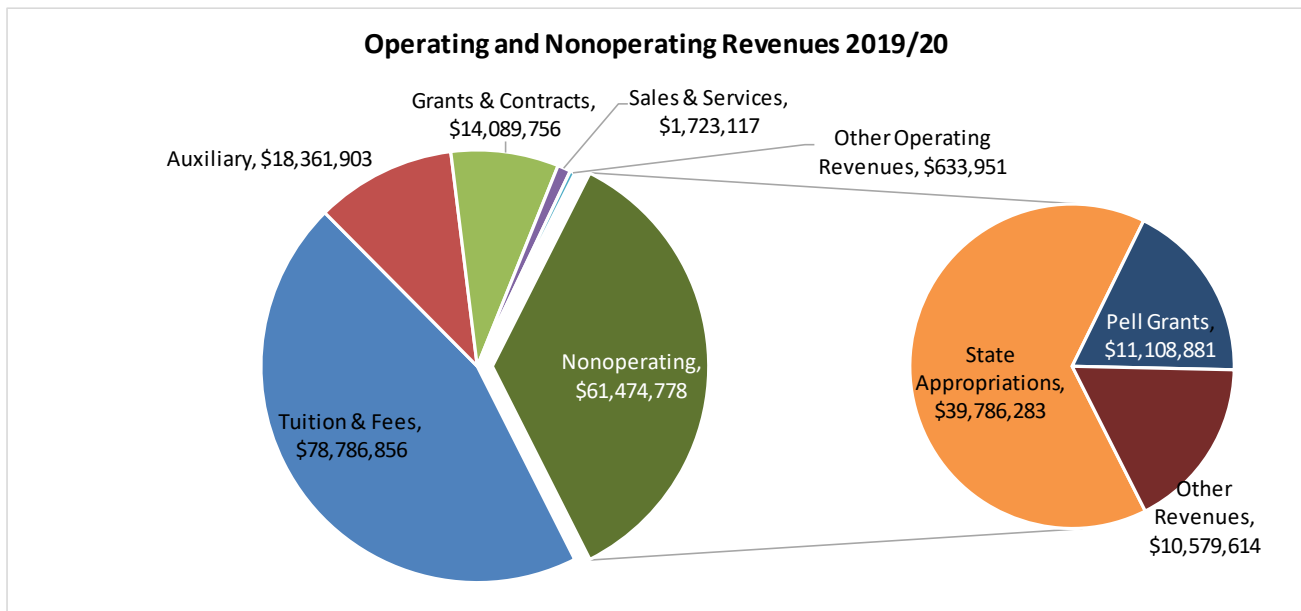
**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

The *net pension liability* decreased \$12.8 million to \$75.3 million at June 30, 2020. This liability for pension obligations is due to the implementation of GASB Statement No. 68. The combined pension liability for fiscal year 2020 is comprised of \$68.1 million for the State Employee Retirement System (SERS) and \$7.2 million for PSERS. Because the liability is realized gradually over time, and because of its size, the University funds it only as it becomes due.

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. In accordance with GASB requirements, the University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public college and university state appropriations are nonoperating 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 disposals of assets, as nonoperating. The University classifies all of its remaining activities as operating.

The following chart shows the University's total operating and nonoperating revenues, for fiscal year ending June 30, 2020.



**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

The following table shows the University's total operating and nonoperating revenues, for fiscal years ending June 30, 2020, 2019, and 2018:

**Slippery Rock University
Operating and Nonoperating Revenues
(in \$Millions)**

Fiscal Year	2020	Increase/(Decrease)		2019	Increase/(Decrease)		2018
Operating Revenues							
Tuition & Fees	\$78.8	\$2.5	3.3%	\$76.3	\$2.1	2.8%	\$74.2
Auxiliary	\$18.4	(\$4.9)	-21.2%	\$23.3	(\$0.8)	-3.5%	\$24.1
Grants & Contracts	\$14.1	\$0.2	1.2%	\$13.9	\$0.1	0.6%	\$13.8
Sales & Services	\$1.7	(\$0.9)	-33.9%	\$2.6	\$0.2	9.2%	\$2.4
Other Operating Revenues	\$0.6	(\$0.3)	-30.8%	\$0.9	(\$0.0)	-5.0%	\$1.0
Total	\$113.6	(\$3.4)	-2.9%	\$117.0	\$1.5	1.3%	\$115.5
Nonoperating Revenues							
State Appropriations	\$39.8	\$0.9	2.2%	\$38.9	\$1.1	2.9%	\$37.8
Pell Grants	\$11.1	(\$0.5)	-4.6%	\$11.6	\$0.2	1.3%	\$11.5
Other Revenues	\$10.6	\$6.9	186.0%	\$3.7	\$0.8	29.8%	\$2.9
Total	\$61.5	\$7.2	13.3%	\$54.3	\$2.1	4.0%	\$52.2
Total Revenue	\$175.1	\$3.8	2.2%	\$171.3	\$3.6	2.1%	\$167.7

Tuition and fees operating revenue increased \$2.5 million, or 3.3% from fiscal year 2019, with zero tuition and fee rate increases, slightly lower undergraduate enrollment and new graduate program growth, somewhat offset by COVID-19 fee refunds of \$0.9 million. Sales and Services are also lower as compared to prior year, with less programming, rentals, and conference revenue, related to COVID-19 restrictions. Operating revenue for Auxiliary funds decreased \$4.9 million or 21.2% with lower fee revenue related to slightly lower enrollment and COVID-19 fee refunds of \$4.2 million.

As a result of the funding allocation formula, the University's share of the state appropriations increased \$0.9 million from fiscal year 2019. As compared to prior year, Pell grants decreased \$0.5 million and other nonoperating revenue, including federal appropriations and grants, investment income, Interest expense, gain/loss on disposal of assets and other nonoperating revenue, increased \$6.9 million, which included \$7.2 million in CARES Act COVID-19 relief funds, and a decrease of \$0.3 million in other nonoperating revenues.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

The following tables show the University's total percentages of operating expenditures by function and source for fiscal year ending June 30, 2020:

Slippery Rock University Expenses by Function (in \$Millions)		Fiscal Year 2020						
Source of Expense		Salaries & Wages	Benefits	Student Aid	Utilities	Services & Supplies	Depreciation	Total
Functional Category								
Research	\$0.1					\$0.1	\$0.2	0.2%
Public Service	\$0.4	\$0.2				\$0.5	\$1.1	0.6%
Depreciation						\$10.4	\$10.4	6.3%
Academic Support	\$5.1	\$2.1				\$4.0	\$11.1	6.8%
Oper. & Maint. of Plant	\$5.4	\$2.5		\$2.3	\$2.2		\$12.3	7.5%
Student Aid			\$13.4				\$13.4	8.1%
Auxiliary Enterprises	\$2.5	\$0.2	\$0.1	\$0.8	\$10.6		\$14.2	8.7%
Student Services	\$9.5	\$4.1			\$2.6		\$16.2	9.9%
Institutional Support	\$9.8	\$6.2			\$5.7		\$21.8	13.3%
Instruction	\$43.9	\$17.2			\$2.2		\$63.4	38.6%
Total Expenses FY2020	\$76.7	\$32.6	\$13.5	\$3.1	\$27.9	\$10.4	\$164.1	100.0%
	46.7%	19.8%	8.2%	1.9%	17.0%	6.3%		100.0%
Total Expenses FY2019	\$74.3	\$42.4	\$7.8	\$3.5	\$33.3	\$9.8	\$171.0	
Increase/(Decrease)	\$2.4	(\$9.8)	\$5.7	(\$0.4)	(\$5.5)	\$0.6	(\$7.0)	
	3.3%	-23.2%	72.6%	-11.4%	-16.4%	6.3%	-4.1%	

Total operating expenditures were \$164.1 million in fiscal year 2020, a decrease of \$6.9 million or 4.1% from fiscal year 2019 operating expenditures of \$171.0 million. As compared to the prior year, overall operating expenses were less related to a low-density campus in the spring and summer of fiscal year 2020. The greatest percentages of operating expenses are dedicated to instruction. In fiscal year 2020, \$63.4 million or 38.6% of total operating expenses were instructional expenses. Instructional expenses decreased \$2.0 million or 3.1% from \$65.4 million in fiscal year 2019.

Operating expenditures include personnel and other nonpersonnel operating expenses. In fiscal year 2020, \$76.7 million or 46.7% of the University's total operating expenses were related to salary and wages. Salary and wages increased \$2.4 million or 3.3% from \$74.3 million in fiscal year 2019. Total benefits, including healthcare costs, health and welfare, and post-retirement were \$32.6 million in fiscal year 2020, or 19.8% of total operating expenses. This represents a decrease of \$9.8 million, or 23.2% from the prior fiscal year 2019 benefits expense of \$42.4 million, mostly related to the decrease of the post retirement benefit.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

- *Employer share of employee health care costs*, including the hospitalization, health and welfare fund was \$10.6 million in fiscal year 2020 and \$0.7 million or 7.0% higher than fiscal year 2019, related to rate increases.
- *Employer share of postretirement health care* was \$4.6 million, a decrease of \$0.4 million, or 7.6% compared to fiscal year 2018, related to lower rates of the AFSCME and SCUPA Collective Bargaining Agreement (CBA).
- *Employer contributions to the SERS and PSERS defined benefit pension plans* have increased in order to fund net pension liabilities. The SERS plan expense was \$7.6 million and PSERS was \$0.7 million and stable from fiscal year 2019.
- *Employer contributions to the Alternative Retirement Plan (ARP)*, a defined contribution plan, increased \$0.2 million from fiscal year 2019, to a total of \$3.9 million. The changes in annual contributions are mostly attributed to fluctuating employee participation and salary increases.

Other operating expenses, including student aid, services, supplies, utilities and depreciation were \$54.8 million in fiscal year 2020, a total increase of \$0.4 million, or 0.8% from fiscal year 2019 operating expenses of \$54.4 million. Fiscal year 2020 included \$5.7 million in additional student aid, related to COVID-19. Services, supplies and utilities decreased \$5.9 million, related to the low-density model of the campus in spring and summer 2020, and depreciation increased \$0.6 million.

