INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

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YEAR ENDED JUNE 30, 2023

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

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

We did not audit the financial statements of the Student Cooperative Association, Inc., the College Student Union Association, Inc., the Foundation for Indiana University of Pennsylvania, Inc., the IUP Research Institute, Inc., the Indiana University of Pennsylvania Alumni Association, Inc., and Residential Revival Indiana, which statements reflect total assets, net position, and revenues constituting 100 percent, 100 percent, and 100 percent, respectively, of the 2023 assets, net position, and revenues of the discretely presented component units, for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate 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. 96, *Subscription-Based Information Technology Arrangements,* for the year ended June 30, 2023, which represents a change in accounting principle. Our opinions are 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, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Council of Trustees
Indiana University of Pennsylvania
of the State System of Higher Education

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

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

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

Required Supplementary Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 31, 2023

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis for the financial activities of Indiana University of Pennsylvania (IUP) for the year ended June 30, 2023. 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 ten (10) universities and the Office of the Chancellor comprising the Pennsylvania State System of Higher Education (the State System) for the 2022-2023 academic year. As a public university, IUP is charged with providing affordable high-quality education to its students. With 8,832 students enrolled for Fall 2022, IUP had the 4th largest enrollment of the State System's ten (10) universities for the 2022-2023 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, 2023, as compared to the years ended June 30, 2022. 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 $552.5 million $477.5 million statewide for the years ended June 30, 2023 and 2022, respectively. IUP received a general state appropriation of $56.9 million for the year ended June 30, 2023, which was a 4.4% increase compared to June 30, 2022. State appropriation received for year ended June 30, 2022, was $54.5 million which was a decrease of 2.8% from June 30, 2021.

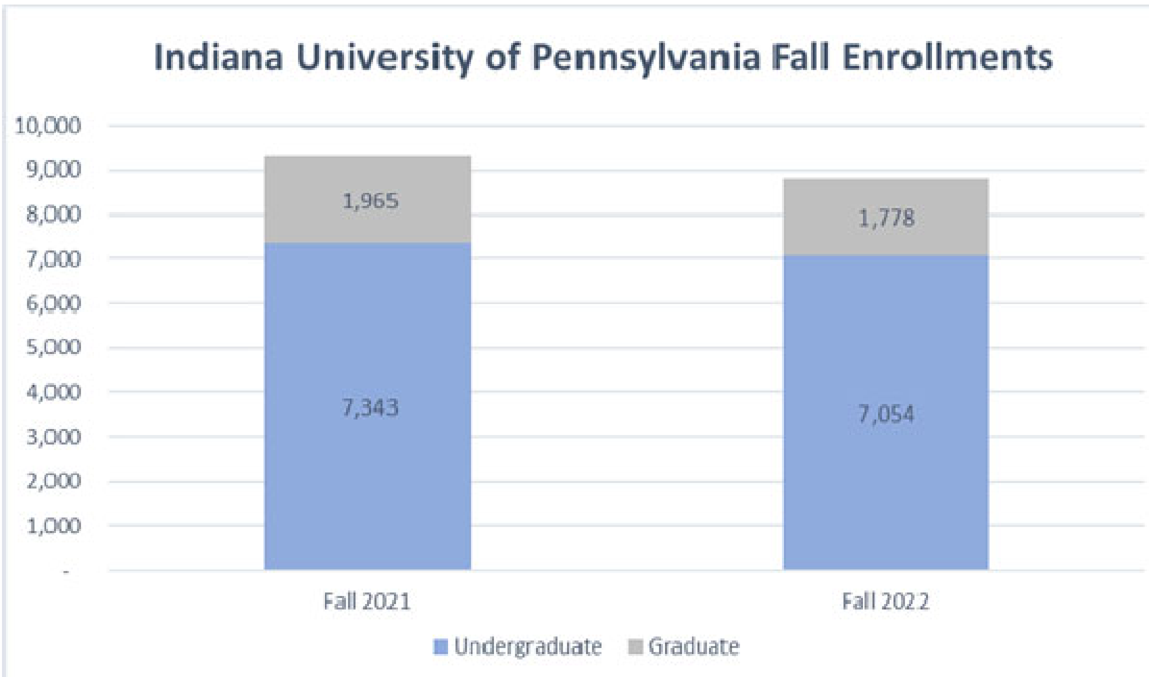
- The State System Board of Governors annually approves tuition rate increases. There were no rate increases approved for academic years 2022-2023 and 2021-2022.

- Revenue recognized for tuition and fees net of discounts and allowances was $56.8 million in fiscal year 2022-2023 and $70.6 million in fiscal year 2021-2022.

- State appropriations for capital decreased in 2022-2023 by 18.2% compared 2021-2022. Capital appropriations for 2021-2022 increased by 38.8% over 2020-2021 capital appropriations.

- Enrollment for Fall 2022 included 7,054 undergraduate and 1,778 graduate students, for a total of 8,832 students. Fall 2021 included 7,343 undergraduate and 1,965 graduate students for a total of 9,308 students. The chart below summarizes a two-year trend of undergraduate and graduate enrollment.

Financial Highlights (Continued)



Financial Statements

Balance Sheet

The statement of net position 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, 2023, increased by $41.9 million to ($109.8) million from fiscal year-end June 30, 2022, net position of ($151.7) million. The net position at year-end June 30, 2022, increased $32.0 million from the net position at the end of fiscal year-end June 30, 2021, which was ($183.8) million. Changes in net position are discussed in further detail in the "Net Position" section following the Balance Sheet.

Financial Statements (Continued)

Statement of Net Position (Continued)

The following is a summary of the statement of net position for fiscal years ended June 30:

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and Cash Equivalents	$ 84,657,122	$ 98,136,488
Other Current Assets	16,641,571	21,797,900
Total Current Assets	101,298,693	119,934,388
Noncurrent Assets		
Capital Assets, Net	302,035,641	254,829,210
Other Noncurrent Assets	11,905,141	12,769,885
Total Noncurrent Assets	313,940,782	267,599,095
Total Assets	415,239,475	387,533,483
Deferred Outflow of Resources	53,402,294	47,806,912
Total Assets and Deferred Outflow of Resources	$ 468,641,769	$ 435,340,395
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 15,826,762	$ 21,045,292
Unearned Revenue	10,243,565	3,344,604
Current Portion of Long Term Liabilities	25,125,759	16,199,663
Other Current Liabilities	3,256,251	3,029,189
Total Current Liabilities	54,452,337	43,618,748
Noncurrent Liabilities		
Long Term Liabilities, Net of Current Portion	175,129,092	143,333,485
Postretirement Benefits Obligation	127,651,484	205,933,352
Net Pension Liability	119,796,449	84,185,207
Other Noncurrent Liabilities	14,888	54,859
Total Noncurrent Liabilities	422,591,913	433,506,903
Total Liabilities	477,044,250	477,125,651
Deferred Inflow of Resources	101,391,237	109,949,646
Net Position		
Net Investment in Capital Assets	120,899,441	120,473,233
Total Restricted	17,514,966	20,098,505
Total Unrestricted	(248,208,125)	(292,306,640)
Total Net Position	(109,793,718)	(151,734,902)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 468,641,769	$ 435,340,395

