

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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INDEPENDENT AUDITORS' REPORT

Council of Trustees
Indiana University of Pennsylvania
of the State System of Higher Education
Indiana, 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 Indiana University of Pennsylvania of the State System of Higher Education (the University), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units, which statements reflect total assets, net position, and revenues constituting 100 percent, 100 percent, and 100 percent, respectively, of the 2022 assets, net position, and revenues of the discretely presented component units, and 100 percent, 100 percent, and 100 percent of assets, net position, and revenues of the 2021 assets, net position, and revenues of the discretely presented component units for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

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

As discussed in Note 6, one of the University’s component units, the Foundation for Indiana University of Pennsylvania, Inc. (the Foundation), is in default on certain covenants of its loan agreements at June 30, 2022 and 2021. The lenders may demand repayment of the loans. No such demand has been made. Negotiations are presently under way to restructure the related indebtedness. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 31, 2022

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

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Indiana University of Pennsylvania (IUP) for the years ended June 30, 2022 and 2021. IUP's financial performance is discussed and analyzed within the context of the financial statements and disclosures which follow.

IUP, founded in 1875, is a public university of the Commonwealth of Pennsylvania and is one of fourteen (14) universities and the Office of the Chancellor comprising the Pennsylvania State System of Higher Education (the State System) for the 2021-2022 academic year. As a public university, IUP is charged with providing affordable high-quality education to its students. With 9,308 students enrolled for Fall 2021, IUP had the 2nd largest enrollment of the State System's fourteen (14) universities for the 2020-2021 academic year.

Like all State System institutions, IUP functions independently, but being part of the State System enables IUP to benefit from economies of scale for shared services and key central systems and administrative support.

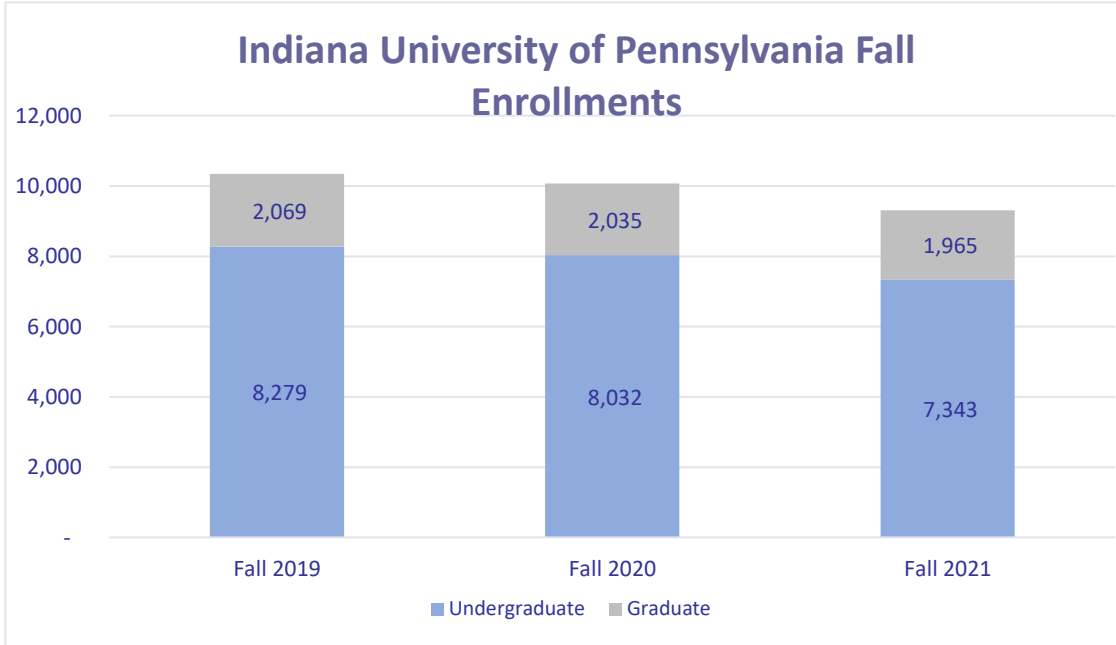
The following is an overview of the IUP's financial activities for the year ended June 30, 2022, as compared to the years ended June 30, 2021 and 2020. Note, due to rounding, certain increases or decreases may vary slightly from audited financial statements.

Financial Highlights

- As a public institution of higher education, IUP receives state appropriations from the Commonwealth of Pennsylvania to support its operations. Total Commonwealth appropriations were \$477.5 million statewide for the years ended June 30, 2022, 2021, and 2020, respectively. IUP received a general state appropriation of \$54.5 million for the year ended June 30, 2022, which was a 2.8% decrease compared to the \$56.1 million appropriation for both years ended June 30, 2021 and 2020.
- The State System Board of Governors annually approves tuition rate increases. The rate increase approved for academic years 2021-2022, 2020-2021, and 2019-2020 was 0.00% for all three years.
- Revenue recognized for tuition and fees net of discounts and allowances was \$70.6 million in fiscal year 2021-2022, \$84.9 million in fiscal year 2020-2021, and \$96.5 million in fiscal year 2019-2020.
- State appropriations for capital increased for the second year in a row. Capital appropriations for 2021-2022 increased by 38.8% over 2020-2021 capital appropriations. 2020-2021 increased by 15.4% compared to 2019-2020 levels.
- Enrollment for Fall 2021 included 7,343 undergraduate and 1,965 graduate students, for a total of 9,308 students. Fall 2020 and 2019 included 8,032 and 8,279 undergraduate and 2,035 and 2,069 graduate students respectively. The chart below summarizes a three-year trend of undergraduate and graduate enrollment.

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Financial Highlights (Continued)



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 IUP 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 other parties, and land, buildings, and equipment reported at cost, less accumulated depreciation. Deferred outflows of resources, which is defined as a consumption of net position that applies to future periods, includes deferred losses on refunding of debt and certain items associated with the net pension and other postemployment benefits (OPEB) liabilities and annual pension and OPEB expense.

Liabilities include payments due to vendors and students, the balance of bonds payable, and liabilities such as workers' compensation (IUP is self-insured), compensated absences (the value of sick and annual leave earned by employees), lease liabilities and postretirement benefits (benefits expected to be paid to certain current and future retirees). Deferred inflows of resources, which is defined as an acquisition of net position that applies to future periods, includes deferred gains on refunding of debt and certain items associated with the net pension and OPEB liabilities and annual pension and OPEB expense and lease receivables. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

Net position at fiscal year-end June 30, 2022 increased by \$32.1 million to (\$151.7) million from fiscal year-end June 30, 2021 net position of (\$183.8) million. The net position at year-end June 30, 2021 increased \$0.5 million from the net position at the end of fiscal year-end June 30, 2020 which was (\$184.3) million.

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Financial Statements (Continued)

Balance Sheet (Continued)

The following is a summary of the balance sheet for fiscal years ended June 30, 2022, 2021, and 2020.

	<u>2022</u>	<u>2021 (Restated)</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and Cash Equivalents	\$ 98,136,488	\$ 94,867,764	\$ 93,398,404
Other Current Assets	21,797,900	23,229,938	28,239,379
Total Current Assets	<u>119,934,388</u>	<u>118,097,702</u>	<u>121,637,783</u>
Noncurrent Assets			
Capital Assets, Net	254,829,210	267,974,217	179,133,295
Other Noncurrent Assets	12,769,885	14,165,670	10,529,273
Total Noncurrent Assets	<u>267,599,095</u>	<u>282,139,887</u>	<u>189,662,568</u>
Total Assets	387,533,483	400,237,589	311,300,351
Deferred Outflow of Resources	<u>47,806,912</u>	<u>64,819,714</u>	<u>27,215,377</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 435,340,395</u>	<u>\$ 465,057,303</u>	<u>\$ 338,515,728</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 21,045,292	\$ 22,406,916	\$ 18,484,532
Unearned Revenue	3,344,604	5,527,819	5,012,293
Current Portion of Long Term Liabilities	16,199,663	20,197,562	13,156,327
Other Current Liabilities	3,029,189	3,429,942	4,498,685
Total Current Liabilities	<u>43,618,748</u>	<u>51,562,239</u>	<u>41,151,837</u>
Noncurrent Liabilities			
Long Term Liabilities, Net of Current Portion	143,333,485	149,341,350	62,535,549
Postretirement Benefits Obligation	205,933,352	230,120,701	200,395,315
Net Pension Liability	84,185,207	115,110,613	122,750,271
Other Noncurrent Liabilities	54,859	248,221	3,984,250
Total Noncurrent Liabilities	<u>433,506,903</u>	<u>494,820,885</u>	<u>389,665,385</u>
Total Liabilities	477,125,651	546,383,124	430,817,222
Deferred Inflow of Resources	109,949,646	102,480,516	92,013,249
Net Position			
Net Investment in Capital Assets	120,473,233	124,794,893	130,163,114
Total Restricted	20,098,505	18,686,100	18,281,545
Total Unrestricted	(292,306,640)	(327,287,330)	(332,759,402)
Total Net Position	<u>(151,734,902)</u>	<u>(183,806,337)</u>	<u>(184,314,743)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 435,340,395</u>	<u>\$ 465,057,303</u>	<u>\$ 338,515,728</u>

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Financial Statements (Continued)

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 lease or bonds payable. This balance is not available for IUP's use in ongoing operations, since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling university land and buildings without prior approval.

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

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

- The liability for compensated absences, which decreased during fiscal year 2021-2022 by \$0.3 million to \$20.6 million at June 30, 2022. Like the other postemployment 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, IUP funds the liability only as the liability becomes due.
- The OPEB liability for employees who participate in the State System of Higher Education (SSHE) health care plan, which decreased during fiscal year 2021-2022 by \$10.5 million to \$160.7 million at June 30, 2022. Additionally, the liability for other postemployment benefit obligations of the Retired Employee Healthcare Plan (REHP) decreased \$14.6 million to \$48.5 million and the Public School Employee's Retirement System (PSERS) plan remained at \$0.5 million. The total liability at June 30, 2022 for OPEB was \$209.7 million. Because the liability is realized gradually over time, and because of its size, IUP funds the liability only as the liability becomes due.
- The net pension liability decreased during fiscal year 2021-2022 by \$30.9 million to \$84.2 million as of June 30, 2022. The combined pension liability for fiscal year 2022 is comprised of \$74.7 million for the State Employee Retirement System (SERS) and \$9.5 million for PSERS.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, IUP has classified revenues and expenses as either operating or nonoperating. GASB has determined all public college and university state appropriations are nonoperating revenues. In addition, GASB requires classification of gifts, state appropriations, Pell grants, investment income net of investment expenses, unrealized gains and losses on investment, interest expense, and losses on disposals of assets, as nonoperating revenues and expenses. IUP classifies all remaining activities as operating.

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Financial Statements (Continued)

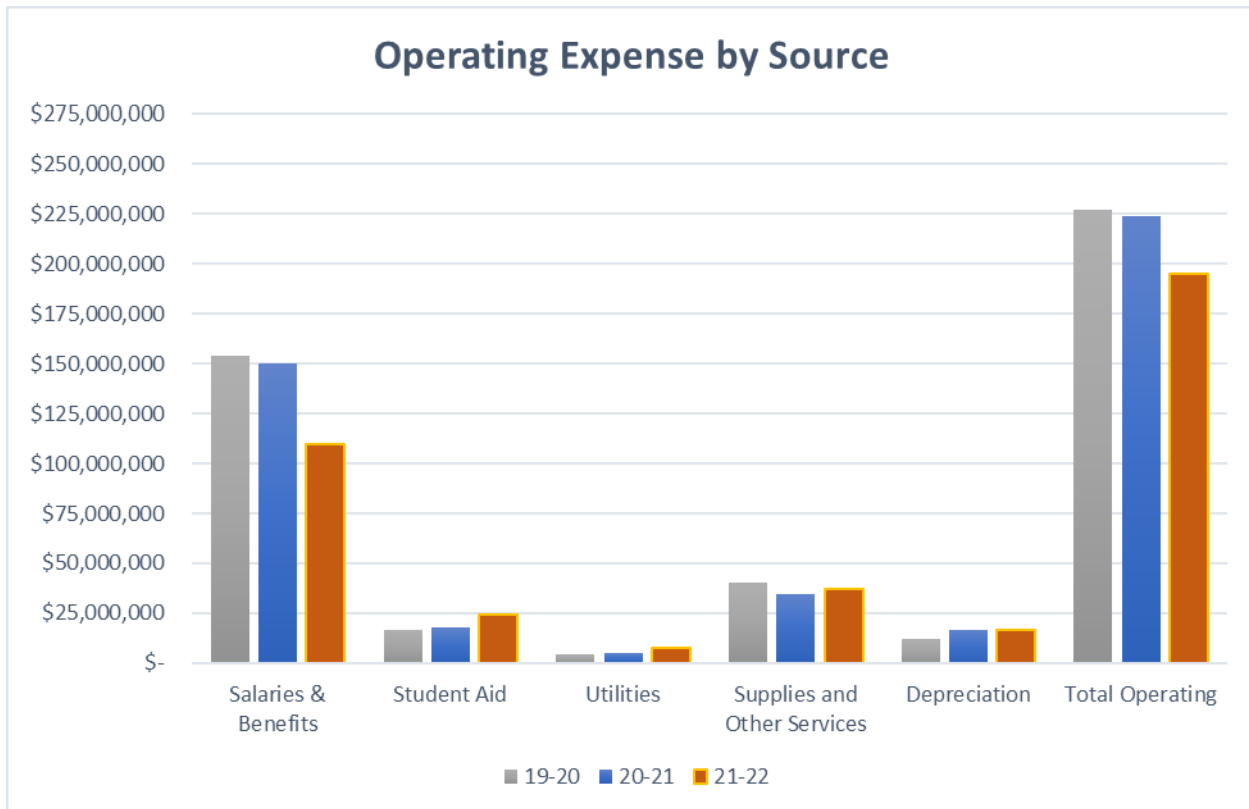
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Utilizing these definitions, operating expenses exceeded operating revenues by \$70.9 million in fiscal year 2021-2022, by \$96.0 million in 2020-2021, and by \$80.9 million in 2019-2020.

Including net nonoperating revenues (expenses) and excluding unfunded employee benefit expenses from the net operating revenues (expenses) results in an adjusted net operating loss of \$3.4 million in fiscal year 2021-2022, an adjusted net operating loss of \$12.5 million in fiscal year 2020-2021, and an adjusted net operating loss of \$7.1 million in fiscal year 2019-2020.

Operating revenues in 2021-2022 decreased 3.0% compared to 2020-2021 while operating revenues decreased 12.4% in 2020-2021 compared to 2019-2020. Operating expenses in 2021-2022 decreased 12.9% compared to 2020-2021 while operating expenses in 2020-2021 decreased 1.3% compared to 2019-2020. The decrease in both operating revenues and expenses can be attributed to reduced enrollment in both years and also as a result of minimizing the impact of the coronavirus pandemic by going to a distance learning environment in March of 2020. Additionally, operating expenses decreased due to staff attrition.

The following graph reflects operating expenditures categorized as to the nature of the expense for the years ended June 30, 2022, 2021, and 2020, as opposed to the functional classification presentation on the statement of revenues, expenses, and change in net position.



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Financial Statements (Continued)

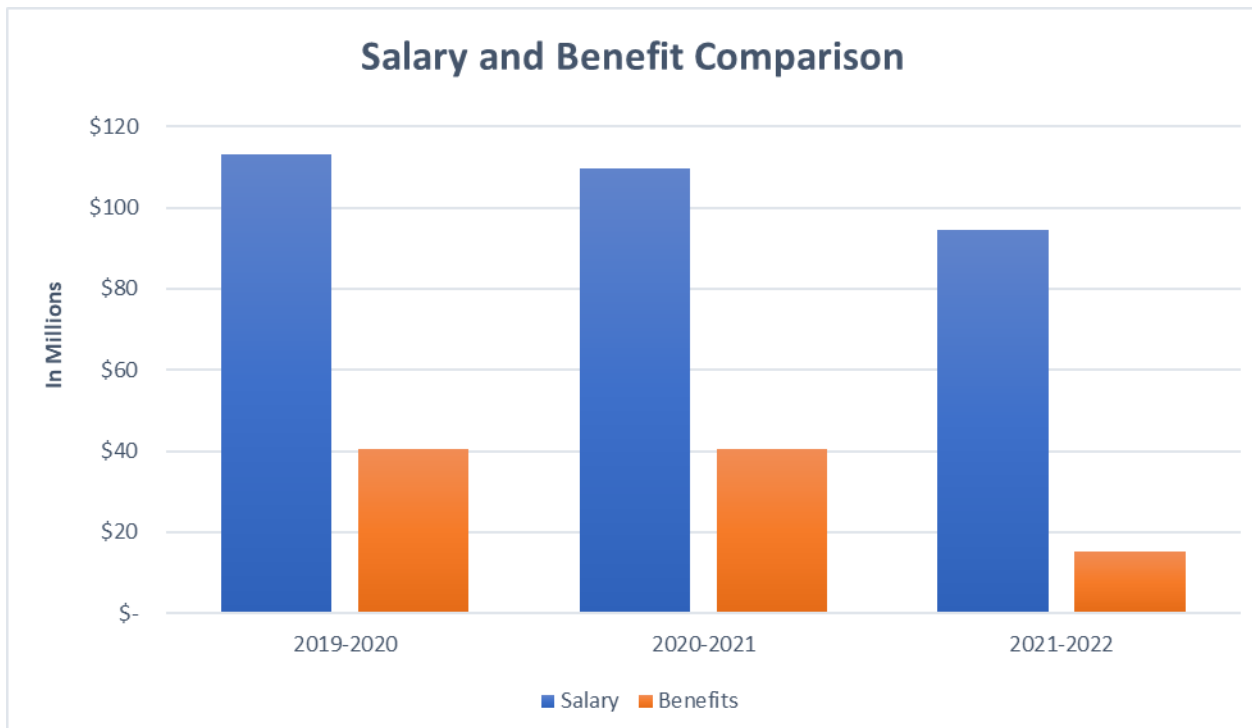
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Nonoperating revenues were \$103.5 million in 2021-2022, \$97.8 million in 2020-2021, and \$90.0 million in 2019-2020. The increases of \$5.7 million in 2022-2021, and \$7.8 million in 2020-2021 can be primarily attributed to Higher Education Emergency Relief Fund (HEERF) funding received due to the coronavirus pandemic.