The following page shows the statement of operating revenues, operating and nonoperating expenses, and changes in net position.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

Slippery Rock University

Statement of Revenues, Expenses, and Changes in Net Position

	FY 2020	FY 2019	FY 2018
REVENUES			
Operating Revenues:			
Net Tuition and Fees	\$ 78,786,856	\$ 76,256,041	\$ 74,179,223
Governmental Grants and Contracts:			
Federal	1,137,123	1,090,436	1,179,296
State	7,560,976	7,898,985	8,020,107
Local	5,234,122	4,834,457	4,430,885
Nongovernmental Grants and Contracts	157,535	96,500	213,282
Sales and Service	1,723,117	2,606,519	2,387,400
Auxiliary Enterprises	18,361,903	23,301,958	24,140,242
Net of Discounts Other Revenues, net	633,951	915,531	964,185
Total Operating Revenues	113,595,583	117,000,427	115,514,620
EXPENSES			
Instruction	63,372,799	65,390,463	63,820,411
Research	276,194	198,095	218,752
Public Service	1,054,746	1,281,687	1,720,962
Academic Support	11,107,411	12,742,624	14,544,592
Student Services	16,207,601	17,236,370	16,545,185
Institutional Support	21,756,172	21,720,159	21,891,667
Operations and Maintenance of Plant	12,323,773	15,765,483	17,830,518
Depreciation	10,415,471	9,795,222	9,235,241
Student Aid	13,350,512	7,679,499	7,114,004
Auxiliary Enterprises	14,213,372	19,232,463	19,577,414
Total Operating Expenses	164,078,051	171,042,065	172,498,746
Net Operating Revenues (Expenses)	(50,482,468)	(54,041,638)	(56,984,126)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	39,786,283	38,926,348	37,823,109
Federal appropriations - CARES Act COVID Relief	545,738	-	-
Federal grants - CARES Act COVID Relief	6,629,219	-	-
Investment Income	2,156,041	2,588,615	1,975,930
Commonwealth on-behalf Contributions to PSERS	884,994	807,140	869,861
Pell Grants	11,108,881	11,649,734	11,495,975
Interest Expense on Capital Asset-Related Debt	(1,546,138)	(1,783,432)	(1,598,397)
Gain (Loss) on Disposal of Assets	(1)	(9,238)	
Other Nonoperating Revenue	1,909,761	2,095,645	1,602,661
Net Nonoperating Revenues (Expenses)	61,474,778	54,274,812	52,169,139
Increase (Decrease) in Net Position	10,992,310	233,174	(4,814,987)
NET POSITION			
Net Position - Beginning of Year	(102,255,241)	(102,488,415)	(6,189,715)
Net Position - Beginning of Year (Restated)			(97,673,428)
Net Position - End of Year	\$ (91,262,931)	\$ (102,255,241)	\$ (102,488,415)

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

Statement of Cash Flows

This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of the University. It may be used to determine the University's ability to generate future net cash flows and meet its obligations as they come due, as well as its possible need for external financing.

The table below shows the University's cash at the end of fiscal year 2020 as \$103.0 million, an increase of \$1.7 million from cash at the end of fiscal year 2019. Decreases in cash flow in operating activities are being offset by cash flows in noncapital financing activities as related to COVID-19 refunds and The Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Statement of Cash Flows Summary

	<u>FY2020</u>	<u>FY2019</u>	<u>FY2018</u>
Cash Flows from Operating Activities	(\$42,486,053)	(\$35,186,421)	(\$35,187,813)
Cash Flows from Noncapital Financing Activities	\$60,379,851	\$50,671,182	\$49,443,138
Cash Flows from Capital Financing Activities	(\$18,433,439)	(\$17,969,109)	(\$18,843,503)
Cash Flows from Investing Activities	\$2,224,832	\$2,554,159	\$1,877,953
Net Increase (Decrease) in Cash and Cash Equivalents	\$1,685,191	\$69,811	(\$2,710,225)
Cash and Cash Equivalents - Beginning of Year	<u>\$101,280,567</u>	<u>\$101,210,756</u>	<u>\$103,920,981</u>
Cash and Cash Equivalents - End of Year	<u><u>\$102,965,758</u></u>	<u><u>\$101,280,567</u></u>	<u><u>\$101,210,756</u></u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

University Highlights and Future Considerations

Slippery Rock University of Pennsylvania has demonstrated that it is fiscally strong, with a strong enrollment and prudent management of financial resources. In the upcoming fiscal years of 2021 and beyond, there are several considerations to note with respect to the University's financial outlook.

COVID-19 and The Coronavirus Aid, Relief, and Economic Security (CARES) Act - On January 31, 2020, the United States Department of Health and Human Services declared a public health emergency for the United States to aid the nation's health care community in responding to the novel coronavirus (COVID-19). On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020, the President of the United States declared a national state of emergency.

On March 6, 2020, Governor Wolf declared a disaster emergency in the Commonwealth. On April 1, 2020, Governor Wolf issued a stay-at-home order for all counties in the Commonwealth for all activities, except as needed to access, support, or provide life-sustaining business, emergency, or government services.

Beginning in March 2020, the University has followed state recommendations and restrictions that require remote working and remote education. The University continued remote education through the summer of 2020, and began fall 2020 with primarily remote offerings, continuing into the spring 2021. As a result of the CARES Act funding, the associated costs incurred during fiscal year 2020 as a result of COVID-19 were minimalized. However, the future financial impact will be dependent upon enrollment impacts, the continuing need for social distancing, ongoing response efforts to mitigate COVID-19, and any potential resurgence of the virus.

Appropriation—The Commonwealth will provide flat levels of funding for appropriation for operations of \$477.5 million to PASSHE for fiscal year 2021 and the University's share of the appropriation will remain the same, at \$39.8 million in fiscal year 2021. Future year's appropriation levels will be determined on total State appropriation increases or decreases, as well as the method that the State System allocates these funds. The State System is undertaking a System Redesign effort and one of the elements under consideration as a part of this process is the allocation formula.

Tuition and Fees – For fiscal year 2021, the State System's Board approved a 0.0% tuition rate increase and student technology fee increase. No other University fees were increased in fiscal year 2021. Tuition and fee rates are currently unknown for years beyond fiscal year 2021.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

Enrollment – While high school graduate demographic trends in Pennsylvania have been declining, enrollment at the University has maintained a strong base and has increased in recent prior years, in particular the graduate level, for new programs. Demand for fiscal year 2021 is showing to be strong as well, despite the challenging external environment caused by the COVID-19 pandemic. Census day enrollment for fall 2020 is a headcount of 8,876, which is an increase of 70 students, as compared to the prior fall 2019. Fall 2019 recognized a decline in the out of state population of the undergraduate students. Since then, a campaign for out of state markets has been implemented for the fall 2020 recruitment cycle and beyond, including an increased commitment of student aid and advertising. Nonresident headcount for fall 2020 has increased by 87 as compared to fall 2019, which includes increases of 40 out of state students, and 47 international students.

Compensation Costs – Fiscal year 2020 included residual fiscal impact of the APSCUF, SCUPA, Coaches, SPFPA and OPEIU contracts, and a full year of the AFSCME contract. Nonrepresented employees did not have a merit impact on fiscal year 2020. The full fiscal year CBA and merit impacts for all employee groups, are known, beginning in fiscal year 2021. As our largest expense, personnel costs are closely managed to ensure our financial health. Practices such as Cabinet review of all positions, including replacements, has allowed us to capture higher level of vacancy savings and evaluate options for movement of individuals around the university rather than replacing lines. However, despite the efforts to manage complement, the annual compounded effects of the CBA's in future years are planned to outpace revenue growth.

In May 2019, the Board approved a Voluntary Phased Retirement Program in anticipation of full retirement for employee members of APSCUF. The program allows eligible faculty members to reduce their work commitment over a period of one to three years. During fall 2019, the System and faculty union successfully negotiated a second retirement incentive: the Enhanced Sick Leave Program, which provided for increased accrued sick leave reimbursement for faculty who would retire prior to the start of the fall 2020 semester. Due to the success of this program, it was expanded to all employee groups. 18 Employees at Slippery Rock University participated in an early retirement plan.

Pension Costs and Healthcare – The pension cost of employer retirement contributions have increased year-over-year. The employer contribution rate for the University's most common pension plan, SERS, increased 4.07% in fiscal year 2020 and PSERS increased by 2.6%. Currently, fiscal year 2021 and beyond assumes that these rates will continue to increase.

State System Financial Risk Assessment – Annually, the State System conducts a financial analysis for each of the fourteen institutions within the State System. This assessment uses select Board-approved metrics and other ratios and measurements as a review of the financial strength of our institutions. Components of the assessment include Sustainability Metrics, Market Demand, Operating Efficiency, and Financial Performance. Key sustainability metrics include Annualized Student FTE, Annual Operating Margin, the Primary Reserve Ratio and Minimum Day's Reserves.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019**

This comprehensive measure is a tool that can be used to gauge financial stability, to identify areas of improvement, and can be used to aid the University's mission and strategic direction, while monitoring financial risk. The latest assessment, issued in October 2020, showed that for the years 2018 through 2020, SRU had received an overall "green," or low risk assessment, and has consistently improved and maintained its risk profile over the years. The University shows strong rankings in the Board approved Sustainability metrics, enrollment and market demand, good stewardship of our space and resources, and strong financial performance.

Requests for Information

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

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**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
JUNE 30, 2020 AND 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 102,965,758	\$ 101,280,567
Accounts Receivable:		
Governmental Grants and Contracts	2,696,952	610,485
Students, Net of Allowance for Doubtful Accounts of \$5,595,533 in 2020 and \$5,241,580 in 2019	2,104,505	2,859,823
Other	249,940	623,463
Due from Component Unit	978,478	1,428,793
Inventories	574,491	557,504
Prepaid Expenses and Other Assets	270,631	780,945
Current Portion of Conversion Pay Receivable	-	2,995
Current Portion of Loans Receivable	660,000	653,465
Investment Income Receivable	247,854	316,644
Total Current Assets	110,748,609	109,114,684
NONCURRENT ASSETS		
Conversion Pay Receivable	1,026	-
Loans Receivable, Net	3,689,697	4,426,180
Capital Assets, Net	147,139,421	142,099,393
Total Noncurrent Assets	150,830,144	146,525,573
Total Assets	261,578,753	255,640,257
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	75,006	87,966
Pension Related	9,101,324	17,510,334
Other Postemployment Benefits Related	7,999,028	7,749,653
Total Deferred Outflows of Resources	17,175,358	25,347,953
Total Assets and Deferred Outflows of Resources	\$ 278,754,111	\$ 280,988,210

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2020 AND 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	2020	2019
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 18,591,493	\$ 16,111,435
Unearned Revenue	5,758,574	6,481,803
Students' Deposits	432,525	484,788
Other Current Liabilities	636,670	606,791
Workers' Compensation	294,399	363,395
Compensated Absences	597,660	340,721
Postemployment Benefit Obligations	4,587,032	4,963,889
Bonds Payable	3,959,190	4,199,721
Capital Lease Obligations	214,550	57,321
Due to Component Units	1,682	49,151
Due to System, Academic Facilities Renovation Bond Program (AFRP)	145,843	323,264
Total Current Liabilities	35,219,618	33,982,279
NONCURRENT LIABILITIES		
Workers' Compensation	310,466	382,126
Compensated Absences	10,093,686	9,224,610
Postemployment Benefit Obligations	132,234,282	148,006,477
Net Pension Liability	75,288,835	88,080,238
Bonds Payable	50,873,374	54,421,990
Capital Lease Obligations	675,798	106,873
Unearned Revenue	46,861	85,451
Due to System, AFRP	341,572	487,415
Other Noncurrent Liabilities	3,733,718	4,287,957
Total Noncurrent Liabilities	273,598,592	305,083,137
Total Liabilities	308,818,210	339,065,416
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding of Debt	152,768	22,703
Pension Related	7,562,314	2,135,626
Other Postemployment Benefits Related	53,483,750	42,019,706
Total Deferred Inflows of Resources	61,198,832	44,178,035
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	92,868,568	84,566,015
Restricted:		
Nonexpendable:		
Student Loans	699,955	787,796
Expendable:		
Capital Projects	3,531,065	3,119,329
Other	19,984	3,019
Unrestricted	(188,382,503)	(190,731,400)
Total Net Position (Deficit)	(91,262,931)	(102,255,241)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	\$ 278,754,111	\$ 280,988,210