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 2022-2023 by $6.1 million to $14.4 million at June 30, 2023. 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 2022-2023 by $66.7 million to $94.0 million at June 30, 2023. Additionally, the liability for other postemployment benefit obligations of the Retired Employee Healthcare Plan (REHP) decreased $11.3 million to $37.2 million and the Public School Employee's Retirement System (PSERS) plan was down slightly to $0.4 million at June 30, 2023 compared to $0.5 million at June 30, 2022. The total liability on June 30, 2023 for OPEB was $131.6 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 increased during fiscal year 2022-2023 by $35.6 million to $119.8 million as of June 30, 2023. The combined pension liability for fiscal year 2022 is comprised of $109.5 million for the State Employee Retirement System (SERS) and $10.3 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.

Financial Statements (Continued)

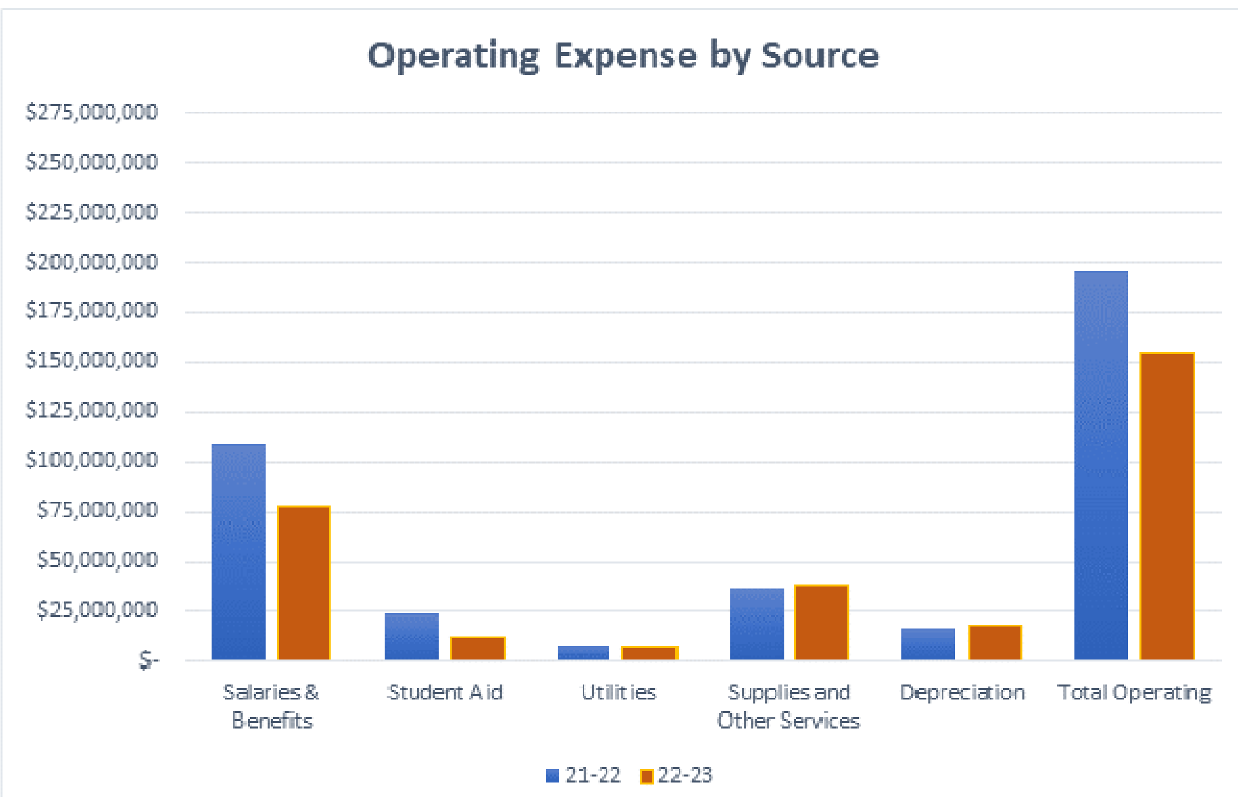
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Utilizing these definitions, operating expenses exceeded operating revenues by $39.1 million in fiscal year 2022-2023, and by $70.9 million in 2021-2022.

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 $22.6 million in fiscal year 2022-2023, and an adjusted net operating loss of $3.4 million in fiscal year 2021-2022.

Operating revenues in 2022-2023 decreased 6.9% compared to 2021-2022 while operating revenues decreased 3.0% in 2021-2022. Operating expenses in 2022-2023 decreased 20.7% compared to 2021-2022 while operating expenses in 2021-2022 decreased 12.9%. The decrease in both operating revenues and expenses can be attributed to reduced enrollment in both years. 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, 2023 and 2022, as opposed to the functional classification presentation on the statement of revenues, expenses, and change in net position.



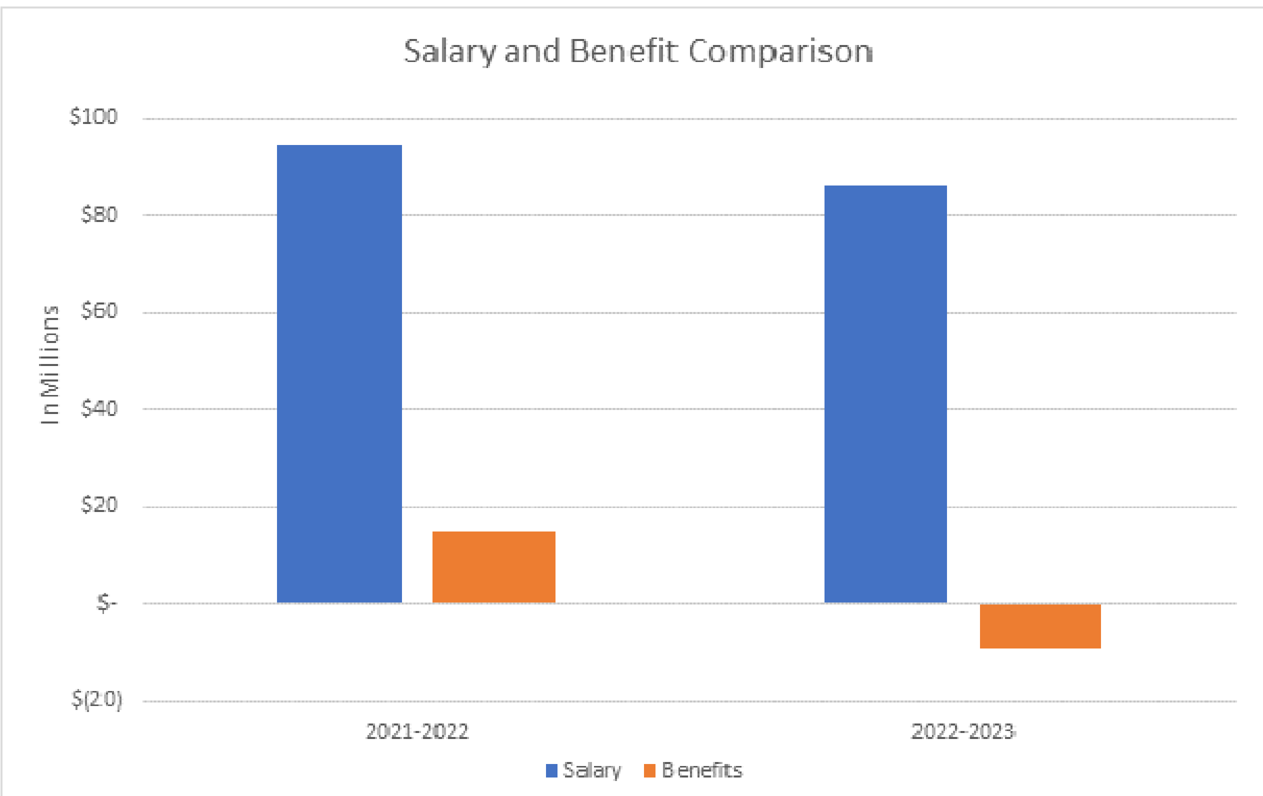
Financial Statements (Continued)

