

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

**FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2022 AND 2021**



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**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Slippery Rock University of Pennsylvania of the State System of Higher Education (the University), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of 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, 2022 and 2021, 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.

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 statements reflect total assets, net position, and revenues constituting 100%, 100%, and 100%, respectively, of the 2022 assets, net position, and revenues of the discretely presented component units, and 100%, 100%, and 100% of assets, net position, and revenues of the 2021 assets, net position, and revenues of the discretely presented component units for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

#### **Basis for Opinions**

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

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 – for the year ended June 30, 2022, which represent changes in accounting principle. The University’s June 30, 2021 balance sheet and statement of revenues, expenses, and changes in net position were restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1. Our opinion is not modified with respect to this matter.

The financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units that are attributable to the transactions of the University. The University is one of fourteen universities and the System Office of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors’ Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 28, 2022

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2022 AND 2021**

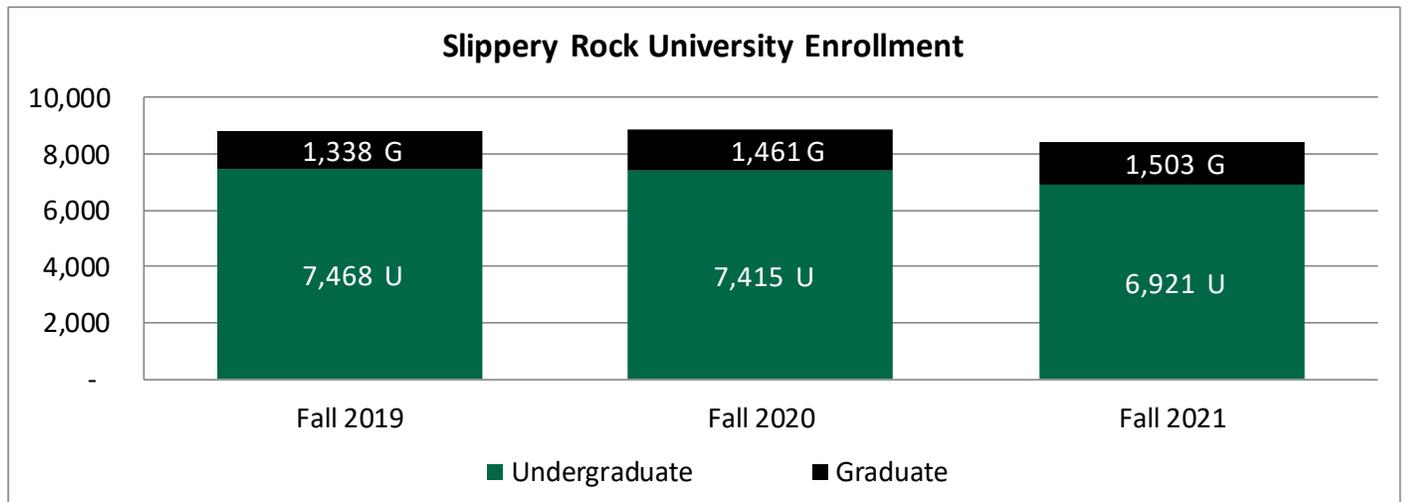
Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Slippery Rock University of Pennsylvania (the University) for the year ended June 30, 2022. The University's financial performance is discussed and analyzed within the 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 8,424 students in fall 2021.

The following is an overview of the University's financial activities for the year ended June 30, 2022, as compared to the prior year ended June 30, 2021 and 2020. Because of rounding, certain increases or decreases may vary slightly from audited financials.

**Financial Highlights**

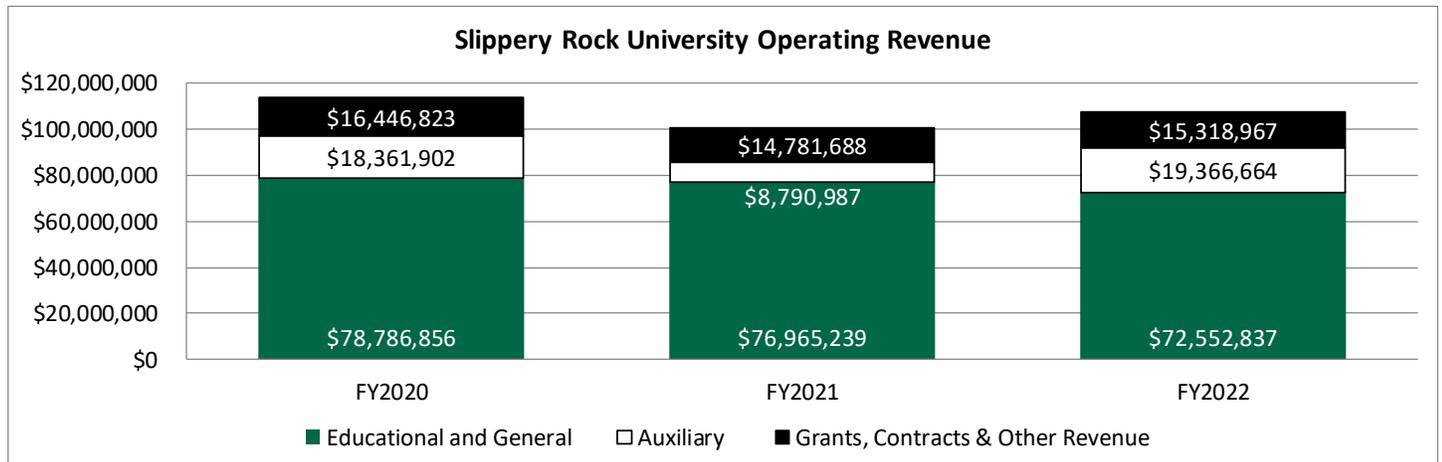
Enrollment for fall 2021 was a total headcount of 8,424, for an overall decrease of 452, or -5.1%, compared to the prior year. Enrollment included 6,921 undergraduate students, which is a decrease of 494, or -6.7% over the prior year, and 1,503 graduate students, for an increase of 42, or 2.9% over the prior year. Compared to the prior year, fall 2021 total enrollment was comprised of 7,434 resident students, which is a decrease of 472, or -5.97%, 742 non-resident students and 148 international students, for a total of 990 non-resident students, and an increase of 20, or 2.1%. The chart below summarizes a three-year trend of undergraduate and graduate enrollment.



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- The State System's Board of Governors (the Board) approved a flat annual full-time tuition rate for the fourth year in undergraduate resident students in fiscal year 2022.
- The total Commonwealth appropriation to the State System in fiscal year 2022 was \$477.47 million, was flat to the prior fiscal year. The University's share of the appropriation was \$41.5 million, which represents a \$1.8 million or 4.4% increase from fiscal year 2021.
- Capital appropriations, which include appropriations for furnishings and equipment for Commonwealth Key 93 funded construction, was \$2.2 million, or \$0.6 million and 38.8% higher than the prior fiscal year 2021 appropriation of \$1.6 million.
- Educational and General Fund (E&G) tuition and fee revenue, net of discounts and allowances, was \$72.6 million in fiscal year 2022 and \$4.4 million lower than the prior fiscal year 2021. Auxiliary revenue, net of discounts and allowances, was \$19.4 million in fiscal year 2022 and \$10.6 million higher than the prior fiscal year 2021. Other net revenue, including sales and services, was \$2.1 million in fiscal year 2022, which is \$0.5 million higher than the prior fiscal year 2021. Tuition and fee revenue losses are mainly related lower undergraduate enrollment. Revenue gains are related to lifting event restrictions due to COVID, and a return to 100% of original Auxiliary fees fiscal year 2022.

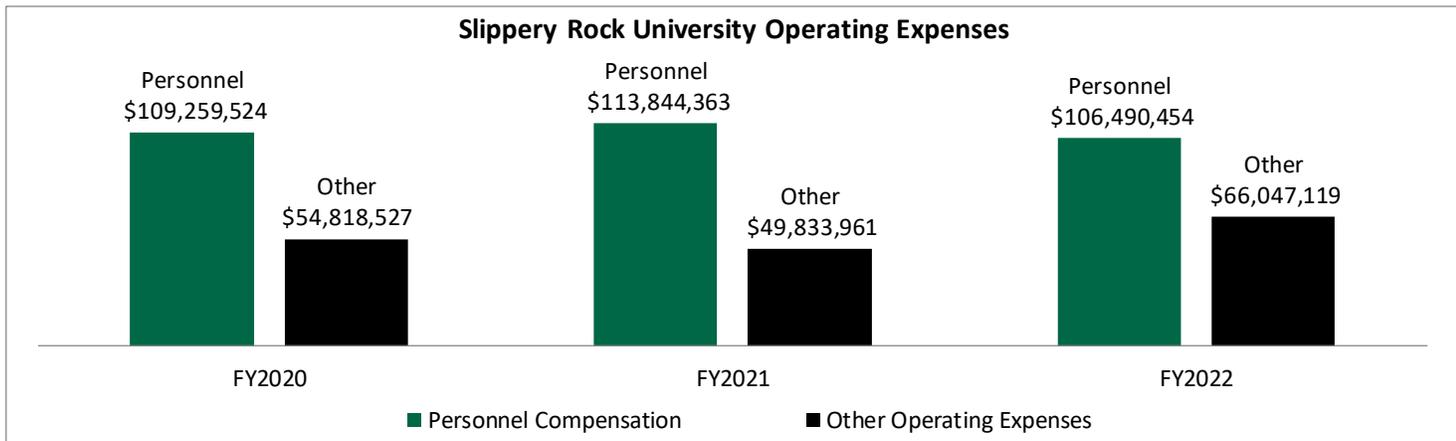
The chart below summarizes a trend of total University operating revenue, including Educational and General fund tuition and fees, Auxiliary fees and sales, government and non-government grants and contracts, and other miscellaneous operating revenue.



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- E&G fund personnel expenses, excluding compensation expense related to unfunded liabilities, were \$108.8 million and \$3.2 million, or 3.0%, higher in fiscal year 2022 as compared to fiscal year 2021 personnel expense of \$105.6 million. During this time, most employee groups experienced contractual pay increases and a merit increase for non-represented employees.
- Total E&G personnel compensation, including expenses related to unfunded liabilities, was \$102.6 million, which included (\$6.2) million of unfunded liabilities for pension and health care costs. The compensation expense related to unfunded liabilities was a (\$9.6) million swing from the prior year liability of \$3.4 million.
- E&G fund total services, supplies, other charges, and capital expenditures were \$28.8 million for fiscal year 2022 and \$6.5 million, or 28.9%, higher than fiscal year 2021 expenditures of \$22.3 million. Fiscal year 2021 was lower than prior years, related to the partial closure of campus and low-density model due to COVID.

The following chart summarizes a trend of total University personnel compensation, including compensation expense related to unfunded liabilities, and other operating expenses, such as services, supplies and utilities, and capital expenditures:





**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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The following is a summary of the balance sheet for fiscal years 2022, 2021, and 2020.

<b>Balance Sheet Summary, Year Ended June 30</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 121,661,443	\$ 107,731,578	\$ 102,965,758
Other Current Assets	6,826,090	13,327,062	7,782,851
Total Current Assets	<u>128,487,533</u>	<u>121,058,640</u>	<u>110,748,609</u>
Capital Assets, net	132,192,890	141,015,760	147,139,421
Other Noncurrent Assets	2,305,005	4,753,651	3,690,723
Total Noncurrent Assets	<u>134,497,895</u>	<u>145,769,411</u>	<u>150,830,144</u>
<b>TOTAL ASSETS</b>	<u>262,985,428</u>	<u>266,828,051</u>	<u>261,578,753</u>
Total Deferred Outflows of Resources	34,601,926	43,198,842	17,175,358
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 297,587,354</u>	<u>\$ 310,026,893</u>	<u>\$ 278,754,111</u>
<b>LIABILITIES</b>			
Accounts Payable & Accrued Expenses	\$ 18,506,345	\$ 18,482,597	\$ 18,591,493
Unearned Revenue	5,144,923	5,146,234	5,758,574
Other Current Liabilities	10,612,089	10,073,254	10,869,551
Total Current Liabilities	<u>34,263,356</u>	<u>33,702,085</u>	<u>35,219,618</u>
Compensated Absences & Postretirement Benefit Obligations	219,021,231	243,915,563	217,927,269
Bonds Payable	41,704,928	46,230,983	50,873,374
Other Noncurrent Liabilities	1,994,271	4,599,350	4,797,949
Total Noncurrent Liabilities	<u>262,720,431</u>	<u>294,745,895</u>	<u>273,598,592</u>
<b>TOTAL LIABILITIES</b>	<u>296,983,787</u>	<u>328,447,980</u>	<u>308,818,210</u>
Total Deferred Inflows of Resources	76,412,695	68,047,896	61,198,832
<b>NET POSITION</b>			
Invested in Capital Assets, net of Related Debt	84,477,692	88,378,603	92,868,568
Restricted	4,241,538	4,277,925	4,251,004
Unrestricted	(164,528,358)	(179,125,510)	(188,382,503)
Total Net Position	<u>(75,809,128)</u>	<u>(86,468,982)</u>	<u>(91,262,931)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 297,587,354</u>	<u>\$ 310,026,893</u>	<u>\$ 278,754,111</u>