Under "Other Revenue," capital gifts and grants were \$0.2 million in both 2021-2022 and 2020-2021, and \$0.3 million in 2019-2020.

In 2021-2022, IUP spent \$94.6 million, or 48.5%, of operating expenses on salaries as compared to \$109.7, or 49.0%, and \$113.1 million, or 49.9%, of operating expenses on salaries in 2020-2021 and 2019-2020 respectively. Benefit costs in 2020-2021 were \$15.1 million, or 7.7%, of operating expenses, while benefit costs were \$40.4 million, or 18.1%, and \$40.6 million, or 17.9%, of operating expenses in 2020-2021 and 2019-2020 respectively.

The following graph summarizes salaries and benefits for the years ended June 30, 2022, 2021, and 2020.



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Financial Statements (Continued)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

The following summary shows the statement of operating revenues, operating and nonoperating expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020.

	2022	2021 (Restated)	2020
OPERATING REVENUES			
Tuition and Fees, Net	\$ 70,616,159	\$ 84,917,696	\$ 96,482,368
Governmental Grants and Contracts	22,311,845	19,041,384	20,181,622
Nongovernmental Grants and Contracts	3,738,905	2,162,497	3,968,716
Sales and Services	5,832,068	3,072,211	7,199,549
Auxiliary Enterprises, Net	21,373,210	17,330,158	18,101,027
Other Revenue	210,324	1,416,724	85,309
Total Operating Revenue	124,082,511	127,940,670	146,018,591
NONOPERATING REVENUES			
State Appropriations, General and Restricted	54,503,062	56,058,332	56,058,332
Federal Grants and Appropriations, COVID	31,001,704	19,991,612	11,302,056
Pell Grants	13,396,632	14,221,942	15,678,514
Investment Income, Net (Includes Unrealized Gains and Losses)	(133,146)	3,075,294	2,691,113
Other Nonoperating Revenues	4,703,800	4,484,588	4,260,787
Total Nonoperating Revenues	103,472,052	97,831,768	89,990,802
OTHER REVENUES			
State Appropriations, Capital	3,651,218	2,631,247	2,280,182
Capital Gifts and Grants	206,070	236,478	298,267
Total Other Revenues	3,857,288	2,867,725	2,578,449
Total Revenues	231,411,851	228,640,163	238,587,842
OPERATING EXPENSES			
Instruction	66,458,025	87,779,255	90,690,337
Research	1,319,444	974,456	970,284
Public Service	5,391,960	5,606,555	7,689,012
Academic Support	12,478,998	18,521,180	19,987,707
Student Services	14,380,000	16,902,223	18,070,594
Institutional Support	23,075,951	32,124,323	30,820,364
Operations of Maintenance and Plant	9,897,202	11,146,073	14,067,363
Depreciation	16,804,393	17,630,846	12,397,423
Student Aid	23,968,302	17,852,829	16,445,698
Auxiliary Enterprises	21,231,775	15,388,738	15,762,111
Total Operating Expenses	195,006,050	223,926,478	226,900,893
NONOPERATING EXPENSES			
Interest Expense on Capital Asset-Related Debt	3,376,211	3,300,094	1,741,349
Other Nonoperating Expenses	958,155	905,185	-
Total Nonoperating Expenses	4,334,366	4,205,279	1,741,349
Total Expenses	199,340,416	228,131,757	228,642,242
CHANGE IN NET POSITION	32,071,435	508,406	9,945,600
Net Position - Beginning of the Year	(183,806,337)	(184,314,743)	(194,260,343)
NET POSITION - END OF YEAR	\$ (151,734,902)	\$ (183,806,337)	\$ (184,314,743)

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Financial Statements (Continued)

Statement of Cash Flows

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

The following summary shows IUP's cash at the end of 2021-2022 as \$98.1 million, a 3.4% increase of \$3.3 million compared to cash at the end of 2020-2021. The cash balance of \$94.9 million at the end of 2020-2021 is an 1.6% increase of \$1.5 million compared to the 2019-2020 ending cash balance of \$93.4 million.

	<u>2022</u>	<u>2021 (Restated)</u>	<u>2020</u>
Cash Flows from Operating	\$ (88,426,891)	\$ (79,334,700)	\$ (89,759,282)
Cash Flows from Noncapital Financing Activities	103,108,541	92,244,463	87,357,717
Cash Flows from Capital Financing Activities	(12,441,651)	(12,879,454)	(14,543,768)
Cash Flows from Investing Activities	<u>1,028,725</u>	<u>1,439,051</u>	<u>2,632,502</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,268,724	1,469,360	(14,312,831)
Cash and Cash Equivalents - Beginning of Year	<u>94,867,764</u>	<u>93,398,404</u>	<u>107,711,235</u>
Cash and Cash Equivalents - End of Year	<u>\$ 98,136,488</u>	<u>\$ 94,867,764</u>	<u>\$ 93,398,404</u>

IUP Highlights and Future Considerations

Several considerations should be noted with respect to IUP's financial outlook in upcoming fiscal years as several conditions could limit IUP's financial flexibility in fiscal year 2022-2023 and beyond.

1. State Appropriations – IUP receives substantial funding annually from the Commonwealth of Pennsylvania as State Appropriation. The Commonwealth of Pennsylvania's level of funding for higher education per student is near the lowest of all states. Financial pressures on the Commonwealth may result in future reductions in state support. Additionally, changes in the Board of Governors allocation methodology may further reduce IUP's appropriation.
2. Enrollment – In recent years the Commonwealth of Pennsylvania has experienced a decrease in traditional high school graduates, particularly in the western region of the Commonwealth which is IUP's primary service area. This trend is expected to continue well into the foreseeable future. As a result, enrollment levels at IUP have been decreasing for the past few years. Competition among both public and private colleges and universities to maintain or increase enrollments will continue to grow under these market conditions, requiring IUP to be strategic in the areas of scholarship, marketing, recruitment, and program development. Currently IUP has implemented a marketing plan to develop the IUP Brand and leverage IUP's unique identity to attract potential students. The construction of a new science building will be completed on campus by the Department of General Services and is expected to attract additional students to IUP's science programs.

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(UNAUDITED)**

IUP Highlights and Future Considerations (Continued)

3. Tuition and fee structure – IUP relies heavily on tuition and fee revenue to support current operating activities and must successfully compete for enrollments of traditional residential undergraduate students, graduate students, distance education students, international students, and nontraditional students. IUP has invoiced students on a per-credit-based tuition rate and mandatory fee structure through the end of the 2021-2022 academic year. Starting with the Fall 2022 semester, IUP will invoice students on a traditional full time per term methodology called the IUP Tuition Affordability Plan. Undergraduate students from Pennsylvania will be able to take 12 to 18 credits per year at a flat tuition rate. For a student enrolled for 15 credits per semester, this is expected to reduce tuition approximately \$1,845 per student per year, a 20% reduction. The IUP Tuition Affordability Plan is intended to allow and attract more students to attend IUP by making IUP more financially competitive and also to minimize future enrollment decreases or, more preferably, increase future enrollment. The short term impact is an expected reduction of tuition to support IUP operating activities.
4. Increased costs mandated by collective bargaining agreements – IUP faculty are represented by the Association of Pennsylvania State College and University Faculties (APSCUF) union in negotiations with the State System to set salary and benefit levels. The APSCUF contract for the period July 1, 2019 through June 30, 2023 includes annual raises of 2.0%, 2.5%, and 2.5% for fiscal years 20/21, 21/22, and 22/23.

A significant portion of IUP Staff are represented by the American Federation of State, County, and Municipal Employees (AFSCME) union in negotiations with the Commonwealth of Pennsylvania to set salary and benefit levels. The AFSCME contract for the period July 1, 2019, through June 30, 2023 includes step and general pay increases annually of 3.8%, 2.9%, 3.2%, and 3.8% for fiscal years 19/20, 20/21, 21/22, and 22/23, respectively. There were no significant changes to benefit levels in the new contract compared to the prior contract.

Employee salary and benefit costs are a significant portion of IUP's operating expenses constituting approximately 70% of E&G expenditures. These cost increases, mandated by collective bargaining agreements, continue to strain the University's allocation of resources to meet operating needs. Without corresponding increases in revenues from tuition, fees, and appropriations, IUP initiated workforce reduction measures. Management is currently reducing staffing levels via retirements and resignations.

5. As with virtually all public and private higher education institutions, the financial health of IUP is being strained by decreasing enrollments and increasing operating costs. IUP management is exploring initiatives to stem enrollment decline and reduce costs. IUP balanced the fiscal year 21/22 budget through a combination of budget and expenditure reductions and use of reserves. To ensure the continued sustainability of IUP, management is actively participating in the System Redesign project spearheaded by the Office of the Chancellor to streamline administrative support functions and take advantage of cost-effective shared service delivery opportunities.
6. As mentioned above, the State System began a review in 2016 of all State System operations with three priorities in mind: ensuring student success, leveraging university strengths, and transforming the governance/leadership structure. The Board of Governors adopted the System Redesign project in January 2019, and in July 2020, the Governor of Pennsylvania signed into law Act 50 of 2020, which through multiple requirements, should enable the State System's Board of Governors to better manage the State System. In July 2020, The Board authorized the review of the financial impacts of integrating operations of certain State System universities.

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

IUP Highlights and Future Considerations (Continued)

On July 14, 2021, the Board of Governors approved university integrations of three universities in the western part of the state and three in the northeastern part of the state. In March of 2022, both university integrations received approval by the institutional accrediting agency and are to officially unite on July 1, 2022 thereby reducing the number of PASSHE universities from 14 to 10. More information on the State System Redesign can be reviewed at the following link: <https://www.passhe.edu/SystemRedesign/>.

7. Beginning in March 2020, COVID-19 has had a direct impact on the daily operations of the University. During the remainder of the Spring and Summer 2020 semesters, the University followed state recommendations and requirements and required students and staff to study and work remotely. For the academic school year 2020-2021 only new freshmen, students in academic programs that require them to be on campus, most students in graduate programs, most international students who are in the United States, and students with special circumstances were to return to campus for face-to-face class delivery. All other students were asked not to return to campus during the 2020-2021 school year. All students and staff returned to campus for the 2021-2022 school year following recommended mitigation and prevention procedures. The University made these decisions to mitigate the risks associated with COVID-19 to the students, staff, and community. HEERF funding (which consists of CARES Act funding, CRRSA Act funding, and ARP Act funding) has been awarded to the University to minimize the overall financial impact incurred by the University, however, the financial impact in the future may depend on ongoing responses needed to mitigate COVID-19, how COVID-19 may affect future enrollment, the continued need for social distancing, and responses to any resurgences of COVID-19 in the future.

As previously mentioned, HEERF funding (Higher Education Emergency Relief Fund) has been or will be received to minimize, but not eliminate, the overall financial impact of COVID-19 on the University.

The following is a list of CARES Act (Coronavirus Aid, Relief, and Economic Security Act) funding awarded to the University in 2019-2020 and 2020-2021.

Emergency Aid for Students ¹	\$ 5,025,231
Institutional Share ¹	5,025,230
Strengthening Institutional Programs ¹	498,865
Appropriated Coronavirus Relief Funds ²	3,330,616
Governor's Education Emergency Relief ³	<u>357,986</u>
Total CARES Act Funds	<u>\$ 14,237,928</u>
For University Use (Less Emergency Aid for Students)	<u>\$ 9,212,697</u>

The following is a list of CRRSA Act (Coronavirus Response and Relief Supplemental Appropriations Act) funding awarded to the University in 2020-2021.

Emergency Aid for Students ¹	\$ 5,025,231
Institutional Share ¹	10,316,996
Strengthening Institutional Programs ¹	654,951
Governor's Education Emergency Relief ³	<u>615,923</u>
Total CRRSA Act Funds	<u>\$ 16,613,101</u>
For University Use (Less Emergency Aid for Students)	<u>\$ 11,587,870</u>

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

IUP Highlights and Future Considerations (Continued)

The following is a list of ARP Act (American Rescue Plan Act) funding awarded to the University in 2020-2021.

Emergency Aid for Students ¹	\$ 13,508,299
Institutional Share ¹	13,426,046
Strengthening Institutional Programs ¹	<u>1,197,018</u>
Total ARP Act Funds	<u>\$ 28,131,363</u>
For University Use (Less Emergency Aid for Students)	<u>\$ 14,623,064</u>

¹HEERF, US Department of Education

²Title V, Assistance for State, Local and Tribal Governments, US Department of the Treasury

³GEERF, US Department of Education, as distributed by Pennsylvania Department of Education

Additionally, the University has been approved to be reimbursed \$1,553,568 for certain COVID-19 mitigation expenses through reimbursement submissions with the Pennsylvania Emergency Management Agency (PEMA) and the Federal Emergency Management Agency (FEMA). Reimbursements of \$997,213 have been received prior to June 30, 2022, with the remaining \$556,355 either already having been received or expected to be received in 2022-2023.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Gregory K. Cessna
Controller / Director of Financial Operations
Indiana University of Pennsylvania
1090 South Drive
B17 Clark Hall

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – UNIVERSITY
JUNE 30, 2022 AND 2021**

	2022	2021 (Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 98,136,488	\$ 94,867,764
Accounts Receivable:		
Governmental Grants and Contracts	3,132,639	3,221,699
Students, Net of Allowance for Doubtful Accounts of \$9,632,867 in 2022 and \$16,436,272 in 2021	7,662,067	10,221,247
Sales and Service	993,402	497,728
Other	120,738	122,993
Inventories	733,128	675,327
Prepaid Expenses	1,268,578	1,657,989
Loans Receivable	27,051	38,441
Investment Income Receivable	96,774	74,033
Leases Receivable	103,015	86,839
Due from Component Units	5,964,200	5,578,995
Due from Component Units - Lease Receivable	55,083	52,375
Other Current Assets	1,641,225	1,002,272
Total Current Assets	119,934,388	118,097,702
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	25,007	24,996
Investments	8,273,239	9,457,851
Loans Receivable, Net	485	53,570
Leases Receivable	1,701,516	1,804,531
Due from Component Units - Lease Receivable	2,769,638	2,824,722
Capital Assets, Net	254,829,210	267,974,217
Total Noncurrent Assets	267,599,095	282,139,887
 Total Assets	 387,533,483	 400,237,589
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding of Debt	88,836	115,458
Defined Benefit Retirement Plans Deferred Outflows	16,172,814	21,760,574
Other Post Employment Benefit Plans Deferred Outflows	31,545,262	42,943,682
Total Deferred Outflows of Resources	47,806,912	64,819,714
 Total Assets and Deferred Outflows of Resources	 \$ 435,340,395	 \$ 465,057,303

See accompanying Notes to Financial Statements.