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

Nonoperating revenues were $84.1 million in 2022-2023 and $103.5 million in 2021-2022. The decrease of $19.4 million in 2022-2023 as well as the increases of $5.7 million in 2022-2021 can be primarily attributed to Higher Education Emergency Relief Fund (HEERF) funding received due to the coronavirus pandemic.

In 2022-2023, IUP spent $86.5 million, or 56.0%, of operating expenses on salaries as compared to $94.6 million, or 48.5%, of operating expenses on salaries in 2021-2022. Benefit costs in 2022-2023 were ($9.3) million, or -6.0%, of operating expenses, while benefit costs were $15.1 million, or 7.7%, of operating expenses in 2021-2022.

The following graph summarizes salaries and benefits for the years ended June 30, 2023 and 2022.



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, 2023 and 2022.

	2023	2022
OPERATING REVENUES		
Tuition and Fees, Net	$ 56,832,165	$ 70,616,159
Governmental Grants and Contracts	23,240,047	22,311,845
Nongovernmental Grants and Contracts	3,572,478	3,738,905
Sales and Services	7,902,413	5,832,068
Auxiliary Enterprises, Net	23,668,430	21,373,210
Other Revenue	322,436	210,324
Total Operating Revenue	115,537,969	124,082,511
NONOPERATING REVENUES		
State Appropriations, General and Restricted	56,895,233	54,503,062
Federal Grants and Appropriations, COVID	5,424,951	31,001,704
Pell Grants	13,510,979	13,396,632
Investment Income, Net (Includes Unrealized Gains and Losses)	4,075,759	(133,146)
Other Nonoperating Revenues	4,216,507	4,703,800
Total Nonoperating Revenues	84,123,429	103,472,052
OTHER REVENUES		
State Appropriations, Capital	2,985,026	3,651,218
Capital Gifts and Grants	244,872	206,070
Total Other Revenues	3,229,898	3,857,288
Total Revenues	202,891,296	231,411,851
OPERATING EXPENSES		
Instruction	49,011,330	66,458,025
Research	1,196,867	1,319,444
Public Service	6,112,219	5,391,960
Academic Support	13,438,397	12,478,998
Student Services	12,016,731	14,380,000
Institutional Support	21,257,039	23,075,951
Operations of Maintenance and Plant	9,146,129	9,897,202
Depreciation and Amortization	18,962,854	16,804,393
Student Aid	12,765,500	23,968,302
Auxiliary Enterprises	10,780,788	21,231,775
Total Operating Expenses	154,687,854	195,006,050
NONOPERATING EXPENSES		
Interest Expense on Capital Asset-Related Debt	5,486,258	3,376,211
Other Nonoperating Expenses	776,000	958,155
Total Nonoperating Expenses	6,262,258	4,334,366
Total Expenses	160,950,112	199,340,416
CHANGE IN NET POSITION	41,941,184	32,071,435
Net Position - Beginning of the Year	(151,734,902)	(183,806,337)
NET POSITION - END OF YEAR	$ (109,793,718)	$ (151,734,902)

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 2022-2023 as $84.7 million, a 13.7% decrease of $13.5 million compared to cash at the end of 2021-2022. The cash balance of $98.1 million at the end of 2021-2022 is an 3.4% increase of $3.3 million compared to the 20/21 ending cash balance.

	2023	2022
Cash Flows from Operating	$ (82,602,358)	$ (88,426,891)
Cash Flows from Noncapital Financing Activities	86,261,440	103,108,541
Cash Flows from Capital Financing Activities	(20,398,199)	(12,441,651)
Cash Flows from Investing Activities	3,259,751	1,028,725
Net Increase (Decrease) in Cash and Cash Equivalents	(13,479,366)	3,268,724
Cash and Cash Equivalents - Beginning of Year	98,136,488	94,867,764
Cash and Cash Equivalents - End of Year	$ 84,657,122	$ 98,136,488

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 2023-2024 and beyond.

1. State Appropriations – IUP receives a substantial state appropriation annually from the Commonwealth. The Commonwealth'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 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, IUP's enrollment decreased the past several 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. IUP has also implemented several student service initiatives to increase the retention of currently enrolled students as well as implementing marketing efforts to increase the enrollment of first year incoming students. The construction of a new science building will be completed on campus by the Department of General Services within the next year. The new building is expected to attract additional students to IUP's science programs.

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 began to invoice in-state undergraduate students on a traditional full time per term methodology referred to as 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 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. Starting with the Fall 2023 semester, a similar model is being implemented for out-of-state students. IUP continues to evaluate its tuition and fee structures for international and graduate students. Preliminary enrollment data shows an increase for Fall 2023.

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, included annual raises of 2.0%, 2.5%, and 2.5% for fiscal years 20/21, 21/22, and 22/23. Contract negotiations for a new contract are ongoing.

   A significant portion of IUP staff is represented by the American Federation of State, County, and Municipal Employees (AFSCME) union in negotiations with the Commonwealth to set salary and benefit levels. The AFSCME contract for the period July 1, 2019, through June 30, 2023, included 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. A new AFSCME contract for the period July 1, 2023 – June 30, 2027 was signed in August 2023.