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**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. Non-expendable 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:

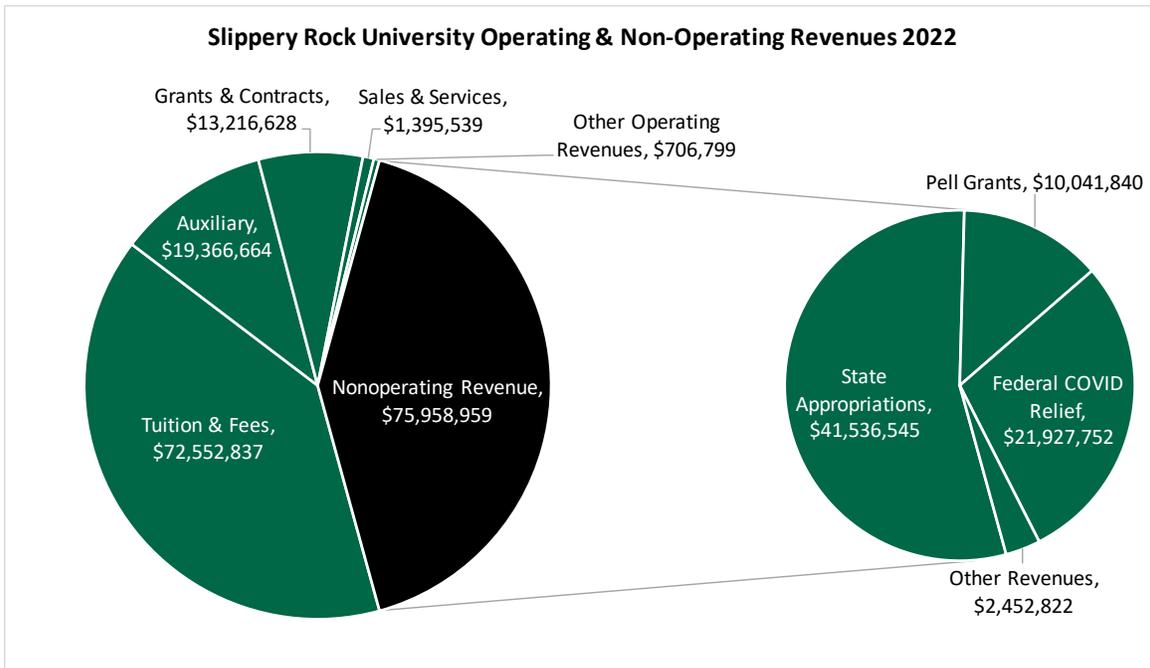
- The liability for *compensated absences* increased by \$0.1 million to \$13.6 million at June 30, 2022. Similar to the postretirement benefits liability, cash payouts to employees upon termination or retirement for annual and sick leave balance are realized gradually over time, and because of its size, 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 Health care plan (REHP) and Public-School Employee's Retirement plan (PSERS) was \$154.6 million at June 30, 2022, a decrease of \$8.4 million. The liability of postretirement benefit obligations for the REHP plan and the 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 2022 is comprised of \$118.8 million for the SSHE plan, \$35.5 million for the REHP plan and \$0.4 million for the PSERS plan. Because the liability is realized gradually over time, and because of its size, the University funds it only as it becomes due.
- The *net pension liability* decreased \$16.1 million to \$54.9 million at June 30, 2022. This liability for pension obligations is due to the implementation of GASB Statement No. 68. The combined pension liability for fiscal year 2022 is comprised of \$48.5 million for the State Employee Retirement System (SERS) and \$6.5 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.

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**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 non-operating. GASB has determined that all public college and university state appropriations are non-operating revenues. In addition, GASB requires classification of gifts, Pell grants, investment income and expenses, unrealized gains and losses on investment, interest expense, and losses on disposals of assets, as non-operating. 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 ended June 30, 2022.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2022 AND 2021**

The following table shows the University's total operating and nonoperating revenues, for fiscal years ended June 30, 2022, 2021 and 2020.

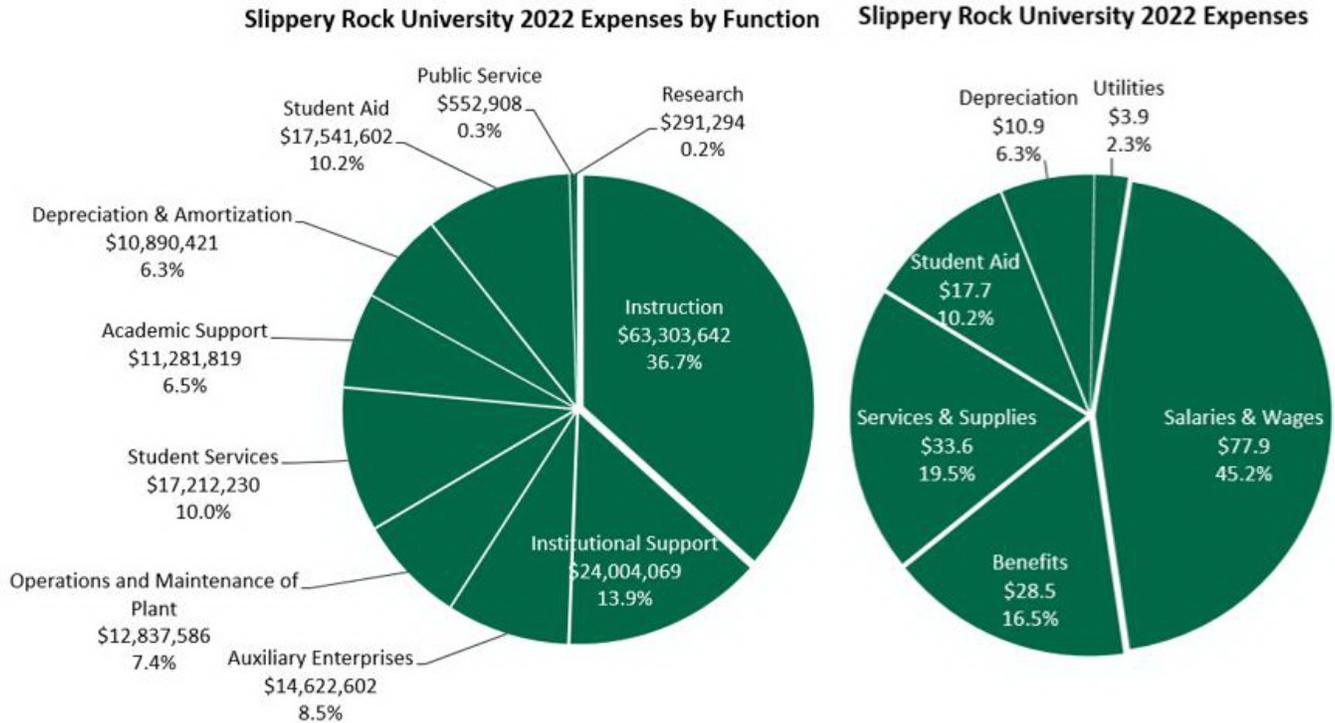
Fiscal Year	2022	Increase/ (Decrease)		2021	Increase/ (Decrease)		2020
<b>Operating Revenues</b>							
Tuition & Fees	\$ 72.6	\$ (4.4)	-5.7%	\$ 77.0	\$ (1.8)	-2.3%	\$ 78.8
Auxiliary	19.4	10.6	120.3%	8.8	-9.6	-52.1%	18.4
Grants & Contracts	13.2	0.0	0.3%	13.2	-0.9	-6.5%	14.1
Sales & Services	1.4	0.7	93.6%	0.7	-1.0	-58.2%	1.7
Other Oper Revenues	0.7	(0.2)	-20.0%	0.9	0.2	39.3%	0.6
<b>Total</b>	<b>107.2</b>	<b>6.7</b>	<b>6.7%</b>	<b>100.5</b>	<b>-13.1</b>	<b>-11.5%</b>	<b>113.6</b>
<b>Nonoperating Revenues</b>							
State Appropriations	41.5	1.8	4.4%	39.8	0.0	0.0%	39.8
Pell Grants	10.0	(0.6)	-5.2%	10.6	-0.5	-4.7%	11.1
Federal COVID Relief	21.9	7.0	46.9%	14.9	7.8	108.1%	7.2
Other Revenues	2.5	(0.2)	-6.6%	2.6	-0.8	-22.8%	3.4
<b>Total</b>	<b>76.0</b>	<b>8.0</b>	<b>11.8%</b>	<b>67.9</b>	<b>6.5</b>	<b>10.5%</b>	<b>61.5</b>
<b>Total Revenue</b>	<b>\$ 183.2</b>	<b>\$ 14.7</b>	<b>8.7%</b>	<b>\$ 168.5</b>	<b>\$ (6.6)</b>	<b>-3.8%</b>	<b>\$ 175.1</b>

Tuition and fees operating revenue decreased \$4.4 million, or -5.7%, from fiscal year 2021, with zero tuition and fee rate increases and lower undergraduate enrollment. Sales & Services revenue is \$0.7 million, or 93.6%, higher compared to prior year, with more programming, rentals and conference revenue, without COVID restrictions. Operating revenue for Auxiliary funds increased \$10.6 million or 120.3%, related the return to 100% of original fees in the Student Center and Recreation Center and improved occupancy levels of students on campus.

The University's share of the state appropriations increased \$1.8 million, or 4.4%, from fiscal year 2021 due to updated data within an existing allocation model. As compared to prior year, Pell grants decreased \$0.6 million and Federal COVID relief increased by \$7.0 million. Other non-operating revenue, including investment income, interest expense, gain/loss on disposal of assets and other non-operating revenue, decreased by \$0.2 million.

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The following charts show the University's total percentages of operating expenditures by function and source for fiscal year ended June 30, 2022.



Total operating expenditures were \$172.5 million in fiscal year 2022, an increase of \$8.9 million, or 5.4%, from fiscal year 2021 operating expenditures of \$163.6 million. As compared to the prior year, overall operating expenses were greater with a return to a higher-density campus after COVID. The greatest percentages of operating expenses are dedicated to instruction. In fiscal year 2022, \$63.3 million, or 36.7%, of total operating expenses were instructional expenses. Instructional expenses decreased \$3.2 million, or -4.9%, from \$66.5 million from fiscal year 2021, mostly due to decreased unfunded liabilities for SERS and PSERS pensions and OPEB post-retirement benefits. Excluding the unfunded liabilities, faculty personnel expenditures increased \$1.4 million, or 2.3%, from \$60.9 million in fiscal year 2021 to \$62.3 million in fiscal year 2022.

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Operating expenditures include personnel and other non-personnel operating expenses. In fiscal year 2022, \$106.5 million, or 62.6%, of the University's total operating expenses were related to salary, wages, and benefits. Salary, wages, and benefits decreased overall by \$7.3 million, or -20.5%, mostly related to the significant decrease in compensation-related unfunded liabilities in fiscal year 2021. Total Benefits include employer contributions to health care, health and welfare, and post-retirement benefits. The following highlights the changes within these categories:

- *Employer share of employee health care costs*, including the hospitalization, health and welfare fund was \$11.4 million in fiscal year 2022 and \$1.0 million, or 9.2%, higher than fiscal year 2021, related to health care rate increases.
- *Employer share of postretirement health care* was \$3.3 million, a decrease of \$0.1 million, or -3.9%, compared to fiscal year 2021, related to lower rates of the faculty, non-represented, SCUPA, Coaches, Nurses and SPFPA employee groups.
- *Employer contributions to defined benefit pension plans* to fund net pension liabilities was \$8.4 million, an increase of \$0.2 million, or 11.2%, compared to fiscal year 2021. The SERS plan expense was \$7.6 million representing a 1.5%, or \$0.1 million, increase from fiscal year 2021, the PSERS plan expense was \$0.9 million representing a 9.7%, or \$0.1 million, increase from fiscal year 2021.
- *Employer contributions to the Alternative Retirement Plan (ARP)*, a defined contribution plan, was mostly flat as compared to fiscal year 2021, to a total of \$4.0 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 \$66.0 million in fiscal year 2022, a total increase of \$16.2 million, or 32.5%, from fiscal year 2021 operating expenses of \$49.8 million. Fiscal year 2022 student aid was \$17.7 million representing a 30.6%, or \$4.1 million, increase from fiscal year 2021. Services, supplies, and utilities increased \$11.2 million, or 49.9%, relating to a return to a higher density of the campus after COVID. The following page shows the statement of operating revenues, operating, and non-operating expenses, and changes in net position:

