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

FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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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 year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the discretely presented component units, Slippery Rock Student Government Association, Slippery Rock University Foundation (SRUF), and SRUF Campus Housing Inc. and Subsidiary, which statements reflect total assets, net position, and revenues constituting 100%, 100%, and 100%, respectively, of the 2023 assets, net position, and revenues of the discretely presented component units for the year 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. 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 ten universities and the System Office of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2023 the changes in its financial position, or, where applicable, its cash flows for the year 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

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

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

Required Supplementary Information

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

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 30, 2023

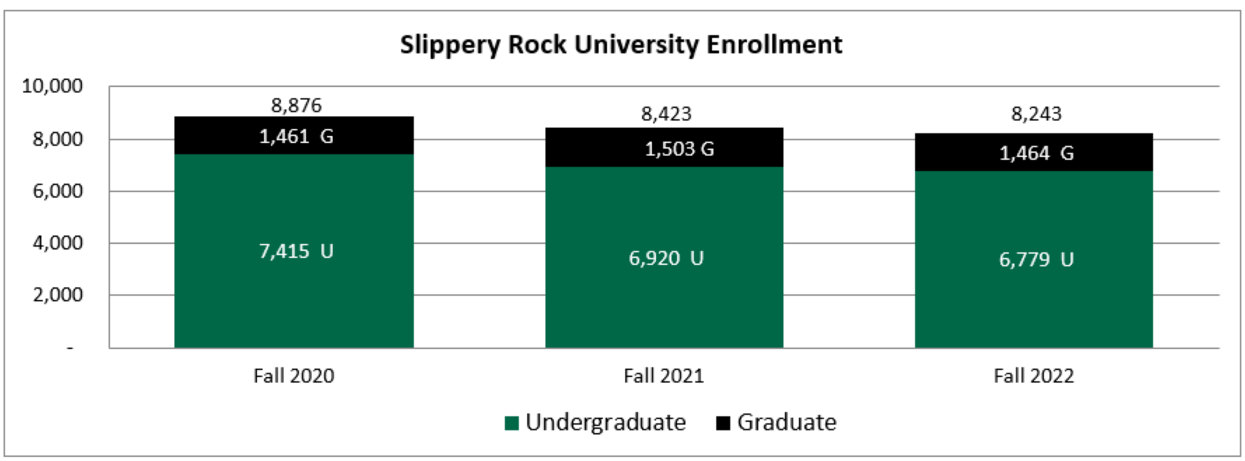
Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Slippery Rock University of Pennsylvania (the University) for the year ended June 30, 2023. The University's financial performance is discussed and analyzed within the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

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 8,243 students in Fall 2022.

The following is an overview of the University's financial activities for the year ended June 30, 2023, as compared to the prior year ended June 30, 2022 and 2021. Because of rounding, certain increases or decreases may vary slightly from audited financials.

Financial Highlights

Enrollment for Fall 2022 was a total headcount of 8,243, for an overall decrease of 180, or 2.1%, compared to the prior year. Enrollment included 6,779 undergraduate students, which is a decrease of 141, or 2.0% over the prior year, and 1,464 graduate students, for a decrease of 39, or 2.6% over the prior year. Compared to the prior year, Fall 2022 total enrollment was comprised of 7,236 resident students, which is a decrease of 197, or 2.7%, and it includes 841 non-resident students and 166 international students, for a total of 1,007 non-resident students, at an increase of 17, or 1.7%. The chart below summarizes a three-year trend of undergraduate and graduate enrollment:



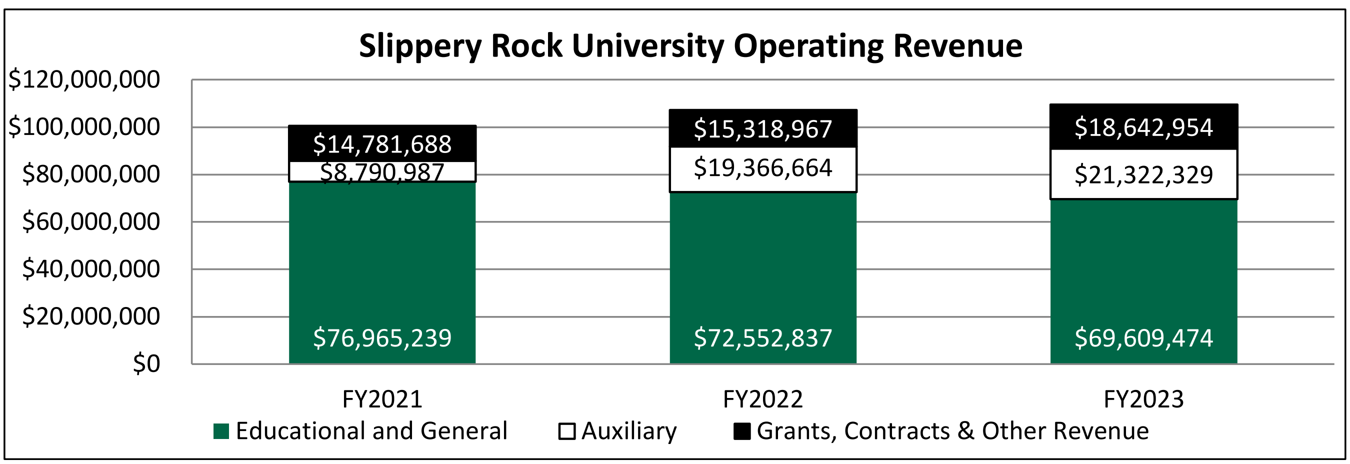
- The State System's Board of Governors (the Board) approved a flat annual full-time tuition rate for the fifth year for undergraduate resident students in fiscal year 2023.

- The total Commonwealth appropriation to the State System in fiscal year 2023 was $552.47 million, or 15.7% higher than the prior fiscal year. The University's share of the appropriation was $51.3 million, which represents a $9.7 million or 23.4% increase from fiscal year 2022.

- Capital appropriations, which include appropriations for furnishings and equipment for Commonwealth Key 93 funded construction, was $1.8 million, or $0.4 million and 18.3% lower than the prior fiscal year 2022 appropriation of $2.2 million.

- Educational and General Fund (E&G) tuition and fee revenue, net of discounts and allowances, was $69.6 million in fiscal year 2023 and $2.9 million lower than the prior fiscal year 2022. Auxiliary revenue, net of discounts and allowances, was $21.3 million in fiscal year 2023 and $2.0 million higher than the prior fiscal year 2022.

The chart below summarizes the 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:

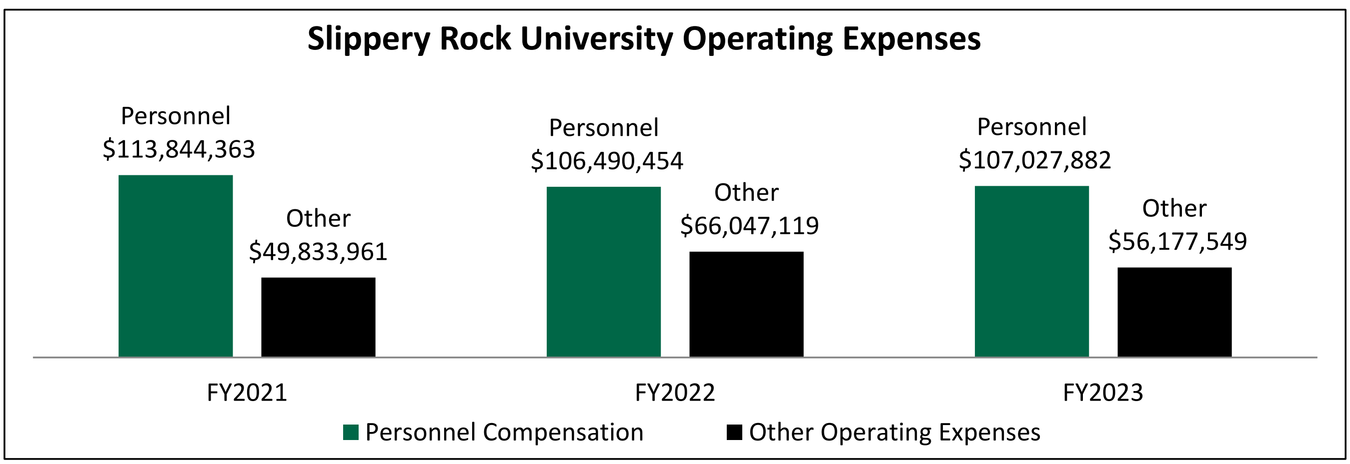


- E&G fund personnel expenses, excluding compensation expenses related to unfunded liabilities, were $111.7 million and $2.9 million, or 2.7%, higher in fiscal year 2023 as compared to fiscal year 2022 personnel expense of $108.8 million. During this time, most employee groups experienced contractual pay increases and a merit increase for non-represented employees.

- Total E&G personnel compensation, including expenses related to unfunded liabilities, was $101.8 million, which included ($9.9) million of unfunded liabilities for pension and health care costs. The compensation expense related to unfunded liabilities was ($3.7) million more than the prior year's liability of ($6.2) million.

- E&G fund total services, supplies, other charges, and capital expenditures were $27.0 million for fiscal year 2023 and $1.8 million, or -6.4%, lower than fiscal year 2022 expenditures of $28.8 million, related to one-time expenditures in 2022 not recurring in 2023.

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.