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

	2022	2021 (Restated)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses:		
Supplies and Services	\$ 4,770,287	\$ 3,212,478
Employees	16,275,005	19,194,438
Unearned Revenue:		
Students	2,030,655	2,413,603
Grants and Appropriations	148,878	225,458
Sales and Service	100,000	25,531
Auxiliary	1,046,183	2,848,339
Other	18,888	14,888
Accrued Interest Payable	153,758	164,423
Students' Deposits	369,352	274,278
Other Deposit Liabilities	352,056	409,370
Current Portion of Workers' Compensation Obligation	337,016	307,142
Current Portion of Compensated Absences Obligation	3,018,537	6,197,821
Current Portion of Lease Obligations, including Financed Purchases	3,875,806	3,784,022
Current Portion of Other Post Employment Benefits Obligation	3,814,676	4,696,170
Current Portion of Bonds Payable, Net	4,326,546	4,508,046
Current Portion Due to System, Academic Facilities Renovation Bond Program (AFRP)	107,021	112,476
Due to Component Units	1,203,430	1,489,899
Due to Component Units - Lease Liabilities	720,061	591,885
Other Current Liabilities	950,593	1,091,972
Total Current Liabilities	43,618,748	51,562,239
NONCURRENT LIABILITIES		
Workers' Compensation Obligation, Net of Current Portion	231,091	228,407
Compensated Absences Obligation, Net of Current Portion	17,581,433	14,715,341
Other Postretirement Benefits Obligation	205,933,352	230,120,701
Net Pension Liability	84,185,207	115,110,613
Lease Obligations, including Financed Purchases	77,938,858	81,765,319
Bonds Payable, Net of Current Portion	35,180,954	39,507,500
Due to System, AFRP	394,986	502,007
Due to Component Units - Lease Liabilities	12,006,163	12,622,776
Other Noncurrent Liabilities	54,859	248,221
Total Noncurrent Liabilities	433,506,903	494,820,885
Total Liabilities	477,125,651	546,383,124
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding of Debt	18,698	25,032
Defined Benefit Retirement Plans Deferred Inflows	34,934,967	22,753,981
Other Post Employment Benefit Plans Deferred Inflows	70,525,056	75,038,119
Lease Receivable	1,739,080	1,832,210
Lease Receivable Component Units	2,731,845	2,831,174
Total Deferred Inflows of Resources	109,949,646	102,480,516
NET POSITION (DEFICIT)		
Net Invested in Capital Assets	120,473,233	124,794,893
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	3,119,522	3,119,522
Student Loans	(3,574)	(3,217)
Other	799,223	798,978
Expendable:		
Scholarships and Fellowships	914,364	1,159,907
Research	720	997
Capital Projects	12,916,156	11,195,493
Other	2,352,094	2,414,420
Unrestricted	(292,306,640)	(327,287,330)
Total Net Position	(151,734,902)	(183,806,337)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 435,340,395	\$ 465,057,303

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – UNIVERSITY
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021 (Restated)
OPERATING REVENUES		
Tuition and Fees, Net of Refunds	\$ 103,935,807	\$ 115,932,060
Less: Scholarship Discounts and Allowances	33,319,648	31,014,364
Net Tuition and Fees	70,616,159	84,917,696
Governmental Grants and Contracts:		
Federal	9,675,533	8,222,766
State	12,561,482	10,751,730
Local	74,830	66,888
Nongovernmental Grants and Contracts	3,738,905	2,162,497
Sales and Services of Educational Departments	5,832,068	3,072,211
Auxiliary Enterprises, Net of Refunds	21,373,210	17,330,158
Other Revenues	210,324	1,416,724
Total Operating Revenues	124,082,511	127,940,670
OPERATING EXPENSES		
Instruction	66,458,025	87,779,255
Research	1,319,444	974,456
Public Service	5,391,960	5,606,555
Academic Support	12,478,998	18,521,180
Student Services	14,380,000	16,902,223
Institutional Support	23,075,951	32,124,323
Operations and Maintenance of Plant	9,897,202	11,146,073
Depreciation	16,804,393	17,630,846
Student Aid	23,968,302	17,852,829
Auxiliary Enterprises	21,231,775	15,388,738
Total Operating Expenses	195,006,050	223,926,478
OPERATING LOSS	(70,923,539)	(95,985,808)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	54,503,062	56,058,332
Federal and State Grants and Appropriations - CARES Act COVID Relief	31,001,704	19,991,612
Commonwealth on behalf Contributions to PSERS	584,207	1,288,461
Pell Grants	13,396,632	14,221,942
Investment Income, Net	1,131,874	1,711,451
Unrealized Gain on Investments	(1,265,020)	1,363,843
Gifts for Other than Capital Purposes	4,119,593	3,196,127
Interest Expense on Capital Asset-Related Debt	(3,376,211)	(3,300,094)
Other Nonoperating Revenue (Expense)	(958,155)	(905,185)
Nonoperating Revenues, Net	99,137,686	93,626,489
INCOME (LOSS) BEFORE OTHER REVENUES	28,214,147	(2,359,319)
OTHER REVENUES		
State Appropriations, Capital	3,651,218	2,631,247
Capital Gifts and Grants	206,070	236,478
Total Other Revenues	3,857,288	2,867,725
INCREASE IN NET POSITION	32,071,435	508,406
Net Position - Beginning of Year	(183,806,337)	(184,314,743)
NET POSITION - END OF YEAR	\$ (151,734,902)	\$ (183,806,337)

See accompanying Notes to Financial Statements.

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

	2022	(2021 Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 72,811,206	\$ 84,493,275
Grants and Contracts	26,063,230	20,683,701
Payments to Suppliers for Goods and Services	(43,160,395)	(37,581,474)
Payments to Employees	(143,811,380)	(155,364,208)
Loans Issued to Students	(41,955)	(14,036)
Loans Collected from Students	106,430	3,974,724
Student Aid	(23,969,831)	(17,852,829)
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	77,475,559	85,555,758
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(77,475,559)	(85,569,820)
Auxiliary Enterprise Charges	19,647,314	20,102,763
Sales and Services of Educational Departments	5,410,526	3,056,716
Other Receipts (Payments)	<u>(1,482,036)</u>	<u>(833,332)</u>
Net Cash Used by Operating Activities	<u>(88,426,891)</u>	<u>(79,348,762)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	57,373,403	56,058,332
Gifts and Nonoperating Grants for Other Than Capital Purposes	32,313,047	21,769,237
PELL Grant	13,334,878	14,221,941
Agency Transactions, Net	(57,314)	118,779
Other	<u>144,527</u>	<u>90,236</u>
Net Cash Provided by Noncapital Financing Activities	<u>103,108,541</u>	<u>92,258,525</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt	-	5,218,057
Capital Appropriations	3,651,218	2,631,247
Capital Grants and Gifts Received	53,070	210,854
Proceeds from Sales of Capital Assets	400,000	-
Purchases of Capital Assets	(4,069,465)	(3,820,749)
Principal Paid on Capital Debt and Leases	(8,896,785)	(13,403,157)
Interest Paid on Capital Debt and Leases	<u>(3,579,689)</u>	<u>(3,715,706)</u>
Net Cash Used by Capital Financing Activities	<u>(12,441,651)</u>	<u>(12,879,454)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	11,284	215,755
Interest on Investments	1,109,133	1,743,999
Purchase of Investments	<u>(91,692)</u>	<u>(520,703)</u>
Net Cash Provided by Investing Activities	<u>1,028,725</u>	<u>1,439,051</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 3,268,724	 1,469,360
Cash and Cash Equivalents - Beginning of Year	<u>94,867,764</u>	<u>93,398,404</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 98,136,488</u></u>	 <u><u>\$ 94,867,764</u></u>

See accompanying Notes to Financial Statements.

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

	<u>2022</u>	<u>2021 (Restated)</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (70,923,539)	\$ (95,985,808)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	16,804,393	17,630,846
Expenses Paid by Commonwealth or Donor	584,207	1,288,461
Effect of Changes in Operating Assets, Liabilities, and Deferred Inflows and Outflows:		
Receivables, Net	2,152,566	(34,059)
Lease rental receivable	139,215	67,219
Inventories	(57,801)	175,274
Other Assets	(632,493)	3,675,846
Accounts Payable	(2,034,985)	3,198,335
Deferred Revenue	(2,198,441)	1,919,141
Students' Deposits	95,074	(87,463)
Compensated Absences	(313,192)	1,490,461
Loans to Students and Employees	64,475	3,960,688
Post Employment Benefits Liability (OPEB)	(25,068,843)	27,805,086
Defined Benefit Pensions	(30,925,406)	(7,639,658)
Other Liabilities	(573,765)	(4,848,083)
Deferred Outflows of Resources Related to Pensions	5,587,760	(6,262,563)
Deferred Outflows of Resources Related to Other Post Employment Benefits Liability	11,398,420	(31,326,338)
Deferred Inflows of Resources Related to Pensions	12,180,986	10,405,912
Deferred Inflows of Resources Related to Other Post Employment Benefits Liability	(4,513,063)	(4,595,695)
Deferred Inflows of Resources Related to Lease Receivable	(192,459)	(172,302)
Net Cash Used by Operating Activities	<u>\$ (88,426,891)</u>	<u>\$ (79,334,700)</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Capital Assets Included in Payables	<u>\$ 673,362</u>	<u>\$ 724,049</u>
Capital Assets Acquired by New Leases	<u>\$ -</u>	<u>\$ 88,145,448</u>
Capital Assets Acquired by New Right of Use leases	<u>\$ 57,804</u>	<u>\$ 864,797</u>
Capital Assets Acquired by New Right of Use Leases with Comp Units	<u>\$ 208,448</u>	<u>\$ 13,886,518</u>
Capital Assets Acquired by Gift	<u>\$ 153,000</u>	<u>\$ 25,624</u>
Commonwealth on Behalf Contributions to PSERS	<u>\$ 584,207</u>	<u>\$ 1,288,461</u>
Lessor Leases Issued with 3rd Parties	<u>\$ -</u>	<u>\$ 1,905,183</u>
Lessor Leases Issued with Comp Units	<u>\$ -</u>	<u>\$ 2,930,503</u>

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 13,660,645	\$ 8,474,013
Accounts Receivable	1,092,441	1,309,784
Contributions/Pledges Receivable	2,549,448	2,868,452
Due from University	1,203,430	1,489,948
Inventories	696,254	816,054
Investments	104,774,029	123,787,395
Capital Assets, Net	114,458,567	118,287,127
Funds Held by Component Unit	6,280,531	7,057,549
Restricted Cash and Investments	23,434,205	23,233,380
Other Assets	87,344,617	94,852,485
Total Assets	\$ 355,494,167	\$ 382,176,187
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,315,837	\$ 3,863,966
Deferred Revenues	758,186	828,368
Annuity Liabilities	113,435	136,803
Due to University	5,964,200	5,578,997
Deposits Payable	256,566	263,439
Funds Held for Component Unit	6,280,532	7,057,549
Capital Leases	19,144,906	24,712,288
Note Payable to Component Unit	-	17,546,606
Long-Term Debt, Net	192,392,440	199,539,690
Interest Rate Swap Agreements	25,730,241	37,184,996
Other Liabilities	4,546,894	4,428,353
Total Liabilities	257,503,237	301,141,055
NET ASSETS (DEFICIT)		
Without Donor Restriction	21,277,588	(1,285,145)
With Donor Restriction	76,713,342	82,320,277
Total Net Assets	97,990,930	81,035,132
Total Liabilities and Net Assets	\$ 355,494,167	\$ 382,176,187

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION		
Revenues and Other Additions:		
Sales and Service	\$ 4,189,080	\$ 3,227,855
Student Fees	7,764,080	8,117,517
Grants and Contracts	3,690,515	2,961,491
Rental Income, Net of Refunds	14,352,338	11,394,343
Investment Income, Net	3,492,941	5,584,716
Unrealized Gain (Loss) on Investments	(151,636)	9,486,723
Other Revenues and Gains	13,886,063	7,954,525
Contributions	20,476,474	2,183,036
Net Assets Released Based on Satisfaction of Program Restrictions	4,882,268	4,110,328
Total Revenues and Other Additions	72,582,123	55,020,534
Expenses and Losses:		
Program Services:		
Scholarships and Grants	4,874,826	6,763,898
Student Activities and Programs	4,582,144	4,600,209
University Stores	2,895,480	2,612,460
Housing	16,925,644	17,990,704
Other Programs	9,634,246	8,311,124
Management and General	1,949,522	1,844,440
Fundraising	1,933,659	2,460,129
Total Expenses	42,795,521	44,582,964
Unrealized Loss on Interest Rate Swap Agreements	7,223,869	-
Other Expenses and Losses	-	4,522,795
Total Expenses and Losses	50,019,390	49,105,759
Change in Net Assets Without Donor Restriction	22,562,733	5,914,775
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	5,880,530	4,555,234
Investment Income, Net	4,052,192	2,846,114
Other Revenues and Gains	(10,657,389)	14,113,512
Other Expenses and Losses	-	(354,350)
Net Assets Released Based on Satisfaction of Program Restrictions	(4,882,268)	(4,110,328)
Change in Net Assets with Donor Restrictions	(5,606,935)	17,050,182
CHANGE IN NET ASSETS	16,955,798	22,964,957
Net Assets - Beginning of Year	81,035,132	58,070,175
NET ASSETS - END OF YEAR	\$ 97,990,930	\$ 81,035,132

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
EXPENSES BY FUNCTION AND NATURE – COMPONENT UNITS
YEARS ENDED JUNE 30, 2022 AND 2021**

2022	Program Activities						Supporting Activities			Total Expenses
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Salaries and Benefits	\$ -	\$ 610,281	\$ 777,906	\$ 1,139,112	\$ 2,316,724	\$ 4,844,023	\$ 1,420,842	\$ -	\$ 1,420,842	\$ 6,264,865
Gifts and Grants	250,000	3,002,777	-	303,153	631,458	4,187,388	38,718	70,771	109,489	4,296,877
Supplies and Travel	-	-	1,960,389	132,520	1,216,033	3,308,942	125,890	144,721	270,611	3,579,553
Services and Professional Fees	-	207,069	19,045	340,776	1,992,613	2,559,503	177,688	1,673,587	1,851,275	4,410,778
Office and Occupancy	-	455,348	7,019	-	103,377	565,744	149,354	-	149,354	715,098
Depreciation	-	-	-	3,339,688	1,070,059	4,409,747	2,170	-	2,170	4,411,917
Interest	-	-	-	6,946,597	214,892	7,161,489	-	-	-	7,161,489
Other	4,624,826	306,669	131,121	4,723,798	2,089,090	11,875,504	34,860	44,580	79,440	11,954,944
Total Expenses	\$ 4,874,826	\$ 4,582,144	\$ 2,895,480	\$ 16,925,644	\$ 9,634,246	\$ 38,912,340	\$ 1,949,522	\$ 1,933,659	\$ 3,883,181	\$ 42,795,521

2021	Program Activities						Supporting Activities			Total Expenses
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Salaries and Benefits	\$ -	\$ 620,092	\$ 683,755	\$ 1,307,123	\$ 2,036,426	\$ 4,647,396	\$ 1,263,433	\$ -	\$ 1,263,433	\$ 5,910,829
Gifts and Grants	250,000	2,953,905	-	407,713	729,451	4,341,069	45,107	132,508	177,615	4,518,684
Supplies and Travel	-	-	1,792,239	98,163	736,020	2,626,422	33,629	59,948	93,577	2,719,999
Services and Professional Fees	-	203,871	29,286	303,127	1,275,906	1,812,190	291,729	2,208,502	2,500,231	4,312,421
Office and Occupancy	-	455,438	6,232	-	88,385	550,055	178,385	-	178,385	728,440
Depreciation	-	-	-	3,341,520	1,087,263	4,428,783	3,323	-	3,323	4,432,106
Interest	-	-	-	7,663,876	988,135	8,652,011	-	-	-	8,652,011
Other	6,513,898	366,903	100,948	4,869,182	1,369,538	13,220,469	28,834	59,171	88,005	13,308,474
Total Expenses	\$ 6,763,898	\$ 4,600,209	\$ 2,612,460	\$ 17,990,704	\$ 8,311,124	\$ 40,278,395	\$ 1,844,440	\$ 2,460,129	\$ 4,304,569	\$ 44,582,964

See accompanying Notes to Financial Statements.

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

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Indiana University of Pennsylvania of the State System of Higher Education (the University), a public four-year doctoral intensive institution located in Indiana, Pennsylvania, was founded in 1875. The University is one of fourteen universities, and the System Office, which comprise Pennsylvania's 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).

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 the Governmental Accounting Standards Board (GASB). The economic resources measurement focus reports all inflows, outflows, and balances that effect 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 and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

Reporting Entity

The University functions as a business-type activity, as defined by GASB.

The University has determined that the Student Cooperative Association, Inc. (the Cooperative); the College Student Union Association, Inc. (the Student Union); the Foundation for Indiana University of Pennsylvania, Inc. (the Foundation); the IUP Research Institute, Inc. (the Research Institute); the Indiana University of Pennsylvania Alumni Association, Inc. (the Alumni Association); and Residential Revival Indiana (RR Indiana), 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.

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

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

Reporting Entity (Continued)

The Cooperative includes Student Funds, the Co-op Store, and Central Treasury. Student Funds administers activity fees assessed and collected by the University. The Co-op Store sells college textbooks, clothing, and supplies, and Central Treasury acts as a banking agent for campus organizations. Because the economic resources received and held by the Cooperative are for the direct benefit of the University and the influence of the University over the Cooperative, the Cooperative is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The fiscal activity of the Cooperative is presented as of and for the years ended June 30, 2022 and 2021.