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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<b>Slippery Rock University</b>			
<b>Statement of Revenues, Expenses, and Change in Net Position</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Net Tuition and Fees	\$ 72,552,839	\$ 76,965,239	\$ 78,786,856
Governmental Grants and Contracts:			
Federal	1,058,354	1,123,741	1,137,123
State	7,346,614	6,905,171	7,560,976
Local	4,753,138	5,036,409	5,234,122
Nongovernmental Grants and Contracts	58,521	112,601	157,535
Sales and Service	1,395,539	720,804	1,723,116
Auxiliary Enterprises Net of Discounts	19,366,665	8,790,987	18,361,902
Other Revenues, net	706,799	882,961	633,951
<b>Total Operating Revenues</b>	<b>107,238,469</b>	<b>100,537,912</b>	<b>113,595,581</b>
<b>EXPENSES</b>			
<b>Operating Expenses:</b>			
Instruction	63,303,642	66,535,645	63,372,799
Research	291,294	254,974	276,194
Public Service	552,908	477,993	1,054,746
Academic Support	11,281,819	9,526,082	11,107,411
Student Services	17,212,230	16,588,351	16,207,601
Institutional Support	24,003,469	23,908,280	21,756,172
Operations and Maintenance of Plant	12,837,586	12,111,614	12,323,774
Depreciation	10,890,421	10,927,266	10,415,471
Student Aid	17,541,602	13,369,892	13,350,512
Auxiliary Enterprises	14,622,602	9,978,227	14,213,372
<b>Total Operating Expenses</b>	<b>172,537,574</b>	<b>163,678,322</b>	<b>164,078,051</b>
<b>Operating Loss</b>	<b>(65,299,105)</b>	<b>(63,140,410)</b>	<b>(50,482,471)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations General and Restricted	41,536,545	39,786,283	39,786,283
Federal appropriations - CARES Act COVID Relief	2,036,980	2,211,824	545,738
Federal grants - CARES Act COVID Relief	19,890,772	12,716,974	6,629,219
CARES Act Emergency Student Aid Disbursed			
Investment Income Net of Related Investment Expense	722,079	1,256,108	2,156,041
Commonwealth on-behalf Contributions to PSERS	396,512	829,717	884,994
Pell Grants	10,041,840	10,591,985	11,108,881
Unrealized Increase (Decrease) in Fair Value			
Gifts for other than Capital Purposes			
Interest Expense on Capital Asset-Related Debt	(1,064,564)	(1,069,858)	(1,546,138)
Loss on Disposal of Assets	(4,629)	(5,625)	(1)
Other Nonoperating Revenue	126,103	6,479	90,610
<b>Net Nonoperating Revenues (Expenses)</b>	<b>73,681,638</b>	<b>66,323,887</b>	<b>59,655,628</b>
Income before other Revenues, Expenses, Gains, Losses	8,382,533	3,183,477	9,173,157
State Appropriations, Capital	2,232,723	1,608,503	1,393,893
Capital Gifts and Grants	44,598	1,971	425,257
Additions to Permanent Endowments			
Total Other Revenues	2,277,321	1,610,474	1,819,150
<b>Increase in Net Position</b>	<b>10,659,854</b>	<b>4,793,951</b>	<b>10,992,308</b>
<b>NET POSITION</b>			
Net Position - Beginning of Year	(86,468,982)	(91,262,933)	(102,255,241)
Net Position - End of Year	<u>\$ (75,809,128)</u>	<u>\$ (86,468,982)</u>	<u>\$ (91,262,933)</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2022 AND 2021**

**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 that the University's cash at the end of fiscal year 2022 was \$121.7 million, an increase of \$13.9 million from cash at the end of fiscal year 2021. Decreases in cash flow in operating activities are being offset by cash flows in non-capital financing activities as related to COVID relief funding.

**Slippery Rock University  
Statement of Cash Flows Summary**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>	\$ (54,653,403)	\$ (51,757,190)	\$ (42,486,050)
<b>Cash Flows from Noncapital Financing Activities</b>	73,632,240	63,092,942	60,379,851
<b>Cash Flows from Capital Financing Activities</b>	(5,787,749)	(7,931,983)	(18,433,439)
<b>Cash Flows from Investing Activities</b>	738,776	1,362,051	2,224,832
<b>Net Increase (Decrease) in cash</b>	13,929,865	4,765,820	1,685,194
<b>Cash and cash equivalents--beginning of year</b>	107,731,578	102,965,758	101,280,564
<b>Cash and cash equivalents--end of year</b>	<u>\$ 121,661,443</u>	<u>\$ 107,731,578</u>	<u>\$ 102,965,758</u>

**University Highlights and Future Considerations**

The University has demonstrated that it is fiscally strong, with historically strong enrollment and prudent management of financial resources. In the upcoming fiscal years of 2023 and beyond, there are several considerations to note with respect to the University's financial outlook.

*COVID Impacts to the University* – Beginning in March 2020, the University followed state recommendations and restrictions that required remote working and remote education. The University continued remote education through the summer 2020, and began fall 2020 with primarily remote offerings, continuing into the spring 2021. Fall 2021 began a return to campus for students and employees. Enrollment were a victim of the pandemic, with the fall 2021 entering class of 1,369 decreased from the pre-pandemic entering class for fall 2019 of 1,579.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2022 AND 2021**

**University Highlights and Future Considerations (Continued)**

While funding has become available through federal and state sources, including the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), American Rescue Plan Act (ARPA) and Coronavirus State Fiscal Recovery Funds (CSFRF) funds, qualifying expenses and lost revenue are a significant and ongoing concern that will take years to overcome. In the four years prior to fall 2021, the University's undergraduate FTE enrollment dropped at a rate of 1% per year. The fall 2021 drop in undergraduate FTE was -5.53%, or 454.7, FTE. Fall 2022 decreased -1.8%, or 139, student FTE over fall 2021. Financial issues related to lower enrollment were largely overcome or substantially mitigated in fiscal years 2020 through 22, with the curtailment of many traditional expenses due to changes in campus operations and support through COVID relief funding to offset lost revenue and COVID related expenses. Fiscal year 2023 and beyond reflect the challenges associated with the imbalance between decreased revenues and growing costs requiring implementation of strategies focused on mitigating the imbalance.

*Appropriation* – The Commonwealth has provided the State System with a historic increase of \$75.0 million, or 15.7%, for appropriations, resulting in operations of \$552.5 million for fiscal year 2023. The University's share of the appropriation will increase to \$51.3 million by \$9.7 million, or 23.4%, in fiscal year 2023. Future year's appropriation levels will be determined based on total state appropriation increases or decreases, as well as by the method that the State System allocates these funds. The State System recently undertook a System Redesign effort and one of the elements approved for fiscal year 2023 is a new allocation formula. Nonetheless, the Commonwealth of Pennsylvania remains near the bottom of all states for its state funding levels per student for higher education. In addition, future financial pressures on state government could result in future reductions in state support.

*Tuition and Fees* – For the fourth year, fiscal year 2023, 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 2023. Tuition and fee rates are currently unknown for years beyond fiscal year 2023.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2022 AND 2021**

*Enrollment* – While high school graduate demographic trends in Pennsylvania have been declining, enrollment at the University has maintained a historically strong base, in particular at the graduate level, for new programs. However, due to challenges presented from COVID, the University has experienced declines in the undergraduate student population, with an expected further in-state undergraduate decline in fiscal year 2023, and with plans for a slow return of incoming freshman class levels through fiscal year 2025. Future year projections of the incoming freshman class and a leveling graduate enrollment result in a modest overall enrollment increase of less than 1.0% through fiscal year 2025. The variability of the COVID pandemic, both short and long term, will continue to put the enrollment outlook at risk. The smaller first year classes and modest increases in new graduate students will continue to affect the University for the entire planning horizon. Competition among both public and private colleges and universities to maintain or increase enrollments will grow under these market conditions, requiring the University to be strategic in the areas of scholarship, marketing, financial aid, recruitment and program development. Furthermore, the University must plan accordingly its course of action to handle the projected decline in its traditional market of high school graduates beginning in 2026 and continuing for the next decade.

*Compensation Costs* – Fiscal year 2022 included salary/wage increases for all employee groups. Collective bargaining agreements are in place that project further increases year over year. As the largest expense, personnel costs are closely managed to ensure financial health. Practices such as Cabinet review of all positions, including replacements, has allowed us to capture higher levels of vacancy savings and evaluate options for movement of individuals around the University rather than replacing lines. However, despite the efforts to manage complement size, the annual compounded effects of CBA mandated salary and benefit increases in future years are projected 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 1-3 years. During fall 2019, the State 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. Sixty-one employees at the University have participated in an early retirement plan.

*Pension Costs and Health Care* – 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 1.68% in fiscal year 2022 and PSERS increased by 1.2%. Fiscal year 2023 and beyond assumes that these rates will continue to increase by an average of 2.0% and possibly decrease in the long term. Employee health care and annuitant health care are projected to increase 3.0% and 7.0%, respectively, in each year of long-term planning.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2022 AND 2021**

*State System Financial Risk Assessment* – Annually, the State System conducts a financial analysis for each of the institutions within the State System. This assessment uses select Board-approved metrics and other ratios as a review of the financial strength of State System 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 days of available cash.

This comprehensive measure is a tool that can be used to gauge financial stability, and identify areas of improvement, and it can be used to aid the University's mission and strategic direction, while monitoring financial risk. The latest assessment, issued in September 2022, showed that for the years 2020 - 22, the University had received an overall "green," or low risk, assessment, and has consistently maintained its risk profile over the years. However, the category that measures risk for student enrollment FTE changed from a "green" assessment to an "orange" assessment, indicating a lower three-year average enrollment indicator. Multi-year declines in enrollment, exceeding seven percent across three years will require the University to complete additional reporting requirements throughout fiscal year 2023. The University shows strong rankings in all other Board approved sustainability metrics, market demand, good stewardship of space and resources, and strong financial performance.

Slippery Rock University is a member of Pennsylvania's State System of Higher Education. Current State System redesign initiatives have integrated three universities in the west (California, Clarion and Edinboro) and three in the east (Bloomsburg, Lock Haven and Mansfield) into two institutions of higher education, effective July 1, 2022. Integration and additional system redesign efforts may impact various financial indicators as redesign efforts progress.

**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:

**Carrie Birckbichler**

Chief Financial & Data Officer  
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**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
BALANCE SHEETS – UNIVERSITY  
JUNE 30, 2022 AND 2021**

	2022	(Restated) 2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 121,661,443	\$ 107,731,578
Accounts Receivable:		
Governmental Grants and Contracts	551,896	6,621,943
Students, Net of Allowance for Doubtful Accounts of \$4,227,393 in 2022 and \$5,730,508 in 2021	2,824,403	2,710,931
Other	1,113,277	608,439
Due from Component Unit	614,620	1,597,628
Inventories	636,784	591,569
Prepaid Expenses and Other Assets	389,055	320,109
Current Portion of Conversion Pay Receivable	-	13,803
Current Portion of Loans Receivable	485,000	640,000
Investment Income Receivable	125,215	141,911
Current Portion of Leases Receivable	61,531	43,829
Due from Component Units - Lease Receivable	24,309	36,900
Total Current Assets	128,487,533	121,058,640
<b>NONCURRENT ASSETS</b>		
Conversion Pay Receivable	-	1,026
Loans Receivable, Net	938,769	3,144,903
Long-term Portion of Leases Receivable	720,703	655,030
Due From Component Units - Lease Receivable	645,533	952,691
Capital Assets, Net	132,192,891	141,015,760
Total Noncurrent Assets	134,497,896	145,769,410
Total Assets	262,985,429	266,828,050
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding of Debt	64,899	79,617
Pension Related	10,777,272	13,109,334
Other Postemployment Benefits Related	23,759,755	30,009,892
Total Deferred Outflows of Resources	34,601,926	43,198,843
Total Assets and Deferred Outflows of Resources	\$ 297,587,355	\$ 310,026,893

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
BALANCE SHEETS – UNIVERSITY (CONTINUED)  
JUNE 30, 2022 AND 2021**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	2022	(Restated) 2021
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 18,506,345	\$ 18,482,598
Unearned Revenue	5,144,923	5,146,234
Students' Deposits	535,085	488,452
Other Current Liabilities	536,796	620,876
Workers' Compensation	300,665	305,294
Compensated Absences	985,000	532,268
Postemployment Benefit Obligations	3,327,372	3,461,439
Bonds Payable	4,526,054	4,282,914
Current Portion of Lease Liabilities	270,803	254,570
Due to Component Units - Lease Liabilities	22,881	36,009
Due to Component Units	47,942	28,909
Due to System, Academic Facilities Renovation Bond Program (AFRP)	59,490	62,522
Total Current Liabilities	34,263,356	33,702,085
<b>NONCURRENT LIABILITIES</b>		
Workers' Compensation	146,715	404,993
Compensated Absences	12,662,219	12,943,646
Postemployment Benefit Obligations	151,289,714	159,553,127
Net Pension Liability	54,922,584	71,013,796
Long-Term Portion of Lease Liabilities	329,795	555,657
Bonds Payable	41,704,927	46,230,983
Unearned Revenue	73,430	35,145
Due to System, AFRP	219,561	279,050
Due to Component Units - Lease Liabilities	185,693	491,423
Other Noncurrent Liabilities	1,185,793	3,238,074
Total Noncurrent Liabilities	262,720,431	294,745,894
Total Liabilities	296,983,787	328,447,979
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Gain on Refunding of Debt	461,492	524,245
Pension Related	22,733,708	13,979,151
Lease Receivable	753,952	685,872
Lease Receivable Component Units	651,498	987,432
Other Postemployment Benefits Related	51,812,046	51,871,196
Total Deferred Inflows of Resources	76,412,696	68,047,896
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets	84,477,692	88,378,603
Restricted:		
Nonexpendable:		
Student Loans	264,881	616,105
Expendable:		
Capital Projects	3,949,254	3,637,150
Other	27,402	24,670
Unrestricted	(164,528,357)	(179,125,510)
Total Net Position (Deficit)	(75,809,128)	(86,468,982)
Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	\$ 297,587,355	\$ 310,026,893