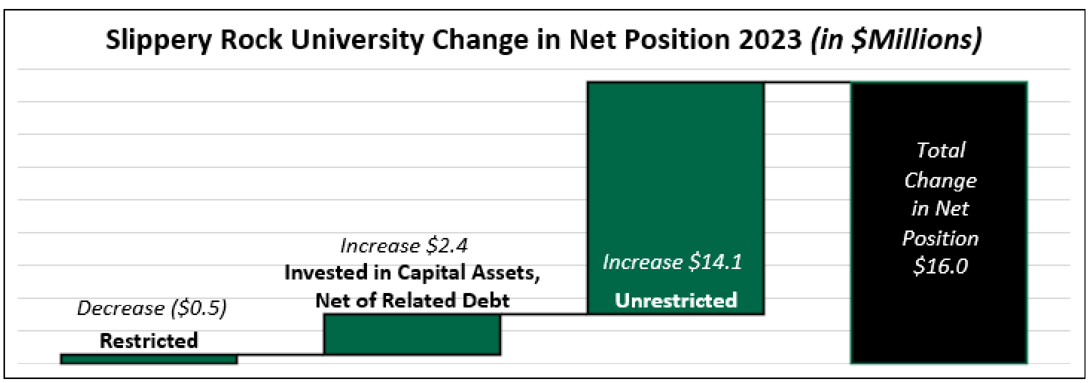


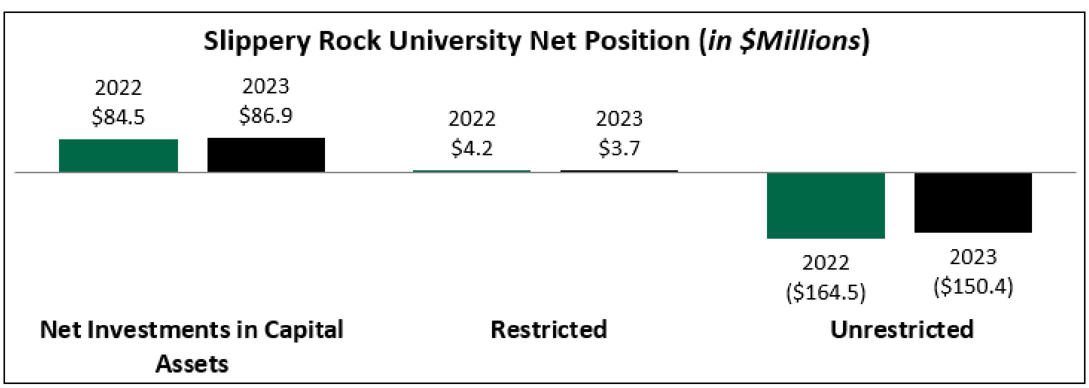
Financial Statements

Balance Sheet

The balance sheet reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year. Assets include cash investments reported at fair value, the value of outstanding receivables due from students and from other parties, and land, buildings, and equipment reported at cost, less accumulated depreciation. Liabilities include payments due to vendors and students, the balance of bonds payable, and liabilities such as worker's compensation (the University is self-insured), compensated absences (the value of sick and annual leave earned by employees), and post-retirement benefits (benefits expected to be paid to certain current and future retirees). The difference between the assets, deferred outflows of resources and liabilities, and deferred inflows of resources is reported as net position. Net position in fiscal year 2023 increased by $16.0 million to ($59.8) million, from fiscal year 2022 net position of ($75.8) million.

The following chart shows the total net position change of fiscal year 2023, by category, and the next chart shows the end of year net position, by category, for fiscal years 2023 and 2022.





The following is a summary of the balance sheet for fiscal years 2023, 2022, and 2021.

Balance Sheet Summary	2023	2022	2021
ASSETS			
Cash & Cash Equivalents	$ 129,466,907	$ 121,661,443	$ 107,731,578
Other Current Assets	7,775,652	6,826,090	13,327,062
Total Current Assets	137,242,559	128,487,533	121,058,640
Capital Assets, net	131,455,049	132,192,890	141,015,760
Other Noncurrent Assets	1,255,545	2,305,005	4,753,651
Total Noncurrent Assets	132,710,594	134,497,895	145,769,411
TOTAL ASSETS	269,953,153	262,985,428	266,828,051
Total Deferred Outflows of Resources	41,695,416	34,601,926	43,198,842
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 311,648,569	$ 297,587,354	$ 310,026,893
LIABILITIES			
Accounts Payable & Accrued Expenses	$ 14,630,459	$ 18,506,345	$ 18,482,597
Unearned Revenue	14,590,641	5,144,923	5,146,234
Other Current Liabilities	10,927,579	10,612,089	10,073,254
Total Current Liabilities	40,148,679	34,263,356	33,702,085
Compensated Absences and Pension Postretirement Benefit Obligations	205,965,949	219,021,231	243,915,563
Bonds Payable	37,537,225	41,704,928	46,230,983
Other Noncurrent Liabilities	1,393,270	1,994,271	4,599,350
Total Noncurrent Liabilities	244,896,444	262,720,431	294,745,895
TOTAL LIABILITIES	285,045,123	296,983,787	328,447,980
Total Deferred Inflows of Resources	86,431,232	76,412,695	68,047,896
NET POSITION			
Invested in Capital Assets, Net of Related Debt	86,945,179	84,477,692	88,378,603
Restricted	3,666,375	4,241,538	4,277,925
Unrestricted	(150,439,340)	(164,528,358)	(179,125,510)
Total Net Position	(59,827,786)	(75,809,128)	(86,468,982)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 311,648,569	$ 297,587,354	$ 310,026,893

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 to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling university land and buildings without prior approval.

Restricted net position represents the balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. 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 if 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 decreased by $4.2 million to $9.5 million on June 30, 2023. Similar to the post-retirement 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.

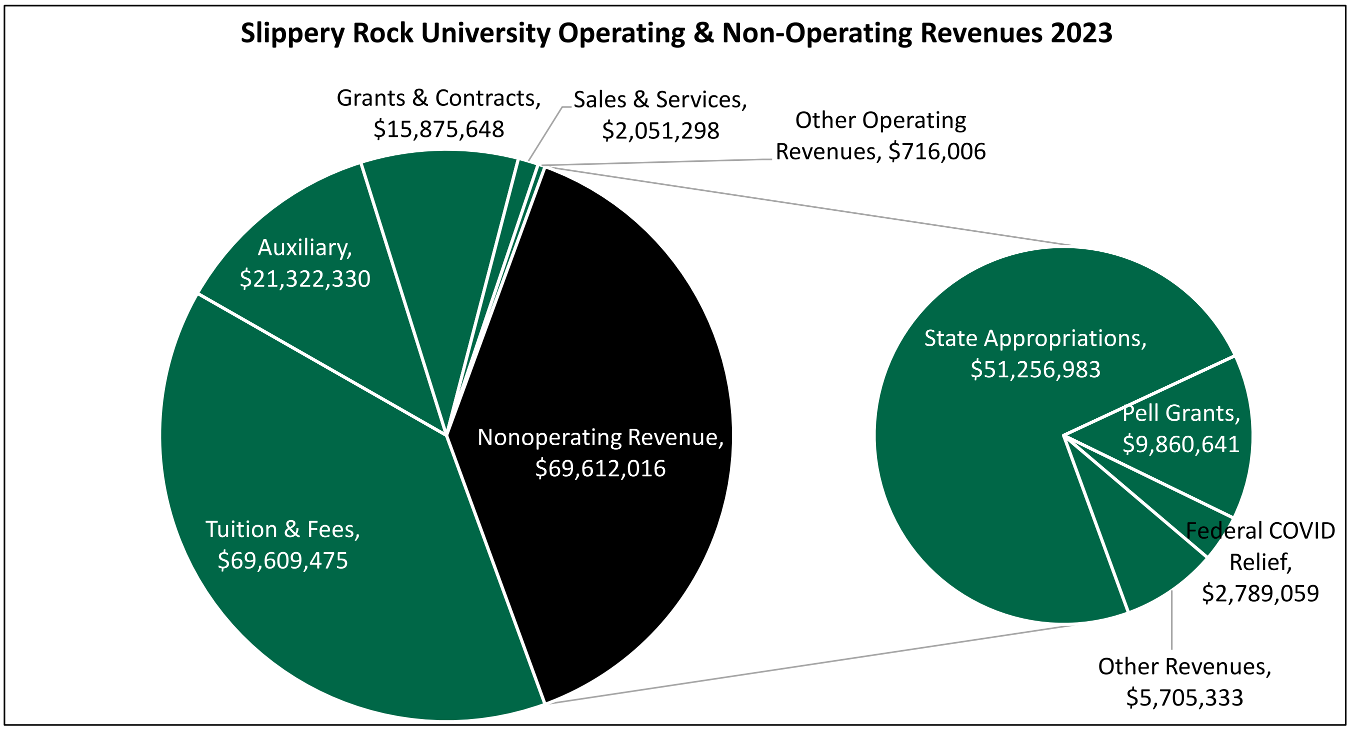
- The liability for OPEB post-retirement benefits for employees who participate in the State System of Higher Education (SSHE), Retired Employee Health care plan (REHP) and Public-School Employee's Retirement plan (PSERS) was $114.9 million on June 30, 2023, a decrease of $39.7 million. The liability of post-retirement 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 post-retirement benefit liability for fiscal year 2023 is comprised of $81.1 million for the SSHE plan, $33.5 million for the REHP plan and $0.3 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 increased $31.0 million to $86.0 million on June 30, 2023. This liability for pension obligations is due to the implementation of GASB Statement No. 68. The combined pension liability for fiscal year 2023 is comprised of $78.3 million for the State Employee Retirement System (SERS) and $7.6 million for PSERS. Because the liability is realized gradually over time, and because of its size, the University funds it only as it becomes due.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues earned and the expenses incurred during the fiscal year. In accordance with GASB requirements, the University has classified revenues and expenses as either operating or 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 its remaining activities as operating.