The Student Union is a nonprofit entity that is affiliated with the Cooperative. Its assets include the various buildings and the main furnishings and fixtures. Because the economic resources received and held by the Student Union are for the direct benefit of the University and the influence of the University over the Student Union, the Student Union is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Student Union is presented as of and for the years ended June 30, 2022 and 2021.

The Foundation acts as a repository for gifts given for the benefit of the University. Resources held by the Foundation are used solely for supplement of the capital, public services, financial aid, and educational programs of the University and administratively operate the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon is restricted for the activities of the University by 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 discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Foundation is presented as of and for the years ended June 30, 2022 and 2021.

The RR Indiana is a nonprofit entity which was incorporated to maintain and manage certain student housing facilities on the main campus of the University. Because the economic resources received and held by the RR Indiana are for the direct benefit of the University and the influence of the University over the RR Indiana, it is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the RR Indiana is presented as of and for the years ended June 30, 2022 and 2021.

The Research Institute engages in, fosters, and supports research related to fields of study at the University and provides development and administrative services for such research. The Research Institute also disseminates information related to research to the academic community and public and offers programs and services related to the procurement of funding for conducting research and development projects.

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

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

Reporting Entity (Continued)

Because these restricted resources held by the Research Institute can only be used by, or for the benefit of the University, the Research Institute is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Research Institute is presented as of and for the years ended June 30, 2022 and 2021.

The Alumni Association is a nonprofit entity that serves alumni of the University as an independent association governed by a volunteer board of directors. The Alumni Association is dedicated to connecting alumni, students, and friends of the University to create and enrich relationships to advance IUP. Because the resources received and held by the Alumni Association are for the direct benefit of the University and the influence of the University over the Alumni Association, the Alumni Association is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Alumni Association is presented as of and for the years ended June 30, 2022 and 2021.

Complete financial statements for the Cooperative, Student Union, Foundation, RR Indiana, Research Institute, and Alumni Association may be obtained at the University's Administrative Office.

Operating Revenues and Expenses

Operating revenues of the University consist of tuition, student fees, student financial aid, auxiliary activity, corporate partnerships, and revenue from cogeneration sales. 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, loss on the sale of investments, loss on the disposal of assets, and extraordinary expenses are recorded as operating expenses. Appropriations, gifts, interest income, capital grants, gains on the sale of investments, gains on the disposal of assets, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

Scholarship Discounts and Allowances and Waivers

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

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

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

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 funds are used first is left to the discretion of the University.

Cash Equivalents and Investments

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

Accounts Receivable and Loans Receivable

Accounts and loans receivable consist of tuition and fees charged to current and former students, 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 their net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

Inventories

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

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

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

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.

Buildings, equipment, and furnishings acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation, calculated using the straight-line method. All individual 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. All library books are capitalized on a composite basis in the year of purchase. Assets under right to use assets 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 the useful lives ranging from 20 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under 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 useful life.

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

Leases

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

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

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

Leases (Continued)

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

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

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-downs of capital assets were required for the years ended June 30, 2022 and 2021.

Unearned Revenue

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

Compensated Absences

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

Pension Plans and Other Post Employment Benefit (OPEB) Plans

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

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

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

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

Pension Plans and Other Post Employment Benefit (OPEB) Plans (Continued)

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System Plan, Retired Employees Health Program (REHP) and Premium Assistance Program (Premium Assistance) and additions to/deductions from the System Plan, REHP and Premium Assistance plans' fiduciary net position have been determined on the same basis as they are reported by the System Plan, REHP and Premium Assistance plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income Taxes

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

Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

- Deferred gain or loss on bond refunding, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.
- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities of the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and University pension and OPEB contributions subsequent to the respective pension or OPEB plan valuation measurement date.

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

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

- 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Derivative Instruments – Component Unit

The Foundation uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value. The unrealized gain or loss on the interest rate swap agreements is included as a change in net assets in the period of change. The Foundation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable rate debt to fixed rate debt.

New Accounting Standards

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

In June 2017, GASB issued Statement No. 87, Leases, effective for reporting periods beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right of use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right of use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for all leases with lease terms greater than 12 months. The adoption of this statement resulted in the recognition of lease related assets, liabilities, and deferred inflows of resources. Notes 4 and 6 provide details on the balances reported. The financial statement for the fiscal year ended June 30, 2021 were restated as summarized below. There was no impact to previously reported beginning net position at June 30, 2020.

<u>Statement of Revenues and Expenses 2021</u>	
Income (Loss), as Previously Reported	\$ 631,028
Implementation of GASB 87:	
Operating Revenues	41,992
Operating Expenses	(24,610)
Nonoperating Revenues (Expenses)	<u>(140,006)</u>
Income (Loss), as Restated	<u>\$ 508,404</u>

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

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

New Accounting Standards (Continued)

<u>Balance Sheet at June 30, 2021</u>	Balance as Previously Reported	GASB 87 Changes	Balance as Restated
Total Current Assets	\$ 117,952,638	\$ 145,064	\$ 118,097,702
Total Noncurrent Assets	263,921,688	18,218,199	282,139,887
Deferred Outflow of Resources	64,819,714	-	64,819,714
Total Assets	<u>\$ 446,694,040</u>	<u>\$ 18,363,263</u>	<u>\$ 465,057,303</u>
Total Current Liabilities	\$ 50,638,150	\$ 924,089	\$ 51,562,239
Total Noncurrent Liabilities	481,922,473	12,898,412	494,820,885
Deferred Inflow of Resources	97,817,132	4,663,384	102,480,516
Net Position	<u>(183,683,715)</u>	<u>(122,622)</u>	<u>(183,806,337)</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 446,694,040</u>	<u>\$ 18,363,263</u>	<u>\$ 465,057,303</u>

NOTE 2 COMPONENT UNIT INFORMATION

The following represents combining condensed balance sheet information for the component units as of June 30, 2022:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
ASSETS							
Due from University	\$ 426,391	\$ -	\$ 624,366	\$ 16,407	\$ 136,266	\$ -	\$ 1,203,430
Funds Held by Component Unit	-	-	-	-	-	6,280,531	6,280,531
Investments	266,611	-	103,959,038	-	548,380	-	104,774,029
Capital Assets, Net	25,508,590	346,942	88,603,035	-	-	-	114,458,567
Other Assets	3,324,033	11,359	33,725,559	89,543,615	2,173,044	-	128,777,610
Total Assets	<u>\$ 29,525,625</u>	<u>\$ 358,301</u>	<u>\$ 226,911,998</u>	<u>\$ 89,560,022</u>	<u>\$ 2,857,690</u>	<u>\$ 6,280,531</u>	<u>\$ 355,494,167</u>
LIABILITIES AND NET ASSETS							
Liabilities:							
Due to University	\$ 82,463	\$ -	\$ 2,679,405	\$ 2,841,584	\$ 360,748	\$ -	\$ 5,964,200
Funds Held for Component Unit	-	-	6,280,532	-	-	-	6,280,532
Note Payable to Component Unit	-	-	-	-	-	-	-
Capital Leases	19,144,906	-	-	-	-	-	19,144,906
Long-Term Debt, Net	-	-	116,810,505	75,581,935	-	-	192,392,440
Other Liabilities	1,825,655	-	30,370,984	-	1,324,520	200,000	33,721,159
Total Liabilities	<u>21,053,024</u>	<u>-</u>	<u>156,141,426</u>	<u>78,423,519</u>	<u>1,685,268</u>	<u>200,000</u>	<u>257,503,237</u>
Net Assets:							
Without Donor Restrictions	8,472,601	358,301	(5,942,770)	11,136,503	1,172,422	6,080,531	21,277,588
With Donor Restrictions	-	-	76,713,342	-	-	-	76,713,342
Total Net Assets	<u>8,472,601</u>	<u>358,301</u>	<u>70,770,572</u>	<u>11,136,503</u>	<u>1,172,422</u>	<u>6,080,531</u>	<u>97,990,930</u>
Total Liabilities and Net Assets	<u>\$ 29,525,625</u>	<u>\$ 358,301</u>	<u>\$ 226,911,998</u>	<u>\$ 89,560,022</u>	<u>\$ 2,857,690</u>	<u>\$ 6,280,531</u>	<u>\$ 355,494,167</u>

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

NOTE 2 COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining condensed balance sheet information for the component units as of June 30, 2021:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
ASSETS							
Due from University	\$ 578,311	\$ -	\$ 703,890	\$ 89,770	\$ 117,977	\$ -	\$ 1,489,948
Funds Held by Component Unit	-	-	-	-	-	7,057,549	7,057,549
Investments	17,805	-	123,151,786	-	617,804	-	123,787,395
Capital Assets, Net	25,974,007	363,862	91,930,908	-	18,350	-	118,287,127
Other Assets	6,795,517	10,609	29,498,506	92,716,049	2,533,487	-	131,554,168
	<u>\$ 33,365,640</u>	<u>\$ 374,471</u>	<u>\$ 245,285,090</u>	<u>\$ 92,805,819</u>	<u>\$ 3,287,618</u>	<u>\$ 7,057,549</u>	<u>\$ 382,176,187</u>
LIABILITIES AND NET ASSETS							
Liabilities:							
Due to University	\$ 89,488	\$ -	\$ 2,485,430	\$ 2,562,611	\$ 441,468	\$ -	\$ 5,578,997
Funds Held for Component Unit	-	-	7,057,549	-	-	-	7,057,549
Note Payable to Component Unit	-	-	-	17,546,606	-	-	17,546,606
Capital Leases	24,712,288	-	-	-	-	-	24,712,288
Long-Term Debt, Net	-	-	120,751,148	78,788,542	-	-	199,539,690
Other Liabilities	1,889,658	-	42,086,092	1,093,781	1,386,394	250,000	46,705,925
Total Liabilities	<u>26,691,434</u>	<u>-</u>	<u>172,380,219</u>	<u>99,991,540</u>	<u>1,827,862</u>	<u>250,000</u>	<u>301,141,055</u>
Net Assets:							
Without Donor Restrictions	6,674,206	374,471	(9,415,406)	(7,185,721)	1,459,756	6,807,549	(1,285,145)
With Donor Restrictions	-	-	82,320,277	-	-	-	82,320,277
Total Net Assets	<u>6,674,206</u>	<u>374,471</u>	<u>72,904,871</u>	<u>(7,185,721)</u>	<u>1,459,756</u>	<u>6,807,549</u>	<u>81,035,132</u>
Total Liabilities and Net Assets	<u>\$ 33,365,640</u>	<u>\$ 374,471</u>	<u>\$ 245,285,090</u>	<u>\$ 92,805,819</u>	<u>\$ 3,287,618</u>	<u>\$ 7,057,549</u>	<u>\$ 382,176,187</u>

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OF THE STATE SYSTEM OF HIGHER EDUCATION
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JUNE 30, 2022 AND 2021**

NOTE 2 COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining revenues, expenses, and changes in net assets information for the component units for the year ended June 30, 2022:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
Changes in Net Assets Without Donor Restriction							
Revenues and Other Additions:							
Sales and Services	\$ 2,641,577	\$ -	\$ -	\$ -	\$ 1,470,536	\$ 76,967	\$ 4,189,080
Student Fees	7,764,080	-	-	-	-	-	7,764,080
Grants and Contracts	-	-	-	-	3,690,515	-	3,690,515
Rental Income, Net of Refunds	-	-	14,352,338	-	-	-	14,352,338
Investment Income	297,661	-	1,994,354	1,803,059	21,837	(623,970)	3,492,941
Unrealized Gain (Loss) on Investments	(61,119)	-	-	-	(90,517)	-	(151,636)
Other Revenues and Gains	758,572	20,000	13,070,051	-	27,014	10,426	13,886,063
Contributions	-	-	1,834,527	18,640,387	-	1,560	20,476,474
Net Assets Released from Restrictions	-	-	4,882,268	-	-	-	4,882,268
Total Revenues and Other Additions	11,400,771	20,000	36,133,538	20,443,446	5,119,385	(535,017)	72,582,123
Expenses and Losses:							
Program Services:							
Scholarships and Grants	250,000	-	4,624,826	-	-	-	4,874,826
Student Activities and Programs	4,582,144	-	-	-	-	-	4,582,144
University Stores	2,895,480	-	-	-	-	-	2,895,480
Housing	-	-	14,804,422	2,121,222	-	-	16,925,644
Other Programs	1,491,235	36,170	3,429,143	-	4,608,554	69,144	9,634,246
Management and General	383,517	-	644,983	-	798,165	122,857	1,949,522
Fundraising	-	-	1,933,659	-	-	-	1,933,659
Total Expenses	9,602,376	36,170	25,437,033	2,121,222	5,406,719	192,001	42,795,521
Other Expenses and Losses	-	-	7,223,869	-	-	-	7,223,869
Total Expenses and Losses	9,602,376	36,170	32,660,902	2,121,222	5,406,719	192,001	50,019,390
Change in Net Assets Without Donor Restriction	1,798,395	(16,170)	3,472,636	18,322,224	(287,334)	(727,018)	22,562,733
Changes in Net Assets With Donor Restrictions							
Contributions	-	-	5,880,530	-	-	-	5,880,530
Investment Gain	-	-	4,052,192	-	-	-	4,052,192
Other Revenues and Gains	-	-	(10,657,389)	-	-	-	(10,657,389)
Other Expenses and Losses	-	-	-	-	-	-	-
Net Assets Released From Restrictions	-	-	(4,882,268)	-	-	-	(4,882,268)
Change in Net Assets with Donor Restrictions	-	-	(5,606,935)	-	-	-	(5,606,935)
Change in Net Assets	1,798,395	(16,170)	(2,134,299)	18,322,224	(287,334)	(727,018)	16,955,798
Net Assets - Beginning of Year	6,674,206	374,471	72,904,871	(7,185,721)	1,459,756	6,807,549	81,035,132
Net Assets - End of Year	\$ 8,472,601	\$ 358,301	\$ 70,770,572	\$ 11,136,503	\$ 1,172,422	\$ 6,080,531	\$ 97,990,930

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NOTE 2 COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining revenues, expenses, and changes in net assets information for the component units for the year ended June 30, 2021:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
Changes in Net Assets Without Donor Restriction							
Revenues and Other Additions:							
Sales and Services	\$ 2,140,153	\$ -	\$ -	\$ -	\$ 1,087,702	\$ -	\$ 3,227,855
Student Fees	8,117,517	-	-	-	-	-	8,117,517
Grants and Contracts	-	-	-	-	2,961,491	-	2,961,491
Rental Income, Net of Refunds	-	-	11,394,343	-	-	-	11,394,343
Investment Income	74,351	-	2,081,158	1,727,937	32,397	1,668,873	5,584,716
Unrealized Gain (Loss) on Investments	(2,138)	-	9,386,548	-	102,313	-	9,486,723
Other Revenues and Gains	165,212	20,000	7,230,178	163,741	257,709	117,685	7,954,525
Contributions	-	-	2,181,736	-	-	1,300	2,183,036
Net Assets Released from Restrictions	-	-	4,110,328	-	-	-	4,110,328
Total Revenues and Other Additions	10,495,095	20,000	36,384,291	1,891,678	4,441,612	1,787,858	55,020,534
Expenses and Losses:							
Program Services:							
Scholarships and Grants	250,000	-	6,513,898	-	-	-	6,763,898
Student Activities and Programs	4,600,209	-	-	-	-	-	4,600,209
University Stores	2,612,460	-	-	-	-	-	2,612,460
Housing	-	-	15,160,055	2,830,649	-	-	17,990,704
Other Programs	2,056,263	32,561	2,590,562	-	3,607,459	24,279	8,311,124
Management and General	383,205	-	621,560	100,300	688,653	50,722	1,844,440
Fundraising	-	-	2,460,129	-	-	-	2,460,129
Total Expenses	9,902,137	32,561	27,346,204	2,930,949	4,296,112	75,001	44,582,964
Other Expenses and Losses	-	-	551,050	3,971,745	-	-	4,522,795
Total Expenses and Losses	9,902,137	32,561	27,897,254	6,902,694	4,296,112	75,001	49,105,759
Change in Net Assets Without Donor Restriction	592,958	(12,561)	8,487,037	(5,011,016)	145,500	1,712,857	5,914,775
Changes in Net Assets With Donor Restrictions							
Contributions	-	-	4,555,234	-	-	-	4,555,234
Investment Gain	-	-	2,846,114	-	-	-	2,846,114
Other Revenues and Gains	-	-	14,113,512	-	-	-	14,113,512
Other Expenses and Losses	-	-	(354,350)	-	-	-	(354,350)
Net Assets Released From Restrictions	-	-	(4,110,328)	-	-	-	(4,110,328)
Change in Net Assets with Donor Restrictions	-	-	17,050,182	-	-	-	17,050,182
Change in Net Assets	592,958	(12,561)	25,537,219	(5,011,016)	145,500	1,712,857	22,964,957
Net Assets - Beginning of Year	6,081,248	387,032	47,367,652	(2,174,705)	1,314,256	5,094,692	58,070,175
Net Assets - End of Year	\$ 6,674,206	\$ 374,471	\$ 72,904,871	\$ (7,185,721)	\$ 1,459,756	\$ 6,807,549	\$ 81,035,132

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System which 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 \$97,439,428 and \$90,508,120 at June 30, 2022 and 2021, respectively.