   Employee salary and benefit costs are a significant portion of IUP's operating expenses constituting approximately between 64% and 70% of E&G expenditures in the last two years. 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 through employee attrition via retirements and resignations as part of the Comprehensive Planning Process, also known as the CPP, which is a multi-year plan used to develop the University's budget.

5. As with most 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 22/23 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.

IUP Highlights and Future Considerations (Continued)

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. 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 consolidated 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. During the past year, IUP streamlined the University's organizational structure by realigning and consolidating several departments and divisions to become more efficient. As part of this restructuring and realignment, the President's Cabinet was reduced from eleven to six members and several executive management positions were eliminated.

8. Beginning in March 2020, COVID-19 has had a direct impact on the daily operations of the University. HEERF funding (which consists of CARES Act funding, CRRSA Act funding, and ARP Act funding (which includes CSFR funding) was 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 were awarded to the University between school years 2019-2020 and 2022-2023:

CARES Act Funding	$ 14,237,928
CRRSA Act Funding	$ 16,613,101
ARP Act Funding (includes CSFR funding)	$ 43,453,803
Total HEERF Funding Received	$ 74,303,832
For University Use (Less Emergency Aid for Students)	$ 38,477,239

   Additionally, the University has been approved to be reimbursed $1,809,959 for certain COVID-19 mitigation expenses through reimbursement submissions with the Pennsylvania Emergency Management Agency and the Federal Emergency Management Agency). Reimbursements of $1,480,150 were received prior to June 30, 2023, with the remaining $329,809 expected to be received in 2023-2024.

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
STATEMENT OF NET POSITION – UNIVERSITY
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 84,657,122
Accounts Receivable:	
Governmental Grants and Contracts	2,444,219
Students, Net of Allowance for Doubtful Accounts of $10,812,349	7,052,064
Sales and Service	1,405,916
Other, Net of Allowance for Doubtful Accounts of $60,000	155,104
Inventories	829,665
Prepaid Expenses	1,486,787
Loans Receivable	5,595
Investment Income Receivable	237,212
Current Portion of Leases Receivable	91,020
Due from Component Units	2,619,774
Due from Component Units - Lease Receivable	29,209
Other Current Assets	285,006
Total Current Assets	101,298,693
NONCURRENT ASSETS	
Restricted Cash and Cash Equivalents	25,055
Investments	8,948,810
Long-Term Portion of Leases Receivable	1,610,496
Due from Component Units - Lease Receivable	1,320,780
Capital Assets, Net	302,035,641
Total Noncurrent Assets	313,940,782
Total Assets	415,239,475
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized Loss on Refunding of Debt	62,874
Pension Related Deferred Outflows	31,637,497
Other Post Employment Benefits Related Deferred Outflows	21,701,923
Total Deferred Outflows of Resources	53,402,294
Total Assets and Deferred Outflows of Resources	$ 468,641,769

See accompanying Notes to Financial Statements.

INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF NET POSITION – UNIVERSITY (CONTINUED)
JUNE 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses:	
Supplies and Services	$ 4,743,682
Employees	11,083,080
Unearned Revenue:	
Students	2,153,594
Grants and Appropriations	7,129,466
Sales and Service	277,000
Auxiliary	668,617
Other	14,888
Accrued Interest Payable	634,143
Students' Deposits	366,150
Other Deposit Liabilities	223,435
Current Portion of Workers' Compensation Obligation	363,133
Current Portion of Compensated Absences Obligation	1,054,248
Current Portion of Lease Obligations, including Financed Purchases	5,333,475
Current Portion of Other Post Employment Benefits Obligation	3,957,108
Current Portion of Bonds Payable, Net	13,663,477
Current Portion Due to System, Academic Facilities Renovation Bond Program (AFRP)	112,289
Due to Component Units	1,168,776
Due to Component Units - Lease Liabilities	642,029
Other Current Liabilities	863,747
Total Current Liabilities	54,452,337
NONCURRENT LIABILITIES	
Workers' Compensation Obligation, Net of Current Portion	321,961
Compensated Absences Obligation, Net of Current Portion	13,371,691
Other Postretirement Benefits Obligation	127,651,484
Net Pension Liability	119,796,449
Lease Obligations, including Financed Purchases	128,271,133
Bonds Payable, Net of Current Portion	21,517,477
Due to System, AFRP	282,696
Due to Component Units - Lease Liabilities	11,364,134
Other Noncurrent Liabilities	14,888
Total Noncurrent Liabilities	422,591,913
Total Liabilities	477,044,250
DEFERRED INFLOWS OF RESOURCES	
Unamortized Gain on Refunding of Debt	12,363
Pension Related Deferred Inflows	8,426,618
Other Post Employment Benefits Related Deferred Inflows	90,023,156
Lease Receivable	1,645,950
Lease Receivable Component Units	1,283,150
Total Deferred Inflows of Resources	101,391,237
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	120,899,441
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	3,119,623
Other	799,223
Expendable:	
Scholarships and Fellowships	1,051,278
Research	1,200
Capital Projects	12,533,858
Other	9,784
Unrestricted	(248,208,125)
Total Net Position	(109,793,718)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 468,641,769

See accompanying Notes to Financial Statements.

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

OPERATING REVENUES	
Tuition and Fees, Net of Refunds	$ 91,908,269
Less: Scholarship Discounts and Allowances	35,076,104
Net Tuition and Fees	56,832,165
Governmental Grants and Contracts:	
Federal	9,419,170
State	13,801,937
Local	18,940
Nongovernmental Grants and Contracts	3,572,478
Sales and Services of Educational Departments	7,902,413
Auxiliary Enterprises, Net of Refunds	23,668,430
Other Revenues	322,436
Total Operating Revenues	115,537,969
OPERATING EXPENSES	
Instruction	49,011,330
Research	1,196,867
Public Service	6,112,219
Academic Support	13,438,397
Student Services	12,016,731
Institutional Support	21,257,039
Operations and Maintenance of Plant	9,146,129
Depreciation and Amortization	18,962,854
Student Aid	12,765,500
Auxiliary Enterprises	10,780,788
Total Operating Expenses	154,687,854
OPERATING LOSS	(39,149,885)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations, General and Restricted	56,895,233
Federal and State Grants and Appropriations - CARES Act COVID Relief	5,424,951
Commonwealth on behalf Contributions to PSERS	660,552
Pell Grants	13,510,979
Investment Income, Net	3,539,846
Unrealized Gain on Investments	535,913
Gifts for Other than Capital Purposes	3,555,955
Interest Expense on Capital Asset-Related Debt	(5,486,258)
Other Nonoperating Revenue (Expense)	(776,000)
Nonoperating Revenues, Net	77,861,171
INCOME BEFORE OTHER REVENUES	38,711,286
OTHER REVENUES	
State Appropriations, Capital	2,985,026
Capital Gifts and Grants	244,872
Total Other Revenues	3,229,898
INCREASE IN NET POSITION	41,941,184
Net Position - Beginning of Year	(151,734,902)
NET POSITION - END OF YEAR	$ (109,793,718)