The following chart shows the University's total operating and non-operating revenues, for fiscal year ending June 30, 2023:



The following table shows the University's total operating and nonoperating revenues, for fiscal years ended June 30, 2023, 2022, and 2021.

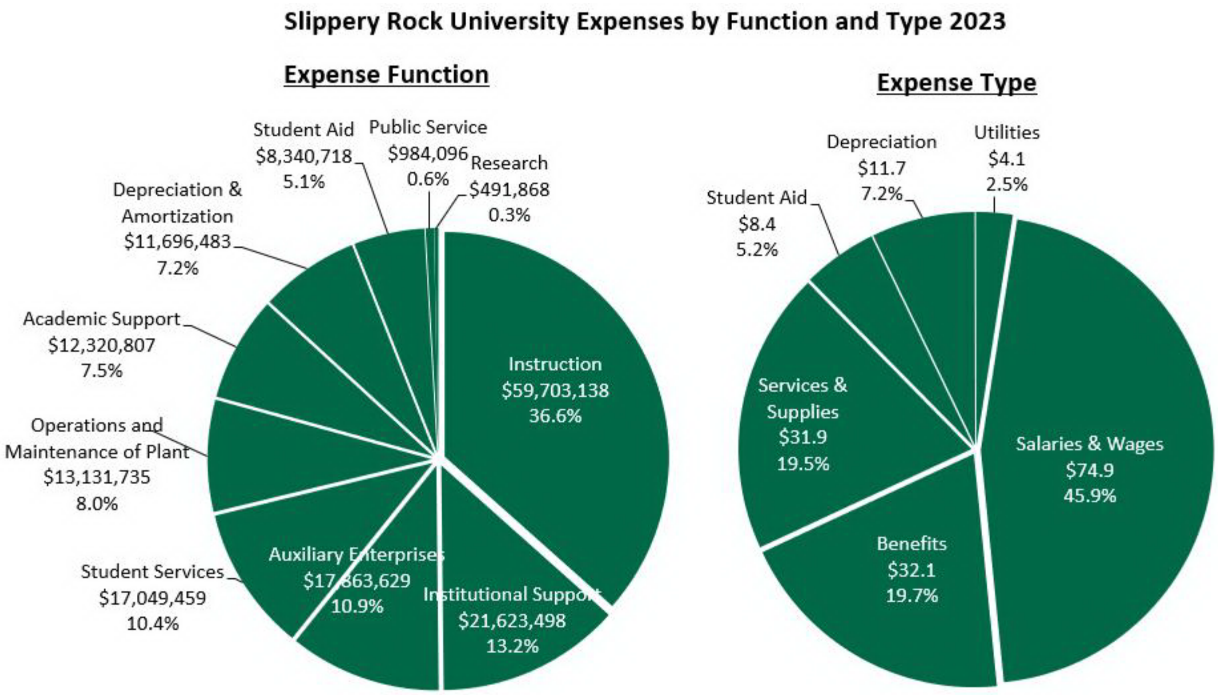
Fiscal Year	2023	Increase/ (Decrease)		2022	Increase/ (Decrease)		2021
Operating Revenues							
Tuition & Fees	$69.6	($2.9)	-4.1%	$72.6	($4.4)	-5.7%	$77.0
Auxiliary	$21.3	$2.0	10.1%	$19.4	$10.6	120.3%	$8.8
Grants & Contracts	$15.9	$2.7	20.1%	$13.2	$0.0	0.3%	$13.2
Sales & Services	$2.1	$0.7	47.0%	$1.4	$0.7	93.6%	$0.7
Other Oper Revenues	$0.7	$0.0	1.3%	$0.7	($0.2)	-20.0%	$0.9
Total	**$109.6**	**$2.3**	**2.2%**	**$107.2**	**$6.7**	**6.7%**	**$100.5**
Nonoperating Revenues							
State Appropriations	$51.2	$9.7	23.3%	$41.5	$1.8	4.4%	$39.8
Pell Grants	$9.9	($0.1)	-1.5%	$10.0	($0.6)	-5.2%	$10.6
Federal COVID Relief	$2.8	($19.1)	-87.3%	$21.9	$7.0	46.9%	$14.9
Other Revenues	$5.7	$3.3	132.6%	$2.5	($0.2)	-6.6%	$2.6
Total	**$69.6**	**($6.4)**	**-8.4%**	**$76.0**	**$8.0**	**11.8%**	**$67.9**
Total Revenue	**$179.2**	**($4.0)**	**-2.2%**	**$183.2**	**$14.7**	**8.7%**	**$168.5**

Tuition and fees operating revenue decreased $2.9 million, or 4.1%, from fiscal year 2022, with zero tuition and fee rate increases and lower undergraduate enrollment. Sales & Services revenue is $0.7 million, or 47.0%, higher compared to the previous year, with more programming, rentals, and conference revenue. Operating revenue for Auxiliary funds increased $2.0 million, or 10.1%, related to improved levels of housing occupancy and meal plan purchases.

The University's share of the state appropriations increased $9.7 million, or 23.4%, from fiscal year 2022 due to the enrollment portion of the allocation model. As compared to the prior year, Federal COVID relief decreased by $19.1 million. The University had $2.8 million of Coronavirus State Fiscal Recovery Funds (CSFRF) in 2023. In comparison, in 2022, the University had $19.9 million COVID relief funding from the American Rescue Plan Act (ARPA) Higher Education Emergency Relief Funds (HEERF) and $2.0 million from the CSFRF federal appropriations from the Commonwealth. See University Highlights and Future Considerations for total COVID relief funding allocated to the University.

The following charts show the University's total percentages of operating expenditures by function and source for fiscal year ending June 30, 2023.

The following charts show the University's total percentages of operating expenditures by function and source for fiscal year ended June 30, 2023.



Total operating expenditures were $163.2 million in fiscal year 2023, a decrease of $9.3 million, or 5.4%, from fiscal year 2022 operating expenditures of $172.5 million. The greatest percentages of operating expenses are dedicated to instruction. In fiscal year 2023, $59.7 million, or 36.6%, of total operating expenses were instructional expenses. Instructional expenses decreased $3.6 million, or 5.7%, from $63.3 million over fiscal year 2022, mostly due to decreases in the compensation expense related to unfunded liabilities. Excluding the unfunded liabilities, E&G faculty personnel expenditures increased $1.7 million, or 2.7%, from $62.2 million in fiscal year 2022 to $63.9 million in fiscal year 2023.

Operating expenditures include personnel and other non-personnel operating expenses. In fiscal year 2023, $107.0 million, or 64.5%, of the University's total operating expenses were related to salary, wages, and benefits. Salary, wages, and benefits increased overall by $0.5 million, or 0.5%; however, this increase includes a significant decrease for the compensation expense related to unfunded liabilities. Total compensation expense excluding unfunded liabilities was $116.3 million, or $3.1 million and 2.8% higher than 2022 compensation excluding unfunded liabilities of $113.1 million. 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 $12.2 million in fiscal year 2023 and $0.8 million, or 7.3%, higher than fiscal year 2022, related to health care rate increases.

- Employer share of post-retirement health care (excluding unfunded liabilities) was $3.4 million, and mostly flat compared to fiscal year 2022.

- Employer contributions to defined benefit pension plans to fund net pension liabilities was $8.7 million, an increase of $0.5 million, or 23.5%, compared to fiscal year 2022. The SERS plan expense was $7.8 million representing 4.8%, or $0.4 million, increase from fiscal year 2022, the PSERS plan expense was $0.9 million representing an 18.8%, or $0.1 million, increase from fiscal year 2022.

- Employer contributions to the Alternative Retirement Plan (ARP), a defined contribution plan, were mostly flat as compared to fiscal year 2022, for a total of $4.1 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 $56.2 million in fiscal year 2023, a total decrease of $9.9 million, or 43.3%, from fiscal year 2022 operating expenses of $66.0 million. Fiscal year 2023 student aid was $8.4 million representing a 2.2%, or $9.2 million, decrease from fiscal year 2022, related to the 2022 ARPA student aid funding of $9.9 million. The following page shows the statement of operating revenues, operating, and non-operating expenses, and changes in net position.