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Tuition and Fees	\$ 98,292,244	\$ 98,420,122
Less: Scholarship Discounts and Allowances	<u>(19,505,388)</u>	<u>(22,164,081)</u>
Net Tuition and Fees	78,786,856	76,256,041
 Governmental Grants and Contracts:		
Federal	1,137,123	1,090,436
State	7,560,976	7,898,985
Local	5,234,122	4,834,457
Sales and Services of Educational Departments	1,723,117	2,606,519
Nongovernmental Grants and Contracts	157,535	96,500
Auxiliary Enterprises, Net of Scholarship Discounts and Allowances of \$232,069 in 2020 and \$342,811 in 2019	18,361,903	23,301,958
Other Revenues	<u>633,951</u>	<u>915,531</u>
Total Operating Revenues	113,595,583	117,000,427
 OPERATING EXPENSES		
Instruction	63,372,799	65,390,463
Research	276,194	198,095
Public Service	1,054,746	1,281,687
Academic Support	11,107,411	12,742,624
Student Services	16,207,601	17,236,370
Institutional Support	21,756,172	21,720,159
Operations and Maintenance of Plant	12,323,773	15,765,483
Depreciation	10,415,471	9,795,222
Student Aid	13,350,512	7,679,499
Auxiliary Enterprises	<u>14,213,372</u>	<u>19,232,463</u>
Total Operating Expenses	164,078,051	171,042,065
 OPERATING LOSS	 (50,482,468)	 (54,041,638)

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	\$ 39,786,283	\$ 38,926,348
Federal and State Appropriations and Grants - COVID	7,174,957	-
Commonwealth On-Behalf Contributions to PSERS	884,994	807,140
Pell Grants	11,108,881	11,649,734
Investment Income, Net of Related Investment		
Expense of \$19,905 in 2020 and \$18,329 in 2019	2,156,041	2,588,615
Interest Expense on Capital Asset-Related Debt	(1,546,138)	(1,783,432)
Loss on Disposal of Assets	(1)	(9,238)
Other Nonoperating Revenue	90,611	95,100
Nonoperating Revenues, Net	59,655,628	52,274,267
LOSS BEFORE OTHER REVENUES	9,173,160	(1,767,371)
OTHER REVENUES		
State Appropriations, Capital	1,393,893	1,454,294
Other Gifts and Grants	425,257	546,251
Total Other Revenues	1,819,150	2,000,545
INCREASE IN NET POSITION (DEFICIT)	10,992,310	233,174
Net Position (Deficit) - Beginning of Year	(102,255,241)	(102,488,415)
NET POSITION (DEFICIT) - END OF YEAR	\$ (91,262,931)	\$ (102,255,241)

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Tuition and Fees	\$ 77,298,295	\$ 76,765,743
Grants and Contracts	11,843,735	13,856,892
Payments to Suppliers for Goods and Services	(32,316,594)	(36,914,551)
Payments to Employees	(111,225,129)	(107,964,773)
Loans Collected from Students	729,948	575,984
Student Aid	(13,470,781)	(7,802,707)
Auxiliary Enterprise Charges	17,739,428	23,106,672
Sales and Services of Educational Departments	1,723,116	2,606,519
Other Operating Receipts	5,191,929	583,800
Net Cash Used by Operating Activities	<u>(42,486,053)</u>	<u>(35,186,421)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	42,543,845	38,926,348
Gifts and Nonoperating Grants for Other than Capital Purposes	17,738,100	11,649,734
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	82,162,287	83,240,767
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(82,162,287)	(83,240,767)
Agency Transactions	7,296	-
Other	90,610	95,100
Net Cash Provided by Noncapital Financing Activities	<u>60,379,851</u>	<u>50,671,182</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	7,030,451	-
Capital Appropriations	1,393,893	1,454,294
Capital Grants and Gifts Received	425,257	546,251
Proceeds from sales of capital assets	109,582	28,799
Purchases of Capital Assets	(14,557,735)	(13,804,957)
Principal Paid on Debt and Leases	(10,603,872)	(3,829,488)
Interest Paid on Debt and Leases	(2,231,015)	(2,364,008)
Net Cash Used by Capital Financing Activities	<u>(18,433,439)</u>	<u>(17,969,109)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>2,224,832</u>	<u>2,554,159</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,685,191	69,811
Cash and Cash Equivalents - Beginning of Year	<u>101,280,567</u>	<u>101,210,756</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 102,965,758</u></u>	<u><u>\$ 101,280,567</u></u>

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (50,482,468)	\$ (54,041,638)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	10,415,471	9,795,222
Expenses Paid by Commonwealth or Donor	884,994	807,140
Changes in Assets and Liabilities:		
Receivables	(1,331,149)	41,321
Inventory	(16,987)	(31,542)
Other Assets	1,336,122	76,894
Accounts Payable	2,487,777	81,863
Unearned Revenue	(2,973,644)	211,684
Students' Deposit	(52,263)	(2,075)
Compensated Absences	1,126,014	360,381
Loans to Students and Employees	729,948	575,984
Postemployment Benefits Liability (OPEB)	(16,149,052)	(22,756,476)
Defined Benefit Pensions	(12,791,403)	15,352,670
Other Liabilities	(719,779)	46,611
Deferred Outflows of Resources Related to Pension	8,409,011	(6,301,615)
Deferred Outflows of Resources Related to OPEB	(249,376)	(3,156,971)
Deferred Inflows of Resources Related to Pension	5,426,687	(3,232,814)
Deferred Inflows of Resources Related to OPEB	11,464,044	26,986,940
Net Cash Used by Operating Activities	\$ (42,486,053)	\$ (35,186,421)
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND CAPITAL FINANCING ACTIVITIES		
Capital Assets Acquired by New Capital Leases	\$ 1,007,346	\$ 134,182
Commonwealth On-Behalf Contributions to PSERS	\$ 884,994	\$ 807,140

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 17,757,514	\$ 20,504,912
Investments	34,382,243	33,580,303
Accounts Receivable, Other	222,964	328,906
Pledges Receivable	1,735,395	803,405
Inventories and Prepaid Expenses	749,558	838,721
Total Current Assets	54,847,674	56,056,247
NONCURRENT ASSETS		
Capital Assets, Net	98,535,600	103,212,816
Other Assets	12,151,866	11,553,277
Total Noncurrent Assets	110,687,466	114,766,093
Total Assets	\$ 165,535,140	\$ 170,822,340
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 285,627	\$ 407,322
Due to University	978,478	1,428,793
Annuity Liabilities	257,023	288,728
Other Liabilities	769,443	747,098
Total Current Liabilities	2,290,571	2,871,941
NONCURRENT LIABILITIES		
Notes Payable	105,629,985	109,285,680
Total Liabilities	107,920,556	112,157,621
NET ASSETS		
Without Donor Restrictions	24,504,784	26,115,624
With Donor Restrictions	33,109,800	32,549,095
Total Net Assets	57,614,584	58,664,719
Total Liabilities and Net Assets	\$ 165,535,140	\$ 170,822,340

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER ADDITIONS		
Contributions	\$ 1,215,998	\$ 1,442,504
Sales and Service	3,840,636	4,434,237
Student Activity Fees	1,938,765	2,572,034
Grants and Contracts	1,322,462	1,314,345
Rental Income	11,437,832	14,836,149
Investment Income	318,768	401,152
Other Revenues and Gains	200,386	320,413
Net Assets Released from Restriction	3,699,463	3,253,434
Total Revenues and Other Additions	23,974,310	28,574,268
EXPENSES AND OTHER DEDUCTIONS		
Program Services:		
Scholarships and Grants	3,237,656	2,847,002
Student Activities	1,912,056	2,292,945
University Store	3,003,364	3,746,078
Housing	12,371,270	13,310,132
Other Programs	1,757,471	1,975,101
Management and General	965,480	996,672
Fundraising	771,676	732,655
Total Expenses	24,018,973	25,900,585
Other Expenses and Losses	1,566,177	2,241,769
Total Expenses and Other Deductions	25,585,150	28,142,354
Change in Net Assets Without Donor Restrictions	(1,610,840)	431,914
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	3,288,857	2,166,108
Investment Income	826,999	2,308,409
Other Revenue and Gains	144,312	423,070
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	(3,699,463)	(3,253,434)
Change in Net Assets With Donor Restrictions	560,705	1,644,153
INCREASE (DECREASE) IN NET ASSETS	(1,050,135)	2,076,067
Net Assets - Beginning of Year	58,664,719	56,588,652
NET ASSETS - END OF YEAR	\$ 57,614,584	\$ 58,664,719

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF EXPENSES BY NATURE
AND FUNCTION – COMPONENT UNITS
YEARS ENDED JUNE 30, 2020 AND 2019**

2020	Program Activities						Supporting Activities			Total Expenses
	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Salaries and Benefits	\$ 256,822	\$ -	\$ 619,294	\$ 1,415,372	\$ 255,653	\$ 2,547,141	\$ 618,437	\$ 492,858	\$ 1,111,295	\$ 3,658,436
Gifts and Grants	2,931,406	49,110	8,550	-	502,798	3,491,864	-	2,702	2,702	3,494,566
Supplies and Travel	18,315	671,478	2,060,142	-	289,005	3,038,940	-	18,913	18,913	3,057,853
Services and Professional Fees	21,949	728,812	13,582	1,776,128	476,692	3,017,163	134,834	97,542	232,376	3,249,539
Office and Occupancy	9,164	177,067	146,135	49,735	54,200	436,301	11,489	-	11,489	447,790
Depreciation	-	52,055	138,474	4,095,516	3,043	4,289,088	9,836	-	9,836	4,298,924
Interest	-	-	-	3,533,587	-	3,533,587	-	-	-	3,533,587
Other	-	233,534	17,187	1,500,932	176,080	1,927,733	190,884	159,661	350,545	2,278,278
Total Expenses	\$ 3,237,656	\$ 1,912,056	\$ 3,003,364	\$ 12,371,270	\$ 1,757,471	\$ 22,281,817	\$ 965,480	\$ 771,676	\$ 1,737,156	\$ 24,018,973

2019	Program Activities						Supporting Activities			Total Expenses
	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Salaries and Benefits	\$ 245,666	\$ -	\$ 735,317	\$ 1,513,733	\$ 240,837	\$ 2,735,553	\$ 606,068	\$ 465,325	\$ 1,071,393	\$ 3,806,946
Gifts and Grants	2,549,502	53,096	250,000	-	677,897	3,530,495	-	1,071	1,071	3,531,566
Supplies and Travel	20,327	727,582	2,430,437	-	385,982	3,564,328	59	27,375	27,434	3,591,762
Services and Professional Fees	24,337	987,278	15,495	2,180,586	315,383	3,523,079	107,306	46,578	153,884	3,676,963
Office and Occupancy	7,170	176,960	159,160	315,186	36,985	695,461	8,682	15,548	24,230	719,691
Depreciation	-	28,171	141,040	4,066,225	2,858	4,238,294	9,634	-	9,634	4,247,928
Interest	-	-	-	3,672,255	-	3,672,255	-	-	-	3,672,255
Other	-	319,858	14,629	1,562,147	315,159	2,211,793	264,923	176,758	441,681	2,653,474
Total Expenses	\$ 2,847,002	\$ 2,292,945	\$ 3,746,078	\$ 13,310,132	\$ 1,975,101	\$ 24,171,258	\$ 996,672	\$ 732,655	\$ 1,729,327	\$ 25,900,585

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Slippery Rock University of Pennsylvania of the State System of Higher Education (the University), a public four year institution located in Slippery Rock, Pennsylvania, was founded in 1889. The University is one of fourteen universities of the Pennsylvania State System of Higher Education (the State System). The State System was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

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 14 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).