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 57,579,138
Grants and Contracts	27,637,652
Payments to Suppliers for Goods and Services	(47,900,883)
Payments to Employees	(142,967,583)
Loans Issued to Students	(45,639)
Loans Collected from Students	67,580
Student Aid	(12,765,500)
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	66,657,674
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(66,664,493)
Auxiliary Enterprise Charges	23,273,631
Sales and Services of Educational Departments	7,666,899
Other Receipts (Payments)	4,859,166
Net Cash Used by Operating Activities	(82,602,358)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	69,164,065
Gifts and Nonoperating Grants for Other Than Capital Purposes	3,555,955
PELL Grant	13,510,979
Custodial Transactions, Net	(121,803)
Other	152,244
Net Cash Provided by Noncapital Financing Activities	86,261,440
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Appropriations	2,985,026
Capital Grants and Gifts Received	105,708
Proceeds from Sales of Capital Assets	226,255
Purchases of Capital Assets	(7,119,480)
Principal Paid on Capital Debt and Leases	(11,457,036)
Interest Paid on Capital Debt and Leases	(5,138,672)
Net Cash Used by Capital Financing Activities	(20,398,199)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	125,628
Interest on Investments	3,399,408
Purchase of Investments	(265,285)
Net Cash Provided by Investing Activities	3,259,751
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,479,366)
Cash and Cash Equivalents - Beginning of Year	98,136,488
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 84,657,122

See accompanying Notes to Financial Statements.

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (39,149,885)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	18,962,854
Expenses Paid by Commonwealth or Donor	660,552
Effect of Changes in Operating Assets, Liabilities, and Deferred Inflows and Outflows:	
Receivables, Net	885,909
Lease Rental Receivable Activities	35,922
Inventories	(96,538)
Other Assets	4,448,070
Accounts Payable	(7,037,940)
Unearned Revenue	40,191
Students' Deposits	(3,201)
Compensated Absences	(6,174,031)
Loans to Students and Employees	15,121
Post Employment Benefits Liability (OPEB) Activities	(48,797,997)
Defined Benefit Pension Activities	(6,361,790)
Other Liabilities	(29,595)
Net Cash Used by Operating Activities	$ (82,602,358)
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS	
Capital Assets Included in Payables	$ 1,819,409
Capital Assets Acquired by New Leases	$ 53,216,536
Capital Assets Acquired by New Right of Use leases	$ 2,600,337
Capital Assets Acquired by New Subscription Agreements	$ 2,428,905
Capital Assets Acquired by Gift	$ 139,164

See accompanying Notes to Financial Statements.

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

ASSETS

ASSETS	
Cash and Cash Equivalents	$ 7,706,615
Accounts Receivable	1,723,665
Contributions/Pledges Receivable	2,017,224
Due from University	1,168,777
Inventories	676,244
Investments	120,390,672
Capital Assets, Net	67,642,302
Funds Held by Component Unit	6,672,876
Restricted Cash and Investments	18,688,394
Other Assets	132,894,662
Total Assets	$ 359,581,431

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable and Accrued Expenses	$ 1,894,040
Deferred Revenues	863,721
Annuity Liabilities	108,877
Due to University	3,522,758
Deposits Payable	263,873
Funds Held for Component Unit	6,672,875
Capital Leases	18,615,390
Long-Term Debt, Net	179,133,359
Interest Rate Swap Agreements	4,600,029
Other Liabilities	3,338,264
Total Liabilities	219,013,186
NET ASSETS	
Without Donor Restriction	57,141,096
With Donor Restriction	83,427,149
Total Net Assets	140,568,245
Total Liabilities and Net Assets	$ 359,581,431

See accompanying Notes to Financial Statements.

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

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION	
Revenues and Other Additions:	
Sales and Service	$ 4,413,592
Student Fees	7,519,772
Grants and Contracts	4,730,933
Rental Income, Net of Refunds	8,899,743
Investment Income, Net	5,106,788
Unrealized Gain (Loss) on Investments	76,742
Other Revenues and Gains	34,383,601
Contributions	3,821,629
Net Assets Released Based on Satisfaction of Program Restrictions	5,267,278
Total Revenues and Other Additions	74,220,078
Expenses and Losses:	
Program Services:	
Scholarships and Grants	4,270,458
Student Activities and Programs	4,979,856
University Stores	2,945,843
Housing	12,449,852
Other Programs	13,017,938
Management and General	1,832,262
Fundraising	2,135,040
Total Expenses	41,631,249
Investment Return, Net	(3,274,679)
Total Expenses and Losses	38,356,570
Change in Net Assets Without Donor Restriction	35,863,508
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	5,065,486
Investment Income, Net	1,291,651
Other Revenues and Gains	5,623,948
Net Assets Released Based on Satisfaction of Program Restrictions	(5,267,278)
Change in Net Assets with Donor Restrictions	6,713,807
CHANGE IN NET ASSETS	42,577,315
Net Assets - Beginning of Year	97,990,930
NET ASSETS - END OF YEAR	$ 140,568,245

See accompanying Notes to Financial Statements.

INDIANA UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
EXPENSE BY FUNCTION AND NATURE – COMPONENT UNITS
YEAR ENDED JUNE 30, 2023

2023	Program Activities						Supporting Activities			
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	**Total Expenses**
Salaries and Benefits	$ -	$ 599,993	$ 731,551	$ 616,655	$ 2,962,133	$ 4,910,332	$ 1,387,847	$ -	$ 1,387,847	$ 6,298,179
Gifts and Grants	250,000	3,301,696	-	76,010	806,686	4,434,392	31,820	119,673	151,493	4,585,885
Supplies and Travel	-	-	2,048,835	74,675	1,664,404	3,787,914	107,324	134,069	241,393	4,029,307
Services and Professional	-	-	-	-	-	-	-	-	-	-
Fees	-	222,488	26,811	272,061	1,417,850	1,939,210	129,832	1,826,332	1,956,164	3,895,374
Office and Occupancy	-	457,597	7,198	-	85,544	550,339	125,977	-	125,977	676,316
Depreciation	-	-	-	1,794,893	1,078,133	2,873,026	-	-	-	2,873,026
Interest	-	-	-	6,244,351	889,493	7,133,844	-	-	-	7,133,844
Other	4,020,458	398,082	131,448	3,371,207	4,113,695	12,034,890	49,462	54,966	104,428	12,139,318
Total Expenses	**$ 4,270,458**	**$ 4,979,856**	**$ 2,945,843**	**$ 12,449,852**	**$ 13,017,938**	**$ 37,663,947**	**$ 1,832,262**	**$ 2,135,040**	**$ 3,967,302**	**$ 41,631,249**

See accompanying Notes to Financial Statements.

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 ten 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 entitity'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.

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 year ended June 30, 2023.