Slippery Rock University **Statement of Revenues, Expenses, and Net Position**	**2023**	**2022**	**2021**
REVENUES			
Operating Revenues:			
Net Tuition and Fees	$ 69,609,475	$ 72,552,839	$ 76,965,239
Governmental Grants and Contracts:			
Governmental Grants and Contracts: Federal	1,264,771	1,058,354	1,123,741
Governmental Grants and Contracts: State	9,482,998	7,346,614	6,905,171
Governmental Grants and Contracts: Local	5,038,621	4,753,138	5,036,409
Nongovernmental Grants and Contracts	89,258	58,521	112,601
Sales and Service	2,051,298	1,395,539	720,804
Auxiliary Enterprises Net of Discounts	21,322,330	19,366,665	8,790,987
Other Revenues, net	716,006	706,799	882,961
Total Operating Revenues	**109,574,757**	**107,238,469**	**100,537,912**
EXPENSES			
Operating Expenses:			
Instruction	59,703,138	63,303,642	66,535,645
Research	491,868	291,294	254,974
Public Service	984,096	552,908	477,993
Academic Support	12,320,807	11,281,819	9,526,082
Student Services	17,049,459	17,212,230	16,588,351
Institutional Support	21,623,498	24,003,469	23,908,280
Operations and Maintenance of Plant	13,131,735	12,837,586	12,111,614
Depreciation	11,696,483	10,890,421	10,927,266
Student Aid	8,340,718	17,541,602	13,369,892
Auxiliary Enterprises	17,863,629	14,622,602	9,978,227
Total Operating Expenses	**163,205,431**	**172,537,574**	**163,678,322**
Net Operating Revenues (Expenses)	**(53,630,674)**	**(65,299,105)**	**(63,140,410)**
Nonoperating Revenues (Expenses)			
State Appropriations General and Restricted	51,256,983	41,536,545	39,786,283
Federal appropriations - CARES Act COVID Relief	2,789,059	2,036,980	2,211,824
Federal grants - CARES Act COVID Relief		19,890,772	12,716,974
CARES Act Emergency Student Aid Disbursed			
Investment Income Net of Related Investment Expense	3,667,195	722,079	1,256,108
Commonwealth on-behalf Contributions to PSERS	487,835	396,512	829,717
Pell Grants	9,860,641	10,041,840	10,591,985
Unrealized Increase (Decrease) in Fair Value			
Interest Expense on Capital Asset-Related Debt	(1,005,323)	(1,064,564)	(1,069,858)
Gain (Loss) on Disposal of Assets	(2,586)	(4,629)	(5,625)
Other Nonoperating Revenue	162,685	126,103	6,479
Net Nonoperating Revenues (Expenses)	**67,216,489**	**73,681,638**	**66,323,887**
Income (Loss) before other Revenues, Expenses, Gains, Losses	13,585,815	8,382,533	3,183,477
State Appropriations, Capital	1,824,820	2,232,723	1,608,503
Capital Gifts and Grants	570,707	44,598	1,971
Total Other Revenues	2,395,527	2,277,321	1,610,474
Increase (Decrease) in Net Position	**15,981,342**	**10,659,854**	**4,793,951**
NET POSITION			
Net Position - Beginning of Year	(75,809,128)	(86,468,982)	(91,262,933)
Net Position - End of Year	$ (59,827,786)	$ (75,809,128)	$ (86,468,982)

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 2023 was $129.5 million, an increase of $7.8 million from cash at the end of fiscal year 2022. Increases are mostly related to COVID relief funding.

Slippery Rock University
Statement of Cash Flows Summary

	2023	2022	2021
Cash Flows from Operating Activities	$ (56,511,310)	$ (54,653,403)	$ (51,757,190)
Cash Flows from Noncapital Financing Activities	73,684,919	73,632,240	63,092,942
Cash Flows from Capital Financing Activities	(12,758,613)	(5,787,749)	(7,931,983)
Cash Flows from Investing Activities	3,390,468	738,776	1,362,051
Net Increase (Decrease) in cash	7,805,464	13,929,865	4,765,820
Cash--beginning of year	121,661,443	107,731,578	102,965,758
Cash--end of year	$ 129,466,907	$ 121,661,443	$ 107,731,578

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 2024 and beyond, there are several considerations to note with respect to the University's financial outlook.

COVID Impacts to the University – As result of the pandemic, the greatest impact to the University has been lost revenue because of lower enrollment. As of Fall 2022, the University has experienced the loss of 636 undergraduate headcount enrollment, as compared to Fall 2020. 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. The table below outlines funds received for student and institutional COVID relief.

Slippery Rock University Covid Relief Funding *($in Millions)*

CARES Act Funds					CRRSAA Funds				ARPA Funds			CSFRF Funds		
HEERF-Student Aid	HEERF-Institute Portion	State Funds from Title V	GEERF Grant	Total	HEERF-Student Aid	HEERF-Institute Portion	GEERF Grant	Total	HEERF-Student Aid	HEERF-Institute Portion	Total	CSFRF Funds from Commonwealth Federal Appropriations		Total
$3.7	$3.7	$2.8	$0.3	$10.4	$3.7	$7.6	$0.4	$11.7	$10.0	$9.9	$19.9	$2.0	$12.4	$14.4

HEERF = Higher Education Emergency Relief Funds.
GEERF = Governor's Education Emergency Relief Funds.
CSFRF = Coronavirus State Fiscal Recovery Funds.

The Fall 2023 enrollment of 1,535 new freshmen students is an improvement, as compared to the lower enrollment levels of the past three years, at levels of 1,459 in Fall 2022, 1,369 in Fall 2021, and 1,460 in Fall 2020. During this time, financial issues related to lower enrollment were largely overcome or substantially mitigated 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 2024 and beyond will reflect the challenges associated with the imbalance between slow revenue growth and rising costs, requiring implementation of strategies focused on mitigating the imbalance.

Appropriation – The Commonwealth has provided the State System with an increase of $33.1 million, or 6.0%, for appropriations, resulting in operations of $585.6 million for fiscal year 2024. The University's share of the appropriation will increase $3.6 million, or 7.0%, to $54.9 million in fiscal year 2024. 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 fiscal year 2024, the State System's Board approved a 0.0% tuition rate increase and student technology fee increase for the fifth consecutive year. No other University fees were increased in fiscal year 2024. Tuition and fee rates are currently unknown for years beyond fiscal year 2024.

University Highlights and Future Considerations (Continued)
Enrollment – While high school graduate demographic trends in Pennsylvania have been declining, enrollment at the University has maintained a historically strong base for new programs, particularly at the graduate level. However, due to challenges presented by COVID, the University has experienced declines in the undergraduate student population as reflected by the entering of smaller post-COVID classes of 1,460 in 2020, 1,369 in 2021 and 1,459 in 2022, as compared to 1,579 for Fall 2019. The University 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. Under these market conditions, competition will grow among both public and private colleges and universities to maintain or increase enrollments, 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 2023 included salary/wage increases for all employee groups. Collective bargaining agreements for 2024 and beyond are currently not in place for all bargaining unit groups and, most impactfully, the faculty contract. As the largest expense, personnel costs are closely managed to ensure financial health. Practices such as Cabinet review of all positions, including replacements, have 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 unknown annual compounded effects of possible CBA-mandated salary and benefit increases in future years could outpace revenue growth.

Pension Costs and Health Care – The cost of employer retirement and health care contributions have increased year-over-year. The employer contribution rate for the University's most common pension plan, SERS, increased 3.63% in fiscal year 2023 and has increased 5.85% fiscal year 2024. PSERS increased by 0.92% in fiscal year 2023 and decreased 3.57% in fiscal year 2024. Fiscal year 2025 and beyond assumes that these rates will possibly decrease in the long term. Employee health care across all employee groups increased and an average of 7.0% in fiscal year 2023. AFSCME increased at a smaller rate in fiscal year 2023 at 3.28%; however, because of collective bargaining, AFSCME is expected to increase by 10.07% in fiscal year 2024 and 10.0% again in fiscal year 2025. All other employee groups will increase health care by less than 1.0% in fiscal year 2024 and projected to increase by 7.0% in the long term.

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 enrollment, 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 also monitoring financial risk. The latest assessment, issued in September 2023, showed that for the years 2021 through 2023, the University had received an overall "green," or low-risk assessment, and has consistently maintained its risk profile over the years. Most notably, the category that measures risk for student enrollment FTE changed from an "orange" assessment to an "yellow" assessment, indicating an improved three-year average enrollment indicator. The University shows strong rankings in other Board-approved sustainability metrics, market demand, good stewardship of space and resources, and strong financial performance.

The Slippery Rock University is a member of Pennsylvania's State System of Higher Education. Effective July 1, 2022, three universities were integrated in the west (California, Clarion and Edinboro) to form Pennsylvania Western University (PennWest) and three in the east (Bloomsburg, Lock Haven and Mansfield) were integrated into Commonwealth University. It is unknown how integration and additional system redesign efforts may impact various financial indicators.

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:

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SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEET – UNIVERSITY
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 129,466,907
Accounts Receivable:	
Governmental Grants and Contracts	781,663
Students, Net of Allowance for Doubtful Accounts of $4,117,544	2,885,268
Other	884,575
Due from Component Units	986,986
Inventories	669,678
Prepaid Expenses and Other Assets	1,072,675
Investment Income Receivable	401,941
Current Portion of Leases Receivable	67,136
Due from Component Units - Lease Receivable	25,730
Total Current Assets	137,242,559
NONCURRENT ASSETS	
Loans Receivable, Net	3,967
Long-Term Portion of Leases Receivable	631,775
Due From Component Units - Lease Receivable	619,803
Capital Assets, Net	131,455,049
Total Noncurrent Assets	132,710,594
Total Assets	269,953,153
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding of Debt	49,104
Pension Related	22,669,979
Other Postemployment Benefits Related	18,976,333
Total Deferred Outflows of Resources	41,695,416
Total Assets and Deferred Outflows of Resources	$ 311,648,569

See accompanying Notes to Financial Statements.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEET – UNIVERSITY (CONTINUED)
JUNE 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 14,630,459
Unearned Revenue	14,590,641
Students' Deposits	613,306
Other Current Liabilities	82,546
Workers' Compensation	356,866
Compensated Absences	1,056,072
Postemployment Benefit Obligations	3,467,519
Bonds Payable	4,167,704
Current Portion of Lease Liabilities	243,903
Current Portion of Subscription Liabilities	766,516
Due to Component Units - Lease Liabilities	21,514
Due to Component Units	89,215
Due to System, Academic Facilities Renovation Bond Program (AFRP)	62,418
Total Current Liabilities	40,148,679
NONCURRENT LIABILITIES	
Unearned Revenue	31,715
Workers' Compensation	157,965
Compensated Absences	8,413,529
Postemployment Benefit Obligations	111,440,406
Net Pension Liability	85,954,049
Bonds Payable	37,537,225
Long-Term Portion of Lease Liabilities	91,145
Long-Term Portion of Subscription Leases	951,660
Due to Component Units - Lease Liabilities	161,608
Due to System, AFRP	157,142
Total Noncurrent Liabilities	244,896,444
Total Liabilities	285,045,123
DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Refunding of Debt	398,739
Pension Related	6,042,239
Lease Receivable	678,801
Lease Receivable Component Units	614,709
Other Postemployment Benefits Related	78,696,744
Total Deferred Inflows of Resources	86,431,232
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	86,945,179
Restricted:	
Expendable:	
Capital Projects	3,635,536
Other	30,839
Unrestricted	(150,439,340)
Total Net Position (Deficit)	(59,827,786)
Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	$ 311,648,569

See accompanying Notes to Financial Statements.

**SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – UNIVERSITY
YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES	
Tuition and Fees	$ 92,699,733
Less: Scholarship Discounts and Allowances	(23,090,258)
Net Tuition and Fees	69,609,475
Governmental Grants and Contracts:	
Federal	1,264,771
State	9,482,998
Local	5,038,621
Sales and Services of Educational Departments	2,051,298
Nongovernmental Grants and Contracts	89,258
Auxiliary Enterprises, Net of Scholarship Discounts and Allowances of $278,052	21,322,330
Other Revenues	716,006
Total Operating Revenues	109,574,757
OPERATING EXPENSES	
Instruction	59,703,138
Research	491,868
Public Service	984,096
Academic Support	12,320,807
Student Services	17,049,459
Institutional Support	21,623,498
Operations and Maintenance of Plant	13,131,735
Depreciation	11,696,483
Student Aid	8,340,718
Auxiliary Enterprises	17,863,629
Total Operating Expenses	163,205,431
OPERATING LOSS	(53,630,674)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations, General and Restricted	51,256,983
Federal and State Appropriations and Grants - COVID	2,789,059
Commonwealth On-Behalf Contributions to PSERS	487,835
Pell Grants	9,860,641
Investment Income, Net of Related Investment Expense of $29,804	3,667,195
Interest Expense on Capital Asset-Related Debt	(1,005,323)
Loss on Disposal of Assets	(2,586)
Other Nonoperating Revenue	162,685
Nonoperating Revenues, Net	67,216,489
INCOME BEFORE OTHER REVENUES	13,585,815
OTHER REVENUES	
State Appropriations, Capital	1,824,820
Other Gifts and Grants	570,707
Total Other Revenues	2,395,527
INCREASE IN NET POSITION (DEFICIT)	15,981,342
Net Position (Deficit) - Beginning of Year	(75,809,128)
NET POSITION (DEFICIT) - END OF YEAR	$ (59,827,786)

See accompanying Notes to Financial Statements.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF CASH FLOWS – UNIVERSITY
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Tuition and Fees	$ 69,439,067
Grants and Contracts	15,636,322
Payments to Suppliers for Goods and Services	(37,240,829)
Payments to Employees	(118,978,437)
Loans Collected from Students	1,419,802
Student Aid	(8,442,162)
Auxiliary Enterprise Charges	21,266,548
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	70,858,391
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(70,858,391)
Sales and Services of Educational Departments	2,051,298
Other Operating Receipts	(1,662,919)
Net Cash Used by Operating Activities	(56,511,310)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	63,661,593
Gifts and Nonoperating Grants for Other than Capital Purposes	9,860,641
Other	162,685
Net Cash Provided by Noncapital Financing Activities	73,684,919
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Appropriations	1,824,820
Capital Grants and Gifts Received	570,707
Purchases of Capital Assets	(8,590,110)
Principal Paid on Debt and Leases	(4,839,425)
Interest Paid on Debt and Leases	(1,724,605)
Net Cash Used by Capital Financing Activities	(12,758,613)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	3,390,468
INCREASE IN CASH AND CASH EQUIVALENTS	7,805,464
Cash and Cash Equivalents - Beginning of Year	121,661,443
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 129,466,907

See accompanying Notes to Financial Statements.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF CASH FLOWS – UNIVERSITY (CONTINUED)
YEAR ENDED JUNE 30, 2023

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net Operating Loss	$ (53,630,674)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	11,696,483
Expenses Paid by Commonwealth or Donor	487,835
Changes in Assets and Liabilities:	
Receivables	(290,631)
Leases Receivable	107,632
Inventories	(32,893)
Other Assets	(827,285)
Accounts Payable	(3,893,626)
Unearned Revenue	(211,548)
Students' Deposits	78,221
Compensated Absences	(4,177,618)
Loans to Students and Employees	1,419,802
Postemployment Benefits Liability (OPEB)	(39,709,161)
Defined Benefit Pension Liability	31,031,465
Other Liabilities	(1,531,317)
Deferred Outflows of Resources Related to Pension	(11,892,707)
Deferred Outflows of Resources Related to OPEB	4,783,422
Deferred Inflows of Resources Related to Pension	(16,691,469)
Deferred Inflows of Resources Related to OPEB	26,884,698
Deferred Inflows of Resources Related to Lease Receivable	(111,939)
Net Cash Used by Operating Activities	$ (56,511,310)
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND CAPITAL FINANCING ACTIVITIES	
Capital Assets Acquired by new ROU Leases with Component Units	$ 2,371,119

See accompanying Notes to Financial Statements.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 12,563,807
Investments	50,210,736
Accounts Receivable, Other	279,933
Due from University	89,215
Pledges Receivable	600,201
Inventories and Prepaid Expenses	547,613
Total Current Assets	64,291,505
NONCURRENT ASSETS	
Capital Assets, Net	86,580,300
Restricted Cash and Certificates of Deposit	13,755,300
Other Assets	1,614,079
Total Noncurrent Assets	101,949,679
Total Assets	$ 166,241,184
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 354,315
Due to University	986,986
Annuity Liabilities	185,678
Other Liabilities	1,734,744
Total Current Liabilities	3,261,723
NONCURRENT LIABILITIES	
Notes Payable	101,670,998
Total Liabilities	104,932,721
NET ASSETS	
Without Donor Restrictions	20,575,425
With Donor Restrictions	40,733,038
Total Net Assets	61,308,463
Total Liabilities and Net Assets	$ 166,241,184

See accompanying Notes to Financial Statements.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF ACTIVITIES – COMPONENT UNITS
YEAR ENDED JUNE 30, 2023

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES AND OTHER ADDITIONS	
Contributions	$ 8,973
Sales and Service	3,865,253
Student Activity Fees	2,351,672
Grants and Contracts	974,786
Rental Income	13,974,498
Investment Income	640,227
Other Revenues and Gains	480,533
Net Assets Released from Restriction	4,552,595
Total Revenues and Other Additions	26,848,537
EXPENSES AND OTHER DEDUCTIONS	
Program Services:	
Scholarships and Grants	2,714,181
Student Activities	2,364,747
University Store	2,926,077
Housing	12,786,944
Other Programs	1,744,135
Management and General	1,151,273
Fundraising	288,056
Total Expenses	23,975,413
Other Expenses and Losses	4,391
Total Expenses and Other Deductions	23,979,804
Change in Net Assets Without Donor Restrictions	2,868,733
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	1,951,868
Investment Income	3,892,404
Other Revenue and Gains	71,868
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	(4,552,595)
Change in Net Assets With Donor Restrictions	1,363,545
INCREASE IN NET ASSETS	4,232,278
Net Assets - Beginning of Year	57,076,185
NET ASSETS - END OF YEAR	$ 61,308,463

See accompanying Notes to Financial Statements.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF EXPENSES BY NATURE
AND FUNCTION – COMPONENT UNITS
YEAR ENDED JUNE 30, 2023

2023	**Program Activities**						**Supporting Activities**			
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	**Total Expenses**
Salaries and Benefits	$ 282,318	$ -	$ 581,242	$ 1,440,261	$ 320,054	$ 2,623,875	$ 710,393	$ 65,347	$ 775,740	$ 3,399,615
Gifts and Grants	2,364,181	-	-	-	64,357	2,428,538	-	11,119	11,119	2,439,657
Supplies and Travel	20,173	868,391	2,025,055	-	408,310	3,321,929	-	1,760	1,760	3,323,689
Services and Professional Fees	23,256	962,492	4,013	2,160,577	669,351	3,819,689	167,679	30,358	198,037	4,017,726
Office and Occupancy	14,253	215,048	158,957	64,848	57,849	510,955	30,894	-	30,894	541,849
Depreciation	-	63,538	142,007	3,807,730	3,143	4,016,418	21,886	-	21,886	4,038,304
Interest	-	-	-	3,349,181	-	3,349,181	-	-	-	3,349,181
Other	10,000	255,278	14,803	1,964,347	221,071	2,465,499	220,421	179,472	399,893	2,865,392
Total Expenses	**$ 2,714,181**	**$ 2,364,747**	**$ 2,926,077**	**$ 12,786,944**	**$ 1,744,135**	**$ 22,536,084**	**$ 1,151,273**	**$ 288,056**	**$ 1,439,329**	**$ 23,975,413**

See accompanying Notes to Financial Statements.