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB 14, *The Financial Reporting Entity*, the University has determined that Slippery Rock Student Government Association (the Association), Slippery Rock University Foundation (the Foundation), and SRUF Campus Housing Inc. (SRUF) should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

The Association is a legally separate, tax-exempt entity, which is responsible for the operations of the University Store and community activities. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of June 30, 2020 and 2019.

The Foundation is a legally separate, tax-exempt entity, which acts primarily as a fund-raising organization and supplements the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds are restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University received payments from the Foundation of \$453,092 and \$593,008 during the years ended June 30, 2020 and 2019, respectively. The Foundation has a payable to the University of \$15,631 and \$242,486 as of June 30, 2020 and 2019, respectively. The financial activity of the Foundation is presented as of June 30, 2020 and 2019.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Reporting Entity (Continued)

SRUF is a legally separate, tax-exempt entity created in 2016, which acts primarily to provide housing at the University as well as for making contributions to organizations that qualify as exempt under Section 501(c)(3) of the Internal Revenue Code. Although the University does not control the timing or amount of receipts from SRUF, the majority of resources or income thereon that SRUF holds are restricted to activities of the University by the donors. Because these restricted resources held by SRUF can only be used by, or for the benefit of the University, the SRUF is considered a component unit of the University and is discretely presented in the University's financial statements. The University received payments from SRUF for rent, management fees and lease expense of \$445,528 and \$829,163 during the years ended June 30, 2020 and 2019, respectively. SRUF has a payable to the University for expenses associated with the student housing project of \$962,490 and \$1,186,307 as of June 30, 2020 and 2019, respectively. The financial activity of SRUF is presented as of June 30, 2020 and 2019.

Complete financial statements for the Association, the Foundation, and SRUF may be obtained at the University's administrative office.

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, 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 FASB Codification Section 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

Operating Revenues and Expenses

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student services, the University has recorded a scholarship discount and allowance.

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 outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted – Nonexpendable – Net position subject to externally imposed conditions requiring that they be maintained by the University in perpetuity.

Restricted – Expendable – 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 funds are available for expenditure, the decision as to which assets are used first is left to the discretion of the University.

Cash Equivalents

The University considers all demand and time deposits, money market funds, and overnight repurchase agreements to be cash equivalents.

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 and 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 University's historical losses and periodic review of individual accounts.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Inventories

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

Capital Assets

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

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 University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation. Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized and depreciated. Assets purchased under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. 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 purchased under capital leases is included in depreciation expense. 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 University does not capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2020 and 2019.

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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

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

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

Deferred Outflows and Deferred Inflows of Resources

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

Deferred outflows of resources, reported after *total assets*, is defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). *Deferred inflows of resources*, reported after *total liabilities*, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s).

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

The University is required to report the following as deferred outflows of resources or deferred inflows of resources.

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

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

New Accounting Standards

GASB has issued several accounting standards that are required to be adopted by the University in future years. The University is evaluating the impact of the adoption of these standards on its financial statements as discussed below.

In May 2020, GASB issued Statement No. 95, *Postponement of Effective Dates*, which is effective immediately. Statement 95 provides relief to governments and other stakeholders in light of the COVID-19 pandemic. It postpones the following standards, which are evaluated below, by one year from the original effective date: Statements 84, 89, 92, and 93. It postpones the effective date of Statement 87 by 18 months. Statement 94 and those issued after were not affected by Statement 95.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 84 are effective for reporting periods beginning after December 15, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in a similar manner as capital leases, with assets and liabilities recorded at lease inception. The University has

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

New Accounting Standards (Continued)

determined that the effect on net position and results of operations will be immaterial. The provisions in Statement No. 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and should no longer be capitalized as part of the cost of an asset. The University has determined that the effect of Statement No. 89 on its financial statements will vary from year to year, depending upon the amount of new debt incurred for capital assets. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2020.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of Statement No. 93 is to address accounting and financial reporting implications that result from the replacement of LIBOR. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 93 are effective for the fiscal year ending June 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of Statement No 94 is to address issues related to situations in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. In addition, it addresses an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating a nonfinancial asset. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 94 are effective for the fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The objective of Statement No 96 is to provide the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA and the required note disclosures. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 96 are effective for the fiscal years beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objective of Statement No. 97 is to address situations in which a primary government is financially accountable for its fiduciary component unit if there is no governing board over the unit and therefore the government takes up the role of the board. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 97 are effective for the fiscal years beginning after June 15, 2021.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2020:

	Association	Foundation	Housing	Total
Capital Assets, Net	\$ 4,364,827	\$ 2,439,121	\$ 91,731,652	\$ 98,535,600
Other Assets	14,471,276	38,255,045	14,273,219	66,999,540
Total Assets	<u>\$ 18,836,103</u>	<u>\$ 40,694,166</u>	<u>\$ 106,004,871</u>	<u>\$ 165,535,140</u>
Due to University	\$ 357	\$ 15,631	\$ 962,490	\$ 978,478
Long-Term Debt	102,200	152,400	105,375,385	105,629,985
Other Liabilities	751,547	420,976	139,570	1,312,093
Total Liabilities	<u>\$ 854,104</u>	<u>\$ 589,007</u>	<u>\$ 106,477,445</u>	<u>\$ 107,920,556</u>
Net Assets:				
Without Donor Restrictions	\$ 17,981,999	\$ 6,995,359	\$ (472,574)	\$ 24,504,784
With Donor Restrictions	-	33,109,800	-	33,109,800
Total Net Assets	<u>\$ 17,981,999</u>	<u>\$ 40,105,159</u>	<u>\$ (472,574)</u>	<u>\$ 57,614,584</u>

The following represents combining condensed statement of financial position information for the component units as of June 30, 2019:

	Association	Foundation	Housing	Total
Capital Assets, Net	\$ 4,459,787	\$ 2,925,861	\$ 95,827,168	\$ 103,212,816
Other Assets	14,342,283	36,927,123	16,340,118	67,609,524
Total Assets	<u>\$ 18,802,070</u>	<u>\$ 39,852,984</u>	<u>\$ 112,167,286</u>	<u>\$ 170,822,340</u>
Due to University	\$ -	\$ 242,486	\$ 1,186,307	\$ 1,428,793
Long-Term Debt	-	-	109,285,680	109,285,680
Other Liabilities	784,729	490,226	168,193	1,443,148
Total Liabilities	<u>\$ 784,729</u>	<u>\$ 732,712</u>	<u>\$ 110,640,180</u>	<u>\$ 112,157,621</u>
Net Assets:				
Without Donor Restrictions	\$ 18,017,341	\$ 6,571,177	\$ 1,527,106	\$ 26,115,624
With Donor Restrictions	-	32,549,095	-	32,549,095
Total Net Assets	<u>\$ 18,017,341</u>	<u>\$ 39,120,272</u>	<u>\$ 1,527,106</u>	<u>\$ 58,664,719</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2020:

	<u>Association</u>	<u>Foundation</u>	<u>Housing</u>	<u>Total</u>
Changes in Net Assets without Donor Restrictions				
Revenues and Other Additions:				
Contributions	\$ -	\$ 1,215,998	\$ -	\$ 1,215,998
Sales and Service	3,428,896	411,740	-	3,840,636
Student Activity Fees	1,938,765	-	-	1,938,765
Grants and Contracts	326,462	996,000	-	1,322,462
Rental Income	-	108,304	11,329,528	11,437,832
Investment Income	91,340	5,366	222,062	318,768
Other Revenues and Gains	3,649	196,737	-	200,386
Net Assets Released from Restriction	-	3,699,463	-	3,699,463
Total Revenues and Other Additions	<u>5,789,112</u>	<u>6,633,608</u>	<u>11,551,590</u>	<u>23,974,310</u>
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	306,250	2,931,406	-	3,237,656
Student Activities	1,912,056	-	-	1,912,056
University Stores	3,003,364	-	-	3,003,364
Housing	-	-	12,371,270	12,371,270
Other Programs	283,194	1,474,277	-	1,757,471
Management and General	319,590	575,890	70,000	965,480
Fundraising	-	771,676	-	771,676
Other Expenses and Losses	-	456,177	1,110,000	1,566,177
Total Expenses and Other Deductions	<u>5,824,454</u>	<u>6,209,426</u>	<u>13,551,270</u>	<u>25,585,150</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	(35,342)	424,182	(1,999,680)	(1,610,840)
Changes in Net Assets With Donor Restrictions				
Contributions	-	3,288,857	-	3,288,857
Investment Income	-	826,999	-	826,999
Other Revenue and Gains	-	144,312	-	144,312
Net Assets Released from Restrictions	-	(3,699,463)	-	(3,699,463)
Increase in Net Assets With Donor Restrictions	<u>-</u>	<u>560,705</u>	<u>-</u>	<u>560,705</u>
CHANGES IN NET ASSETS	(35,342)	984,887	(1,999,680)	(1,050,135)
Net Assets - Beginning of Year	<u>18,017,341</u>	<u>39,120,272</u>	<u>1,527,106</u>	<u>58,664,719</u>
NET ASSETS - END OF YEAR	<u>\$ 17,981,999</u>	<u>\$ 40,105,159</u>	<u>\$ (472,574)</u>	<u>\$ 57,614,584</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2019:

	<u>Association</u>	<u>Foundation</u>	<u>Housing</u>	<u>Total</u>
Changes in Net Assets Without Donor Restrictions				
Revenues and Other Additions:				
Contributions	\$ 25	\$ 1,442,479	\$ -	\$ 1,442,504
Sales and Service	4,007,840	426,397	-	4,434,237
Student Activity Fees	2,572,034	-	-	2,572,034
Grants and Contracts	318,345	996,000	-	1,314,345
Rental Income	-	111,597	14,724,552	14,836,149
Investment Income	110,442	26,384	264,326	401,152
Other Revenues and Gains	11,225	309,188	-	320,413
Net Assets Released from Restriction	-	3,253,434	-	3,253,434
Total Revenues and Other Additions	<u>7,019,911</u>	<u>6,565,479</u>	<u>14,988,878</u>	<u>28,574,268</u>
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	297,500	2,549,502	-	2,847,002
Student Activities	2,292,945	-	-	2,292,945
University Store	3,746,078	-	-	3,746,078
Housing	-	-	13,310,132	13,310,132
Other Programs	292,521	1,682,580	-	1,975,101
Management and General	304,646	637,776	54,250	996,672
Fundraising	-	732,655	-	732,655
Other Expenses and Losses	-	(127,058)	2,368,827	2,241,769
Total Expenses and Other Deductions	<u>6,933,690</u>	<u>5,475,455</u>	<u>15,733,209</u>	<u>28,142,354</u>
Increase in Net Assets Without Donor Restrictions	86,221	1,090,024	(744,331)	431,914
Changes in Net Assets With Donor Restrictions				
Contributions	-	2,166,108	-	2,166,108
Investment Income	-	2,308,409	-	2,308,409
Other Revenue and Gains	-	423,070	-	423,070
Net Assets Released from Restrictions	-	(3,253,434)	-	(3,253,434)
Increase in Net Assets With Donor Restrictions	<u>-</u>	<u>1,644,153</u>	<u>-</u>	<u>1,644,153</u>
CHANGES IN NET ASSETS	86,221	2,734,177	(744,331)	2,076,067
Net Assets - Beginning of Year	<u>17,931,120</u>	<u>36,386,095</u>	<u>2,271,437</u>	<u>56,588,652</u>
NET ASSETS - END OF YEAR	<u>\$ 18,017,341</u>	<u>\$ 39,120,272</u>	<u>\$ 1,527,106</u>	<u>\$ 58,664,719</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of \$1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals \$99,702,243 and \$97,843,074 at June 30, 2020 and 2019, respectively.