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 year ended June 30, 2023.

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 year ended June 30, 2023.

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 year ended June 30, 2023.

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.

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 year ended June 30, 2023.

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 year ended June 30, 2023.

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.

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.

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 greater than one year 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 present value of the minimum lease payments. 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 leases is included in depreciation and amortization 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 capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-downs of capital assets were required for the year ended June 30, 2023. For the year ended June 30, 2023, several buildings were determined to be impaired due to their current nonuse and planned demolition within 1 year. The book value of these assets identified as impaired and charged to operations was $574,467.

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

Leases and Subscription-Based Information Technology Arrangements

The University routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the University is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the University recognized a lease or subscription liability and an intangible right of use asset based on the present value of the future lease payments or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right of use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position.

The right of use lease and subscription assets are amortized over the term of the lease or SBITA, as the University is not expected to lease assets beyond the underlying asset's useful life. The University also serves as a lessor for certain real estate. For those agreements in excess of twelve months, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

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

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

Unearned Revenue

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

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.

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

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.

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 statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources.

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

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

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

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

- 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.
- 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 March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022. Statement No. 94 establishes the definitions for public-private and public-public partnerships (P3s) and availability payment arrangements (APAs) and provide uniform guidance for governments to report assets and liabilities related to P3s on a consistent basis and disclose important information about P3 transactions. The adoption of this statement had no impact on previously reported beginning net position at June 30, 2022.

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

New Accounting Standards (Continued)

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. Statement No. 96 establishes accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this statement, a government is required to recognize a subscription liability and a right of use subscription asset for SBITAs with a subscription term greater than twelve months. The adoption of this statement resulted in recognition of subscription-related assets and liabilities. Note 6 provides details on the restatement of beginning net position.

NOTE 2 COMPONENT UNIT INFORMATION

The following represents combining condensed balance sheet information for the component units as of June 30, 2023:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
ASSETS							
Due from University	$ 450,241	$ -	$ 549,722	$ 29,722	$ 139,092	$ -	$ 1,168,777
Funds Held by Component Unit	-	-	-	-	-	6,672,876	6,672,876
Investments	309,804	-	119,502,358	-	578,510	-	120,390,672
Capital Assets, Net	24,549,558	330,022	42,762,722	-	-	-	67,642,302
Other Assets	3,584,158	11,362	70,591,097	86,328,849	3,191,338	-	163,706,804
Total Assets	$ 28,893,761	$ 341,384	$ 233,405,899	$ 86,358,571	$ 3,908,940	$ 6,672,876	$ 359,581,431
LIABILITIES AND NET ASSETS							
Liabilities:							
Due to University	$ 62,610	$ -	$ 1,388,495	$ 1,216,304	$ 855,349	$ -	$ 3,522,758
Funds Held for Component Unit	-	-	6,672,875	-	-	-	6,672,875
Capital Leases	18,615,390	-	-	-	-	-	18,615,390
Long-Term Debt, Net	-	-	106,824,727	72,308,632	-	-	179,133,359
Other Liabilities	1,848,317	-	7,204,918	-	1,915,569	100,000	11,068,804
Total Liabilities	20,526,317	-	122,091,015	73,524,936	2,770,918	100,000	219,013,186
Net Assets:							
Without Donor Restrictions	8,367,444	341,384	27,887,735	12,833,635	1,138,022	6,572,876	57,141,096
With Donor Restrictions	-	-	83,427,149	-	-	-	83,427,149
Total Net Assets	8,367,444	341,384	111,314,884	12,833,635	1,138,022	6,572,876	140,568,245
Total Liabilities and Net Assets	$ 28,893,761	$ 341,384	$ 233,405,899	$ 86,358,571	$ 3,908,940	$ 6,672,876	$ 359,581,431

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, 2023:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
Changes in Net Assets Without Donor Restriction							
Revenues and Other Additions:							
Sales & Services	$ 2,723,564	$ -	$ -	$ -	$ 1,615,450	$ 74,578	$ 4,413,592
Student Fees	7,519,772	-	-	-	-	-	7,519,772
Grants and Contracts	-	-	-	-	4,730,933	-	4,730,933
Rental Income, Net of Refunds	-	-	8,899,743	-	-	-	8,899,743
Investment Income	67,306	-	2,625,489	1,736,304	30,579	647,110	5,106,788
Unrealized Gain (Loss) on Investments	41,833	-	-	-	34,909	-	76,742
Other Revenues and Gains	108,949	3	34,235,522	17,124	10,912	11,091	34,383,601
Contributions	-	-	1,810,801	2,000,332	-	10,496	3,821,629
Net Assets Released from Restrictions	-	-	5,267,278	-	-	-	5,267,278
Total Revenues and Other Additions	10,461,424	3	52,838,833	3,753,760	6,422,783	743,275	74,220,078
Expenses and Losses:							
Program Services:							
Scholarships and Grants	250,000	-	4,020,458	-	-	-	4,270,458
Student Activities and Programs	4,979,856	-	-	-	-	-	4,979,856
University Stores	2,945,843	-	-	-	-	-	2,945,843
Housing	-	-	10,393,224	2,056,628	-	-	12,449,852
Other Programs	1,986,773	16,920	5,036,906	-	5,861,794	115,545	13,017,938
Management and General	404,109	-	697,379	-	595,389	135,385	1,832,262
Fundraising	-	-	2,135,040	-	-	-	2,135,040
Total Expenses	10,566,581	16,920	22,283,007	2,056,628	6,457,183	250,930	41,631,249
Investment Return, Net	-	-	(3,274,679)	-	-	-	(3,274,679)
Total Expenses and Losses	10,566,581	16,920	19,008,328	2,056,628	6,457,183	250,930	38,356,570
Change in Net Assets Without Donor Restriction	(105,157)	(16,917)	33,830,505	1,697,132	(34,400)	492,345	35,863,508
Changes in Net Assets With Donor Restrictions							
Contributions	-	-	5,065,486	-	-	-	5,065,486
Investment Gain	-	-	1,291,651	-	-	-	1,291,651
Other Revenues and Gains (Losses)	-	-	5,623,948	-	-	-	5,623,948
Net Assets Released From Restrictions	-	-	(5,267,278)	-	-	-	(5,267,278)
Change in Net Assets with Donor Restrictions	-	-	6,713,807	-	-	-	6,713,807
Change in Net Assets	(105,157)	(16,917)	40,544,312	1,697,132	(34,400)	492,345	42,577,315
Net Assets - Beginning of Year	8,472,601	358,301	70,770,572	11,136,503	1,172,422	6,080,531	97,990,930
Net Assets - End of Year	$ 8,367,444	$ 341,384	$ 111,314,884	$ 12,833,635	$ 1,138,022	$ 6,572,876	$ 140,568,245

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 $83,791,960 at June 30, 2023.

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

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.

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.