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 10 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 10 member universities. Labor agreements are negotiated at either the State System level or Commonwealth level.

Reporting Entity

The University functions as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB).

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 Association has a payable to the University of $15,893 as of June 30, 2023. The financial activity of the Association is presented as of June 30, 2023.

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 Foundation has a payable to the University of $74,981 as of June 30, 2023. The financial activity of the Foundation is presented as of June 30, 2023.

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 in amount of $541,340 during the year ended June 30, 2023. SRUF has a payable to the University of $896,112 as of June 30, 2023. The financial activity of SRUF is presented as of June 30, 2023.

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

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including FASB Codification Section 958-205, *Presentation of Financial Statements.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

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

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.

Cash Equivalents

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

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

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.

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 year ended June 30, 2023.

Leases and Subscription-Based Information Technology Arrangements

The University routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the University is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the University recognized a lease or subscription liability and an intangible right to use asset based on the present value of the future lease payments over the contracted term of the lease or SBITA. Lease and subscription right to use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position. The right of use lease and subscription assets are amortized over the term of the lease, as the University is not expected to lease assets beyond the underlying asset's useful life. The University also serves as a lessor for certain real estate. For those agreements required to be capitalized, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

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

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

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

Unearned Revenue

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

Compensated Absences

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

Pension Plans

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.

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

- 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.

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.

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION

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

	Association	Foundation	Housing	Total
Capital Assets, Net	$ 4,191,477	$ 2,413,621	$ 79,975,202	$ 86,580,300
Other Assets	14,657,346	46,882,022	18,121,516	79,660,884
Total Assets	$ 18,848,823	$ 49,295,643	$ 98,096,718	$ 166,241,184
Due to University	$ 15,893	$ 74,981	$ 896,112	$ 986,986
Long-Term Debt	-	-	101,670,998	101,670,998
Other Liabilities	946,132	$236,196	1,092,409	2,274,737
Total Liabilities	$ 962,025	$ 311,177	$ 103,659,519	$ 104,932,721
Net Assets:				
Without Donor Restrictions	$ 17,886,798	$ 8,251,428	$ (5,562,801)	$ 20,575,425
With Donor Restrictions	-	40,733,038	-	40,733,038
Total Net Assets	$ 17,886,798	$ 48,984,466	$ (5,562,801)	$ 61,308,463

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

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

	Association	Foundation	Housing	Total
Changes in Net Assets without Donor Restrictions				
Revenues and Other Additions:				
Contributions	$ -	$ 8,973	$ -	$ 8,973
Sales and Service	3,374,721	490,532	-	3,865,253
Student Activity Fees	2,351,672	-	-	2,351,672
Grants and Contracts	524,786	450,000	-	974,786
Rental Income	-	67,540	13,906,958	13,974,498
Investment Income	312,160	19,952	308,115	640,227
Other Revenues and Gains	1,240	479,293	-	480,533
Net Assets Released from Restriction	-	4,552,595	-	4,552,595
Total Revenues and Other Additions	6,564,579	6,068,885	14,215,073	26,848,537
Expenses and Other Deductions:				
Program Services:				
Scholarships and Grants	479,645	2,234,536	-	2,714,181
Student Activities	2,364,747	-	-	2,364,747
University Stores	2,926,077	-	-	2,926,077
Housing	-	-	12,786,944	12,786,944
Other Programs	437,723	1,306,412	-	1,744,135
Management and General	357,433	717,294	76,546	1,151,273
Fundraising	-	288,056	-	288,056
Other Expenses and Losses	-	(609)	5,000	4,391
Total Expenses and Other Deductions	6,565,625	4,545,689	12,868,490	23,979,804
Increase (Decrease) in Net Assets Without Donor Restrictions	(1,046)	1,523,196	1,346,583	2,868,733
Changes in Net Assets With Donor Restrictions				
Contributions	-	1,951,868	-	1,951,868
Investment Income	-	3,892,404	-	3,892,404
Other Revenue and Gains	-	71,868	-	71,868
Net Assets Released from Restrictions	-	(4,552,595)	-	(4,552,595)
Increase in Net Assets With Donor Restrictions	-	1,363,545	-	1,363,545
CHANGES IN NET ASSETS	(1,046)	2,886,741	1,346,583	4,232,278
Net Assets - Beginning of Year	17,887,844	46,097,725	(6,909,384)	57,076,185
NET ASSETS - END OF YEAR	$ 17,886,798	$ 48,984,466	$ (5,562,801)	$ 61,308,463

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 $125,700,322 at June 30, 2023.

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.

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.

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

Detailed information regarding the fair value of the State System pooled deposits and investment portfolio is available in the financial statements of the State System, which can be found at www.passhe.edu. The University had no local investments recorded at fair value as of June 30, 2023.

On June 30, 2023, the carrying amount of the University's demand and time deposits were $3,758,104 as compared to bank balances of $3,721,522. The differences are primarily caused by items in transit and outstanding checks. Of the bank balances at June 30, 2023, $250,000 was covered by federal government depository insurance; and $3,396,445 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, 2023, 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:

Equity Securities - Level 1	$ 38,363,774
Equity Securities - Level 2	-
Fixed Income - Level 1	11,513,562
Fixed Income - Level 2	-
Real Estate - Level 3	333,400
Total	$ 50,210,736

NOTE 5 CAPITAL ASSETS, NET

The classification of capital assets and related depreciation at June 30, 2023 is as follows:

	Life	Beginning Balance July 1, 2022	2022-23 Additions	2022-23 Retirements/ Adjustments	2022-23 Transfers	Balance June 30, 2023
Land		$ 11,701	$ -	$ -	$ -	$ 11,701
Construction in Progress		1,205,976	4,447,317	-	(314,081)	5,339,212
Total Capital Assets Not Being Depreciated/Amortized		1,217,677	4,447,317	-	(314,081)	5,350,913
Buildings, Including Improvements	40/20	224,847,736	1,590,736	-	314,081	226,752,553
Improvements Other Than Buildings	20	14,324,868	-	-	-	14,324,868
Furnishings and Equipment	3-10	28,311,908	2,511,634	(622,802)	-	30,200,740
Library Books	10	6,706,950	40,421	(30,730)	-	6,716,641
Right-to-Use Assets		1,362,377	-	-	-	1,362,377
Subscription Assets		-	2,371,119	-	-	2,371,119
Total Capital Assets Being Depreciated/Amortized		275,553,839	4,142,791	(653,532)	314,081	281,728,298
Less: Accumulated Depreciation/Amortization						
Buildings, Including Improvements		(101,234,971)	(8,715,156)	-	-	(109,950,127)
Improvements Other Than Buildings		(12,241,943)	(574,821)	-	-	(12,816,764)
Furnishings and Equipment		(24,152,012)	(1,523,786)	620,216	-	(25,055,582)
Library Books		(6,385,608)	(74,946)	30,730	-	(6,429,824)
Right-to-Use Assets		(564,091)	(292,794)	-	-	(856,885)
Subscription Assets		-	(514,980)	-	-	(514,980)
Total Accumulated Depreciation		(144,578,625)	(11,696,483)	650,946	-	(155,624,162)
Total Capital Assets Being Depreciated/Amortized, Net		130,975,214	(7,553,692)	(2,586)	314,081	126,104,136
Capital Assets, Net		$ 132,192,891	$ (3,106,375)	$ (2,586)	$ -	$ 131,455,049

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, 2023 are summarized in the following schedule.

	Third Party	Component Unit
Lease Revenue	$ 75,660	$ 36,789
Lease Revenue - Variable	59,665	-
Interest Income	11,248	10,048
Total	$ 146,573	$ 46,837

NOTE 6 LEASES RECEIVABLE (CONTINUED)

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

Fiscal Year	Third Parties		Component Units	
Ending June 30,	Principal	Interest	Principal	Interest
2024	$ 67,136	$ 9,945	$ 25,730	$ 9,683
2025	72,571	8,898	27,193	9,297
2026	73,853	7,805	28,699	8,889
2027	76,277	6,679	30,249	8,459
2028	54,936	5,692	31,846	8,005
2029-2033	277,742	15,557	184,856	32,355
2034-2038	76,396	1,078	232,305	17,109
2039-2040	-	-	84,655	1,748
Total	$ 698,911	$ 55,654	$ 645,533	$ 95,545

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

	July 1, 2022	Additions	Retirements	June 30, 2023
Lease Receivable - Third Parties	$ 782,234	$ -	$ (83,323)	$ 698,911
Lease Receivable - Component Units	669,842	-	(24,309)	645,533
Total	$ 1,452,076	$ -	$ (107,632)	$ 1,344,444

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 $645,533 and related deferred inflow of $614,709 were recorded in the statement of net position at June 30, 2023.

NOTE 7 RIGHT-OF-USE LEASES, SUBSCRIPTION AGREEMENTS, AND FINANCED PURCHASES

The University routinely leases various facilities and equipment and enters into subscription-based information technology arrangements (SBITAs) instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease or subscription liability valuation. These are recognized as expenses in the period that they occur. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2023. Interest expense on these leases, and SBITAs for the fiscal year ended June 30, 2023 totaled $36,230.