Board of Governors' 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 cash 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 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 5 years.

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

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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 no local investments recorded at fair value as of June 30, 2020 and 2019.

On June 30, 2020 and 2019, the carrying amount of the University's demand and time deposits were \$3,263,515 and \$3,437,493, respectively, as compared to bank balances of \$3,665,126 and \$3,329,788, respectively. The differences are primarily caused by items in transit and outstanding checks. Of the bank balances at June 30, 2020 and 2019, \$250,000 was covered by federal government depository insurance; and \$3,323,849 and \$2,962,706, respectively, 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 requirements 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, 2020 and 2019, none of the University's demand and time deposits are exposed to foreign currency risk.

NOTE 4 INVESTMENTS - COMPONENT UNITS

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

	2020	2019
Equity Securities - Level 1	\$ 14,890,787	\$ 14,624,781
Equity Securities - Level 2	11,457,677	12,051,179
Fixed Income - Level 1	2,287,335	2,147,828
Fixed Income - Level 2	5,558,044	4,568,115
Real Estate - Level 3	188,400	188,400
Total	\$ 34,382,243	\$ 33,580,303

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 CAPITAL ASSETS, NET

Capital assets acquired or constructed by the University through the expenditures of University funds or the incurrence of debt consist of the following:

	2020					Ending Balance June 30, 2020
	Beginning Balance July 01, 2019	Additions	Retirements	Reclassifications	Ending Balance June 30, 2020	
	Life					
Land	\$ 11,701	\$ -	\$ -	\$ -	\$ 11,701	
Construction in Progress	10,348,643	8,967,139	(1)	(9,872,904)	9,442,877	
Total Capital Assets not being Depreciated	10,360,344	8,967,139	(1)	(9,872,904)	9,454,578	
Buildings, Including Improvements	40/20 199,349,346	4,324,210	-	9,872,904	213,546,460	
Improvements Other than Buildings	20 14,324,868	-	-	-	14,324,868	
Furnishings and Equipment, Including Capital Leases	Varies 25,779,166	2,199,011	(688,475)	-	27,289,702	
Library Books	10 6,710,256	74,721	(23,880)	-	6,761,097	
Total Capital Assets being Depreciated	246,163,636	6,597,942	(712,355)	9,872,904	261,922,127	
Less: Accumulated Depreciation:						
Buildings, Including Improvements	(76,510,491)	(7,877,249)	-	-	(84,387,740)	
Improvements Other than Buildings	(10,511,602)	(580,697)	-	-	(11,092,299)	
Furnishings and Equipment, Including Capital Leases	(21,134,223)	(1,861,778)	578,893	-	(22,417,108)	
Library Books	(6,268,271)	(95,746)	23,880	-	(6,340,137)	
Total Accumulated Depreciation	(114,424,587)	(10,415,470)	602,773	-	(124,237,284)	
Total Capital Assets being Depreciated, Net	131,739,049	(3,817,528)	(109,582)	9,872,904	137,684,843	
Capital Assets, Net	<u>\$ 142,099,393</u>	<u>\$ 5,149,611</u>	<u>\$ (109,583)</u>	<u>\$ -</u>	<u>\$ 147,139,421</u>	

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 CAPITAL ASSETS, NET (CONTINUED)

	Life	2019				Ending Balance June 30, 2019
		Beginning Balance July 01, 2018	Additions	Retirements	Reclassifications	
Land		\$ 11,701	\$ -	\$ -	\$ -	\$ 11,701
Construction in Progress		20,776,714	6,005,657	(1)	(16,433,727)	10,348,643
Total Capital Assets not being Depreciated		20,788,415	6,005,657	(1)	(16,433,727)	10,360,344
Buildings, Including Improvements	40	176,596,157	6,356,170	-	16,397,019	199,349,346
Improvements Other than Buildings	20	14,324,868	-	-	-	14,324,868
Furnishings and Equipment, Including Capital Leases	Varies	25,892,815	1,507,497	(1,657,854)	36,708	25,779,166
Library Books	10	6,701,454	69,815	(61,013)	-	6,710,256
Total Capital Assets being Depreciated		223,515,294	7,933,482	(1,718,867)	16,433,727	246,163,636
Less: Accumulated Depreciation:						
Buildings, Including Improvements		(69,894,064)	(6,616,427)	-	-	(76,510,491)
Improvements Other than Buildings		(9,930,905)	(580,697)	-	-	(10,511,602)
Furnishings and Equipment, Including Capital Leases		(20,258,337)	(2,495,704)	1,619,818	-	(21,134,223)
Library Books		(6,226,890)	(102,394)	61,013	-	(6,268,271)
Total Accumulated Depreciation		(106,310,196)	(9,795,222)	1,680,831	-	(114,424,587)
Total Capital Assets being Depreciated, Net		117,205,098	(1,861,740)	(38,036)	16,433,727	131,739,049
Capital Assets, Net		<u>\$ 137,993,513</u>	<u>\$ 4,143,917</u>	<u>\$ (38,037)</u>	<u>\$ -</u>	<u>\$ 142,099,393</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 LEASES

The University has entered into operating leases for certain office and classroom space on a year-to-year basis. Total rent expense for operating leases was \$272,700 and \$644,456 for the years ended June 30, 2020 and 2019, respectively. Future lease payments for operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 66,242
2022	66,242
2023	66,242
2024	66,242
2025	49,142
Total	<u>\$ 314,110</u>

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2020</u>	<u>2019</u>
Employees	\$ 10,048,831	\$ 9,996,668
Supplies and Services	1,191,757	3,069,403
Other	7,260,854	2,947,591
Interest	90,051	97,773
Total	<u>\$ 18,591,493</u>	<u>\$ 16,111,435</u>

NOTE 8 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Grants	\$ 2,360,572	\$ 308,301
Students	3,433,063	5,937,075
Auxiliary	85	310,163
Other	11,715	11,715
Total	<u>\$ 5,805,435</u>	<u>\$ 6,567,254</u>

During the year ended June 30, 2011, the University entered into a contract with their food service provider. This contract required the food service provider to make an investment in the University at the inception of the contract to be recognized over a 10-year period. The remaining unamortized amount as of June 30, 2020 and 2019 was \$85 and \$310,163, respectively, and is presented as unearned auxiliary revenue.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 BONDS PAYABLE

Bonds payable consist of tax-exempt revenue bonds issued by the State System through the Pennsylvania Higher Education 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 Governor's 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, 2020 and 2019 are as follows:

	2020				
	Weighted Average Interest Rate	Balance July 01, 2019	Bonds Issued	Bonds Redeemed	Balance June 30, 2020
	Series AI issued in August 2008	4.41 %	\$ 185,709	\$ -	\$ (27,892)
Series AJ issued in July 2009	4.85 %	6,910,812	-	(6,910,812)	-
Series AL issued in July 2010	5.00 %	9,087,383	-	(639,384)	8,447,999
Series AM issued in July 2011	4.61 %	3,418,832	-	(217,658)	3,201,174
Series AQ issued in July 2015	4.56 %	747,168	-	(109,750)	637,418
Series AT issued in September 2016	3.45 %	7,414,602	-	(632,880)	6,781,722
Series AU issued in September 2017	3.52 %	26,937,702	-	(1,461,041)	25,476,661
Series AW issued in September 2019	3.11 %	-	5,734,111	-	5,734,111
Total Bonds Payable		<u>\$ 54,702,208</u>	<u>\$ 5,734,111</u>	<u>\$ (9,999,417)</u>	50,436,902
Plus: Unamortized Bond Premium					4,412,659
Less: Unamortized Bond Discount					<u>(16,997)</u>
Outstanding - June 30, 2020					54,832,564
Less: Current Portion					<u>(3,959,190)</u>
Bonds Payable, Net of Current Portion					<u>\$ 50,873,374</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 BONDS PAYABLE (CONTINUED)

	2019				
	Weighted Average Interest Rate	Balance July 01, 2018	Bonds Issued	Bonds Redeemed	Balance June 30, 2019
Series AI issued in August 2008	4.36 %	\$ 212,541	\$ -	\$ (26,832)	\$ 185,709
Series AJ issued in July 2009	4.85 %	7,459,728	-	(548,916)	6,910,812
Series AL issued in July 2010	5.00 %	9,697,321	-	(609,938)	9,087,383
Series AM issued in July 2011	4.64 %	3,626,259	-	(207,427)	3,418,832
Series AQ issued in July 2015	4.61 %	851,648	-	(104,480)	747,168
Series AT issued in September 2016	3.44 %	8,017,435	-	(602,833)	7,414,602
Series AU issued in September 2017	3.51 %	28,258,714	-	(1,321,012)	26,937,702
Total Bonds Payable		\$ 58,123,646	\$ -	\$ (3,421,438)	54,702,208
Plus: Unamortized Bond Premium					3,940,642
Less: Unamortized Bond Discount					(21,139)
Outstanding - June 30, 2019					58,621,711
Less: Current Portion					(4,199,721)
Bonds Payable, Net of Current Portion					\$ 54,421,990

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 (\$5,548,428 and \$9,228,259 was outstanding as of June 30, 2020 and 2019, respectively). 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. As of June 30, 2020 and 2019, the balance owed by the University to the State System's AFRP pool of funding was \$487,415 and \$810,679, respectively.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 BONDS PAYABLE (CONTINUED)