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 – UNIVERSITY  
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>(Restated) 2021</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees	\$ 93,265,884	\$ 96,661,206
Less: Scholarship Discounts and Allowances	<u>(20,713,047)</u>	<u>(19,695,967)</u>
Net Tuition and Fees	72,552,837	76,965,239
Governmental Grants and Contracts:		
Federal	1,058,356	1,123,741
State	7,346,614	6,905,171
Local	4,753,138	5,036,409
Sales and Services of Educational Departments	1,395,539	720,804
Nongovernmental Grants and Contracts	58,521	112,601
Auxiliary Enterprises, Net of Scholarship Discounts and Allowances of \$292,166 in 2022 and \$291,144 in 2021	19,366,664	8,790,987
Other Revenues	<u>706,799</u>	<u>882,962</u>
Total Operating Revenues	107,238,468	100,537,914
<b>OPERATING EXPENSES</b>		
Instruction	63,303,642	66,535,645
Research	291,294	254,974
Public Service	552,908	477,993
Academic Support	11,281,819	9,526,082
Student Services	17,212,230	16,588,351
Institutional Support	24,003,469	23,908,280
Operations and Maintenance of Plant	12,837,586	12,111,614
Depreciation	10,890,421	10,927,266
Student Aid	17,541,602	13,369,892
Auxiliary Enterprises	<u>14,622,602</u>	<u>9,978,227</u>
Total Operating Expenses	<u>172,537,573</u>	<u>163,678,324</u>
<b>OPERATING LOSS</b>	(65,299,105)	(63,140,410)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations, General and Restricted	\$ 41,536,545	\$ 39,786,283
Federal and State Appropriations and Grants - COVID	21,927,752	14,928,798
Commonwealth On-Behalf Contributions to PSERS	396,512	829,717
Pell Grants	10,041,840	10,591,985
Investment Income, Net of Related Investment Expense of \$23,164 in 2022 and \$21,952 in 2021	722,079	1,256,108
Interest Expense on Capital Asset-Related Debt	(1,064,564)	(1,069,861)
Loss on Disposal of Assets	(4,629)	(5,625)
Other Nonoperating Revenue	126,103	6,480
Nonoperating Revenues, Net	<u>73,681,638</u>	<u>66,323,885</u>
<b>INCOME BEFORE OTHER REVENUES</b>	8,382,533	3,183,475
<b>OTHER REVENUES</b>		
State Appropriations, Capital	2,232,723	1,608,503
Other Gifts and Grants	44,598	1,971
Total Other Revenues	<u>2,277,321</u>	<u>1,610,474</u>
<b>INCREASE IN NET POSITION (DEFICIT)</b>	10,659,854	4,793,949
Net Position (Deficit) - Beginning of Year	<u>(86,468,982)</u>	<u>(91,262,931)</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ (75,809,128)</u>	<u>\$ (86,468,982)</u>

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENTS OF CASH FLOWS – UNIVERSITY  
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>(Restated) 2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Tuition and Fees	\$ 72,388,245	\$ 77,921,209
Grants and Contracts	19,216,455	9,226,497
Payments to Suppliers for Goods and Services	(36,408,328)	(25,588,027)
Payments to Employees	(112,324,737)	(107,646,536)
Loans Collected from Students	2,361,134	564,794
Student Aid	(17,650,435)	(13,512,142)
Auxiliary Enterprise Charges	19,323,486	8,923,841
Sales and Services of Educational Departments	1,395,539	666,021
Other Operating Receipts	<u>(2,954,761)</u>	<u>(2,392,986)</u>
Net Cash Used by Operating Activities	(54,653,402)	(51,837,329)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	43,573,525	39,786,283
Gifts and Nonoperating Grants for Other than Capital Purposes	29,932,612	23,308,959
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	68,090,052	68,432,303
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(68,090,052)	(68,432,303)
Agency Transactions	-	(8,779)
Other	<u>126,103</u>	<u>6,479</u>
Net Cash Provided by Noncapital Financing Activities	73,632,240	63,092,942
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Capital Debt and Leases	-	11,747,509
Capital Appropriations	2,232,723	1,608,503
Capital Grants and Gifts Received	44,598	1,971
Purchases of Capital Assets	(2,318,546)	(4,058,776)
Principal Paid on Debt and Leases	(3,862,977)	(15,018,881)
Interest Paid on Debt and Leases	<u>(1,883,547)</u>	<u>(2,122,269)</u>
Net Cash Used by Capital Financing Activities	(5,787,749)	(7,841,943)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	<u>738,776</u>	<u>1,352,150</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	13,929,865	4,765,820
Cash and Cash Equivalents - Beginning of Year	<u>107,731,578</u>	<u>102,965,758</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 121,661,443</u>	<u>\$ 107,731,578</u>

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENTS OF CASH FLOWS – UNIVERSITY (CONTINUED)  
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>(Restated) 2021</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Net Operating Loss	\$ (65,299,105)	\$ (63,140,410)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	10,890,421	10,927,266
Expenses Paid by Commonwealth or Donor	396,512	829,717
Changes in Assets and Liabilities:		
Receivables	5,956,575	(4,531,417)
Leases Receivable	1,088,658	-
Inventories	(45,216)	(17,078)
Other Assets	424,053	(1,040,930)
Accounts Payable	30,115	(95,858)
Unearned Revenue	36,974	1,586,576
Students' Deposits	46,632	55,927
Compensated Absences	171,304	2,784,569
Loans to Students and Employees	2,361,134	564,794
Postemployment Benefits Liability (OPEB)	(8,397,480)	26,193,252
Defined Benefit Pension Liability	(16,091,212)	(4,275,039)
Other Liabilities	(2,380,234)	(464,107)
Deferred Outflows of Resources Related to Pension	2,332,062	(4,008,010)
Deferred Outflows of Resources Related to OPEB	6,250,137	(22,010,864)
Deferred Inflows of Resources Related to Pension	8,754,557	6,416,837
Deferred Inflows of Resources Related to OPEB	(59,150)	(1,612,554)
Deferred Inflows of Resources Related to Lease Receivable	(1,120,139)	-
Net Cash Used by Operating Activities	<u>\$ (54,653,402)</u>	<u>\$ (51,837,329)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND CAPITAL FINANCING ACTIVITIES</b>		
Capital Assets Acquired by New Capital Leases	<u>\$ 52,776</u>	<u>\$ -</u>
Commonwealth On-Behalf Contributions to PSERS	<u>\$ 396,512</u>	<u>\$ 829,717</u>
Lessor leases issued with 3rd parties	<u>\$ 127,204</u>	<u>\$ -</u>
Lessor leases issued with comp units	<u>\$ 725,080</u>	<u>\$ -</u>

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, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 18,437,700	\$ 17,720,597
Investments	41,110,403	43,289,266
Accounts Receivable, Other	233,327	365,195
Due from University	47,942	27,665
Pledges Receivable	772,491	1,257,969
Inventories and Prepaid Expenses	488,472	466,845
Total Current Assets	61,090,335	63,127,537
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	90,308,949	94,326,132
Restricted Cash and Certificates of Deposit	11,345,157	6,240,743
Other Assets	167,691	479,881
Total Noncurrent Assets	101,821,797	101,046,756
Total Assets	\$ 162,912,132	\$ 164,174,293
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 3,235,931	\$ 248,862
Due to University	614,619	1,597,628
Annuity Liabilities	218,035	247,965
Other Liabilities	795,133	800,165
Total Current Liabilities	4,863,718	2,894,620
<b>NONCURRENT LIABILITIES</b>		
Notes Payable	100,972,229	101,560,025
Total Liabilities	105,835,947	104,454,645
<b>NET ASSETS</b>		
Without Donor Restrictions	17,706,692	16,922,745
With Donor Restrictions	39,369,493	42,796,903
Total Net Assets	57,076,185	59,719,648
Total Liabilities and Net Assets	\$ 162,912,132	\$ 164,174,293

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, 2022 AND 2021**

	2022	2021
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES AND OTHER ADDITIONS</b>		
Contributions	\$ 127,814	\$ 64,592
Sales and Service	3,813,894	2,719,723
Student Activity Fees	2,390,367	1,264,826
Grants and Contracts	920,575	1,564,216
Rental Income	13,209,645	4,432,620
Investment Income	54,199	93,154
Other Revenues and Gains	301,995	108,199
Net Assets Released from Restriction	3,637,979	2,847,420
Total Revenues and Other Additions	24,456,468	13,094,750
<b>EXPENSES AND OTHER DEDUCTIONS</b>		
Program Services:		
Scholarships and Grants	3,237,054	3,216,443
Student Activities	2,162,490	1,112,335
University Store	2,861,289	2,487,239
Housing	12,334,934	11,518,655
Other Programs	1,430,298	1,048,742
Management and General	1,089,111	980,782
Fundraising	253,258	265,710
Total Expenses	23,368,434	20,629,906
Other Expenses and Losses	304,087	46,883
Total Expenses and Other Deductions	23,672,521	20,676,789
Change in Net Assets Without Donor Restrictions	783,947	(7,582,039)
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	2,595,995	2,722,185
Investment Income	(2,445,926)	9,777,683
Other Revenue and Gains	60,500	34,655
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	(3,637,979)	(2,847,420)
Change in Net Assets With Donor Restrictions	(3,427,410)	9,687,103
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(2,643,463)	2,105,064
Net Assets - Beginning of Year	59,719,648	57,614,584
<b>NET ASSETS - END OF YEAR</b>	\$ 57,076,185	\$ 59,719,648

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, 2022 AND 2021**

2022	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	
Natural Expense										
Salaries and Benefits	\$ 260,314	\$ -	\$ 639,642	\$ 1,350,835	\$ 298,443	\$ 2,549,234	\$ 594,694	\$ 70,639	\$ 665,333	\$ 3,214,567
Gifts and Grants	2,930,804	62,805	-	-	71,694	3,065,303	-	946	946	3,066,249
Supplies and Travel	19,228	923,673	1,930,653	-	305,600	3,179,154	-	3,390	3,390	3,182,544
Services and Professional Fees	16,511	782,098	6,521	1,806,939	522,840	3,134,909	207,429	17,393	224,822	3,359,731
Office and Occupancy	5,977	139,654	126,559	51,744	59,079	383,013	23,323	-	23,323	406,336
Depreciation	-	60,969	143,508	3,967,349	3,554	4,175,380	22,302	-	22,302	4,197,682
Interest	-	-	935	3,345,601	-	3,346,536	-	-	-	3,346,536
Other	4,220	193,291	13,471	1,812,466	169,088	2,192,536	241,363	160,890	402,253	2,594,789
Total Expenses	<b>\$ 3,237,054</b>	<b>\$ 2,162,490</b>	<b>\$ 2,861,289</b>	<b>\$ 12,334,934</b>	<b>\$ 1,430,298</b>	<b>\$ 22,026,065</b>	<b>\$ 1,089,111</b>	<b>\$ 253,258</b>	<b>\$ 1,342,369</b>	<b>\$ 23,368,434</b>

2021	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	
Natural Expense										
Salaries and Benefits	\$ 260,348	\$ -	\$ 546,182	\$ 1,274,889	\$ 310,286	\$ 2,391,705	\$ 624,666	\$ 148,249	\$ 772,915	\$ 3,164,620
Gifts and Grants	2,910,193	87,852	-	-	81,701	3,079,746	-	863	863	3,080,609
Supplies and Travel	19,030	282,791	1,656,052	-	201,094	2,158,967	-	711	711	2,159,678
Services and Professional Fees	14,989	399,343	3,680	1,349,286	379,161	2,146,459	122,311	19,156	141,467	2,287,926
Office and Occupancy	4,547	138,737	112,471	50,729	26,083	332,567	11,964	-	11,964	344,531
Depreciation	-	60,247	142,350	4,095,516	3,330	4,301,443	18,147	-	18,147	4,319,590
Interest	-	-	1,158	3,405,299	-	3,406,457	-	-	-	3,406,457
Other	7,336	143,365	25,346	1,342,936	47,087	1,566,070	203,694	96,731	300,425	1,866,495
Total Expenses	<b>\$ 3,216,443</b>	<b>\$ 1,112,335</b>	<b>\$ 2,487,239</b>	<b>\$ 11,518,655</b>	<b>\$ 1,048,742</b>	<b>\$ 19,383,414</b>	<b>\$ 980,782</b>	<b>\$ 265,710</b>	<b>\$ 1,246,492</b>	<b>\$ 20,629,906</b>

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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 14 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, 2022 and 2021.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**Reporting Entity (Continued)**

The Foundation is a legally separate, tax-exempt entity, which acts primarily as a fundraising 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 \$-0- and \$10,804 during the years ended June 30, 2022 and 2021, respectively. The Foundation has a receivable from the University of \$60 and \$134,528 as of June 30, 2022 and 2021, respectively. The Foundation has a payable to the University of \$129,365 and \$13,416 as of June 30, 2022 and 2021, respectively. The financial activity of the Foundation is presented as of June 30, 2022 and 2021.