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

At June 30, 2023, the University had the following investments which exceeded 5% of the University's total investments:

Issuer	Type of Investment	Amount	Percentage of Total Long-Term Investments
Common Fund	Multi-Strategy Equity Fund	$ 5,623,970	62.85%
Common Fund	High Quality Bond Fund	3,324,840	37.15%
		$ 8,948,810	

At June 30, 2023, the carrying amount of the University's demand and time deposits were $890,217 as compared to bank balances of $857,841. 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, 2023 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			$ 890,217
Investments:				
Fixed Income Mutual Funds	NAV			3,324,840
Equity/Balanced Mutual Funds	NAV			5,623,970
Total				$ 9,839,027

Of all local investments noted above, the University has no exposure to foreign currency risk for the year ended June 30, 2023.

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.

NOTE 4 LEASE RECEIVABLES (CONTINUED)

The lease revenue and interest income for the fiscal year ended June 30, 2023 are summarized in the following schedule.

	June 30, 2023	
	Third Party	Component Unit
Lease Revenue	$ 93,130	$ 49,352
Interest Income	26,242	20,442
Total	$ 119,372	$ 69,794

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

	Beginning Balance July 1, 2022	Additions	Retirements	Ending Balance June 30, 2023
Lease Receivable - Third Parties	$ 1,804,531	$ -	$ 103,015	$ 1,701,516
Lease Receivable - Component Units	2,824,721	-	1,474,732	1,349,989
Total	$ 4,629,252	$ -	$ 1,577,747	$ 3,051,505

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 120,229	$ 44,899	$ 165,128
2025	111,903	43,202	155,105
2026	96,714	41,605	138,319
2027	101,835	40,160	141,995
2028	109,120	38,564	147,684
2028-2032	547,112	167,693	714,805
2033-2037	517,815	127,611	645,426
2038-2042	517,292	90,086	607,378
2043-2047	630,546	47,214	677,760
2048-2052	298,939	6,660	305,599
Total Minimum Lease Payments	$ 3,051,505	$ 647,694	$ 3,699,199

NOTE 5 CAPITAL ASSETS

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

	Estimated Lives (in Years)	Beginning Balance July 1, 2022	Additions	Retirements	Transfers	Ending Balance June 30, 2023
Capital Assets Not Being Depreciated						
Land		$ 7,540,798	$ -	$ -	$ -	$ 7,540,798
Construction in Progress		4,313,622	4,004,644	(308,913)	(2,741,007)	5,268,345
Total Capital Assets Not Being Depreciated		11,854,420	4,004,644	(308,913)	(2,741,007)	12,809,143
Capital Assets Being Depreciated and Amortized						
Buildings, including Improvements	40-20	367,836,921	54,162,842	(3,434,282)	2,577,206	421,142,687
Land Improvements	20	62,332,603	1,580,700	-	163,801	64,077,104
Furnishings and Equipment	3-10	43,802,174	2,451,448	(90,461)	-	46,163,161
Right to Use Assets	Varies 1-5	15,050,548	2,600,337	(736,017)	-	16,914,868
Subscription Assets	Varies 1-5	-	2,428,905	-	-	2,428,905
Library Books	10	9,552,056	94,954	(86,641)	-	9,560,369
Total Capital Assets Being Depreciated and Amortized		498,574,302	63,319,186	(4,347,401)	2,741,007	560,287,094
Less: Accumulated Depreciation: and Amortization						
Buildings, including Improvements		(164,772,321)	(13,502,622)	2,859,815	-	(175,415,128)
Land Improvements		(39,268,211)	(1,818,100)	-	-	(41,086,311)
Furnishings and Equipment		(40,092,789)	(1,528,340)	90,461	-	(41,530,668)
Right to Use Assets		(2,164,249)	(1,180,346)	464,853	-	(2,879,742)
Subscription Assets		-	(854,743)	-	-	(854,743)
Library Books		(9,301,942)	(78,703)	86,641	-	(9,294,004)
Total Accumulated Depreciation and Amortization		(255,599,512)	(18,962,854)	3,501,770	-	(271,060,596)
Total Capital Assets Being Depreciated and Amortized, Net		242,974,790	44,356,332	(845,631)	2,741,007	289,226,498
Capital Assets, Net		$ 254,829,210	$ 48,360,976	$ (1,154,544)	$ -	$ 302,035,641

NOTE 6 RIGHT TO USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES

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

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 year ended June 30, 2023 totaled $4,188,621. Leases required fixed monthly payments, expire at various dates through 2054, and bear interest at rates ranging from 1.50%-13.1%.

NOTE 6 RIGHT TO USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES (CONTINUED)

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

	Financed Purchases		Right of Use Leases with 3rd Parties		Right of Use Leases With Component Units		Subscription Agreements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year Ending								
2024	$ 4,513,818	$ 3,859,283	$ 244,214	$ 41,408	$ 642,029	$ 177,741	$ 575,443	$ 31,187
2025	4,633,111	3,739,990	251,469	34,153	668,151	168,015	530,424	18,513
2026	4,750,080	3,623,021	221,993	28,479	694,995	157,894	266,030	6,184
2027	4,870,591	3,502,510	221,303	25,143	722,578	147,367	-	-
2028	4,989,153	3,383,949	227,613	21,797	736,495	136,425	-	-
2029 - 2033	26,966,729	14,898,778	1,282,556	53,919	4,127,577	505,987	-	-
2034 - 2038	30,696,063	11,169,444	46,615	87	4,414,338	169,448	-	-
2039 - 2043	21,556,017	7,428,333	-	-	-	-	-	-
2044 - 2048	10,822,867	4,762,433	-	-	-	-	-	-
2049 - 2053	12,987,585	2,253,280	-	-	-	-	-	-
2054 - 2058	2,950,933	97,241	-	-	-	-	-	-
Total	$ 129,736,947	$ 58,718,262	$ 2,495,763	$ 204,986	$ 12,006,163	$ 1,462,877	$ 1,371,898	$ 55,884

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

	Beginning Balance June 30, 2022	2022-2023 Additions	2022-2023 Reductions	Ending Balance June 30, 2023
Financed Purchases	$ 81,397,288	$ 53,216,536	$ 4,876,877	$ 129,736,947
3rd Party Leases	417,376	2,600,338	521,951	2,495,763
Component Unit Leases	12,726,224	-	720,061	12,006,163
Subscription Assets	-	2,428,905	1,057,007	1,371,898
Total	$ 94,540,888	$ 58,245,779	$ 7,175,896	$ 145,610,771

NOTE 6 RIGHT TO USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES (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:

Year Ending June 30,	Amount
2024	$ 1,423,471
2025	2,641,233
2026	2,584,422
2027	2,546,104
2028	2,531,250
Thereafter	12,628,250
Total Minimum Lease Payments	24,354,730
Less: Amount Representing Interest on Leases	5,739,340
Present Value of Net Minimum Lease Payments	$ 18,615,390

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.