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

Series		2021	2022	2023	2024	2025	2026-2030	2031-2035	2036-2040	Total
AI	Principal	\$ 28,951	\$ 30,363	\$ 31,422	\$ 32,834	\$ 34,247	\$ -	\$ -	\$ -	\$ 157,817
	Interest	6,952	5,722	4,393	3,019	1,541	-	-	-	21,627
	Total	35,903	36,085	35,815	35,853	35,788	-	-	-	179,444
AL	Principal	671,633	705,285	740,339	778,197	816,056	4,736,489	-	-	8,447,999
	Interest	422,400	388,818	353,554	316,537	277,627	733,609	-	-	2,492,545
	Total	1,094,033	1,094,103	1,093,893	1,094,734	1,093,683	5,470,098	-	-	10,940,544
AM	Principal	228,594	239,882	251,876	265,281	279,039	1,576,519	359,983	-	3,201,174
	Interest	148,116	136,686	124,692	111,468	97,541	306,956	16,225	-	941,684
	Total	376,710	376,568	376,568	376,749	376,580	1,883,475	376,208	-	4,142,858
AQ	Principal	115,478	120,977	127,163	133,578	140,222	-	-	-	637,418
	Interest	31,871	26,097	20,048	13,690	7,011	-	-	-	98,717
	Total	147,349	147,074	147,211	147,268	147,233	-	-	-	736,135
AT	Principal	666,277	284,673	301,418	314,815	331,560	1,919,031	2,418,046	545,902	6,781,722
	Interest	313,867	280,554	266,320	251,249	235,508	911,958	411,671	21,836	2,692,963
	Total	980,144	565,227	567,738	566,064	567,068	2,830,989	2,829,717	567,738	9,474,685
AU	Principal	1,547,235	1,629,210	1,721,330	1,454,934	1,534,074	7,947,631	6,851,000	2,791,247	25,476,661
	Interest	987,339	917,656	843,409	764,682	698,801	2,409,801	1,021,260	130,149	7,773,097
	Total	2,534,574	2,546,866	2,564,739	2,219,616	2,232,875	10,357,432	7,872,260	2,921,396	33,249,758
AW	Principal	40,174	570,360	675,018	708,285	677,173	3,063,101	-	-	5,734,111
	Interest	286,706	284,697	256,179	222,428	187,014	392,221	-	-	1,629,245
	Total	326,880	855,057	931,197	930,713	864,187	3,455,322	-	-	7,363,356
Total	Principal	3,298,342	3,580,750	3,848,566	3,687,924	3,812,371	19,242,771	9,629,029	3,337,149	50,436,902
	Interest	2,197,251	2,040,230	1,868,595	1,683,073	1,505,043	4,754,545	1,449,156	151,985	15,649,878
	Total	<u>\$ 5,495,593</u>	<u>\$ 5,620,980</u>	<u>\$ 5,717,161</u>	<u>\$ 5,370,997</u>	<u>\$ 5,317,414</u>	<u>\$ 23,997,316</u>	<u>\$ 11,078,185</u>	<u>\$ 3,489,134</u>	<u>\$ 66,086,780</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 OBLIGATIONS UNDER CAPITAL LEASES

The University has incurred obligations under the terms of capital lease. The obligations are collateralized by the related leased equipment.

The present value of future net minimum lease payments has been classified in the accompanying financial statements at June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Current Maturities of Capital Lease Obligations	\$ 225,496	\$ 61,343
Long-Term Maturities of Capital Lease Obligations	701,273	111,824
Amounts Representing Interest	<u>(36,421)</u>	<u>(8,973)</u>
Total	<u>\$ 890,348</u>	<u>\$ 164,194</u>

The following is a schedule, by year, of minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 225,496
2022	211,154
2023	210,051
2024	210,051
2025	<u>70,017</u>
Total Minimum Lease Payments	926,769
Amounts Representing Interest	<u>(36,421)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 890,348</u>

NOTE 11 COMPENSATED ABSENCES

Compensated absences for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current Portion	\$ 597,660	\$ 340,721
Noncurrent Portion	10,093,686	9,224,610
Total	<u>\$ 10,691,346</u>	<u>\$ 9,565,331</u>

Changes in the compensated absences liability were as follows:

	<u>2020</u>	<u>2019</u>
Balance - July 1	\$ 9,565,331	\$ 9,204,950
Current Change in Estimate	2,241,635	843,137
Payouts	<u>(1,115,620)</u>	<u>(482,756)</u>
Balance - June 30	<u>\$ 10,691,346</u>	<u>\$ 9,565,331</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

University employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and Pennsylvania Social Services Union (PSSU) participate in the Retired Employees Health Program (REHP), which is a defined benefit healthcare plan sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). In addition to the above, any employee who participates in the Public School Employees' Retirement System (PSERS) pension plan is eligible to receive benefits from the PSERS Health Insurance Premium Assistance Program (Premium Assistance), a defined benefit plan, and all eligible retirees and their eligible dependents receive tuition waivers at any of the 14 State System universities.

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal years ended June 30, 2020 and 2019.

	System Plan		REHP		Premium Assistance		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net OPEB liabilities	\$ 100,250,611	\$ 101,062,085	\$ 36,241,853	\$ 51,592,543	\$ 328,850	\$ 315,738	\$ 136,821,314	\$ 152,970,366
Deferred outflows of resources:								
Net difference between projected and actual investment earnings on pension plan investments	-	-	-	-	576	495	576	495
Difference between expected and actual experience	-	-	-	-	1,886	1,980	1,886	1,980
Changes in assumptions	-	-	1,159,507	-	10,822	4,949	1,170,329	4,949
Change in proportions	-	-	2,209,913	2,756,717	10,576	3,794	2,220,489	2,760,511
Contributions after the measurement date	2,980,141	2,910,305	1,606,891	2,053,584	18,716	17,829	4,605,748	4,981,718
Total deferred outflows of resources	2,980,141	2,910,305	4,976,311	4,810,301	42,576	29,047	7,999,028	7,749,653
Deferred inflows of resources:								
Net difference between projected and actual investment earnings on pension plan investments	N/A	N/A	64,187	78,853	-	-	64,187	78,853
Difference between expected and actual experience	9,185,645	11,263,588	26,954,565	15,801,624	-	-	36,140,210	27,065,212
Changes in assumptions	10,699,124	8,078,585	5,019,887	6,782,292	9,756	11,960	15,728,767	14,872,837
Changes in proportion	N/A	N/A	1,548,372	-	2,214	2,804	1,550,586	2,804
Total deferred inflows of resources	\$ 19,884,769	\$ 19,342,173	\$ 33,587,011	\$ 22,662,769	\$ 11,970	\$ 14,764	\$ 53,483,750	\$ 42,019,706
OPEB expense	\$ 2,641,426	\$ 1,882,580	\$ (2,985,568)	\$ (503,448)	\$ 32,969	\$ 29,196	\$ (311,173)	\$ 1,408,328
Contributions recognized by OPEB plans	N/A	N/A	\$ 1,606,891	\$ 2,053,584	\$ 18,716	\$ 17,829	\$ 1,625,607	\$ 2,071,413

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$2,980,141 for the System Plan, \$1,606,891 for the REHP plan, and \$18,716 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

<u>Fiscal Year Ended</u>	Amortization		
	System Plan	REHP	Premium Assistance
June 30, 2021	\$ (5,214,538)	\$ (7,597,003)	\$ 1,394
June 30, 2022	(5,214,538)	(7,597,003)	1,394
June 30, 2023	(5,214,538)	(7,197,547)	1,312
June 30, 2024	(3,344,161)	(5,452,153)	1,230
June 30, 2025	(896,995)	(2,362,337)	4,181
Thereafter	-	(11,547)	2,378

System Plan

Plan Description

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

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

A total of 12,122 individuals are covered by the benefit terms (down from 12,511 in the prior actuarial valuation), including 7,235 active employees that may be entitled to receive benefit payments upon retirement, 47 retired participants entitled to but not yet receiving benefits, and 4,840 retired participants receiving benefits.

Effective January 16, 2016, the State System OPEB plan became closed to newly hired SCUPA, SPFPA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

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, 2020.

- 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

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, 2020 is based is dated July 1, 2018, which was rolled forward to the measurement date of July 1, 2019. 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 6.0% in 2018 and 5.5% in 2019 through 2021, with rates gradually decreasing from 5.4% in 2022 to 3.8% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- The cost due to the excise tax under the Patient Protection and Affordable Care Act beginning in 2022 is 40% of the projected premiums in excess of the annual limits, calculated using an inflation rate of 2%.
- The annual cost of living increase beginning in 2018 is assumed to be 2.2% per year.
- Retiree premium cost sharing is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate.
- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on a generational projection using Scale MP-2018 to reflect mortality improvement.
- The discount rate increased from 2.98% to 3.36%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.
- Participant data is based on census information as of July 1, 2018.
- Experience assumptions for withdrawal and retirement, expected vs. actual, and election percentages were reviewed in 2019, and it was determined that the results were reasonable and did not warrant a further formal study.
- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the System Plan's net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 2.8%) or one percentage point higher (6.5% decreasing to 4.8%) than the current healthcare cost trend rates (5.5% decreasing to 3.8%).

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 (4.5% decreasing to 2.8%)	Healthcare Cost Trend Rates 5.5% decreasing to 3.8%	1% Increase (6.5% decreasing to 4.8%)
2020	\$ 83,614,558	\$ 100,250,611	\$ 121,794,134

The following presents the System Plan's net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 2.8%) or one percentage point higher (6.5% decreasing to 4.8%) than the current healthcare cost trend rates (5.5% decreasing to 3.8%).

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 (4.5% decreasing to 2.8%)	Healthcare Cost Trend Rates 5.5% decreasing to 3.8%	1% Increase (6.5% decreasing to 4.8%)
2019	\$ 84,610,471	\$ 101,062,085	\$ 122,351,537

The following presents the University's net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.36%) or one percentage point higher (4.36%) than the current healthcare cost trend rates (3.36%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.36%	Current Rate 3.36%	1% Increase 4.36%
2020	\$ 117,025,901	\$ 100,250,611	\$ 86,880,901

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current healthcare cost trend rates (2.98%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.98%	Current Rate 2.98%	1% Increase 3.98%
2019	\$ 118,615,214	\$ 101,062,085	\$ 87,137,233

OPEB Liability

The System Plan's total OPEB liability of \$100,250,611 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to July 1, 2019. The System Plan's total OPEB liability of \$101,062,085 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

Changes in the System Plan Total OPEB Liability		
	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Beginning Balance	\$ 101,062,085	\$ 109,058,027
Service Cost	2,737,689	3,164,402
Interest	3,041,281	3,454,721
Changes in Benefit Terms	-	(76,069)
Difference between Expected and Actual Experience	-	(13,132,814)
Changes in Assumptions	(5,279,570)	(862,140)
Benefit Payments	(1,310,874)	(544,042)
Net Changes	(811,474)	(7,995,942)
Ending Balance	\$ 100,250,611	\$ 101,062,085

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (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. Benefit provisions are established and may be amended under pertinent statutory authority. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity, but is reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR) as a Pension (and Other Employee Benefit) Trust. The CAFR is an audited financial statement and is available at www.budget.pa.us.

The REHP 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 plan they choose, and benefits may continue for the retiree's lifetime. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Nonspouse dependents may be covered until age 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, 2020.

- 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (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 \$300 for each current REHP eligible active employee during the fiscal year ended June 30, 2019. The rate during the period July 1, 2017, through January 18, 2018, was \$300.

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 2011 through 2015 and was presented to the SERS Board in March 2016. 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 an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook.