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 \$510,747 and \$202,854 during the years ended June 30, 2022 and 2021, respectively. SRUF has a payable to the University for expenses associated with the student housing project of \$459,282 and \$1,583,702 as of June 30, 2022 and 2021, respectively. The financial activity of SRUF is presented as of June 30, 2022 and 2021.

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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

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, COVID grants, investment income, gifts for other than capital purposes, and parking and library fines are reported as nonoperating revenue.

**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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**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.

**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 under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the 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.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**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, 2022 and 2021.

**Leases**

The University routinely engages in lease agreements to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease contract. For all other contracts where the University is the lessee, that meet the requirements of GASB 87 and were in excess of the minimum dollar threshold, the University recognized a lease liability and an intangible right to use asset based on the present value of the future lease payments over the contracted term of the lease. Lease right to use assets are reported with capital assets, and lease liabilities are reported as long-term debt in the statement of net position. The right to use lease assets are amortized over the term of the lease, as the University is not expected to lease assets beyond the underlying asset's useful life. The University also serves as a lessor for certain real estate. For those agreements required to be capitalized, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

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

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

**Unearned Revenue**

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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.

**Reclassifications**

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on the previously reported net position or changes therein.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**New Accounting Standards**

In June 2017, GASB issued Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021. 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. Under this statement, a lessee is required to recognize a lease liability and an intangible right of use asset. A lessor is required to recognize a lease receivable, and a deferred inflow of resources for all leases with lease terms greater than 12 months. The adoption of this statement resulted in the recognition of lease related assets, liabilities, and deferred inflows of resources. Notes 6 and 7 provide details on the balances reported. The financial statements for the fiscal year ended June 30, 2021 were restated as summarized below. There was no impact to previously reported beginning net position at June 30, 2020.

Statement of Revenues, Expenses and Changes in Net Position	2021
Income, as previously reported	\$ 4,780,398
Implementation of GASB 87	
Operating Revenues	4,055
Operating Expenses	2,359
Nonoperating Revenues (Expenses)	7,137
Income, as restated	\$ 4,793,949

Balance Sheet at June 30, 2021	Balance as Previously Reported	GASB 87 Changes	Balance as Restated
Total Current Assets	\$ 120,977,911	\$ 80,729	\$ 121,058,640
Total Noncurrent Assets	143,497,564	2,271,846	145,769,410
Deferred Outflows of Resources	43,198,843	-	43,198,843
Total Assets and Deferred Outflows of Resources	\$ 307,674,318	\$ 2,352,575	\$ 310,026,893
Total Current Liabilities	\$ 33,612,621	\$ 89,464	\$ 33,702,085
Total Noncurrent Liabilities	294,169,638	576,256	294,745,894
Deferred Inflows of Resources	66,374,592	1,673,304	68,047,896
Net Position	(86,482,533)	13,551	(86,468,982)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	\$ 307,674,318	\$ 2,352,575	\$ 310,026,893

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 CONDENSED COMPONENT UNITS INFORMATION**

The following represents combining condensed statement of financial position information for the component units as of June 30, 2022:

	Association	Foundation	Housing	Total
Capital Assets, Net	\$ 4,218,041	\$ 2,422,121	\$ 83,668,787	\$ 90,308,949
Other Assets	14,632,788	44,090,610	13,879,785	72,603,183
Total Assets	<u>\$ 18,850,829</u>	<u>\$ 46,512,731</u>	<u>\$ 97,548,572</u>	<u>\$ 162,912,132</u>
Due to University	\$ 25,972	\$ 129,365	\$ 459,282	\$ 614,619
Long-Term Debt	-	-	100,972,229	100,972,229
Other Liabilities	937,013	285,641	3,026,445	4,249,099
Total Liabilities	<u>\$ 962,985</u>	<u>\$ 415,006</u>	<u>\$ 104,457,956</u>	<u>\$ 105,835,947</u>
Net Assets:				
Without Donor Restrictions	\$ 17,887,844	\$ 6,728,232	\$ (6,909,384)	\$ 17,706,692
With Donor Restrictions	-	39,369,493	-	39,369,493
Total Net Assets	<u>\$ 17,887,844</u>	<u>\$ 46,097,725</u>	<u>\$ (6,909,384)</u>	<u>\$ 57,076,185</u>

The following represents combining condensed statement of financial position information for the component units as of June 30, 2021:

	Association	Foundation	Housing	Total
Capital Assets, Net	\$ 4,259,375	\$ 2,430,621	\$ 87,636,136	\$ 94,326,132
Other Assets	14,385,526	47,562,670	7,899,965	69,848,161
Total Assets	<u>\$ 18,644,901</u>	<u>\$ 49,993,291</u>	<u>\$ 95,536,101</u>	<u>\$ 164,174,293</u>
Due to University	\$ 510	\$ 13,416	\$ 1,583,702	\$ 1,597,628
Long-Term Debt	97,325	-	101,462,700	101,560,025
Other Liabilities	800,420	352,830	143,742	1,296,992
Total Liabilities	<u>\$ 898,255</u>	<u>\$ 366,246</u>	<u>\$ 103,190,144</u>	<u>\$ 104,454,645</u>
Net Assets:				
Without Donor Restrictions	\$ 17,746,646	\$ 6,830,142	\$ (7,654,043)	\$ 16,922,745
With Donor Restrictions	-	42,796,903	-	42,796,903
Total Net Assets	<u>\$ 17,746,646</u>	<u>\$ 49,627,045</u>	<u>\$ (7,654,043)</u>	<u>\$ 59,719,648</u>

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**NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)**

The following represents combining statement of activities for the component units for the year ended June 30, 2022:

	<u>Association</u>	<u>Foundation</u>	<u>Housing</u>	<u>Total</u>
<b>Changes in Net Assets without Donor Restrictions</b>				
Revenues and Other Additions:				
Contributions	\$ -	\$ 127,814	\$ -	\$ 127,814
Sales and Service	3,197,116	616,778	-	3,813,894
Student Activity Fees	2,390,367	-	-	2,390,367
Grants and Contracts	581,755	338,820	-	920,575
Rental Income	-	63,996	13,145,649	13,209,645
Investment Income	29,205	8,524	16,470	54,199
Other Revenues and Gains	2,517	299,478	-	301,995
Net Assets Released from Restriction	-	3,637,979	-	3,637,979
Total Revenues and Other Additions	<u>6,200,960</u>	<u>5,093,389</u>	<u>13,162,119</u>	<u>24,456,468</u>
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	306,250	2,930,804	-	3,237,054
Student Activities	2,162,490	-	-	2,162,490
University Stores	2,861,289	-	-	2,861,289
Housing	-	-	12,334,934	12,334,934
Other Programs	374,664	1,055,634	-	1,430,298
Management and General	355,069	661,516	72,526	1,089,111
Fundraising	-	253,258	-	253,258
Other Expenses and Losses	-	294,087	10,000	304,087
Total Expenses and Other Deductions	<u>6,059,762</u>	<u>5,195,299</u>	<u>12,417,460</u>	<u>23,672,521</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	141,198	(101,910)	744,659	783,947
<b>Changes in Net Assets With Donor Restrictions</b>				
Contributions	-	2,595,995	-	2,595,995
Investment Income	-	(2,445,926)	-	(2,445,926)
Other Revenue and Gains	-	60,500	-	60,500
Net Assets Released from Restrictions	-	(3,637,979)	-	(3,637,979)
Increase in Net Assets With Donor Restrictions	<u>-</u>	<u>(3,427,410)</u>	<u>-</u>	<u>(3,427,410)</u>
<b>CHANGES IN NET ASSETS</b>	141,198	(3,529,320)	744,659	(2,643,463)
Net Assets - Beginning of Year	<u>17,746,646</u>	<u>49,627,045</u>	<u>(7,654,043)</u>	<u>59,719,648</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,887,844</u>	<u>\$ 46,097,725</u>	<u>\$ (6,909,384)</u>	<u>\$ 57,076,185</u>

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**NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)**

The following represents combining statement of activities for the component units for the year ended June 30, 2021:

	<u>Association</u>	<u>Foundation</u>	<u>Housing</u>	<u>Total</u>
<b>Changes in Net Assets Without Donor Restrictions</b>				
Revenues and Other Additions:				
Contributions	\$ -	\$ 64,592	\$ -	\$ 64,592
Sales and Service	2,506,828	212,895	-	2,719,723
Student Activity Fees	1,264,826	-	-	1,264,826
Grants and Contracts	550,016	1,014,200	-	1,564,216
Rental Income	-	63,374	4,369,246	4,432,620
Investment Income	34,568	3,511	55,075	93,154
Other Revenues and Gains	13,176	95,023	-	108,199
Net Assets Released from Restriction	-	2,847,420	-	2,847,420
Total Revenues and Other Additions	<u>4,369,414</u>	<u>4,301,015</u>	<u>4,424,321</u>	<u>13,094,750</u>
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	316,260	2,900,183	-	3,216,443
Student Activities	1,112,335	-	-	1,112,335
University Store	2,487,239	-	-	2,487,239
Housing	-	-	11,518,655	11,518,655
Other Programs	355,314	693,428	-	1,048,742
Management and General	333,619	560,028	87,135	980,782
Fundraising	-	265,710	-	265,710
Other Expenses and Losses	-	46,883	-	46,883
Total Expenses and Other Deductions	<u>4,604,767</u>	<u>4,466,232</u>	<u>11,605,790</u>	<u>20,676,789</u>
Increase in Net Assets Without Donor Restrictions	(235,353)	(165,217)	(7,181,469)	(7,582,039)
<b>Changes in Net Assets With Donor Restrictions</b>				
Contributions	-	2,722,185	-	2,722,185
Investment Income	-	9,777,683	-	9,777,683
Other Revenue and Gains	-	34,655	-	34,655
Net Assets Released from Restrictions	-	(2,847,420)	-	(2,847,420)
Increase in Net Assets With Donor Restrictions	<u>-</u>	<u>9,687,103</u>	<u>-</u>	<u>9,687,103</u>
<b>CHANGES IN NET ASSETS</b>	(235,353)	9,521,886	(7,181,469)	2,105,064
Net Assets - Beginning of Year	<u>17,981,999</u>	<u>40,105,159</u>	<u>(472,574)</u>	<u>58,664,719</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,746,646</u>	<u>\$ 49,627,045</u>	<u>\$ (7,654,043)</u>	<u>\$ 59,719,648</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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**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 \$109,770,518 and \$103,852,570 at June 30, 2022 and 2021, 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.

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**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.

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**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 active markets for similar assets, or quoted prices in inactive markets for identical assets, or whose values are based on models and the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability.

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

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

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**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](http://www.passhe.edu). The University had no local investments recorded at fair value as of June 30, 2022 and 2021.

On June 30, 2022 and 2021, the carrying amount of the University's demand and time deposits were \$11,890,925 and \$3,879,008, respectively, as compared to bank balances of \$11,780,413 and \$3,731,826, respectively. The differences are primarily caused by items in transit and outstanding checks. Of the bank balances at June 30, 2022 and 2021, \$250,000 was covered by federal government depository insurance; and \$11,448,298 and \$3,392,302, 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, 2022 and 2021, 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:

	2022	2021
Equity Securities - Level 1	\$ 33,008,093	\$ 20,230,562
Equity Securities - Level 2	-	16,177,172
Fixed Income - Level 1	7,768,910	2,312,886
Fixed Income - Level 2	-	4,410,246
Real Estate - Level 3	333,400	158,400
Total	<u>\$ 41,110,403</u>	<u>\$ 43,289,266</u>

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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**NOTE 5 CAPITAL ASSETS, NET**

The classification of capital assets and related depreciation at June 30, 2022 is as follows:

	Life	Beginning Balance July 1, 2021 (Restated)	2021-22 Additions	2021-22 Retirements/ Adjustments	2021-22 Transfers	Balance June 30, 2022
Land		\$ 11,701	\$ -	\$ -	\$ -	\$ 11,701
Construction in Progress		9,724,329	-	(1,816,503)	(6,701,850)	1,205,976
Total Capital Assets Not Being Depreciated		9,736,030	-	(1,816,503)	(6,701,850)	1,217,677
Buildings, Including Improvements	40/20	215,985,325	2,157,670	-	6,704,741	224,847,736
Improvements Other Than Buildings	20	14,324,868	-	-	-	14,324,868
Furnishings and Equipment	3-10	26,957,546	1,936,396	(579,143)	(2,891)	28,311,908
Library Books	10	6,712,997	40,986	(47,033)	-	6,706,950
Right To Use Assets		1,656,397	52,775	(346,795)	-	1,362,377
Total Capital Assets Being Depreciated		265,637,133	4,187,827	(972,971)	6,701,850	275,553,839
Less: Accumulated Depreciation						
Buildings, Including Improvements		(92,600,180)	(8,634,791)	-	-	(101,234,971)
Improvements Other Than Buildings		(11,667,121)	(574,822)	-	-	(12,241,943)
Furnishings and Equipment		(23,421,107)	(1,305,419)	574,514	-	(24,152,012)
Library Books		(6,348,814)	(83,827)	47,033	-	(6,385,608)
Right To Use Assets		(320,181)	(291,562)	47,652	-	(564,091)
Total Accumulated Depreciation		(134,357,403)	(10,890,421)	669,199	-	(144,578,625)
Total Capital Assets Being Depreciated, Net		131,279,730	(6,702,594)	(303,772)	6,701,850	130,975,214
Capital Assets, Net		\$ 141,015,760	\$ (6,702,594)	\$ (2,120,275)	\$ -	\$ 132,192,891