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

Fiscal Year	Right-of-Use Leases With Third Parties		Right-of-Use Leases With Component Units		Subscription Agreements	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 243,903	$ 3,000	$ 21,514	$ 2,445	$ 766,516	$ 25,526
2025	79,000	381	24,831	2,073	677,250	10,024
2026	12,145	88	25,914	1,688	152,448	3,262
2027	-	-	26,866	1,288	121,962	468
2028	-	-	27,843	874	-	-
2029-2033	-	-	56,154	445	-	-
Total	$ 335,048	$ 3,469	$ 183,122	$ 8,813	$ 1,718,176	$ 39,280

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

	Balance as of June 30, 2022	2022-23 Additions	2022-23 Reductions	Balance as of June 30, 2023
Lease Liability - Third Parties	$ 600,597	$ -	$ (265,549)	$ 335,048
Lease Liability - Component Units	208,575	-	(25,453)	183,122
Subscription Liability		2,371,119	(652,943)	1,718,176
Total	$ 809,172	$ 2,371,119	$ (943,945)	$ 2,236,346

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employees	$ 10,160,615
Supplies and Services	1,880,672
Other	2,500,787
Interest	88,385
Total	$ 14,630,459

NOTE 9 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

Grants	$ 9,658,086
Students	4,637,262
Other	327,008
Total	$ 14,622,356

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 year ended June 30, 2023 are as follows:

	2023				
	Weighted Average Interest Rate	Balance July 01, 2022	Bonds Issued	Bonds Redeemed	Balance June 30, 2023
Series AI issued in August 2008	- %	$ 98,502	$ -	$ (98,502)	$ -
Series AQ issued in May 2015	4.30 %	400,965	-	(127,163)	273,802
Series AT issued in September 2016	3.47 %	5,830,772	-	(301,418)	5,529,354
Series AU issued in September 2017	3.47 %	22,300,217	-	(1,721,330)	20,578,887
Series AW issued in September 2019	4.61 %	5,123,577	-	(675,018)	4,448,559
Series AX issued in September 2019	3.73 %	5,825,965	-	(609,938)	5,216,027
Series AY issued in September 2019	1.65 %	2,855,481	-	(302,619)	2,552,862
Total Bonds Payable		$ 42,435,479	$ -	$ (3,835,990)	38,599,490
Plus: Unamortized Bond Premium					3,112,615
Less: Unamortized Bond Discount					(7,176)
Outstanding - June 30, 2023					41,704,929
Less: Current Portion					(4,167,704)
Bonds Payable, Net of Current Portion					$ 37,537,225

NOTE 10 BONDS PAYABLE (CONTINUED)

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. This program will provide $100,000,000 in funding over the next several years. The State System will issue bonds to provide a pool for funding for AFRP ($2,499,340 was outstanding as of June 30, 2023). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program. As of June 30, 2023, the balance owed by the University to the State System's AFRP pool of funding was $219,560.

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		2024	2025	2026	2027	2028	2029-2033	2033-2038	2039-2048	Total
AQ	Principal	$ 133,578	$ 140,223	-	-	-	-	-	-	$ 273,801
	Interest	13,690	7,011	-	-	-	-	-	-	20,701
	Total	147,268	147,234	-	-	-	-	-	-	294,502
AT	Principal	314,815	331,560	348,306	365,051	381,797	2,217,100	1,570,725	-	5,529,354
	Interest	251,249	235,508	218,930	201,515	183,262	614,358	127,400	-	1,832,222
	Total	566,064	567,068	567,236	566,566	565,059	2,831,458			7,361,576
AU	Principal	1,454,934	1,534,074	1,617,489	1,709,247	1,805,269	7,114,375	5,343,500	-	20,578,888
	Interest	764,682	698,801	628,486	554,167	474,737	1,486,955	416,865	-	5,024,693
	Total	2,219,616	2,232,875	2,245,975	2,263,414	2,280,006	8,601,330			25,603,581
AW	Principal	708,285	677,173	710,926	745,734	783,706	822,733	-	-	4,448,558
	Interest	222,428	187,014	153,155	117,609	80,322	41,137	-	-	801,665
	Total	930,713	864,187	864,081	863,343	864,028	-	-	-	5,250,223
AX	Principal	640,786	673,036	705,285	741,741	778,197	1,676,980	-	-	5,216,026
	Interest	260,801	228,762	195,110	159,846	122,759	126,755	-	-	1,094,033
	Total	901,587	901,798	900,395	901,587	900,956	-	-	-	6,310,059
AY	Principal	305,088	307,557	311,084	315,316	319,902	993,917	-	-	2,552,864
	Interest	39,821	37,152	33,692	29,415	24,685	40,448	-	-	205,213
	Total	344,909	344,709	344,776	344,731	344,587	1,034,365	-	-	2,758,077
Total	Principal	3,557,486	3,663,623	3,693,090	3,877,089	4,068,871	12,825,105	6,914,225	-	38,599,490
	Interest	1,552,671	1,394,248	1,229,373	1,062,552	885,765	2,309,653	544,265	-	8,978,526
	Total	$ 5,110,157	$ 5,057,871	$ 4,922,463	$ 4,939,641	$ 4,954,636	$ 15,134,758	$ 7,458,490	$ -	$ 47,578,016

NOTE 11 COMPENSATED ABSENCES

Compensated absences for the year ended June 30, 2023 are as follows:

Current Portion	$ 1,056,072
Noncurrent Portion	8,413,529
Total	$ 9,469,601

Changes in the compensated absences liability were as follows:

Balance - July 1	$ 13,647,219
Current Change in Estimate	(2,873,572)
Payouts	(1,304,046)
Balance - June 30	$ 9,469,601

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 10 State System universities.

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 year ended June 30, 2023.

	System Plan	REHP	Premium	Total
Net OPEB Liabilities	$ 81,119,668	$ 33,477,075	$ 311,182	$ 114,907,925
Deferred Outflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	138,313	857	139,170
Difference Between Expected and Actual	-	1,274,586	2,849	1,277,435
Changes in Assumptions	10,484,454	3,034,433	34,565	13,553,452
Change in Proportions	-	510,653	7,407	518,060
Contributions after the Measurement Date	2,670,468	797,051	20,697	3,488,216
Total Deferred Outflows of Resources	13,154,922	5,755,036	66,375	18,976,333
Deferred Inflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-
Difference Between Expected and Actual Experience	23,719,810	9,990,662	1,708	33,712,180
Changes in Assumptions	30,127,840	6,169,787	73,499	36,371,126
Changes in Proportion	N/A	8,597,295	16,143	8,613,438
Total Deferred Inflows of Resources	$ 53,847,650	$ 24,757,744	$ 91,350	$ 78,696,744
OPEB Expense	$ (1,142,957)	$ (3,447,803)	$ 45,627	$ (4,545,133)
Contributions Recognized by OPEB Plans	$ 2,670,468	$ 797,051	$ 20,697	$ 3,488,216

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $2,670,468 for the System Plan, $797,051 for the REHP plan, and $20,697 for the Premium Assistance plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

	Amortization		
Fiscal Year Ending June 30,	System Plan	REHP	Premium Assistance
2024	$ (10,670,836)	$ (7,974,466)	$ (9,306)
2025	(7,862,606)	(5,030,165)	(6,077)
2026	(9,373,538)	(2,879,283)	(8,167)
2027	(7,728,108)	(2,809,336)	(10,920)
2028	(7,718,107)	(1,106,508)	(11,205)
Thereafter	-	-	-

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, POA, OPEIU, and nonrepresented employees whose retirement date is on or after January 1, 2016, and APSCUF employees whose retirement date is on or after July 1, 2017, receive the same pre-Medicare benefits as active employees, with benefits changing as active employee benefits change. All other pre-Medicare retirees continue to receive the same benefits to which they were entitled at retirement.

A total of 11,307 individuals are covered by the benefit terms (down from 11,872 in the prior actuarial valuation), including 5,817 active employees that may be entitled to receive benefit payments upon retirement, 314 retired participants entitled to but not yet receiving benefits, and 5,176 retired participants receiving benefits.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

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, 2023.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.

- Plan members, with the exception of nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.

- Plan members, with the exception of nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.

- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement.

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, 2023 is based is dated July 1, 2022, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025, with rates gradually decreasing from 5.4% in 2026 to 3.9% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 2% of vested former members are assumed to return to coverage each year upon reaching age 45.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- APSCUF Mortality rates based on the PubT-2010 Above Median Income Mortality Table, including rates for contingent survivors. All other groups mortality rates based on the PubG-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. Both incorporate rates based on a generational projection using Scale MP-2021 to reflect mortality improvement.
- The discount rate increased from 2.28% to 4.06%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022.
- Participant data is based on census information as of July 1, 2022.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.5% to account for tuition waiver benefits, which are offered to all 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.

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, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0% decreasing to 2.9%) or one percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates (6.0% decreasing to 3.9%).

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

	1% Decrease (5.0% decreasing to 2.9%)	Healthcare Cost Trend Rates 6.0% decreasing to 3.9%	1% Increase (7.0% decreasing to 4.9%)
2023	$ 68,851,248	$ 81,119,668	$ 96,632,847

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

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

	1% Decrease 3.06%	Current Rate 4.06%	1% Increase 5.06%
2023	$ 93,211,645	$ 81,119,668	$ 71,238,973

OPEB Liability

The University's portion of the System Plan's total OPEB liability as of June 30, 2023 of $81,119,668 was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2021 that was rolled forward to July 1, 2022.