The total OPEB liability in the June 30, 2019 and 2018 actuarial valuations were 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 2.60%.
- Healthcare cost trend rate of 6.0%, with rates gradually decreasing to 4.1% in 2075 and later, based on the SOA-Getzen trend rate model version 2019_b.
- Average career salary growth of 2.65% per year and an assumed 2.90% general salary increase.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the RP-2000 Male and Female Combined Healthy Mortality Tables or the RP-2000 Male and Female Disabled Retiree Mortality Tables, as appropriate, adjusted to ensure sufficient margin improvement in certain age ranges.
- Participant data based on census information as of December 31, 2018, for the June 30, 2019, measurement date; and as of December 31, 2017, for the June 30, 2018, measurement date.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- Discount rate of 3.50% as of June 30, 2019, and 3.87% as of June 30, 2018.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the rate for the 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	47.0 %	5.6%
International Equity	20.0	5.8%
Fixed Income	25.0	1.7%
Real Estate	8.0	4.6%
Cash	-	0.9%
Total	<u>100.0 %</u>	

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 4.37% for the measurement date of June 30, 2019 and 4.57% for the measurement date of June 30, 2018.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the REHP net OPEB liability at June 30, 2020, 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 3.1%) or one percentage point higher (7.0% decreasing to 5.1%) than the current healthcare cost trend rates (6.0% decreasing to 4.1%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.0% decreasing to 3.1%)	Healthcare Cost Trend Rates 6.0% decreasing to 4.1%	1% Increase (7.0% decreasing to 5.1%)
2020	\$ 31,482,696	\$ 36,241,853	\$ 42,095,932

The following presents the University's share of the REHP net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.2% decreasing to 3.1%) or one percentage point higher (7.2% decreasing to 5.1%) than the current healthcare cost trend rates (6.2% decreasing to 4.1%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.2% decreasing to 3.1%)	Healthcare Cost Trend Rates 6.2% decreasing to 4.1%	1% Increase (7.2% decreasing to 5.1%)
2019	\$ 44,287,988	\$ 51,592,543	\$ 60,671,995

The following presents the University's share of the REHP net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current healthcare cost trend rates (3.50%).

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
2020	\$ 41,118,394	\$ 36,241,853	\$ 32,160,005

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the REHP net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current healthcare cost trend rates (3.87%).

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
2019	\$ 59,107,556	\$ 51,592,543	\$ 45,401,099

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, 2018, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (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 0.83% of covered payroll for the fiscal years ended June 30, 2020 and 2019. 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 0.415% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year end. The total OPEB liability, as of the June 30, 2019 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2018, to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2018
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 5.0%, comprising 2.75% for inflation and 2.25% 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 the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017, determined the employer contribution rate for fiscal year 2018/19.
- 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 rates and retirement ages were based on the RP-2014 Mortality Tables both males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- The discount rate used to measure the total OPEB liability was 2.79% at June 30, 2019, and 2.98% at June 30, 2018.
- 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 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.
- 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, 2019.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2 %	0.2%
U.S. Core Fixed Income	83.1	1.0%
Non-U.S. Developed Fixed	3.7	0.0%
Total	100.0 %	

The net OPEB liability was measured as of June 30, 2019, 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, 2018, to June 30, 2019. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1886% and 0.1836% for the measurement dates of June 30, 2019 and 2018, respectively.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2020, 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 6.50%) or one percentage point higher (between 6% and 8.50%) than the current healthcare cost trend rates (between 5% and 7.50%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	Healthcare Cost Trend Rates Between 4% and 6.50%	Healthcare Cost Trend Rates Between 5% and 7.50%	Healthcare Cost Trend Rates Between 6% and 8.50%
2020	\$ 328,850	\$ 328,850	\$ 328,932

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2019, 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 6.75%) or one percentage point higher (between 6% and 8.75%) than the current healthcare cost trend rates (between 5% and 7.75%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	Healthcare Cost Trend Rates Between 4% and 6.75%	Healthcare Cost Trend Rates Between 5% and 7.75%	Healthcare Cost Trend Rates Between 6% and 8.75%
2019	\$ 315,655	\$ 315,738	\$ 315,820

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.79%) or one percentage point higher (3.79%) than the current healthcare cost trend rates (2.79%).

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.79%	Current Rate 2.79%	1% Increase 3.79%
2020	\$ 374,681	\$ 328,850	\$ 290,890

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current healthcare cost trend rates (2.98%).

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.98%	Current Rate 2.98%	1% Increase 3.98%
2019	\$ 359,040	\$ 315,738	\$ 279,776

NOTE 13 PENSION BENEFITS

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

Following is the total of the University's pension liabilities, deferred outflows and deferred inflows of resources related to pensions, and the pension expense for the fiscal years ended June 30, 2020 and 2019.

	SERS		PSERS		ARP		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net Pension Liabilities	<u>\$ 68,074,512</u>	<u>\$ 80,883,449</u>	<u>\$ 7,214,323</u>	<u>\$ 7,196,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,288,835</u>	<u>\$ 88,080,238</u>
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	\$ 848,788	\$ 1,213,783	\$ 39,738	\$ 57,893	\$ -	\$ -	\$ 888,526	\$ 1,271,676
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	7,869,483	-	35,275	-	-	-	7,904,758
Changes in Assumptions	2,623,243	2,154,933	68,929	134,158	-	-	2,692,172	2,289,091
Difference Between Employer Contributions and Proportionate Share of Contributions	-	-	20,956	28,410	-	-	20,956	28,410
Changes in Proportion	704,681	1,160,087	192,557	122,808	-	-	897,238	1,282,895
Contributions after the Measurement Date	<u>3,854,006</u>	<u>4,033,208</u>	<u>748,426</u>	<u>700,296</u>	<u>-</u>	<u>-</u>	<u>4,602,432</u>	<u>4,733,504</u>
Total Deferred Outflows of Resources	<u>\$ 8,030,718</u>	<u>\$ 16,431,494</u>	<u>\$ 1,070,606</u>	<u>\$ 1,078,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,101,324</u>	<u>\$ 17,510,334</u>
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	\$ 461,080	\$ 876,453	\$ 239,082	\$ 111,377	\$ -	\$ -	\$ 700,162	\$ 987,830
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	4,854,996	-	20,688	-	-	-	4,875,684	-
Difference Between Employer Contributions and Proportionate Share of Contributions	355,948	432,048	-	-	-	-	355,948	432,048
Changes in Proportion	<u>1,584,323</u>	<u>639,728</u>	<u>46,197</u>	<u>76,020</u>	<u>-</u>	<u>-</u>	<u>1,630,520</u>	<u>715,748</u>
Total Deferred Inflows of Resources	<u>\$ 7,256,347</u>	<u>\$ 1,948,229</u>	<u>\$ 305,967</u>	<u>\$ 187,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,562,314</u>	<u>\$ 2,135,626</u>
Pension Expense	<u>\$ 8,488,402</u>	<u>\$ 13,805,622</u>	<u>\$ 1,760,295</u>	<u>\$ 1,154,303</u>	<u>\$ 3,887,593</u>	<u>\$ 3,661,944</u>	<u>\$ 14,136,290</u>	<u>\$ 18,621,869</u>
Contributions Recognized by Pension Plans	<u>\$ 7,588,446</u>	<u>\$ 7,648,929</u>	<u>\$ 748,426</u>	<u>\$ 700,297</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 8,336,872</u>	<u>\$ 8,349,226</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

The University will recognize the \$3,854,006 reported as 2020 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$748,426 reported as 2020 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	Amortization	
	SERS	PSERS
June 30, 2021	\$ (223,333)	\$ 86,061
June 30, 2022	(950,338)	(63,732)
June 30, 2023	400,594	(20,812)
June 30, 2024	(2,333,750)	14,697
June 30, 2025	27,192	-

SERS

Plan Description

SERS is the administrator of a cost-sharing multiple-employer defined benefit plan established by the Commonwealth to provide pension 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. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option, to participate. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

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

Benefits Provided

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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. 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 new 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 University 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. In fiscal year 2018/19, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 120.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

For the SERS defined benefit plan, the University's actuarially determined contribution rate for most active members was 36.04% of active members' annual covered payroll at June 30, 2020, with less common rates ranging between 24.92% and 28.84%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the University's actuarially determined contribution rate was either 16.93% or 17.18% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the University was required to contribute to the defined benefit plan 15.62% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University's contributions to the SERS defined benefit plan for the years ended June 30, 2020, 2019, and 2018, were \$7,588,000, \$7,649,000, and \$7,511,000, respectively, equal to the required contractual contribution.

The contribution rate for 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 4.0% or 5.0% 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, 2020, depending upon the plan chosen by the employee. The University recognized \$19,014 in SERS defined contribution pension expense for the year ended June 30, 2020 and \$1,599 for the year ended June 30, 2019, the first year of the plan's implementation. 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *18th Investigation of Actuarial Experience* study for the period 2011–2015 was released in March 2016. 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 *18th Investigation of Actuarial Experience* at its March 2016 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2019 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.25% to 7.125%. The next SERS actuarial experience review occurred in summer 2020 and will be used for its 2020 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2019 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 2.60%.
- Investment return of 7.125%, net of manager fees and including inflation.
- Salary increases based on an average of 5.60%, with a range of 3.70% to 8.90%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected RP-2000 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and 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. Best estimates of arithmetic real rates of return for each major asset class included in SERS' current and target asset allocation as of December 31, 2019 and 2018 are summarized below:

Asset Class	December 31, 2019	
	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0 %	7.25%
Global Public Equity	48.0	5.15
Real Assets	12.0	5.26
Multi-Strategy	10.0	4.44
Fixed Income	11.0	1.26
Cash	3.0	-
Total	<u>100.0 %</u>	

Asset Class	December 31, 2018	
	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	16.0 %	7.25%
Global Public Equity	48.0	5.15
Real Assets	12.0	5.26
Diversifying Assets	10.0	4.44
Fixed Income	11.0	1.26
Liquidity Reserve	3.0	-
Total	<u>100.0 %</u>	

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total SERS pension liability was 7.125%. 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, 2020, calculated using the discount rate of 7.125%, 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 (6.125%) or one percentage point higher (8.125%) 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 6.125%	Current Rate 7.125%	1% Increase 8.125%
2020	\$ 86,499,815	\$ 68,074,512	\$ 52,300,277

The following presents what the University's proportionate share of the SERS net pension liability was at June 30, 2019, calculated using the discount rate of 7.25%, as well as what the SERS net pension liability would have been if it had been calculated using a discount rate that was one percentage point lower (6.25%) or one percentage point higher (8.25%) than the rate used.

Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2019	\$ 99,318,273	\$ 80,883,449	\$ 65,085,814

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Proportionate Share

At June 30, 2020, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2019 was \$68,074,512. At June 30, 2019, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2018 was \$80,883,449.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2019 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2020/21, from the December 31, 2019, funding valuation, to the expected funding payroll. For the allocation of the December 2018 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2019/20, from the December 31, 2018, funding valuation, to the expected funding payroll. At the December 31, 2019 measurement date, the University's proportion was 4.773%, a decrease of 0.124% from its proportion calculated as of the December 31, 2018 measurement date.