Board of Governors' Policy 1986-02-A, *Investment*, authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the board or University trustees may be invested in the investments described above, as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, the University uses local financial institutions for activities such as deposits of cash. In addition, the Universities may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, the State System recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio.

Investments may be made in U.S. dollar-denominated debt of high quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained and guidelines are followed.

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

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).

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

Moody's Rating

The State System and the University use 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 indicated medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the rating with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of P-1 indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of P-2 indicates that issuers have a strong ability to repay short-term debt obligations.

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JUNE 30, 2022 AND 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Modified Duration

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

Fair Value Hierarchy

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

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

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

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

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

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

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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JUNE 30, 2022 AND 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

Commonfund investments, held locally by the University, are valued based upon the unit values (NAV) of the funds held by the University at year-end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the University has invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice. Both the Multi-Strategy Equity Fund and the High Quality Bond Fund, held by the University, are restricted to withdrawals on the last day of business of the month. There are no unfunded commitments on these investments.

Multi-Strategy Equity Fund

The investment objective of the fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

High Quality Bond Fund

The investment objective of the fund is to offer a program devoted to investing in high quality, investment-grade only, fixed income securities. The fund seeks to outperform its benchmark, the Barclays Aggregate Bond Index, over a full market cycle.

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.

Custodial Credit Risk

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

Concentration of Credit Risk

The University does not have a formal investment policy for concentration of credit risk.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2022 and 2021, the University had the following investments which exceeded 5% of the University's total investments:

June 30, 2022			
Issuer	Type of Investment	Amount	Percentage of Total Long-Term Investments
Common Fund	Multi-Strategy Equity Fund	\$ 5,032,405	60.83%
Common Fund	High Quality Bond Fund	3,240,834	39.17%
		\$ 8,273,239	
June 30, 2021			
Issuer	Type of Investment	Amount	Percentage of Total Long-Term Investments
Common Fund	Multi-Strategy Equity Fund	\$ 5,818,344	61.52%
Common Fund	High Quality Bond Fund	3,639,507	38.48%
		\$ 9,457,851	

At June 30, 2022 and 2021, the carrying amount of the University's demand and time deposits were \$722,067 and \$4,384,639, respectively, as compared to bank balances of \$696,825 and \$4,039,011, respectively. The difference is caused primarily by items in-transit and outstanding checks. All bank balances were covered by federal government depository insurance or uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

The carrying value (fair value) of the University's local deposits and investments on June 30, 2022 is presented below:

	Fair Value Hierarchy Level	Moody's Rating (if Applicable)	Modified Duration (if Applicable)	Fair Value
Deposits:				
Demand and Time Deposits	N/A			\$ 722,067
Investments:				
Fixed Income Mutual Funds	NAV			3,240,834
Equity/Balanced Mutual Funds	NAV			5,032,405
Total				\$ 8,995,306

**INDIANA UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2022 AND 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The carrying value (fair value) of the University's local deposits and investments on June 30, 2021 is presented below:

	Fair Value Hierarchy Level	Moody's Rating (if Applicable)	Modified Duration (if Applicable)	Fair Value
Deposits:				
Demand and Time Deposits	N/A			\$ 4,384,639
Investments:				
Fixed Income Mutual Funds	NAV			3,639,507
Equity/Balanced Mutual Funds	NAV			5,818,344
Total				<u>\$ 13,842,490</u>

Of all local investments noted above, the University has no exposure to foreign currency risk for either of the years ended June 30, 2022 or 2021, respectively.

NOTE 4 LEASE RECEIVABLES

The University routinely leases various land or facilities to third parties and component units. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur. Lease receivables are discounted at a rate of 1.5% and expire at various dates through 2052.

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

	June 30, 2022		(Restated) June 30, 2021	
	Third Party	Component Unit	Third Party	Component Unit
Lease Revenue	\$ 93,130	\$ 99,328	\$ 72,972	\$ 99,328
Interest Income	27,716	42,732	25,440	43,499
Total	<u>\$ 120,847</u>	<u>\$ 142,060</u>	<u>\$ 98,412</u>	<u>\$ 142,827</u>

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

**INDIANA UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2022 AND 2021**

NOTE 4 LEASE RECEIVABLES (CONTINUED)

	Beginning Balance July 1, 2021	Additions	Retirements	Ending Balance June 30, 2022
Lease Receivable - Third Parties	\$ 1,891,370	\$ -	\$ 86,839	\$ 1,804,531
Lease Receivable - Component Units	2,877,097	-	52,376	2,824,721
Total	<u>\$ 4,768,467</u>	<u>\$ -</u>	<u>\$ 139,215</u>	<u>\$ 4,629,252</u>

	Beginning Balance July 1, 2020 (Restated)	Additions (Restated)	Retirements (Restated)	Ending Balance June 30, 2021 (Restated)
Lease Receivable - Third Parties	\$ -	\$ 1,905,183	\$ 13,813	\$ 1,891,370
Lease Receivable - Component Units	-	2,930,502	53,405	2,877,097
Total	<u>\$ -</u>	<u>\$ 4,835,685</u>	<u>\$ 67,218</u>	<u>\$ 4,768,467</u>

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 158,098	\$ 68,364	\$ 226,462
2024	148,891	65,997	214,888
2025	141,999	63,860	205,859
2026	128,287	61,802	190,089
2027	134,927	59,873	194,800
2028-2032	742,499	266,417	1,008,916
2033-2037	764,976	210,090	975,066
2038-2042	783,070	152,813	935,883
2043-2047	952,287	87,991	1,040,278
2048-2052	674,219	17,877	692,096
Total Minimum Lease Payments	<u>\$ 4,629,253</u>	<u>\$ 1,055,084</u>	<u>\$ 5,684,337</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2022 AND 2021**

NOTE 5 CAPITAL ASSETS

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

	Estimated Lives (in Years)	Beginning Balance July 1, 2021	Additions	Retirements	Transfers	Ending Balance June 30, 2022
Capital Assets Not Being Depreciated:						
Land		\$ 7,681,399	\$ 500	\$ (141,101)	\$ -	\$ 7,540,798
Construction in Progress		1,336,276	2,749,187	-	228,160	4,313,623
Total Capital Assets Not Being Depreciated		9,017,675	2,749,687	(141,101)	228,160	11,854,421
Capital Assets Being Depreciated:						
Buildings, Including Improvements	40/20	369,188,342	1,038,497	(2,138,831)	(251,089)	367,836,919
Land Improvements	20	62,301,247	15,686	(7,259)	22,929	62,332,603
Furnishings and Equipment	3-10	43,456,294	1,069,700	(723,820)	-	43,802,174
Right to Use Assets		14,784,295	266,252	-	-	15,050,547
Library Books	10	9,560,487	22,257	(30,688)	-	9,552,056
Total Capital Assets Being Depreciated or Amortized		499,290,665	2,412,392	(2,900,598)	(228,160)	498,574,299
Less: Accumulated Depreciation:						
Buildings, Including Improvements		(153,346,818)	(12,216,693)	791,190	-	(164,772,321)
Land Improvements		(37,507,550)	(1,764,108)	3,448	-	(39,268,210)
Furnishings and Equipment		(39,160,053)	(1,646,417)	713,681	-	(40,092,789)
Right to Use Assets		(1,080,611)	(1,083,638)	-	-	(2,164,249)
Library Books		(9,239,091)	(93,537)	30,687	-	(9,301,941)
Total Accumulated Depreciation and Amortization		(240,334,123)	(16,804,393)	1,539,006	-	(255,599,510)
Total Capital Assets Being Depreciated, Net		258,956,542	(14,392,001)	(1,361,592)	(228,160)	242,974,789
Capital Assets, Net		<u>\$ 267,974,217</u>	<u>\$ (11,642,314)</u>	<u>\$ (1,502,693)</u>	<u>\$ -</u>	<u>\$ 254,829,210</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 CAPITAL ASSETS (CONTINUED)

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

	Estimated Lives (in Years)	Balance (Restated) July 1, 2020	Additions	Retirements	Transfers	Balance (Restated) June 30, 2021
Capital Assets Not Being Depreciated:						
Land		\$ 7,298,369	\$ 383,030	\$ -	\$ -	\$ 7,681,399
Construction in Progress		7,254,358	175,670	(2)	(6,093,750)	1,336,276
Total Capital Assets Not Being Depreciated		14,552,727	558,700	(2)	(6,093,750)	9,017,675
Capital Assets Being Depreciated:						
Buildings, Including Improvements	40/20	284,406,259	89,952,436	(5,510,967)	340,614	369,188,342
Land Improvements	20	55,603,879	962,324	(18,092)	5,753,136	62,301,247
Furnishings and Equipment	3-10	46,181,239	1,438,671	(4,163,616)	-	43,456,294
Right to Use Assets		161,760	14,622,535	-	-	14,784,295
Library Books	10	10,182,911	39,796	(662,220)	-	9,560,487
Total Capital Assets Being Depreciated or Amortized		396,536,048	107,015,762	(10,354,895)	6,093,750	499,290,665
Less: Accumulated Depreciation:						
Buildings, Including Improvements		(145,412,462)	(12,401,724)	4,467,368	-	(153,346,818)
Land Improvements		(35,831,330)	(1,694,312)	18,092	-	(37,507,550)
Furnishings and Equipment		(40,900,336)	(2,364,240)	4,104,523	-	(39,160,053)
Right to Use Assets		(14,329)	(1,066,282)	-	-	(1,080,611)
Library Books		(9,797,023)	(104,288)	662,220	-	(9,239,091)
Total Accumulated Depreciation and Amortization		(231,955,480)	(17,630,846)	9,252,203	-	(240,334,123)
Total Capital Assets Being Depreciated, Net		164,580,568	89,384,916	(1,102,692)	6,093,750	258,956,542
Capital Assets, Net		\$ 179,133,295	\$ 89,943,616	\$ (1,102,694)	\$ -	\$ 267,974,217

NOTE 6 LEASES

University Leases - Lessee

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

Leases that provide for the transfer of title to the University at the end of the lease term are accounted for as financed purchases. Interest expense recognized on these leases for the fiscal years ended June 30, 2022 and 2021 totaled \$2,015,269 and \$1,951,013, respectively. Leases required fixed monthly payments, expire at various dates through 2047, and bear interest at rates ranging from 1.50%-13.1%.

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NOTE 6 LEASES (CONTINUED)

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

Fiscal Year Ending	Financed Purchases		Right of Use Leases with 3rd Parties		Right of Use Leases With Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,597,676	\$ 1,727,252	\$ 278,129	\$ 13,247	\$ 720,060	\$ 188,635
2024	3,675,261	1,649,668	79,951	6,937	642,029	177,741
2025	3,754,668	1,570,261	44,454	2,689	668,151	168,015
2026	3,835,939	1,488,989	11,851	141	694,995	157,894
2027	3,919,120	1,405,808	2,991	7	722,579	147,367
2028 - 2032	20,913,315	5,711,327	-	-	3,976,510	566,199
2033 - 2037	23,306,218	3,318,424	-	-	4,773,818	241,700
2038 - 2042	15,799,278	983,549	-	-	528,082	3,961
2043 - 2047	2,595,813	34,208	-	-	-	-
Total	<u>\$ 81,397,288</u>	<u>\$ 17,889,486</u>	<u>\$ 417,376</u>	<u>\$ 23,021</u>	<u>\$ 12,726,224</u>	<u>\$ 1,651,512</u>

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

	Beginning Balance June 30, 2021	2021-2022 Additions	2021-2022 Reductions	Ending Balance June 30, 2022
Financed Purchases	\$ 84,919,160		\$ 3,521,872	\$ 81,397,288
3rd Party Leases	630,181	57,804	270,609	417,376
Component Unit Leases	13,214,661	208,448	696,885	12,726,224
Total	<u>\$ 98,764,002</u>	<u>\$ 266,252</u>	<u>\$ 4,489,366</u>	<u>\$ 94,540,888</u>
	Beginning Balance June 30, 2020 (Restated)	2020-2021 Additions (Restated)	2020-2021 Reductions (Restated)	Ending Balance June 30, 2021 (Restated)
Financed Purchases	\$ 88,145,448	\$ -	\$ 3,226,288	\$ 84,919,160
3rd Party Leases	897,905	-	267,724	630,181
Component Unit Leases	13,886,516	-	671,855	13,214,661
Total	<u>\$ 102,929,869</u>	<u>\$ -</u>	<u>\$ 4,165,867</u>	<u>\$ 98,764,002</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 6 LEASES (CONTINUED)

Component Unit Leases

The Cooperative, a component unit who accounts for leases under Financial Accounting Standards Board (FASB) Standards, has entered into a lease agreements for the financing of buildings, building improvements, and equipment. Future annual minimum payments in the aggregate under noncancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 1,425,167
2024	1,409,787
2025	2,630,037
2026	2,565,885
2027	2,560,343
Thereafter	<u>15,159,500</u>
Total Minimum Lease Payments	25,750,719
Less: Amount Representing Interest on Leases	<u>6,605,813</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 19,144,906</u></u>

NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT

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

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NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)

Activity for the various bond series for the year-end June 30, 2022 is as follows:

	Weighted Average Interest Rate	Balance July 1, 2021	Bonds Issued	Bonds Redeemed	Balance June 30, 2022
Series AO Issued in July 2013 for Various Projects Final Maturity June 2033	4.50%	\$ 12,825,000	\$ -	\$ (835,000)	\$ 11,990,000
Series AP Issued in May 2014 for Various Projects Final Maturity June 2024	4.77%	257,899	-	(81,873)	176,026
Series AQ issued in May 2015 for Various Projects Final Maturity 2025	4.56%	831,653	-	(192,762)	638,891
Series AS issued in June 2016 for Various Projects Final Maturity 2027	4.13%	549,902	-	(80,875)	469,027
Series AT issued in September 2016 for Various Projects Final Maturity 2036	3.45%	15,245,000	-	(845,000)	14,400,000
Series AU-1 Issued In September 2017 for Various Projects Final Maturity June 2037	3.52%	4,088,249	-	(229,625)	3,858,624
Series AU-2 Issued In September 2017 for Various Projects Final Maturity June 2028	3.52%	3,493,275	-	(1,063,918)	2,429,357
Series AV-1 Issued In September 2018 for Various Projects Final Maturity June 2025	4.22%	904,823	-	(482,541)	422,282
Series AY Issued In October 2020 for Various Projects Final Maturity June 2031	1.48%	5,070,934	-	(483,351)	4,587,583
Total Bonds Payable		<u>\$ 43,266,735</u>	<u>\$ -</u>	<u>\$ (4,294,945)</u>	38,971,790
Plus: Unamortized Bond Premium					577,815
Less: Unamortized Bond Discount					(42,105)
Outstanding at End of Year					<u>39,507,500</u>
Less: Current Portion					4,326,546
Bonds Payable, Net of Current Portion					<u>\$ 35,180,954</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2022 AND 2021**

NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)

Activity for the various bond series for the year ended June 30, 2021 is as follows:

	Weighted Average Interest Rate	Balance July 1, 2020	Bonds Issued	Bonds Redeemed	Balance June 30, 2021
Series AL Issued in July 2010 for Various Projects Final Maturity June 2021	5.00%	\$ 144,455	\$ -	\$ (144,455)	\$ -
Series AM Issued in July 2011 for Various Projects Final Maturity June 2031	4.61%	5,142,899	-	(5,142,899)	-
Series AO Issued in July 2013 for Various Projects Final Maturity June 2033	4.50%	13,625,000	-	(800,000)	12,825,000
Series AP Issued in May 2014 for Various Projects Final Maturity June 2024	4.77%	336,555	-	(78,656)	257,899
Series AQ issued in May 2015 for Various Projects Final Maturity 2025	4.56%	1,015,652	-	(183,999)	831,653
Series AS issued in June 2016 for Various Projects Final Maturity 2027	4.13%	628,896	-	(78,994)	549,902
Series AT issued in September 2016 for Various Projects Final Maturity 2036	3.45%	16,070,000	-	(825,000)	15,245,000
Series AU-1 Issued In September 2017 for Various Projects Final Maturity June 2037	3.52%	4,307,937	-	(219,688)	4,088,249
Series AU-2 Issued In September 2017 for Various Projects Final Maturity June 2028	3.52%	4,508,793	-	(1,015,518)	3,493,275
Series AV-1 Issued In September 2018 for Various Projects Final Maturity June 2025	4.22%	1,198,534	-	(293,711)	904,823
Series AX Issued In July 2020 for Various Projects Final Maturity June 2021	3.85%	-	141,288	(141,288)	-
Series AY Issued In October 2020 for Various Projects Final Maturity June 2031	1.48%	-	5,070,934	-	5,070,934
Total Bonds Payable		<u>\$ 46,978,721</u>	<u>\$ 5,212,222</u>	<u>\$ (8,924,208)</u>	43,266,735
Plus: Unamortized Bond Premium					796,546
Less: Unamortized Bond Discount					(47,735)
Outstanding at End of Year					<u>44,015,546</u>
Less: Current Portion					4,508,046
Bonds Payable, Net of Current Portion					<u>\$ 39,507,500</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)