Changes in the System Plan Total OPEB Liability

	Fiscal Year Ended June 30, 2023
Beginning Balance	$ 118,800,809
Service Cost	3,478,490
Interest	2,744,685
Changes in Benefit Terms	(700,615)
Difference between Expected and Actual Experience	(17,832,427)
Changes in Assumptions	(26,110,500)
Benefit Payments	739,226
Net Changes	(37,681,141)
Ending Balance	$ 81,119,668

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.

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, 2023.

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

NOTE 12 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 $120 per pay period for each current REHP eligible active employee during the period July 1, 2022 through June 30, 2023. The rate during the period July 1, 2021, through June 30, 2022 was also $120 per pay period.

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the June 30, 2022 actuarial 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 7.3%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2022_f4 for the December 31, 2021 measurement date.
- Average 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 PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.
- Participant data based on census information as of December 31, 2021, for the June 30, 2022, measurement date.

NOTE 12 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 4.67% as of June 30, 2022
- The discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.54% based on the 20-year Bond Buyer GO Index as of the end of June 2022.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40.0 %	5.1%
International Equity	27.0	5.5%
Fixed Income	23.0	1.6%
Real Estate	8.0	4.7%
Cash and Cash Equivalents	1.5	0.0%
Private Equity	0.5	8.3%
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 University's proportion of the collective net OPEB liability was 3.648% for the measurement date of June 30, 2022 and 4.026% for the measurement date of June 30, 2021.

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, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.3% decreasing to 2.9%) or one percentage point higher (8.3% decreasing to 4.9%) than the current healthcare cost trend rates (7.3% decreasing to 3.9%).

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

	1% Decrease (6.3% decreasing to 2.9%)	Healthcare Cost Trend Rates 7.3% decreasing to 3.9%	1% Increase (8.3% decreasing to 4.9%)
2023	$ 28,919,427	$ 33,477,075	$ 39,069,424

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

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

	1% Decrease 3.67%	Current Rate 4.67%	1% Increase 5.67%
2023	$ 37,943,848	$ 33,477,075	$ 29,717,031

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance

Plan Description

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

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.75% of covered payroll for the fiscal year ended June 30, 2023 and 0.80% of covered payroll for the fiscal year ended June 30, 2022. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 0.375% of covered payroll.

Actuarial Assumptions and Other Inputs

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

- Valuation Date – June 30, 2021.
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- 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, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

- The discount rate used to measure the total OPEB liability was 4.09% at June 30, 2022, and 2.18% at June 30, 2021.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2021.

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

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2021, to June 30, 2022. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1780% and 0.1770% for the measurement dates of June 30, 2022 and 2021, respectively.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 6%) or one percentage point higher (between 6% and 8%) than the current healthcare cost trend rates (between 5% and 7%).

	Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
	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%
2023	$ 311,087	$ 311,182	$ 311,182

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, 2023, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate (4.09%).

	Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate		
	1% Decrease 3.09%	Current Rate 4.09%	1% Increase 5.09%
2023	$ 351,825	$ 311,182	$ 277,092

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).

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 year ended June 30, 2023.

	SERS	PSERS	ARP	Total
Net Pension Liabilities	$ 78,347,924	$ 7,606,125	$ -	$ 85,954,049
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	$ 1,138,587	$ 3,445	$ -	$ 1,142,032
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	10,642,056	-	-	10,642,056
Changes in Assumptions	5,284,176	227,154	-	5,511,330
Difference Between Employer Contributions and Proportionate Share of Contributions	153,512	21,779	-	175,291
Changes in Proportion	-	36,360	-	36,360
Contributions after the Measurement Date	4,241,709	921,201	-	5,162,910
Total Deferred Outflows of Resources	$ 21,460,040	$ 1,209,939	$ -	$ 22,669,979
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	$ 217,440	$ 65,831	$ -	$ 283,271
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	129,078	-	129,078
Difference Between Employer Contributions and Proportionate Share of Contributions	88,008	-	-	88,008
Changes in Proportion	5,325,731	216,151	-	5,541,882
Total Deferred Inflows of Resources	$ 5,631,179	$ 411,060	$ -	$ 6,042,239
Pension Expense	$ 10,064,079	$ 1,562,187	$ 4,136,688	$ 15,762,954
Contributions Recognized by Pension Plans	$ 7,777,633	$ 921,201	N/A	$ 8,698,834

NOTE 13 PENSION BENEFITS (CONTINUED)

The University will recognize the $4,241,709 reported as 2023 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $921,201 reported as 2023 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

	Amortization	
Fiscal Year Ended June 30,	SERS	PSERS
2024	$ 84,846	$ (76,866)
2025	2,283,256	(44,405)
2026	3,154,626	(180,620)
2027	6,003,690	179,761
2028	60,734	-

SERS

Plan Description

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

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

Benefits Provided

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

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

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

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

Contributions

The contribution rate for both active members and the 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. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit plan through the employer contributions rate rather than to other non-pension obligations.

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

For the SERS defined benefit plan, the University's actuarially determined contribution rate for most active members was 38.82% of active members' annual covered payroll at June 30, 2023, with less common rates ranging between 26.05% and 30.44%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the University's actuarially determined contribution rate was either 16.18% or 16.43% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the University was required to contribute to the defined benefit plan 14.87% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University's contributions to the SERS defined benefit plan for the year ended June 30, 2023 was $7,777,633, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 3.25% or 3.5% of gross salary, depending upon what class of membership was elected.

For the SERS defined contribution plan, the University contributed at actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2023, depending upon the plan chosen by the employee. The University recognized $10,064,079 in SERS defined contribution pension expense for the year ended June 30, 2023. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 401(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

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

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial 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 June 2022 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.00% to 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

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

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

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial 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, 2022 are summarized below.

	December 31, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0 %	5.75%
Real Estate	7.0	5.12
U.S. Equity	31.0	4.35
International Developed Equity	14.0	4.25
Emerging Markets Equity	5.0	4.65
Fixed Income	22.0	(0.50)
Inflation Protection (TIPS)	3.0	(1.00)
Cash	2.0	(1.05)
Total	100.0 %	

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

NOTE 13 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

	1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
2023	$ 92,371,579	$ 78,347,924	$ 54,907,677

Proportionate Share

At June 30, 2023, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2021, was $78,347,924.

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

PSERS

Plan Description

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

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

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.

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.

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Member Contributions

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

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2023, was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 17.155% of covered payroll. The University's contribution to PSERS for the year ending June 30, 2023 was $921,201, equal to the required contractual contribution.

For the PSERS defined contribution plan, the University is required to contribute at actuarially determined average rate 0.20% of active members' annual covered payroll for the year ending June 30, 2023, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the University contributions for the year ended June 30, 2023 was 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, 2022 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2021, to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date - June 30, 2021.
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

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

NOTE 13 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2023, calculated using the discount rate of 7.0%, 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%
2023	$ 9,838,053	$ 7,606,125	$ 5,724,400

Proportionate Share

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

Total PSERS Net Pension Liability Associated with the University	$ 15,212,250
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	7,606,125
University's Proportionate Share of the PSERS Net Pension Liability	$ 7,606,125

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

NOTE 13 PENSION BENEFITS (CONTINUED)

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, 2023 was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2023 was $4,136,688, from the University; and $2,226,419, from active members. No liability is recognized for the ARP.

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 $127,385 to the Reserve Fund during the year ended June 30, 2023.

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
2023	$ 447,380	$ 497,392	$ (429,941)	$ 514,831

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 $3,864,696 at June 30, 2023.

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, 2023 the Foundation held $25,050,632 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 2023 fiscal year, the Foundation provided the following support to the University:

Scholarships	$ 2,234,536
Support of University Programs	1,306,412

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 $99,299 in 2023.

For the year ended June 30, 2023, the University paid the Foundation $450,000 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 year ended June 30, 2023 the Association received $2,351,672, in student activity fees from the University.

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, 2023 were $6,293,349.

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. The next rating update from Moody's is anticipated in the Fall of 2023. In March 2023, Fitch Ratings reviewed the State System's rating of A+ with stable outlook and no rating change was made.

SLIPPERY ROCK UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2023
(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%
2022/23	4.1504%	78,348	23,431	334.4%	61.5%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
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%
2022/23	7,778	7,778	-	23,822	32.65%

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(UNAUDITED)

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

	PSERS Net Pension Liability						
Fiscal Year	State Systems Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total	University's Covered-Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Net Fiduciary as a % of Total Pension Liability
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%
2022/23	0.1788%	7,606	7,606	15,212	853	900%	61.3%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
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%
2022/23	921	921	-	5,365	17.2%

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

Changes in the System Plan Total OPEB Liability	Fiscal Year Ended June 30, 2023
Total OPEB Liability - Beginning Balance	$ 118,800,809
Service Cost	3,478,490
Interest	2,744,685
Changes in Benefit Terms	(700,615)
Differences Between Expected and Actual Experience	(17,832,427)
Changes in Assumptions	(26,110,500)
Benefit Payments	739,226
Net Changes	(37,681,141)
Total OPEB Liability - Ending Balance	$ 81,119,668
Covered Employee Payroll	$ 46,345,630
OPEB Liability as a Percent of Covered Payroll	175.03%

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*

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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%
2022/23	3.678%	33,477	9,389	357%	5.9%

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % 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%
2022/23	797	797	-	11,402	7.0%

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

		PSERS Net OPEB Liability					
Fiscal Year	State Systems Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total	University's Covered-Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll	PERS Fiduciary 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%
2022/23	0.1780%	311	311	622	4,971	6.3%	6.9%

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%
2022/23	21	21	-	5,265	0.4%