The classification of capital assets and related depreciation at June 30, 2021 is as follows:

	Life	Balance July 1, 2020 (Restated)	2020-21 Additions (Restated)	2020-21 Retirements/ Adjustments (Restated)	2020-21 Transfers (Restated)	Ended Balance June 30, 2021 (Restated)
Land		\$ 11,701	\$ -	\$ -	\$ -	\$ 11,701
Construction in Progress		9,442,877	1,945,825	-	(1,664,373)	9,724,329
Total Capital Assets Not Being Depreciated		9,454,578	1,945,825	-	(1,664,373)	9,736,030
Buildings, Including Improvements	40/20	213,546,460	774,492	-	1,664,373	215,985,325
Improvements Other Than Buildings	20	14,324,868	-	-	-	14,324,868
Furnishings and Equipment	3-10	27,289,702	1,304,939	(598,193)	(1,038,902)	26,957,546
Library Books	10	6,761,097	33,520	(81,620)	-	6,712,997
Right To Use Assets		-	1,656,397	-	-	1,656,397
Total Capital Assets Being Depreciated		261,922,127	3,769,348	(679,813)	625,471	265,637,133
Less: Accumulated Depreciation						
Buildings, Including Improvements		(84,387,740)	(8,212,440)	-	-	(92,600,180)
Improvements Other Than Buildings		(11,092,299)	(574,822)	-	-	(11,667,121)
Furnishings and Equipment		(22,417,108)	(1,962,024)	591,214	366,811	(23,421,107)
Library Books		(6,340,137)	(90,297)	81,620	-	(6,348,814)
Right To Use Assets		-	(320,181)	-	-	(320,181)
Total Accumulated Depreciation		(124,237,284)	(11,159,764)	672,834	366,811	(134,357,403)
Total Capital Assets Being Depreciated, Net		137,684,843	(7,390,416)	(6,979)	992,282	131,279,730
Capital Assets, Net		\$ 147,139,421	\$ (5,444,591)	\$ (6,979)	\$ (672,091)	\$ 141,015,760

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**NOTE 6 LEASES RECEIVABLE**

The University routinely leases various land or facilities to third parties and component units. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occurred.

The lease revenue, interest income and variable lease income for the fiscal year ended June 30, 2022 and 2021 are summarized in the following schedule.

	June 30, 2022		(Restated) June 30, 2021	
	Third Party	Component Unit	Third Party	Component Unit
	Lease Revenue	\$ 59,125	\$ 20,694	\$ 54,024
Interest Income	10,185	10,392	9,901	-
Total	<u>\$ 69,310</u>	<u>\$ 31,086</u>	<u>\$ 63,925</u>	<u>\$ 36,791</u>

Total future minimum lease payments to be received under lease agreements are as follows:

Fiscal Year Ending June 30	Third Parties		Component Units	
	Principal	Interest	Principal	Interest
2023	\$ 61,531	\$ 10,824	\$ 24,309	\$ 10,048
2024	89,642	10,163	25,730	9,683
2025	72,089	9,122	27,193	9,297
2026	73,623	8,034	28,699	8,889
2027	76,012	6,916	30,249	8,459
2028 - 2032	287,439	20,144	176,148	34,997
2033 - 2037	121,898	2,689	222,273	20,443
2038 - 2040	-	-	135,241	3,777
Total	<u>\$ 782,234</u>	<u>\$ 67,892</u>	<u>\$ 669,842</u>	<u>\$ 105,593</u>

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**NOTE 6 LEASES RECEIVABLE (CONTINUED)**

The following summary provides aggregated information reported for June 30, 2022 and 2021 lease receivables including additions, reductions for the years then ended.

	July 1, 2021	Additions	Retirements	June 30, 2022
Lease Receivable - Third Parties	\$ 698,859	\$ 127,204	\$ (43,829)	\$ 782,234
Lease Receivable - Component Units	989,591	725,080	(1,044,829)	669,842
Total	<u>\$ 1,688,450</u>	<u>\$ 852,284</u>	<u>\$ (1,088,658)</u>	<u>\$ 1,452,076</u>
	July 1, 2020	Additions (Restated)	Retirements (Restated)	June 30, 2021 (Restated)
Lease Receivable - Third Parties	\$ -	\$ 698,859	\$ -	\$ 698,859
Lease Receivable - Component Units	-	989,591	-	989,591
Total	<u>\$ -</u>	<u>\$ 1,688,450</u>	<u>\$ -</u>	<u>\$ 1,688,450</u>

In July 2020, the University entered into a lease-leaseback arrangement. Under the arrangement, the University leases ground to a component unit. The lease receivable and deferred inflow under this arrangement were \$1,040,320. The University leases office space in buildings built and owned by the component unit on the leased land and determined that, as the lessee, the initial lease liability and related lease asset are \$315,240. As a result, a net lease receivable of \$669,842 and \$692,773 and related deferred inflow of \$651,498 and \$688,289 were recorded in the statement of net position at June 30, 2022 and June 30, 2021, respectively.

**NOTE 7 RIGHT OF USE LEASES AND FINANCED PURCHASES**

The University routinely leases various facilities and equipment instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2022 or 2021. Interest expense on these leases for the fiscal years ended June 30, 2022 and 2021 totaled \$14,270 and \$12,385, respectively.

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**NOTE 7 RIGHT OF USE LEASES AND FINANCED PURCHASES (CONTINUED)**

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

Fiscal Year Ending June 30	Right To Use Leases With Third Parties		Right To Use Leases With Component Units	
	Principal	Interest	Principal	Interest
2023	\$ 270,802	\$ 7,337	\$ 22,881	\$ 3,129
2024	237,492	3,292	23,745	2,785
2025	81,470	482	24,632	2,429
2026	10,834	102	25,542	2,060
2027	-	-	111,774	4,266
Total	<u>\$ 600,598</u>	<u>\$ 11,213</u>	<u>\$ 208,574</u>	<u>\$ 14,669</u>

The following summary provides aggregated information reported for June 30, 2022 and 2021 on right of use lease liabilities including additions, reductions and reported liabilities for the years then ended.

	Balance as of June 30, 2021 (Restated)	2021-22 Additions	2021-22 Reductions	Balance as of June 30, 2022
Lease Liability - Third Parties	\$ 810,227	\$ 52,776	\$ (262,405)	\$ 600,598
Lease Liability - Component Units	527,432	-	(318,858)	208,574
Total	<u>\$ 1,337,659</u>	<u>\$ 52,776</u>	<u>\$ (581,263)</u>	<u>\$ 809,172</u>

	Balance as of June 30, 2020 (Restated)	2020-21 Additions (Restated)	2020-21 Reductions (Restated)	Balance as of June 30, 2021 (Restated)
Lease Liability - Third Parties	\$ 1,054,512	\$ -	\$ (244,285)	\$ 810,227
Lease Liability - Component Units	552,432	-	(25,000)	527,432
Total	<u>\$ 1,606,944</u>	<u>\$ -</u>	<u>\$ (269,285)</u>	<u>\$ 1,337,659</u>

**NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

	2022	2021
Employees	\$ 12,898,196	\$ 11,823,329
Supplies and Services	2,363,576	1,154,879
Other	3,173,928	5,427,378
Interest	70,645	77,012
Total	<u>\$ 18,506,345</u>	<u>\$ 18,482,598</u>

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**NOTE 9 UNEARNED REVENUE**

Unearned revenue consisted of the following at June 30:

	2022	2021
Grants	\$ 52,094	\$ 122,313
Students	4,880,809	5,022,935
Other	285,450	36,131
Total	<u>\$ 5,218,353</u>	<u>\$ 5,181,379</u>

**NOTE 10 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, 2022 and 2021 are as follows:

	2022				
	Weighted Average Interest Rate	Balance July 01, 2021	Bonds Issued	Bonds Redeemed	Balance June 30, 2022
Series AI issued in August 2008	4.44 %	\$ 128,866	\$ -	\$ (30,364)	\$ 98,502
Series AQ issued in July 2015	4.49 %	521,942	-	(120,977)	400,965
Series AT issued in September 2016	3.46 %	6,115,445	-	(284,673)	5,830,772
Series AU issued in September 2017	3.51 %	23,929,427	-	(1,629,210)	22,300,217
Series AW issued in September 2019	4.69 %	5,693,937	-	(570,360)	5,123,577
Series AX issued in September 2019	3.85 %	6,407,860	-	(581,895)	5,825,965
Series AY issued in September 2019	1.48 %	3,156,338	-	(300,857)	2,855,481
Total Bonds Payable		<u>\$ 45,953,815</u>	<u>\$ -</u>	<u>\$ (3,518,336)</u>	42,435,479
Plus: Unamortized Bond Premium					3,805,511
Less: Unamortized Bond Discount					<u>(10,009)</u>
Outstanding - June 30, 2022					46,230,981
Less: Current Portion					<u>(4,526,054)</u>
Bonds Payable, Net of Current Portion					<u>\$ 41,704,927</u>

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**NOTE 10 BONDS PAYABLE (CONTINUED)**

	2021				
Weighted Average Interest Rate	Balance July 01, 2020	Bonds Issued	Bonds Redeemed	Balance June 30, 2021	
Series AI issued in August 2008	4.44 %	\$ 157,817	\$ -	\$ (28,951)	\$ 128,866
Series AL issued in July 2010	5.00 %	8,447,999	-	(8,447,999)	-
Series AM issued in July 2011	4.61 %	3,201,174	-	(3,201,174)	-
Series AQ issued in July 2015	4.49 %	637,418	-	(115,476)	521,942
Series AT issued in September 2016	3.46 %	6,781,722	-	(666,277)	6,115,445
Series AU issued in September 2017	3.51 %	25,476,661	-	(1,547,234)	23,929,427
Series AW issued in September 2019	4.69 %	5,734,111	-	(40,174)	5,693,937
Series AX issued in September 2019	3.85 %	-	7,016,396	(608,536)	6,407,860
Series AY issued in September 2019	1.48 %	-	3,156,338	-	3,156,338
Total Bonds Payable		\$ 50,436,902	\$ 10,172,734	\$ (14,655,821)	45,953,815
Plus: Unamortized Bond Premium					4,573,367
Less: Unamortized Bond Discount					(13,285)
Outstanding - June 30, 2021					50,513,897
Less: Current Portion					(4,282,914)
Bonds Payable, Net of Current Portion					\$ 46,230,983

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 (\$3,176,534 and \$3,888,247 was outstanding as of June 30, 2022 and 2021, 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, 2022 and 2021, the balance owed by the University to the State System's AFRP pool of funding was \$279,051 and \$341,572, respectively.