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

Series		2023	2024	2025	2026	2027	2028-2032	2033-2037	2038-2039	Total
AO	Principal	\$ 865,000	\$ 900,000	\$ 940,000	\$ 980,000	\$ 1,020,000	\$ 5,915,000	\$ 1,370,000	\$ -	\$ 11,990,000
	Interest	571,775	537,175	500,050	459,630	416,510	1,285,200	71,240	-	3,841,580
	Total	1,436,775	1,437,175	1,440,050	1,439,630	1,436,510	7,200,200	1,441,240	-	15,831,580
AP	Principal	85,966	90,060	-	-	-	-	-	-	176,026
	Interest	8,802	4,503	-	-	-	-	-	-	13,305
	Total	94,768	94,563	-	-	-	-	-	-	189,331
AQ	Principal	202,619	212,842	223,430	-	-	-	-	-	638,891
	Interest	31,945	21,814	11,171	-	-	-	-	-	64,930
	Total	234,564	234,656	234,601	-	-	-	-	-	703,821
AS	Principal	84,872	89,103	93,570	98,272	103,210	-	-	-	469,027
	Interest	23,451	19,208	14,753	10,074	5,160	-	-	-	72,647
	Total	108,323	108,311	108,323	108,346	108,370	-	-	-	541,674
AT	Principal	860,000	880,000	900,000	920,000	945,000	5,160,000	4,735,000	-	14,400,000
	Interest	419,185	400,265	379,585	357,085	332,935	1,237,687	383,793	-	3,510,535
	Total	1,279,185	1,280,265	1,279,585	1,277,085	1,277,935	6,397,687	5,118,793	-	17,910,535
AU-1	Principal	242,688	254,187	265,687	278,750	293,563	1,664,499	859,250	-	3,858,624
	Interest	152,294	140,159	127,450	114,166	100,228	303,102	79,941	-	1,017,340
	Total	394,982	394,346	393,137	392,916	393,791	1,967,601	939,191	-	4,875,964
AU-2	Principal	1,119,562	236,822	249,041	261,261	274,644	288,027	-	-	2,429,357
	Interest	121,468	65,490	53,649	41,197	28,134	14,401	-	-	324,339
	Total	1,241,030	302,312	302,690	302,458	302,778	302,428	-	-	2,753,696
AV-1	Principal	227,228	162,470	32,584	-	-	-	-	-	422,282
	Interest	21,114	9,753	1,629	-	-	-	-	-	32,496
	Total	248,342	172,223	34,213	-	-	-	-	-	454,778
AY	Principal	486,184	490,151	494,117	499,784	506,583	2,110,765	-	-	4,587,583
	Interest	67,623	63,977	59,688	54,129	47,257	104,643	-	-	397,317
	Total	553,807	554,127	553,805	553,913	553,840	2,215,408	-	-	4,984,900
Total	Principal	4,174,119	3,315,635	3,198,429	3,038,067	3,143,000	15,138,291	6,964,250	-	38,971,790
	Interest	1,417,657	1,262,344	1,147,975	1,036,281	930,224	2,945,033	534,974	-	9,274,488
	Total	\$ 5,591,776	\$ 4,577,978	\$ 4,346,404	\$ 4,074,347	\$ 4,073,224	\$ 18,083,324	\$ 7,499,224	\$ -	\$ 48,246,278

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NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (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. In the past, the State System issued bonds to provide a pool for funding for AFRP (\$3,176,534 and \$3,888,247 was outstanding as of June 30, 2022 and 2021, respectively). Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program. Changes in the balance owed by the University to the AFRP pool of funding were as follows:

	Beginning Balance July 1, 2021	Additions	Retirements	Ending Balance June 30, 2022	Current Portion
PASSHE Bond - AFRP	\$ 614,483	\$ -	\$ (112,476)	\$ 502,007	\$ 107,021

	Beginning Balance July 1, 2020	Additions	Retirements	Ending Balance June 30, 2021	Current Portion
PASSHE Bond - AFRP	\$ 876,851	\$ -	\$ (262,368)	\$ 614,483	\$ 112,476

The University is informed by the State System each year of their amortization for the next year. Amortization beyond the current portion is not available.

Component Units Long-Term Debt

The Foundation and RR Indiana, component units, have entered into long-term debt agreements for the financing of buildings and building improvements, primarily for student housing.

Future minimum payments by year and in the aggregate as originally scheduled in the debt agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,565,944	\$ 6,881,052	\$ 14,446,996
2024	7,833,528	6,620,222	14,453,750
2025	8,107,935	6,349,377	14,457,312
2026	8,399,207	6,068,264	14,467,471
2027	8,697,388	6,027,437	14,724,825
Thereafter	154,183,752	46,619,606	200,803,358
Total	194,787,754	\$ 78,565,958	\$ 273,353,712
Plus Unamortized Bond Premium	-		
Less: Unamortized Bond Issue Costs	(2,395,314)		
Total	\$ 192,392,440		

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NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)

Component Units Long-Term Debt (Continued)

During the fiscal years ended June 30, 2022 and 2021, the Foundation was in technical default on its debt service coverage ratio financial covenants under the 2007 Series A Revenue Bond documents and the 2015 Series A Revenue Bond documents and the related interest rate swap agreements (collectively, the FIUP Bonds).

Due to the debt covenant violations, the Foundation's debt is considered to be currently due to the lenders as of June 30, 2022 because payment in full could be required under the FIUP Bond agreements. Approximately \$4 to \$5 million of principal maturities per annum during the years 2023-2026 and approximately \$100.4 million of principal maturities thereafter, per the original FIUP Bond agreements, are considered to be currently due as of June 30, 2022.

The FIUP Bond debt is nonrecourse debt with respect to the Foundation, with the collateral for such debt being limited to, among other things, gross revenues from the student housing facilities (the Student Housing), and the following collateral related to the Student Housing facilities: receivables, furnishings, related equipment, and related real and personal property rights.

The Phase III (2015) Bonds were refunded on August 11, 2022, with a \$50,075,000 Issuance through the Indiana County Industrial Development Authority (Refunding Revenue Bonds, Series 2022) at a \$2.4 million premium and related bond funds held in connection with the 2015 bonds of \$4.1 million. Final maturity of the 2022 Bonds is May 2054 and stated interest rates on the bonds range from 4% to 5%. The Foundation has agreed to lease the student housing project facilities related to the 2015 Bond Issue to the Pennsylvania State System of Higher Education (State System) and IUP pursuant to a Master Lease Agreement to be dated as of July 1, 2022. Pursuant to the Master Lease Agreement, the State System and IUP will make certain rent payments to or on behalf of the Foundation relating to the student housing project facilities and will enter into an assignment of rents agreement related to that Master Lease, effective August 1, 2022, in favor of the Trustee as security for the 2022 Bonds.

Absent a significant change in circumstances associated with the Student Housing and the Bonds, should demand for payment in full for the Phase II bonds be made and if project reserves/revenues are insufficient, the trustees for the bondholders could exercise the respective rights under the applicable Bond documents, which could include among other things, foreclosure. No adjustments have been made for the outcome of this uncertainty.

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NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)

Promissory Notes Between the Foundation and RR Indiana

During the year ended June 30, 2018, the RR Indiana entered into a promissory note to the Foundation totaling \$5,180,092 to finance the purchase of Phase IV student housing facilities. This note and related accrued interest were forgiven in full during the year ended June 30, 2022. Prior to the year ended June 30, 2022, the note bore interest at a rate of 3% per annum, and was payable in the greater of annual installments of \$33,333 plus interest or the Net Distribution on the Phase IV Indenture as defined in the Subordinated Promissory Note Agreement dated September 28, 2017. The principal outstanding as of June 30, 2021 and forgiven in full during the year ended June 30, 2022, was \$4,267,100.

RR Indiana also has an outstanding promissory note to the Foundation totaling \$14,876,800 which was used to finance the purchase of Phase I student housing facilities. This note and related accrued interest were also forgiven in full during the year ended June 30, 2022. Prior to the year ended June 30, 2022, the note bore interest at a rate of 3% per annum, and was payable in the greater of annual installments of \$33,333 plus interest or the Net Distribution on the 2017 Indenture as defined in the Subordinated Promissory Note Agreement dated April 4, 2017. The principal outstanding as of June 30, 2021 and forgiven during the year ended June 30, 2022, was \$13,279,506.

NOTE 8 COMPENSATED ABSENCES

Changes in the compensated absences liability in fiscal years 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance - July 1	\$ 20,913,162	\$ 19,422,702
Current Changes in Estimate	2,793,647	8,508,203
Payouts	(3,106,839)	(7,017,743)
Balance - June 30	<u>\$ 20,599,970</u>	<u>\$ 20,913,162</u>
Current	\$ 3,018,537	\$ 6,197,821
Noncurrent	17,581,433	14,715,341
Balance - June 30	<u>\$ 20,599,970</u>	<u>\$ 20,913,162</u>

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

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 (see Note 7).

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

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

	System Plan		REHP		Premium Assistance		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Net OPEB Liabilities	<u>\$ 160,687,462</u>	<u>\$ 171,185,138</u>	<u>\$ 48,517,471</u>	<u>\$ 63,108,127</u>	<u>\$ 543,095</u>	<u>\$ 523,606</u>	<u>\$ 209,748,028</u>	<u>\$ 234,816,871</u>
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	\$ -	\$ -	\$ 39,926	\$ 54,881	\$ 5,048	\$ 4,841	\$ 44,974	\$ 59,722
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	N/A	N/A	-	22,528	1,035	916	1,035	23,444
Change in Assumptions	20,158,780	27,477,747	5,909,424	8,187,335	57,856	21,325	26,126,060	35,686,407
Changes in Proportion	-	-	1,520,492	2,436,094	10,743	13,869	1,531,235	2,449,963
Contributions after the Measurement Date	2,865,886	3,474,922	948,790	1,221,249	27,282	27,975	3,841,958	4,724,146
Total Deferred Outflows of Resources	<u>\$ 23,024,666</u>	<u>\$ 30,952,669</u>	<u>\$ 8,418,632</u>	<u>\$ 11,922,087</u>	<u>\$ 101,964</u>	<u>\$ 68,926</u>	<u>\$ 31,545,262</u>	<u>\$ 42,943,682</u>
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	\$ 17,146,045	\$ 24,522,265	\$ 23,540,889	\$ 30,280,177	\$ -	\$ -	\$ 40,686,934	\$ 54,802,442
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	N/A	N/A	468,868	-	-	-	468,868	-
Change in Assumptions	15,589,603	11,700,647	6,804,761	4,890,401	7,248	11,514	22,401,612	16,602,562
Changes in Proportion	N/A	N/A	6,940,203	3,622,386	27,439	10,729	6,967,642	3,633,115
Total Deferred Inflows of Resources	<u>\$ 32,735,648</u>	<u>\$ 36,222,912</u>	<u>\$ 37,754,721</u>	<u>\$ 38,792,964</u>	<u>\$ 34,687</u>	<u>\$ 22,243</u>	<u>\$ 70,525,056</u>	<u>\$ 75,038,119</u>
OPEB Expense	<u>\$ (3,191,052)</u>	<u>\$ 355,305</u>	<u>\$ (11,176,655)</u>	<u>\$ (3,777,712)</u>	<u>\$ 56,664</u>	<u>\$ 57,083</u>	<u>\$ (14,311,043)</u>	<u>\$ (3,365,324)</u>
Contributions Recognized by OPEB Plans	N/A	N/A	<u>\$ 948,790</u>	<u>\$ 1,221,249</u>	<u>\$ 27,282</u>	<u>\$ 27,975</u>	<u>\$ 976,072</u>	<u>\$ 1,249,224</u>

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$2,865,866 for the System Plan, \$948,790 for the REHP plan, and \$27,282 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

<u>Year Ending June 30,</u>	Amortization		
	<u>System Plan</u>	<u>REHP</u>	<u>Premium Assistance</u>
2023	\$ (6,523,270)	\$ (11,639,360)	\$ 6,472
2024	(3,772,049)	(9,279,241)	6,472
2025	(172,403)	(5,110,667)	10,872
2026	(2,109,146)	(2,151,655)	8,025
2027	-	(2,103,956)	4,271
Thereafter	-	-	3,883
Totals	<u>\$ (12,576,868)</u>	<u>\$ (30,284,879)</u>	<u>\$ 39,995</u>

System Plan

Plan Description

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

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

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

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (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, 2022.

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

Actuarial Assumptions and Other Inputs

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year end. The actuarial valuation on which the total OPEB liability as of June 30, 2022 is based is dated July 1, 2020, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 5.5% in 2020 through 2023, with rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Retiree premium cost sharing for retired participants covered under “Other Less Subsidized Health Coverage” is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on a generational projection using Scale MP-2020 to reflect mortality improvement.
- The discount rate increased from 1.86% to 2.28%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2021.
- Participant data is based on census information as of July 1, 2020.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the University’s net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 3.0%) or one percentage point higher (6.5% decreasing to 5.0%) than the current healthcare cost trend rates (5.5% decreasing to 4.0%).

Sensitivity of the System Plan’s Proportionate Share of the University’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.5% Decreasing to 3.0%)	Healthcare Cost Trend Rates 5.5% Decreasing to 4.0%	1% Increase (6.5% Decreasing to 5.0%)
2022	\$ 131,745,190	\$ 160,687,463	\$ 198,544,863

The following presents the University’s net OPEB liability at June 30, 2021 as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 3.0%) or one percentage point higher (6.5% decreasing to 5.0%) than the current healthcare cost trend rates (5.5% decreasing to 4.0%).

Sensitivity of the System Plan’s Proportionate Share of the University’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.5% Decreasing to 3.0%)	Healthcare Cost Trend Rates 5.5% Decreasing to 4.0%	1% Increase (6.5% Decreasing to 5.0%)
2021	\$ 140,775,560	\$ 171,185,138	\$ 211,033,459

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.28%	Current Rate 2.28%	1% Increase 3.28%
2022	\$ 189,853,186	\$ 160,687,463	\$ 137,594,899

The following presents the University's net OPEB liability was at June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (0.86%) or one percentage point higher (2.86%) than the current discount rate (1.86%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 0.86%	Current Rate 1.86%	1% Increase 2.86%
2021	\$ 203,376,413	\$ 171,185,138	\$ 145,795,397

University OPEB Liability

The University's portion of the System Plan's total OPEB liability as of June 30, 2022 of \$160,687,462 was measured and determined by an actuarial valuation as of July 1, 2021.

The University's portion of the System Plan's total OPEB liability as of June 30, 2021 of \$171,185,138 was measured and determined by an actuarial valuation as of July 1, 2020.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

University OPEB Liability (Continued)

System Plan OPEB Liability Determined as of the June 30 Measurement Dates		
	Fiscal Year June 30, 2022	Fiscal Year June 30, 2021
Changes in the System Plan Total OPEB Liability		
Total OPEB Liability – Beginning Balance	\$ 171,185,138	\$ 153,416,569
Service Cost	5,273,484	3,973,371
Interest	3,235,356	5,191,684
Changes of Benefit Terms		
Difference Between Expected and Actual Experience	-	(18,016,223)
Changes of Assumptions	(10,780,899)	34,954,393
Benefit Payments	(8,225,617)	(8,334,656)
Net Changes	(10,497,676)	17,768,569
Total OPEB Liability—Ending Balance	\$ 160,687,462	\$ 171,185,138
Covered Employee Payroll	\$ 65,803,740	\$ 67,271,134
OPEB Liability as a Percent of Covered Payroll	244.19%	254.47%

Note to Schedule:

The System Plan has no assets accumulated in trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

REHP

Plan Description

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

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Plan Description (Continued)

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

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2022.

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

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$230 per pay period for each current REHP eligible active employee during the period July 1, 2020 through January 15, 2021, and \$-0- from January 16, 2021 through June 30, 2021. The rate during the period July 1, 2021, through June 30, 2022 was \$120.00 per pay period.

Actuarial Assumptions and Other Inputs

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

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 6.9%, with rates gradually decreasing to 4.0% in 2075 and later, based on the SOA-Getzen trend rate model version 2021_b for the December 31, 2020 measurement
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates for active employees based on PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2020.
- Participant data based on census information as of December 31, 2020, for the June 30, 2021, measurement date; and as of December 31, 2019, for the June 30, 2020, measurement date.