PSERS

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–8535) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established. The Commonwealth's General Assembly has the authority to amend the benefit terms by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. The Code requires contributions by active members, the employer (State System), and the Commonwealth. PSERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

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

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided

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

Depending upon membership class, benefits are generally 2% or 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2020, was 33.36% 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 16.68% of covered payroll. The University's contribution to PSERS for the years ended June 30, 2020, June 30, 2019, and June 30, 2018 was \$748,426, \$700,296, and \$643,406, respectively, equal to the required contractual contribution.

For the PSERS defined contribution plan, the University is required to contribute at actuarially determined average rate 0.09% of active members' annual covered payroll for the year ended June 30, 2020, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the University contributions for the year ended June 30, 2020 were immaterial.

Actuarial Assumptions

The University 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, 2019 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2018, to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date - June 30, 2018
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.25% with 2.75% inflation.
- Salary increases based on an effective average of 5.0%, which comprises a 2.75% allowance for inflation and 2.25% for real wage growth and merit or seniority increases.
- Mortality rates based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019:

Asset Class	2019	
	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0 %	5.6%
Fixed Income	36.0	1.9
Commodities	8.0	2.7
Absolute Return	10.0	3.4
Risk Parity	10.0	4.1
Infrastructure/MLSs	8.0	5.5
Real Estate	10.0	4.1
Alternative Investments	15.0	7.4
Cash	3.0	0.3
Financing (LIBOR)	(20.0)	0.7
Total	<u>100.0 %</u>	

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total PSERS pension liability was 7.25%. 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, 2020, calculated using the discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) 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 6.25%	Current Rate 7.25%	1% Increase 8.25%
2020	\$ 8,986,260	\$ 7,214,323	\$ 5,713,928

The following presents what the University's proportionate share of the PSERS net pension liability was at June 30, 2019, calculated using the discount rate of 7.25%, as well as what the PSERS net pension liability would have been if it had been calculated using a discount rate that was one percentage point lower (6.25%) or one percentage point higher (8.25%) than the rate used.

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2019	\$ 8,933,031	\$ 7,206,555	\$ 5,746,716

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Proportionate Share

At June 30, 2020 and 2019, 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.

	2020	2019
Total PSERS Net Pension Liability		
Associated with the University	\$ 14,428,646	\$ 14,413,110
Commonwealth's Proportionate Share of the PSERS Net Pension Liability		
Associated with the University	7,214,323	7,206,555
University's Proportionate Share of the PSERS Net Pension Liability	\$ 7,214,323	\$ 7,206,555

PSERS measured the 2020 and 2019 net pension liabilities as of June 30, 2019, and June 30, 2018, respectively. 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, 2019, the University's proportion was 0.1886%, an increase of 0.0050% from its proportion calculated as of June 30, 2018.

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 benefit 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 University contribution rate on June 30, 2020 and 2019 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2020 and 2019 were \$3,887,593 and \$3,661,944, respectively, from the University and \$2,092,354 and \$1,970,906, respectively, from active members. No liability is recognized for the ARP.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims 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 the University contributes in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed \$45,860 and \$47,090 to the Reserve Fund for the years ended June 30, 2020 and 2019, respectively.

The liability for claims under the self-insurance limit and changes therein were as follows:

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2020	\$ 745,521	\$ 68,996	\$ (209,652)	\$ 604,865
2019	823,329	40,886	(118,694)	745,521
2018	667,694	155,635	-	823,329

NOTE 15 RELATED PARTY TRANSACTIONS

Alumni Association

Slippery Rock University Alumni Association (the Alumni Association) is a nonprofit association formed to promote the welfare of the University by initiating and/or participating in fund raising drives aimed at providing scholarship assistance, research fellowships and grants, and additional facilities to meet special cultural, research or athletic needs. Since the Alumni Association operates under an independent governing board and management, the financial activity of the Alumni Association is not included in the University's financial statements.

Based upon audited financial statements, the Alumni Association had net assets of \$3,272,063 at June 30, 2020 and \$3,232,972 at June 30, 2019.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 15 RELATED PARTY TRANSACTIONS (CONTINUED)

Slippery Rock University Foundation (the Foundation)

The Foundation, which is a component unit of the University, was organized for the purpose of raising private support and managing funds that are used solely for the benefit and support of the University. The Foundation does this by raising private support to provide the University with resources not available through normal system funding, in accordance with restrictions, if any, imposed by donors. The primary sources of income to the Foundation are contributions from both individual and corporate donors and investment income. The Foundation also has oversight and management of campus student housing complexes. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources and income thereon is restricted for the activities of the University by donors. As of June 30, 2020 and 2019, the Foundation held \$21,078,523 and \$19,441,983, respectively, of net assets with donor restrictions held in perpetuity for the benefit of the University. Net assets with donor restrictions held in perpetuity are primarily comprised of scholarships.

The Foundation annually agrees with the University to manage the investment of monies received from various sources under the fiduciary agreement. During the 2020 and 2019 fiscal years, the Foundation provided the following support to the University:

	2020	2019
Scholarships	\$ 2,931,406	\$ 2,549,502
Support of University Programs	1,474,277	1,694,946

The Foundation entered into an agreement with the University to provide office space, management and accounting personnel, computer and office equipment, and supplies at no cost. The total in-kind services provided to the Foundation by the University amounted to \$82,589 and \$81,626 in 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the University paid the Foundation \$996,000 and \$996,000, respectively, for the cost of employee's salaries, benefits, and other expenses related to comprehensive fundraising services.

Slippery Rock Student Government Association (the Association)

The Association, which is a component unit of the University, was organized to provide student services and to promote and support educational cultural and recreational activities for the students of the University. The Association primarily conducts student activity fee supported organizations, bookstore operations, vending machine operations, child day care and Pre-K Counts operations. During the years ended June 30, 2020 and 2019, the Association received \$1,938,765 and \$2,572,034, respectively, in student activity fees from the University.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 16 CONTINGENCIES

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

The University is self-insured for workers' compensation up to stated limits (see Note 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. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will be immaterial.

COVID-19 may impact various parts of the operations and financial results of the University and component units, including 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. The full impact of COVID-19 is unknown and cannot be reasonably estimated at June 30, 2020.

Authorized expenditures for construction projects unexpended as of June 30, 2020 and 2019 were \$3,760,597 and \$12,464,754, respectively.

NOTE 17 RATINGS ACTIONS

In June 2020, Moody's Investors Service, Inc., maintained the State System's bond rating of Aa3 with an outlook of *stable*. In June 2020, Fitch Ratings affirmed the State System's rating of A+ with an outlook of *stable*.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 18 SUBSEQUENT EVENTS

In July 2020, PHEFA issued Series AX tax-exempt revenue bonds in the amount of \$94,985,000. The net proceeds from the Series AX revenue bonds were used to current refund Series AH, Series AJ and Series AL revenue bonds. The refunding was performed to reduce debt service by approximately \$1.9 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1.7 million for the University. In connection with the bond issuance, the State System entered into a loan agreement with PHEFA under which the State System pledged its full faith and credit for repayment of the bonds.

In October 2020, PHEFA issued Series AY taxable revenue bonds in the amount of \$78,925,000. The net proceeds from the Series AY revenue bonds were used to advance refund a portion of Series AM revenue bonds. The refunding was performed to reduce debt service by approximately \$424,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$393,000 for the University. In connection with the bond issuance, the State System entered into a loan agreement with PHEFA under which the State System pledged its full faith and credit for repayment of the bonds.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019
(UNAUDITED)**

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

Fiscal Year	State Systems Proportion	University's Proportionate Share	University's Covered- Employee Payroll	University's Proportionate Share of NPL as a % of Covered- Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2016/17	4.8370%	\$ 68,909	\$ 22,249	309.7%	57.8%
2017/18	4.9059%	64,944	23,663	274.5%	63.0%
2018/19	4.8971%	80,883	25,253	320.3%	56.4%
2019/20	4.7732%	68,075	24,714	275.5%	63.1%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered- Employee Payroll
2016/17	\$ 6,412	\$ 6,412	\$ -	\$ 22,876	28.00%
2017/18	7,511	7,511	-	23,998	31.30%
2018/19	7,649	7,649	-	24,767	30.88%
2019/20	7,588	7,588	-	24,011	31.60%

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019
(UNAUDITED)**

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

Fiscal Year	PSERS Net Pension Liability				University's Covered-Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Net Fiduciary as a % of Total Pension Liability
	State Systems Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total			
2016/17	0.1833%	\$ 8,076	\$ 8,076	\$ 16,152	\$ 4,222	200%	50.1%
2017/18	0.1811%	7,784	7,784	15,568	4,056	200%	51.8%
2018/19	0.1836%	7,207	7,207	14,414	4,036	200%	54.0%
2019/20	0.1886%	7,214	7,214	14,428	4,253	200%	55.7%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2016/17	\$ 619	\$ 619	\$ -	\$ 4,242	14.6%
2017/18	643	643	-	4,056	15.9%
2018/19	700	700	-	4,304	16.3%
2019/20	748	748	-	4,484	16.7%

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019
(UNAUDITED)**

University System Plan OPEB Liability
Determined as of the June 30 measurement dates

Changes in the System Plan Total OPEB Liability	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Total OPEB Liability - Beginning Balance	\$ 101,062,085	\$ 109,058,027
Service Cost	2,737,689	3,164,402
Interest	3,041,281	3,454,721
Changes in Benefit Terms	-	(76,069)
Differences Between Expected and Actual Experience	-	(13,132,814)
Changes in Assumptions	(5,279,570)	(862,140)
Benefit Payments	(1,310,874)	(544,042)
Net Changes	<u>(811,474)</u>	<u>(7,995,942)</u>
Total OPEB Liability - Ending Balance	<u>\$ 100,250,611</u>	<u>\$ 101,062,085</u>
 Covered Employee Payroll	 \$ 45,675,760	 \$ 44,806,689
OPEB Liability as a Percent of Covered Payroll	219.48%	225.55%

Note to Schedule: The System plan has no plan 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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019
(UNAUDITED)**

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

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of Covered Employee Payroll	REHP's Fiduciary Net Position as a % of Total OPEB Liability
2019/20	4.370%	\$ 36,242	\$ 9,306	389%	3.8%
2018/19	4.483%	\$ 51,593	\$ 9,202	561%	2.2%

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered-Employee Payroll
2019/20	\$ 1,607	\$ 1,607	\$ -	\$ 11,324	14.2%
2018/19	\$ 2,054	\$ 2,054	\$ -	\$ 11,447	17.9%

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019
(UNAUDITED)**

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				University's Covered-Employee Payroll	University's Proportionate Share of Net OPEB Liability	PERS Fiduciary Net Position
	State Systems Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total		as a % of Covered-Employee Payroll	as a % of Total OPEB Liability
2019/20	0.1886%	\$ 329	\$ 329	\$ 658	\$ 4,265	7.7%	5.6%
2018/19	0.1836%	316	316	632	4,078	7.7%	5.6%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2019/20	\$ 19	\$ 19	\$ -	\$ 4,484	0.4%
2018/19	18	18	-	4,304	0.4%