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**NOTE 10 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		2023	2024	2025	2026	2027	2027-2031	2032-2036	2037-2041	Total
AI	Principal	\$ 98,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,502
	Interest	562	-	-	-	-	-	-	-	562
	Total	99,064	-	-	-	-	-	-	-	99,064
AQ	Principal	127,164	133,578	140,223	-	-	-	-	-	400,965
	Interest	20,048	13,690	7,011	-	-	-	-	-	40,749
	Total	147,212	147,268	147,234	-	-	-	-	-	441,714
AT	Principal	301,418	314,815	331,560	348,306	365,051	2,113,278	2,056,344	-	5,830,772
	Interest	266,320	251,249	235,508	218,930	201,515	715,366	209,653	-	2,098,541
	Total	567,738	566,064	567,068	567,236	566,566	2,828,644	2,265,997	-	7,929,313
AU	Principal	1,721,329	1,454,934	1,534,074	1,617,489	1,709,247	7,722,394	6,540,750	-	22,300,217
	Interest	843,409	764,682	698,801	628,486	554,167	1,763,684	614,873	-	5,868,102
	Total	2,564,738	2,219,616	2,232,875	2,245,975	2,263,414	9,486,078	7,155,623	-	28,168,319
AW	Principal	675,019	708,285	677,173	710,926	745,734	1,606,440	-	-	5,123,577
	Interest	256,179	222,428	187,014	153,155	117,609	121,459	-	-	1,057,844
	Total	931,198	930,713	864,187	864,081	863,343	1,727,899	-	-	6,181,421
AX	Principal	609,938	640,786	673,036	705,285	741,741	2,455,179	-	-	5,825,965
	Interest	291,298	260,801	228,762	195,110	159,846	249,514	-	-	1,385,331
	Total	901,236	901,587	901,798	900,395	901,587	2,704,693	-	-	7,211,296
AY	Principal	302,619	305,088	307,557	311,084	315,316	1,313,818	-	-	2,855,482
	Interest	42,091	39,821	37,152	33,692	29,415	65,133	-	-	247,304
	Total	344,710	344,909	344,709	344,776	344,731	1,378,951	-	-	3,102,786
Total	Principal	3,835,989	3,557,486	3,663,623	3,693,090	3,877,089	15,211,109	8,597,094	-	42,435,480
	Interest	1,719,907	1,552,671	1,394,248	1,229,373	1,062,552	2,915,156	824,526	-	10,698,433
	Total	<u>\$ 5,555,896</u>	<u>\$ 5,110,157</u>	<u>\$ 5,057,871</u>	<u>\$ 4,922,463</u>	<u>\$ 4,939,641</u>	<u>\$ 18,126,265</u>	<u>\$ 9,421,620</u>	<u>\$ -</u>	<u>\$ 53,133,913</u>

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**NOTE 11 COMPENSATED ABSENCES**

Compensated absences for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current Portion	\$ 985,000	\$ 532,268
Noncurrent Portion	12,662,219	12,943,646
Total	<u>\$ 13,647,219</u>	<u>\$ 13,475,914</u>

Changes in the compensated absences liability were as follows:

	<u>2022</u>	<u>2021</u>
Balance - July 1	\$ 13,475,914	\$ 10,691,346
Current Change in Estimate	2,232,750	4,461,521
Payouts	<u>(2,061,445)</u>	<u>(1,676,953)</u>
Balance - June 30	<u>\$ 13,647,219</u>	<u>\$ 13,475,914</u>

**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), PASSHE Officers Association (POA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and Service Employees International Union (SEIU, Local 668), formerly Pennsylvania Social Services Union (PSSU), participate in the Retired Employees Health Program (REHP), which is a defined benefit healthcare plan sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). In addition to the above, any employee who participates in the Public School Employees' Retirement System (PSERS) pension plan is eligible to receive benefits from the PSERS Health Insurance Premium Assistance Program (Premium Assistance), a defined benefit plan, and all eligible retirees and their eligible dependents receive tuition waivers at any of the 14 State System universities.

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal years ended June 30, 2022 and 2021.

	System Plan		REHP	
	2022	2021	2022	2021
Net OPEB Liabilities	\$ 118,800,810	\$ 119,423,011	\$ 35,450,305	\$ 43,251,107
Deferred Outflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	15,439
Difference Between Expected and Actual Changes in Assumptions	-	-	29,173	37,613
Change in Proportions	14,903,957	19,169,161	4,317,845	5,611,184
Contributions after the Measurement Date	-	-	1,110,979	1,669,575
Measurement Date	<u>2,473,425</u>	<u>2,569,109</u>	<u>853,947</u>	<u>892,331</u>
Total Deferred Outflows of Resources	17,377,382	21,738,270	6,311,944	8,226,142
Deferred Inflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	342,588	-
Difference Between Expected and Actual Experience	12,676,558	17,107,342	17,200,643	20,752,496
Changes in Assumptions	11,525,837	8,162,663	4,972,041	3,351,633
Changes in Proportion	N/A	N/A	5,071,004	2,482,600
Total Deferred Inflows of Resources	<u>\$ 24,202,395</u>	<u>\$ 25,270,005</u>	<u>\$ 27,586,276</u>	<u>\$ 26,586,729</u>
OPEB Expense	\$ 5,144,498	\$ 8,368,617	\$ (4,033,110)	\$ (2,348,528)
Contributions Recognized by OPEB Plans	N/A	N/A	\$ 853,947	\$ 892,331
	Premium Assistance		Total	
	2022	2021	2022	2021
Net OPEB Liabilities	\$ 365,972	\$ 340,448	\$ 154,617,087	\$ 163,014,566
Deferred Outflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	698	595	698	16,034
Difference Between Expected and Actual Changes in Assumptions	3,402	3,148	32,575	40,761
Change in Proportions	38,987	13,868	19,260,789	24,794,213
Contributions after the Measurement Date	7,239	9,017	1,118,218	1,678,592
Measurement Date	<u>20,099</u>	<u>18,852</u>	<u>3,347,471</u>	<u>3,480,292</u>
Total Deferred Outflows of Resources	70,425	45,480	23,759,751	30,009,892
Deferred Inflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	342,588	-
Difference Between Expected and Actual Experience	-	-	29,877,201	37,859,838
Changes in Assumptions	4,884	7,486	16,502,762	11,521,782
Changes in Proportion	18,491	6,976	5,089,495	2,489,576
Total Deferred Inflows of Resources	<u>\$ 23,375</u>	<u>\$ 14,462</u>	<u>\$ 51,812,046</u>	<u>\$ 51,871,196</u>
OPEB Expense	\$ 49,411	\$ 47,902	\$ 1,160,799	\$ 6,067,991
Contributions Recognized by OPEB Plans	\$ 20,099	\$ 18,852	\$ 874,046	\$ 911,183

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$2,473,425 for the System Plan, \$853,947 for the REHP plan, and \$20,099 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2022. 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 Ending June 30,</u>	<u>Amortization</u>		
	<u>System Plan</u>	<u>REHP</u>	<u>Premium Assistance</u>
2023	\$ (4,822,839)	\$ (8,504,541)	\$ 4,361
2024	(2,788,783)	(6,780,071)	4,361
2025	(127,462)	(3,734,215)	7,326
2026	(1,559,352)	(1,572,152)	5,408
2027	-	(1,537,299)	2,878
Thereafter	-	-	2,617

**System Plan**

Plan Description

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

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

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**System Plan (Continued)**

Plan Description (Continued)

A total of 11,872 individuals are covered by the benefit terms (down from 12,122 in the prior actuarial valuation), including 6,897 active employees that may be entitled to receive benefit payments upon retirement, 53 retired participants entitled to but not yet receiving benefits, and 4,922 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, 2022.

- 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

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**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, 2022 is based is dated July 1, 2020, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 5.5% in 2020 through 2023, with rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on a generational projection using Scale MP-2020 to reflect mortality improvement.
- The discount rate increased from 1.86% to 2.28%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2021.
- Participant data is based on census information as of July 1, 2020.
- Rates of withdrawal vary by age and years of service.
- 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.

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**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, 2022, 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 3.0%) or one percentage point higher (6.5% decreasing to 5.0%) than the current healthcare cost trend rates (5.5% decreasing to 4.0%).

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 3.0%)	Healthcare Cost Trend Rates 5.5% decreasing to 4.0%	1% Increase (6.5% decreasing to 5.0%)
2022	\$ 97,402,965	\$ 118,800,810	\$ 146,789,862

The following presents what the System Plan's net OPEB liability was at June 30, 2021, as well as what the liability would be if it had been calculated using healthcare cost trend rates that were one percentage point lower (4.5% decreasing to 3.0%) or one percentage point higher (6.5% decreasing to 5.0%) than the June 30, 2019, healthcare cost trend rates used (5.5% decreasing to 4.0%).

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 3.0%)	Healthcare Cost Trend Rates 5.5% decreasing to 4.0%	1% Increase (6.5% decreasing to 5.0%)
2021	\$ 98,208,533	\$ 119,423,011	\$ 147,222,191

The following presents the University's net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.28%) or one percentage point higher (3.28%) than the current discount rate (2.28%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.28%	Current Rate 2.28%	1% Increase 3.28%
2022	\$ 140,363,859	\$ 118,800,810	\$ 101,727,821

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**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, 2021, as well as what the liability would have been if it had been calculated using a discount rate that was one percentage point lower (0.86%) or one percentage point higher (2.86%) than the current discount rate (1.86%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 0.86%	Current Rate 1.86%	1% Increase 2.86%
2021	\$ 141,880,445	\$ 119,423,011	\$ 101,710,496

OPEB Liability

The University's portion of the System Plan's total OPEB liability as of June 30, 2022 of \$118,800,809 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to July 1, 2021.

The University's portion of the System Plan's total OPEB liability as of June 30, 2021 of \$119,423,011 was measured as of July 1, 2020 and was determined by an actuarial valuation as of July 1, 2020.

Changes in the System Plan Total OPEB Liability		
	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021
Beginning Balance	\$ 119,423,011	\$ 100,250,611
Service Cost	3,678,913	2,596,414
Interest	2,257,065	3,392,525
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience	-	(11,772,767)
Changes in Assumptions	(7,521,023)	22,841,075
Benefit Payments	962,843	2,115,153
Net Changes	(622,202)	19,172,400
Ending Balance	\$ 118,800,809	\$ 119,423,011

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**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. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity, but is reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR) as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The CAFR is an audited financial statement and is available at [www.budget.pa.us](http://www.budget.pa.us).

The REHP provides eligible retirees and their eligible dependents with subsidized healthcare for the retiree's lifetime. Benefits include healthcare, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the plan they choose. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Non-spouse 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, 2022.

- 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.

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**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 \$230 per pay period for each current REHP eligible active employee during the period July 1, 2020 through January 15, 2021, and \$0 from January 16, 2021 through June 30, 2021. The rate during the period July 1, 2021, through June 30, 2022 was \$120 per pay period.

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the June 30, 2021 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 6.9%, with rates gradually decreasing to 4.0% in 2075 and later, based on the SOA-Getzen trend rate model version 2020\_b for the December 31, 2020 measurement date.
- Average career salary growth of 2.50% per year and an assumed 2.80% 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, 2020, for the June 30, 2021, measurement date; and as of December 31, 2019, for the June 30, 2020, measurement date.

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**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 3.63% as of June 30, 2021, and 2.21% as of June 30, 2020.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the index 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40.0 %	5.8%
International Equity	27.0	6.3%
Fixed Income	23.0	2.1%
Real Estate	8.0	5.1%
Cash and Cash Equivalents	1.5	0.4%
Private Equity	0.5	9.3%
Total	100.0 %	

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 4.026% for the measurement date of June 30, 2021 and 4.275% for the measurement date of June 30, 2020.

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**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, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.9% decreasing to 3.0%) or one percentage point higher (7.9% decreasing to 5.0%) than the current healthcare cost trend rates (6.9% decreasing to 4.0%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.9% decreasing to 3.0%)	Healthcare Cost Trend Rates 6.9% decreasing to 4.0%	1% Increase (7.9% decreasing to 5.0%)
2022	\$ 30,147,379	\$ 35,450,305	\$ 42,063,943

The following presents what the University's share of the REHP net OPEB liability was at June 30, 2021, as well as what the liability would have been if it had been calculated using healthcare cost trend rates that were one percentage point lower (5.6% decreasing to 3.1%) or one percentage point higher (7.6% decreasing to 5.1%) than the healthcare cost trend rates used (6.6% decreasing to 4.1%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.6% decreasing to 3.1%)	Healthcare Cost Trend Rates 6.6% decreasing to 4.1%	1% Increase (7.5% decreasing to 5.1%)
2021	\$ 36,760,870	\$ 43,251,107	\$ 51,361,316

The following presents the University's share of the REHP net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) or one percentage point higher (4.63%) than the current discount rate (3.63%).

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.63%	Current Rate 3.63%	1% Increase 4.63%
2022	\$ 40,619,929	\$ 35,450,305	\$ 31,152,768

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**REHP (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

The following presents what the University's share of the REHP net OPEB liability was at June 30, 2021, as well as what the liability would have been if it had been calculated using a discount rate that was one percentage point lower (1.21%) or one percentage point higher (3.21%) than the healthcare cost trend rates used (2.21%).

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
2021	\$ 49,354,048	\$ 43,251,107	\$ 38,171,181

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](http://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, 2020, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

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**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 0.82% of covered payroll for the fiscal years ended June 30, 2022 and 0.84% of covered payroll for the fiscal year ended June 30, 2021. 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 0.41% 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, 2021 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2020, to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2020.
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019, determined the employer contribution rate for fiscal year 2020-21.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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**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 2.18% at June 30, 2021, and 2.66% at June 30, 2020.
- 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 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, 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, 2021.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8 %	0.1%
U.S. Core Fixed Income	17.5	0.7%
Non-U.S. Developed Fixed	2.7	(0.3%)
Total	100.0 %	

The net OPEB liability was measured as of June 30, 2021, 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, 2020, to June 30, 2021. 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 0.1770% and 0.1852% for the measurement dates of June 30, 2021 and 2020, respectively.

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**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, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 6%) or one percentage point higher (between 6% and 8%) than the current healthcare cost trend rates (between 5% and 7%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	Healthcare Cost Trend Rates Between 4.0% and 6.0%	Healthcare Cost Trend Rates Between 5.0% and 7.0%	Healthcare Cost Trend Rates Between 6.0% and 8.0%
2022	\$ 365,885	\$ 365,972	\$ 365,972

The following presents what the University's share of the Premium Assistance net OPEB liability was at June 30, 2021, as well as what the liability would have been if it had been calculated using healthcare cost trend rates that were one percentage point lower (between 4.0% and 6.5%) or one percentage point higher (between 6.0% and 8.5%) than the healthcare cost trend rates used (between 5.0% and 7.5%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	Healthcare Cost Trend Rates Between 4.0% and 6.5%	Healthcare Cost Trend Rates Between 5.0% and 7.5%	Healthcare Cost Trend Rates Between 6.0% and 8.5%
2021	\$ 340,363	\$ 340,448	\$ 340,448

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current discount rate (2.18%).