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

- Discount rate of 3.63% as of June 30, 2021, and 2.21% as of June 30, 2020.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the index rate for the 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

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

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows at June 30, 2022:

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows at June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	47.0%	5.6%
International Equity	20.0%	5.8%
Fixed Income	25.0%	1.7%
Real Estate	8.0%	4.6%
Cash	0.0%	0.9%
Total	<u>100.0%</u>	

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 4.0260% for the measurement date of June 30, 2021 and 4.275% for the measurement date of June 30, 2020.

The following presents the University's share of the REHP net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.9% decreasing to 3.0%) or one percentage point higher (7.9% decreasing to 5.0%) than the current healthcare cost trend rates (6.9% decreasing to 4.0%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.9% Decreasing to 3.0%)	Healthcare Cost Trend Rates 6.9% Decreasing to 4.0%	1% Increase (7.9% Decreasing to 5.0%)
2022	\$ 41,259,861	\$ 48,517,472	\$ 57,568,933

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (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, 2021, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.6% decreasing to 3.1%) or one percentage point higher (7.6% decreasing to 5.1%) than the current healthcare cost trend rates (6.6% decreasing to 4.1%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.6% Decreasing to 3.1%)	Healthcare Cost Trend Rates 6.6% Decreasing to 4.1%	1% Increase (7.6% Decreasing to 5.1%)
2021	\$ 53,638,158	\$ 63,108,127	\$ 74,941,815

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

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.63%	Current Rate 3.63%	1% Increase 4.63%
2022	\$ 55,592,647	\$ 48,517,472	\$ 42,635,841

The following presents the University's share of the REHP net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate (2.21%).

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
2021	\$ 72,012,991	\$ 63,108,127	\$ 55,695,956

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.

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance

Plan Description

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiemployer 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 Annual Comprehensive 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, 2020, 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 0.84% of covered payroll for the fiscal year ended June 30, 2021. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 0.41% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year end. The total OPEB liability, as of the June 30, 2021 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2020, to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

The following assumptions were used to determine the contribution rate:

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

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

- The discount rate used to measure the total OPEB liability was 2.18% at June 30, 2021, and 2.66% at June 30, 2020.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payment; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefits payments to measure the total OPEB liability.

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (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 seceding 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.

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

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, 2020.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	1.0%
U.S. Core Fixed Income	46.5%	0.1%
Non-U.S. Developed Fixed	3.2%	0.1%
Total	<u>100.0%</u>	

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2020, to June 30, 2021. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1770% and 0.1852% for the measurement dates of June 30, 2021 and 2020, respectively.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 6.00%) or one percentage point higher (between 6% and 8.00%) than the current healthcare cost trend rates (between 5% and 7.00%).

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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	Healthcare Cost Trend Rates Between 4% and 6.0%	Healthcare Cost Trend Rates Between 5% and 7.0%	Healthcare Cost Trend Rates Between 6% and 8.0%
2022	\$ 542,965	\$ 543,095	\$ 543,095

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 6.50%) or one percentage point higher (between 6% and 8.50%) than the current healthcare cost trend rates (between 5% and 7.50%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	Healthcare Cost Trend Rates Between 4% and 6.50%	Healthcare Cost Trend Rates Between 5% and 7.50%	Healthcare Cost Trend Rates Between 6% and 8.50%
2021	\$ 523,476	\$ 523,606	\$ 523,606

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

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.18%	Current Rate 2.18%	1% Increase 3.18%
2022	\$ 623,213	\$ 543,095	\$ 477,085

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.79%) or one percentage point higher (3.79%) than the current discount rate (2.79%).

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.79%	Current Rate 2.79%	1% Increase 3.79%
2021	\$ 596,875	\$ 523,606	\$ 462,768

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NOTE 10 PENSION BENEFITS

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

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

	SERS		PSERS		ARP		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Net Pension Liabilities	\$ 74,675,215	\$ 102,998,052	\$ 9,509,992	\$ 12,112,561	\$ -	\$ -	\$ 84,185,207	\$ 115,110,613
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	\$ 493,061	\$ 967,028	\$ 7,039	\$ 31,677	\$ -	\$ -	\$ 500,100	\$ 998,705
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	-	-	532,280	-	-	-	532,280
Changes in Assumptions	7,685,622	11,452,916	461,305	-	-	-	8,146,927	11,452,916
Difference Between Employer Contributions and Proportionate Share of Contributions	317,901	246,761	47,782	29,309	-	-	365,683	276,070
Changes in Proportion	54,036	424,435	76,906	195,231	-	-	130,942	619,666
Contributions After the Measurement Date	5,877,021	6,740,848	1,152,141	1,140,089	-	-	7,029,162	7,880,937
Total Deferred Outflows of Resources	\$ 14,427,641	\$ 19,831,988	\$ 1,745,173	\$ 1,928,586	\$ -	\$ -	\$ 16,172,814	\$ 21,760,574
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	\$ 429,824	\$ 115,518	\$ 125,005	\$ 290,263	\$ -	\$ -	\$ 554,829	\$ 405,781
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	21,605,476	13,178,060	1,513,742	-	-	-	23,119,218	13,178,060
Difference Between Employer Contributions and Proportionate Share of Contributions	165,691	341,709	-	-	-	-	165,691	341,709
Changes in Proportion	10,630,145	8,659,443	465,084	168,988	-	-	11,095,229	8,828,431
Total Deferred Inflows of Resources	\$ 32,831,136	\$ 22,294,730	\$ 2,103,831	\$ 459,251	\$ -	\$ -	\$ 34,934,967	\$ 22,753,981
Pension Expense	\$ (1,838,825)	\$ 7,609,199	\$ 931,288	\$ 2,759,193	\$ 4,367,655	\$ 4,995,216	\$ 3,460,118	\$ 15,363,608
Contributions Recognized by Pension Plans	\$ 10,543,259	\$ 11,463,627	\$ 1,152,142	\$ 1,140,089	\$ -	\$ -	\$ 11,695,401	\$ 12,603,716

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NOTE 10 PENSION BENEFITS (CONTINUED)

The University will recognize the \$5,877,021 reported as 2022 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$1,152,142 reported as 2022 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Amortization	
	SERS	PSERS
2023	\$ (5,202,158)	\$ (390,433)
2024	(8,941,098)	(341,647)
2025	(5,658,052)	(297,555)
2026	(4,364,670)	(481,164)
2027	(114,538)	-
Totals	\$ (24,280,516)	\$ (1,510,799)

SERS

Plan Description

SERS is the administrator of a cost-sharing multiemployer defined benefit plan established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

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

Benefits Provided

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

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

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NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

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

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

Contributions

The contribution rate for both active members and the 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 nonpension obligations.

For the SERS defined benefit plan, the University's actuarially determined contribution rate for most active members was 37.46% of active members' annual covered payroll at June 30, 2022, with less common rates ranging between 25.90% and 29.98%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 17.68% or 17.93% of annual covered payroll, depending upon the hybrid plan chosen by the employee.

In addition, the State System was required to contribute to the defined benefit plan 16.38% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan.

The University's contributions to SERS for the years ended June 30, 2022, 2021, and 2020, were \$10,543,259, \$11,463,627, and \$12,363,991, respectively, equal to the required contractual contribution.

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NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

Contribution rates 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 was either 4.0% or 5.0% of gross salary, depending upon what class of membership was elected.

For the SERS defined contribution plan, the University contributed actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2022, depending on the plan chosen by the employee. The University recognized SERS defined contribution pension expense of \$40,225 for the year June 30, 2022 and, \$34,397 in for the year ended June 30, 2021. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 410(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

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

Actuarial Methods and Assumptions

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

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NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the *19th Investigation of Actuarial Experience* at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its July 2020 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.125% to 7.00%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

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

- Entry age actuarial cost method.
- Investments amortized on 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 that are provided benefits.
- Inflation of 2.50%.
- Investment return of 7.00%, net of manager fees and including inflation.
- Salary increases based on an average of 4.60%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2021 and 2020 summarized on the next page.

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NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

<u>Asset Class</u>	<u>December 31, 2021</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private Equity	12.0%	6.00%
Private Credit	4.0%	4.25%
Real Estate	7.0%	3.75%
U.S. Equity	31.0%	4.60%
International Developed Markets Equity	14.0%	4.50%
Emerging Markets Equity	5.0%	4.90%
Fixed Income - Core	22.0%	(0.25%)
Inflation Protection (TIPS)	3.0%	(0.30%)
Cash	2.0%	(1.00%)
Total	<u>100.0%</u>	

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

The discount rate used to measure the total SERS pension liability was 7.00% for the year ended June 30, 2022 and 2021. 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 active and nonactive 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.

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NOTE 10 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, 2022, calculated using the discount rate of 7.00% as well as what the SERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate (in thousands)			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2022	\$ 94,315	\$ 74,675	\$ 40,432

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2021, calculated using the discount rate of 7.00% as well as what the SERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate (in thousands)			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2021	\$ 128,763	\$ 102,998	\$ 70,098

Proportionate Share

At June 30, 2022, the amount recognized as the University's proportionate share of the SERS net pension liability, measure at December 31, 2021 was \$74,675,215. At June 30, 2021, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2020, was \$102,998,052. The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the December 2021 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2022/23 from the December 31, 2021 funding valuation to the expected funding payroll. For the allocation of the December 2020 amounts this methodology applies the most recently calculated contribution rates for fiscal year 2021/22 from the December 31, 2020 funding valuation to the expected funding payroll. At December 31, 2021, the State System's proportion was 4.178% a decrease of .242% from its proportion calculated as of December 31, 2020, measurement date.

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NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS

Plan Description

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

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

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

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

Benefits Provided

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

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

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NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided (Continued)

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

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

Member Contributions

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

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2022 was 34.94% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 16.755% of covered payroll. The University's contributions to PSERS for the years ended June 30, 2022, 2021, and 2020 was \$1,152,142, \$1,140,089, and \$1,162,469, respectively, equal to the required contractual contribution.

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NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions (Continued)

For the PSERS defined contribution plan, the University is required to contribute at actuarially determined average rate 0.09% of active members' annual covered payroll for the year ending June 30, 2021, 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, 2021 and 2020 were immaterial. The contributions for the year ended June 30, 2022 was \$3,388.

Actuarial Assumptions

The State System records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year end. The total PSERS pension liability, as of the June 30, 2021 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2020, to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date – June 30, 2020
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP2020 Improvement Scale.

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

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

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NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

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 and 2020:

<u>Asset Class</u>	<u>June 30, 2021</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute Return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real Estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
Total	<u>100.0%</u>	

<u>Asset Class</u>	<u>June 30, 2020</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	15.0%	5.2%
Private Equity	15.0%	7.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute Return	10.0%	2.5%
Risk Parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real Estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
Total	<u>100.0%</u>	

The discount rate used to measure the total PSERS pension liability was 7.00% at June 30, 2022 and 7.25% at June 30, 2021. 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.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 10 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, 2022 calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate (in thousands)			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2022	\$ 12,482	\$ 9,510	\$ 7,003

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2021 calculated using the discount rate of 7.25%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate (in thousands)			
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2021	\$ 14,986	\$ 12,113	\$ 9,678

At June 30, 2022 and 2021, the amount recognized as the University's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows:

	June 30, 2022	June 30, 2021
Total PSERS Net Pension Liability Associated with the University	\$ 19,019,984	\$ 24,225,122
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	(9,509,992)	(12,112,561)
University's Proportionate Share of the PSERS Net Pension Liability	\$ 9,509,992	\$ 12,112,561

At June 30, 2022 and 2021, PSERS measured the net pension liability as of June 30, 2021 and June 30, 2020, respectively. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

At June 30, 2021, the State System's proportion was 0.1777%, a decrease of 0.0079% from its proportion calculated as of June 30, 2020

At June 30, 2020, the State System's proportion was .1856%, a decrease of .0030% from its proportion calculated as of June 30, 2019.

ARP

The ARP is a defined contribution plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2022 and 2021 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2022 and 2021, were \$4,367,655 and \$4,995,216, respectively, from the University; and \$2,350,729 and \$2,688,491, respectively, from active members. No liability is recognized for the ARP.

NOTE 11 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 must pay up to \$100,000; for claims occurring on or after July 1, 1995, the University must pay 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 an amount as determined by an independent actuarial study. Based on updated actuarial studies, the University contributed \$42,874, \$19,311, and \$61,414 to the Reserve Fund for the years ended June 30, 2022, 2021, and 2020, respectively.

Changes in the University's claims liability amount for the fiscal years 2022, 2021, and 2020 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance - July 1	\$ 535,549	\$ 489,585	\$ 1,097,018
Projected Retained Losses	324,359	371,076	346,532
Retirements and Changes in Estimates	<u>(291,801)</u>	<u>(325,112)</u>	<u>(953,965)</u>
Balance - June 30	<u>\$ 568,107</u>	<u>\$ 535,549</u>	<u>\$ 489,585</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 12 COMMITMENTS AND CONTINGENCIES

Contingencies

The nature of the education industry is such that, from time to time, the universities of the State System are exposed to various risks of loss related to torts, alleged negligence, acts of discrimination, breach of contract, labor disputes, disagreements arising from the interpretation of laws or regulations, theft of assets, damage to or 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 (Note 10). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

Additionally, the University has not significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's insurance coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES and CRRSSA Act funding in fiscal year 2020/2021 and federal ARP Act funding in 2021/2022. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2022, the University estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the accompanying financial statements.

Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2022 and 2021, were \$12,795,677 and \$11,280,956, respectively.

Labor Concentrations

Approximately 86% of PASSHE's employees are covered by nine collective bargaining agreements. During 2020/21, a new collective bargaining agreement was established for police supervisors with the International Union, Security, Police, and Fire Professionals of America (SPFPA) through August 31, 2022. The current collective bargaining agreement with the PASSHE Officer's Association (POA) also expired on August 31, 2022. Currently, agreements exist with all unions, except the Professional Doctors Association (PDA). The terms of the prior contracts remain in effect until a successor agreement is achieved.

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

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19 Pandemic

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 its 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, 2022.

NOTE 13 UNRESTRICTED NET POSITION

Unrestricted net position as defined by GASB Statement No 35 is not subject to externally imposed stipulations; however, unrestricted net position is subject to internal designations. Unrestricted net position has been internally designated at June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Designated Amounts for Educational and General Activities	\$ 53,741,548	\$ 43,616,907
Designated Amounts for Healthcare Reserve	321,706	608,095
Designated Amounts for Auxiliary Enterprises (Operations, Plant Activities, and Debt Retirement)	589,258	6,045,840
Designated Amounts for Plant Activities and Debt Retirement	25,316,000	26,370,318
Compensated Absences Deficit - Non-Auxiliary	(20,351,740)	(20,687,268)
Postretirement Benefit Deficit - Non-Auxiliary	(232,015,360)	(253,483,362)
Pension Benefit Deficit - Non-Auxiliary	(98,236,860)	(111,412,436)
Compensated Absences Deficit - Auxiliary	(248,230)	(225,894)
Postretirement Benefit Deficit - Auxiliary	(16,712,462)	(13,427,946)
Pension Benefit Deficit - Auxiliary	(4,710,500)	(4,691,584)
Total Unrestricted Net Position	<u>\$ (292,306,640)</u>	<u>\$ (327,287,330)</u>

The State System does not require the University or its member universities to fund compensated absences, postretirement, or pension benefit net position deficits.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 14 RELATED PARTY TRANSACTIONS – FOUNDATION FOR IUP

Ground Lease Agreement – Phase II

The University entered into the Phase II ground lease as of May 1, 2007. The Foundation has paid annual base rents for Phase II in the amount of \$36,600 beginning in fiscal year ended June 30, 2009. The base rent for Phase II increases by 2% in each subsequent year through the expiration date of the lease on June 30, 2049. Additional rents equaling .5% of actual room rental charges began in the fiscal year ended June 30, 2009 for Phase II. The Foundation also provides room fee waivers for Resident Assistants residing in the facilities which the University recognizes as rental income.

The Foundation paid base rent, additional rent, and provided room waivers to the University during the fiscal years ended June 30 of:

	Base Rent		Additional Rent		Room Waivers	
	2022	2021	2022	2021	2022	2021
Phase II	\$ 47,346	\$ 46,418	\$ 34,206	\$ 25,829	\$ 83,000	\$ 104,594

Ground Lease Agreement – Phase III

The University entered into the Phase III ground lease agreement as of May 1, 2008. The Foundation began paying an annual base rent in the amount of \$37,713 during the fiscal year ended June 30, 2010. This base rent increases by 2% each subsequent year through the lease expiration date of June 30, 2050. Additional rents equaling .5% of actual room rental charges are being paid, beginning in fiscal year ended June 30, 2010. The Foundation also provides room fee waivers for Resident Assistants residing in the facility which the University recognizes as rental income.