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.18%	Current Rate 2.18%	1% Increase 3.18%
2022	\$ 419,961	\$ 365,972	\$ 321,490

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Premium Assistance (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

The following presents what the University's share of the Premium Assistance net OPEB liability was at June 30, 2021, as well as what the liability would have been if it had been calculated using a discount rate that was one percentage point lower (1.66%) or one percentage point higher (3.66%) than the discount rate used (2.66%).

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.66%	Current Rate 2.66%	1% Increase 3.66%
2021	\$ 388,087	\$ 340,448	\$ 300,891

**NOTE 13 PENSION BENEFITS**

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

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**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, 2022 and 2021.

	SERS		PSERS		ARP		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Net Pension Liabilities	<u>\$ 48,453,041</u>	<u>\$ 63,215,439</u>	<u>\$ 6,469,543</u>	<u>\$ 7,798,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,922,584</u>	<u>\$ 71,013,796</u>
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	\$ 319,923	\$ 593,517	\$ 4,788	\$ 20,394	\$ -	\$ -	\$ 324,711	\$ 613,911
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	-	-	342,695	-	-	-	342,695
Changes in Assumptions	4,986,819	7,029,270	313,820	-	-	-	5,300,639	7,029,270
Difference Between Employer Contributions and Proportionate Share of Contributions	206,270	151,450	32,505	18,870	-	-	238,775	170,320
Changes in Proportion	35,061	260,499	52,318	125,695	-	-	87,379	386,194
Contributions after the Measurement Date	<u>3,974,846</u>	<u>3,791,354</u>	<u>850,921</u>	<u>775,590</u>	<u>-</u>	<u>-</u>	<u>4,825,767</u>	<u>4,566,944</u>
Total Deferred Outflows of Resources	<u>\$ 9,522,919</u>	<u>\$ 11,826,090</u>	<u>\$ 1,254,352</u>	<u>\$ 1,283,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,777,271</u>	<u>\$ 13,109,334</u>
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	\$ 278,892	\$ 70,899	\$ 85,039	\$ 186,878	\$ -	\$ -	\$ 363,931	\$ 257,777
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	14,018,721	8,088,084	1,029,782	-	-	-	15,048,503	8,088,084
Difference Between Employer Contributions and Proportionate Share of Contributions	107,509	209,725	-	-	-	-	107,509	209,725
Changes in Proportion	<u>6,897,374</u>	<u>5,314,765</u>	<u>316,392</u>	<u>108,800</u>	<u>-</u>	<u>-</u>	<u>7,213,766</u>	<u>5,423,565</u>
Total Deferred Inflows of Resources	<u>\$ 21,302,496</u>	<u>\$ 13,683,473</u>	<u>\$ 1,431,213</u>	<u>\$ 295,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,733,709</u>	<u>\$ 13,979,151</u>
Pension Expense	<u>\$ 2,703,712</u>	<u>\$ 5,210,860</u>	<u>\$ 1,063,225</u>	<u>\$ 1,948,549</u>	<u>\$ 4,005,364</u>	<u>\$ 3,983,046</u>	<u>\$ 7,772,301</u>	<u>\$ 11,142,455</u>
Contributions Recognized by Pension Plans	<u>\$ 7,543,918</u>	<u>\$ 7,438,179</u>	<u>\$ 850,921</u>	<u>\$ 775,590</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 8,394,839</u>	<u>\$ 8,213,769</u>

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

The University will recognize the \$3,974,846 reported as 2022 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$850,921 reported as 2022 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

<u>Fiscal Year Ended June 30,</u>	Amortization	
	SERS	PSERS
2023	\$ (3,375,422)	\$ (265,608)
2024	(5,801,435)	(232,418)
2025	(3,671,229)	(202,424)
2026	(2,832,018)	(327,331)
2027	(74,318)	-

**SERS**

Plan Description

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

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

Benefits Provided (Continued)

Employees who were hired prior to January 1, 2011, and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members, but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

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

Contributions

The contribution rate for both active members and the 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 2017/18, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 120.

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**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 32.19% of active members' annual covered payroll at June 30, 2022, with less common rates ranging between 25.90% and 29.98%, 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 17.59% or 17.34% 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 16.06% 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, 2022, 2021, and 2020, were \$7,543,918, \$7,438,179, and \$7,588,446, respectively, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 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, 2022, depending upon the plan chosen by the employee. The University recognized \$2,703,712 in SERS defined contribution pension expense for the year ended June 30, 2022 and \$5,210,860 for the year ended June 30, 2021. 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.

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**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 19th Investigation of Actuarial Experience study for the period 2015–2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the 19th Investigation of Actuarial Experience at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its July 2020 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.125% to 7.00%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2021, measurement date.

- Entry age actuarial cost method.
- Investments amortized on a straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees who are provided benefits.
- Inflation of 2.50%.
- Investment return of 7.00%, net of manager fees and including inflation.
- Salary increases based on an average of 4.60%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

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**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 manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2021 and 2020, are summarized below.

Asset Class	December 31, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	12.0 %	6.00%
Private Credit	4.0	4.25
Real Estate	7.0	3.75
U.S. Equity	31.0	4.60
International Developed Markets Equity	14.0	4.50
Emerging Markets Equity	5.0	4.90
Fixed Income	22.0	0.03
Inflation Protection (TIPS)	3.0	0.03
Cash	2.0	1.00
Total	100.0 %	

Asset Class	December 31, 2020	
	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	14.0 %	6.25%
Private Credit	4.0	4.25
Real Estate	8.0	5.60
U.S. Equity	25.0	4.90
International Developed Markets Equity	13.0	4.75
Emerging Markets Equity	4.0	5.00
Fixed Income - Core	22.0	1.50
Fixed Income - Opportunistic	4.0	3.00
Inflation Protection (TIPS)	4.0	1.50
Cash	2.0	0.25
Total	100.0 %	

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total SERS pension liability was 7.00%. 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, 2022, calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) 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 6.0%	Current Rate 7.0%	1% Increase 8.0%
2022	\$ 61,196,284	\$ 48,453,041	\$ 26,234,028

The following presents what the University's proportionate share of the SERS net pension liability was at June 30, 2021, calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) 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 6.0%	Current Rate 7.0%	1% Increase 8.0%
2021	\$ 79,028,622	\$ 63,215,439	\$ 43,022,654

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

Proportionate Share

At June 30, 2022, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2021, was \$48,453,041. At June 30, 2021, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2020, was \$63,215,439.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2021 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2022/23, from the December 31, 2021, funding valuation, to the expected funding payroll. For the allocation of the December 2020 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2021/22, from the December 31, 2020, funding valuation, to the expected funding payroll. At the December 31, 2021, measurement date, the University's proportion was 4.178%, a decrease of 0.242% from its proportion calculated as of the December 31, 2020 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](http://www.psers.state.pa.us).

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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**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 of 2010 preserved the benefits of members who joined prior to July 1, 2011, and introduced benefit reductions for individuals who become new members on or after July 1, 2011, through June 30, 2019, by creating two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must complete a minimum of 35 years of service with a combination of age and service that totals 92 or greater, or they must work until age 65 with a minimum of three years of service.

Depending upon membership class, benefits are generally 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.

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2022, was 34.94% 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 17.02% of covered payroll. The University's contribution to PSERS for the year ending June 30, 2022, June 30, 2021, and June 30, 2020, was \$850,921, \$775,590, and \$748,426, 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 ending June 30, 2022, 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 years ended June 30, 2020 and June 30, 2021 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, 2021 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2020, to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date - June 30, 2020.
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on 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.

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**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, 2021.

Asset Class	2021	
	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	27.0 %	5.2%
Private Equity	12.0	7.3
Fixed Income	35.0	1.8
Commodities	10.0	2.0
Absolute Return	8.0	3.1
Infrastructure/MLPs	8.0	5.1
Real Estate	10.0	4.7
Cash	3.0	0.1
Leverage	(13.0)	0.1
Total	100.0 %	

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

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2022, calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) 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 6.0%	Current Rate 7.0%	1% Increase 8.0%
2022	\$ 8,491,506	\$ 6,469,543	\$ 4,763,881

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

Actuarial Assumptions (Continued)

The following presents what the University's proportionate share of the PSERS net pension liability was at June 30, 2021, 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%
2021	\$ 9,648,190	\$ 7,798,357	\$ 6,231,226

Proportionate Share

At June 30, 2022 and 2021, 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:

	2022	2021
Total PSERS Net Pension Liability		
Associated with the University	\$ 12,939,086	\$ 15,596,714
Commonwealth's Proportionate Share of the PSERS Net Pension Liability		
Associated with the University	6,469,543	7,798,357
University's Proportionate Share of the PSERS Net Pension Liability	\$ 6,469,543	\$ 7,798,357

PSERS measured the 2022 and 2021 net pension liabilities as of June 30, 2021, and June 30, 2020, 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, 2021, the University's proportion was 0.1777%, a decrease of 0.0079% from its proportion calculated as of June 30, 2020.

**ARP**

The ARP is a defined contribution pension plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The University's contribution rate on June 30, 2022 and 2021, was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2022 and 2021, were \$4,005,364 and \$3,983,046, respectively, from the University; and \$2,155,739 and \$2,143,729, respectively, from active members. No liability is recognized for the ARP.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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**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 \$54,316 and \$10,385 to the Reserve Fund during the years ended June 30, 2022 and 2021, 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
2022	\$ 710,287	\$ 58,131	\$ (321,038)	\$ 447,380
2021	604,865	224,700	(119,278)	710,287
2020	745,521	68,996	(209,652)	604,865

**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 \$3,640,525 at June 30, 2022 and \$3,901,817 at June 30, 2021.

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**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, 2022 and 2021, the Foundation held \$24,125,101 and \$22,715,143, 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 2022 and 2021 fiscal years, the Foundation provided the following support to the University:

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 2,930,804	\$ 2,900,183
Support of University Programs	1,055,634	693,428

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 \$268,595 and \$101,759 in 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the University paid the Foundation \$338,820 and \$861,800, 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, 2022 and 2021, the Association received \$2,390,367 and \$1,264,826, respectively, in student activity fees from the University.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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**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, 2021.

Authorized expenditures for construction projects unexpended as of June 30, 2022 and 2021 were \$4,560,670 and \$665,840, respectively.

**NOTE 17 RATINGS ACTIONS**

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

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
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REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022 AND 2021  
(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
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%
2020/21	4.4196%	63,215	23,289	271.4%	67.0%
2021/22	4.1777%	48,453	22,247	217.8%	76.0%

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
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%
2020/21	7,438	7,438	-	23,239	32.01%
2021/22	7,544	7,544	-	23,436	32.19%

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022 AND 2021  
(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	PSERS
	State Systems Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total		Share of NPL as a % of Covered- Employee Payroll	Net Fiduciary as a % of Total Pension Liability
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%
2020/21	0.1856%	7,798	7,798	15,596	740	1100%	54.3%
2021/22	0.1777%	6,470	6,470	12,939	749	900%	63.7%

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
2017/18	\$ 643	\$ 643	\$ -	\$ 4,056	15.9%
2018/19	700	700	-	4,304	16.3%
2019/20	748	748	-	4,484	16.7%
2020/21	776	776	-	4,603	16.9%
2021/22	851	851	-	5,000	17.0%

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022 AND 2021  
(UNAUDITED)**

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

<b>Changes in the System Plan Total OPEB Liability</b>	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021
Total OPEB Liability - Beginning Balance	\$ 119,423,011	\$ 100,250,611
Service Cost	3,678,913	2,596,414
Interest	2,257,065	3,392,525
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	(11,772,767)
Changes in Assumptions	(7,521,023)	22,841,075
Benefit Payments	962,843	2,115,153
Net Changes	<u>(622,202)</u>	<u>19,172,400</u>
Total OPEB Liability - Ending Balance	<u>\$ 118,800,809</u>	<u>\$ 119,423,011</u>
Covered Employee Payroll	\$ 48,650,576	\$ 46,930,016
OPEB Liability as a Percent of Covered Payroll	244.19%	254.47%

*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, 2022 AND 2021  
(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%
2020/21	4.275%	43,251	9,536	454%	3.7%
2021/22	4.026%	35,450	9,012	393%	3.7%

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%
2020/21	892	892	-	11,948	8.2%
2021/22	854	854	-	11,325	7.5%

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022 AND 2021  
(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	PERS
	State Systems Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total		Share of Net OPEB Liability as a % of Covered- Employee Payroll	Net Position as a % of Total OPEB Liability
2019/20	0.1886%	\$ 329	\$ 329	\$ 658	\$ 4,265	7.7%	5.6%
2020/21	0.1852%	340	340	680	4,423	7.7%	5.6%
2021/22	0.1770%	366	366	732	4,378	8.4%	5.7%

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%
2020/21	19	19	-	4,603	0.4%
2021/22	20	20	-	5,000	0.4%