The Foundation paid base rent, additional rent, and provided room waivers to the University during the fiscal years ended June 30 in the amounts of:

	Base Rent		Additional Rent		Room Waivers	
	2022	2021	2022	2021	2022	2021
Phase III	\$ 47,827	\$ 46,890	\$ 31,035	\$ 25,308	\$ 37,350	\$ 91,300

Ground Lease Agreement – All Phases

Total ground lease base rent revenues from all Phases received from the Foundation for the years ended June 30, 2022 and 2021 were \$95,173 and \$93,308, respectively. Total additional rents from all Phases received from the Foundation for the years ended June 30, 2022 and 2021 were \$65,241 and \$51,137, respectively. Total room waivers from all Phases received from the Foundation for the years ended June 30, 2022 and 2021 were \$120,350 and \$195,894, respectively.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2022 AND 2021**

NOTE 14 RELATED PARTY TRANSACTIONS – FOUNDATION FOR IUP (CONTINUED)

Facilities Management Contract for Student Housing Facilities

The University entered into facilities management contracts with the Foundation to provide the Foundation with management services operating all Phases of the Foundation's Student Housing Facilities. The agreement regarding Phase II continues through June 30, 2023, the agreement regarding Phase III continues through June 30, 2024. Automatic renewal terms exist associated with these agreements. Total management fees charged to the Foundation for the years ended June 30, 2022 and 2021 were \$695,396 and \$687,300, respectively, and are included in auxiliary revenues.

Under the terms of the management agreements the University collects rent, advance deposits, and other fees from the student renters then transfers the money to the Foundation. The total amount due to the Foundation at June 30, 2022 and 2021 was \$621,010 and \$700,328, respectively.

Other Property Leases

The University leases office space from the Foundation in the Phase II facility for the Student Health Center under a lease terminating on December 31, 2037. Total rent expense for these facilities was \$805,903 and \$785,588 for the years ended June 30, 2022 and 2021, respectively.

The University leases office space from the Foundation in the Phase II facility for the Housing and Resident Life and Dining Management Offices under a lease terminating on December 31, 2037. Total rent expense for these facilities was \$11,954 and \$9,967 for the years ended June 30, 2022 and 2021, respectively.

Additional office space is leased by the University from the Foundation in the Phase II facility for the Student Conduct Office under a lease expiring on June 30, 2027. Rent expense for this space was \$15,155 and \$14,515 for years ended June 30, 2022 and 2021, respectively.

COVID-19 Refunds

Under current arrangements with the Foundation, student housing charges are collected by the University and remitted to the Foundation. Due to the COVID-19 pandemic and the University's change to remote instruction, refunds of a portion of the student housing charges were made to students in April 2020. The University issued the refunds to the students on behalf of the Foundation for IUP, with corresponding receivables recorded as due from the Foundation for IUP for each housing phase. At June 30, 2022, receivables of \$1,158,568 for Phase III remained outstanding.

**INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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JUNE 30, 2022 AND 2021**

NOTE 15 INTEREST RATE SWAP AGREEMENTS – FOUNDATION FOR IUP

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Foundation participates in interest rate swap agreements to eliminate its exposure to variability in interest payments on its bonds payable. The interest rate swaps are marked to market currently with a gain or loss recognized in the statements of activities.

The Foundation has three interest rate swap agreements whereby the Foundation pays a fixed rate of interest, in exchange for receiving payments based on a floating interest rate tied to LIBOR. The floating rate is reset on the first day of each January, April, July, and October for two of the agreements and monthly for the other.

In accordance with FASB Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging, included in the obligation under interest rate swap in the statement of financial position is the net cumulative unrealized loss on these derivative transactions in the amount of \$25,730,241 and \$37,184,996 at June 30, 2022 and 2021, respectively. Additionally, the change in the cumulative unrealized loss is included in the net loss on interest rate swap agreement in the accompanying statement of activities – component unit, and amounted to a gain of \$11,454,754 and a gain of \$6,052,103 for the years ended June 30, 2022 and 2021, respectively.

NOTE 16 RELATED PARTY TRANSACTIONS – RESIDENTIAL REVIVAL INDIANA

Ground Lease Agreements

The University leases land to RR Indiana for the RR Indiana’s student housing facilities under separate ground lease agreements for Phase I and Phase IV facilities.

The State System, on behalf of the University, entered into Master Lease Agreements (Master Lease Agreements) with RR Indiana effective July 1, 2020 for both Phase I and Phase IV. Payments under the 2017 Ground Lease for Phase I and Phase IV are suspended while the Master Lease Agreements are in effect.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTE 16 RELATED PARTY TRANSACTIONS – RESIDENTIAL REVIVAL INDIANA (CONTINUED)

Facilities Management Contracts for Student Housing Facilities

The University participates in facilities management contracts with the RR Indiana to provide the RR Indiana with management services operating all of the RR Indiana’s Student Housing Facilities.

The State System , on behalf of the University, entered into Master Lease Agreements with RR Indiana effective July 1, 2020 for both Phase I and Phase IV. Payments under the facilities management contracts for Phase I and Phase IV are suspended while the Master Lease Agreements are in effect.

Other Property Leases

The University leases office space from RR Indiana in the Phase I facility for various purposes under a noncancelable operating lease transferred from the Foundation to RR Indiana.

The State System, on behalf of the University, entered into Master Lease Agreements with RR Indiana effective July 1, 2020 for both Phase I and Phase IV. Payments under the Other Property Leases for Phase I and Phase IV are suspended while the Master Lease Agreements are in effect.

Master Lease Agreements

Effective July 1, 2020, the State System, on behalf of the University, entered into Master Lease Agreements with the RR Indiana. Under the terms of the Master Lease Agreements, the State System agreed to make monthly rent payments to the RR Indiana as noted below; as well as pay all operating expenses and required insurance as defined in the University’s previously executed loan agreements; in exchange for the right to use, operate, and collect all payments from the RR Indiana’s Phase I and Phase IV housing facilities. The master Lease Agreements include revisionary title in which the underlying property and equipment will revert to the University at the end of the term, as defined within the agreements.

<u>Phase</u>	<u>Agreement Date</u>	<u>Rent and Fees</u>	<u>Expiration Date</u>
Phase I	July 1, 2021	Base rent of \$2,799,780 per year. Capital Reserve fee of \$203,759 in first year, increasing 3% each subsequent year. Payment of PILOT agreement. Additional management payment of 6.2% of RR Indiana USDA debt service.	June 30, 2039
Phase IV	July 1, 2021	Base rent of \$2,233,416 per year. Capital Reserve fee of \$152,187 in first year, increasing 3% each subsequent year. Payment of PILOT agreement.	October 20, 2043

**INDIANA UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 16 RELATED PARTY TRANSACTIONS – RESIDENTIAL REVIVAL INDIANA (CONTINUED)

COVID-19 Refunds

Under current arrangements with RR Indiana, student housing charges are collected by the University and remitted to RR Indiana. Due to the COVID-19 pandemic and the University's change to remote instruction, refunds of a portion of the student housing charges were made to students in April 2020.

The University issued the refunds to the students on behalf of RR Indiana, with corresponding receivables recorded due from RR Indiana for each Phase. At June 30, 2022, receivables of \$759,254 for Phase I and \$362,486 for Phase IV remained outstanding.

NOTE 17 RELATED PARTY TRANSACTION – IUP RESEARCH INSTITUTE

The Research Institute contracts with the University to receive services in support of various research grant projects. These contracted services are in the normal course of business for both the Research Institute and the University. For the years ended June 30, 2022 and 2021, the Research Institute paid IUP \$1,571,349 and \$993,443, respectively, for contracted services. The Research Institute owed the University \$360,748 as of June 30, 2022 and \$441,468 as of June 30, 2021, which are included in Due from Component Units.

The University pays a fee to the Research Institute for promoting and developing research opportunities, managing research grants on behalf of the University, and providing the University with other services as needed. For the years ended June 30, 2022 and 2021, total amounts paid by the University to the Research Institute were \$973,715 and \$1,021,173, respectively. The University owed the Research Institute \$136,266 as of June 30, 2022 and \$117,977 as of June 30, 2021, which are included in Due to Component Units.

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

NOTE 18 DEBT REFUNDING

In July 2020, \$145,000 of the net proceeds from the Series AX tax-exempt revenue bonds were used to current refund Series AL. The refunding resulted in an accounting gain of approximately \$2,600 and was performed to reduce the debt service by approximately \$4,000 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4,000. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

In October 2020, the net proceeds from the Series AY taxable revenue bonds were used to purchase U.S. Government Securities that were deposited irrevocably in trust with an escrow agent to advance refund a portion of the Series AM revenue bonds. The bonds were paid off on June 15, 2021. Although it resulted in an accounting loss of \$43,000, the refunding was performed to reduce debt service by approximately \$681,000 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$631,000. The accounting loss, or deferred loss on refunding, is reported as a deferred outflow of resources.

NOTE 19 RATING ACTIONS

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

NOTE 20 SUBSEQUENT EVENTS

On September 30, 2022, both the Foundation for IUP and the Residential Revival Indiana paid the balances owed IUP for the Covid-19 refunds IUP made to the students on behalf of the Foundation for IUP (\$1,158,568 for Phase III) and RR Indiana (\$759,254 for Phase I and \$362,486 for Phase IV) as mentioned in Notes 14 and 16.

On August 11, 2022, the State System, on behalf of Indiana University, entered into a master lease agreement with The Foundation for Indiana University of Pennsylvania (FIUP), (a component unit of Indiana), to lease certain student housing facilities. Under the terms of the agreements, the State System agreed to make rent payments to FIUP ranging from approximately \$3,300,000 to \$3,780,000 each year for a total of approximately \$113,000,000 over the term thereof, scheduled to end in fiscal year 2054 unless terminated sooner in accordance with the provision of the agreement.

**INDIANA UNIVERSITY OF PENNSYLVANIA
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REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021
(UNAUDITED)**

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

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	4.9010%	\$ 99,954	\$ 40,768	245%	64.8%
2015/16	4.7210%	\$ 117,929	\$ 40,900	288%	58.9%
2016/17	4.8370%	\$ 127,626	\$ 41,208	310%	57.8%
2017/18	4.9059%	\$ 113,047	\$ 41,189	275%	63.0%
2018/19	4.8971%	\$ 134,471	\$ 41,984	320%	56.4%
2019/20	4.7732%	\$ 111,277	\$ 40,398	276%	63.1%
2020/21	4.4196%	\$ 102,998	\$ 37,945	271%	67.0%
2021/22	4.1777%	\$ 74,675	\$ 34,286	218%	76.0%

SERS Schedule of Contributions
Determined as of University's June 30 Fiscal Year-End Dates
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$ 7,792	\$ 7,792	\$ -	\$ 40,768	19.1%
2015/16	\$ 9,455	\$ 9,455	\$ -	\$ 40,185	23.5%
2016/17	\$ 11,161	\$ 11,161	\$ -	\$ 40,399	27.6%
2017/18	\$ 12,487	\$ 12,487	\$ -	\$ 40,100	31.1%
2018/19	\$ 12,500	\$ 12,500	\$ -	\$ 40,269	31.0%
2019/20	\$ 12,364	\$ 12,364	\$ -	\$ 38,772	31.9%
2020/21	\$ 11,464	\$ 11,464	\$ -	\$ 35,553	32.2%
2021/22	\$ 10,543	\$ 10,543	\$ -	\$ 32,328	32.6%

**INDIANA UNIVERSITY OF PENNSYLVANIA
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REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021
(UNAUDITED)**

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

Fiscal Year	PSERS Net Pension Liability				University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total			
2014/15	0.1785%	\$ 10,072	\$ 10,072	\$ 20,144	\$ 3,247	310%	57.2%
2015/16	0.1852%	\$ 11,851	\$ 11,851	\$ 23,702	\$ 7,042	168%	54.4%
2016/17	0.1833%	\$ 12,772	\$ 12,772	\$ 25,544	\$ 6,677	191%	50.1%
2017/18	0.1811%	\$ 11,491	\$ 11,491	\$ 22,982	\$ 6,197	185%	51.8%
2018/19	0.1836%	\$ 11,421	\$ 11,421	\$ 22,842	\$ 6,406	178%	54.0%
2019/20	0.1866%	\$ 11,473	\$ 11,473	\$ 22,946	\$ 6,764	170%	55.7%
2020/21	0.1856%	\$ 12,113	\$ 12,113	\$ 24,226	\$ 1,149	1054%	54.3%
2021/22	0.1778%	\$ 9,510	\$ 9,510	\$ 19,020	\$ 1,101	864%	63.7%

PSERS Schedule of Contributions
Determined as of University's June 30 Fiscal Year-End Dates
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$ 774	\$ 774	\$ -	\$ 3,247	23.8%
2015/16	\$ 845	\$ 845	\$ -	\$ 6,917	12.2%
2016/17	\$ 913	\$ 913	\$ -	\$ 6,313	14.5%
2017/18	\$ 1,021	\$ 1,021	\$ -	\$ 6,567	15.6%
2018/19	\$ 1,114	\$ 1,114	\$ -	\$ 6,890	16.2%
2019/20	\$ 1,162	\$ 1,162	\$ -	\$ 7,011	16.6%
2020/21	\$ 1,140	\$ 1,140	\$ -	\$ 6,808	16.8%
2021/22	\$ 1,152	\$ 1,152	\$ -	\$ 6,804	16.9%

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

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

Fiscal Year	State System's Proportion	University's Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability a % of Covered- Employee Payroll	REHP's Fiduciary Net Position as a % of Total OPEB Liability
2017/18	4.3740%	\$ 101,185	\$ 13,795	733.5%	1.4%
2018/19	4.4830%	\$ 75,935	\$ 13,544	560.7%	2.2%
2019/20	4.3701%	\$ 53,072	\$ 13,628	389.4%	3.8%
2020/21	4.2750%	\$ 63,108	\$ 13,914	453.6%	3.7%
2021/22	4.0260%	\$ 48,517	\$ 12,334	393.4%	6.1%

REHP Schedule of Contributions
Determined as of University's June 30 Fiscal Year-End Dates
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	\$ 2,474	\$ 2,474	\$ -	\$ 16,855	14.7%
2018/19	\$ 3,007	\$ 3,007	\$ -	\$ 17,168	17.5%
2019/20	\$ 2,345	\$ 2,345	\$ -	\$ 16,527	14.2%
2020/21	\$ 1,221	\$ 1,221	\$ -	\$ 15,247	8.0%
2021/22	\$ 949	\$ 949	\$ -	\$ 12,760	7.4%

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

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

Fiscal Year	PSERS Net OPEB Liability				University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total OPEB Liability
	State System's Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total			
2017/18	0.1811%	\$ 474	\$ 474	\$ 948	\$ 6,200	7.65%	5.73%
2018/19	0.1836%	\$ 500	\$ 500	\$ 1,000	\$ 6,455	7.74%	5.56%
2019/20	0.1886%	\$ 523	\$ 523	\$ 1,046	\$ 6,783	7.71%	5.56%
2020/21	0.1852%	\$ 524	\$ 524	\$ 1,047	\$ 6,803	7.70%	5.69%
2021/22	0.1770%	\$ 543	\$ 543	\$ 1,086	\$ 6,496	8.36%	5.30%

PSERS OPEB Schedule of Contributions
Determined as of University's June 30 Fiscal Year-End Dates
(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	\$ 27	\$ 27	\$ -	\$ 6,597	0.41%
2018/19	\$ 28	\$ 28	\$ -	\$ 6,890	0.41%
2019/20	\$ 29	\$ 29	\$ -	\$ 7,011	0.41%
2020/21	\$ 28	\$ 28	\$ -	\$ 6,808	0.41%
2021/22	\$ 27	\$ 27	\$ -	\$ 6,804	0.40%

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

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

	Fiscal Year June 30, 2022	Fiscal Year June 30, 2021	Fiscal Year June 30, 2020	Fiscal Year June 30, 2019
Changes in the System Plan Total OPEB Liability				
Total OPEB Liability – Beginning Balance	\$ 171,185,138	\$ 153,416,569	\$ 161,883,866	\$ 183,519,604
Service Cost	5,273,484	3,973,371	4,385,301	5,324,961
Interest	3,235,356	5,191,684	4,871,602	5,813,501
Changes of Benefit Terms			-	(128,007)
Difference Between Expected and Actual Experience	-	(18,016,223)	(8,456,952)	(22,099,508)
Changes of Assumptions	(10,780,899)	34,954,393	-	(1,450,784)
Benefit Payments	(8,225,617)	(8,334,656)	(9,267,248)	(9,095,901)
Net Changes	<u>(10,497,676)</u>	<u>17,768,569</u>	<u>(8,467,297)</u>	<u>(21,635,738)</u>
Total OPEB Liability—Ending Balance	<u>\$ 160,687,462</u>	<u>\$ 171,185,138</u>	<u>\$ 153,416,569</u>	<u>\$ 161,883,866</u>
Covered Employee Payroll	\$ 65,803,740	\$ 67,271,134	\$ 69,899,009	\$ 71,772,516
OPEB Liability as a Percent of Covered Payroll	244.19%	254.47%	219.48%	225.55%

Note to Schedule:

The System Plan has no assets accumulated in trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.