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

Activity for the various bond series for the year-end June 30, 2023 is as follows:

	Weighted Average Interest Rate	Balance July 1, 2022	Bonds Issued	Bonds Redeemed	Balance June 30, 2023
Series AO Issued in July 2013 for Various Projects Final Maturity June 2033	4.50%	$ 11,990,000	$ -	$ (865,000)	$ 11,125,000
Series AP Issued in May 2014 for Various Projects Final Maturity June 2024	4.77%	176,026	-	(85,966)	90,060
Series AQ issued in May 2015 for Various Projects Final Maturity 2025	4.56%	638,891	-	(202,620)	436,271
Series AS issued in June 2016 for Various Projects Final Maturity 2027	4.13%	469,027	-	(84,872)	384,155
Series AT issued in September 2016 for Various Projects Final Maturity 2036	3.45%	14,400,000	-	(860,000)	13,540,000
Series AU-1 Issued In September 2017 for Various Projects Final Maturity June 2037	3.52%	3,858,624	-	(242,686)	3,615,938
Series AU-2 Issued In September 2017 for Various Projects Final Maturity June 2028	3.52%	2,429,357	-	(1,119,563)	1,309,794
Series AV-1 Issued In September 2018 for Various Projects Final Maturity June 2025	4.22%	422,282	-	(227,228)	195,054
Series AY Issued In October 2020 for Various Projects Final Maturity June 2031	1.48%	4,587,583	-	(486,184)	4,101,399
Total Bonds Payable		$ 38,971,790	$ -	$ (4,174,119)	34,797,671
Plus: Unamortized Bond Premium					420,071
Less: Unamortized Bond Discount					(36,788)
Outstanding at End of Year					35,180,954
Less: Current Portion					13,663,477
Bonds Payable, Net of Current Portion					$ 21,517,477

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		2024	2025	2026	2027	2028	2029-2033	2034-2038	2039-2043	Total
AO	Principal	$ 11,125,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,125,000
	Interest	44,765	-	-	-	-	-	-	-	44,765
	Total	11,169,765	-	-	-	-	-	-	-	11,169,765
AP	Principal	90,060	-	-	-	-	-	-	-	90,060
	Interest	4,503	-	-	-	-	-	-	-	4,503
	Total	94,563	-	-	-	-	-	-	-	94,563
AQ	Principal	212,842	223,429	-	-	-	-	-	-	436,271
	Interest	21,814	11,171	-	-	-	-	-	-	32,985
	Total	234,656	234,600	-	-	-	-	-	-	469,256
AS	Principal	89,103	93,570	98,272	103,210	-	-	-	-	384,155
	Interest	19,208	14,753	10,074	5,160	-	-	-	-	49,195
	Total	108,311	108,323	108,346	108,370	-	-	-	-	433,350
AT	Principal	880,000	900,000	920,000	945,000	975,000	5,315,000	3,605,000	-	13,540,000
	Interest	400,265	379,585	357,085	332,935	306,948	1,081,412	233,120	-	3,091,350
	Total	1,280,265	1,279,585	1,277,085	1,277,935	1,281,948	6,396,412	3,838,120	-	16,631,350
AU-1	Principal	254,187	265,687	278,750	293,563	306,625	1,520,626	696,500	-	3,615,938
	Interest	140,158	127,450	114,166	100,228	85,550	243,558	53,936	-	865,046
	Total	394,345	393,137	392,916	393,791	392,175	1,764,184	750,436	-	4,480,984
AU-2	Principal	236,822	249,041	261,261	274,644	288,027	-	-	-	1,309,795
	Interest	65,490	53,649	41,196	28,134	14,401	-	-	-	202,870
	Total	302,312	302,690	302,457	302,778	302,428	-	-	-	1,512,665
AV-1	Principal	162,470	32,584	-	-	-	-	-	-	195,054
	Interest	9,753	1,629	-	-	-	-	-	-	11,382
	Total	172,223	34,213	-	-	-	-	-	-	206,436
AY	Principal	490,151	494,117	499,784	506,583	513,950	1,596,814	-	-	4,101,398
	Interest	63,977	59,688	54,129	47,257	39,658	64,985	-	-	329,693
	Total	554,127	553,805	553,913	553,840	553,608	1,661,799	-	-	4,431,092
Total	Principal	13,540,635	2,258,428	2,058,067	2,123,000	2,083,602	8,432,440	4,301,500	-	34,797,671
	Interest	769,933	647,925	576,650	513,714	446,557	1,389,955	287,056	-	4,631,789
	Total	$ 14,310,567	$ 2,906,353	$ 2,634,717	$ 2,636,714	$ 2,530,159	$ 9,822,395	$ 4,588,556	$ -	$ 39,429,461

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 ($2,499,340 was outstanding as of June 30, 2023). 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, 2022	Additions	Retirements	Ending Balance June 30, 2023	Current Portion
PASSHE Bond - AFRP	$ 502,007	$ -	$ (107,022)	$ 394,985	$ 112,289

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:

Year Ending June 30,	Principal	Interest	Total
2024	$ 6,478,652	$ 6,356,420	$ 12,835,072
2025	6,693,062	6,141,875	12,834,937
2026	6,919,337	5,919,534	12,838,871
2027	7,147,521	5,688,894	12,836,415
2028	7,387,658	5,449,952	12,837,610
Thereafter	144,905,459	53,838,040	198,743,499
Total	179,531,689	$ 83,394,715	$ 262,926,404
Plus Unamortized Bond Premium	154,727		
Less: Unamortized Bond Issue Costs	(553,057)		
Total	$ 179,133,359		

The Foundation has currently met its debt service coverage ratio financial covenants under the 2007 Series A Revenue Bond documents at June 30, 2023. However, in regard to the 2007 Series A Revenue Bonds, in July 2021, the Foundation drew on the debt service reserve, which requires repayment. A condition of technical default, the required repayment schedule has not been met in accordance with the bond document schedule nor is such repayment currently expected to occur.

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

Component Units Long-Term Debt (Continued)

Due to the debt agreement violations, the Foundation's Phase II Bond debt is considered to be currently due as of June 30, 2023 because payment in full could be required under the Bond documents. The Bond is non-recourse debt with respect to the Foundation, the collateral for such debt being limited to, among other things, gross revenues from the Phase II student housing facilities (Student Housing), and the following collateral related to the Student Housing: receivables, furnishings, related equipment, and related real and personal property rights.

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.

NOTE 8 COMPENSATED ABSENCES

Changes in the compensated absences liability in fiscal year 2023 is as follows:

Balance - July 1	$ 20,599,970
Current Changes in Estimate	(5,110,085)
Payouts	(1,063,946)
Balance - June 30	$ 14,425,939
Current	$ 1,054,248
Noncurrent	13,371,691
Balance - June 30	$ 14,425,939

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.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 10 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 year ended June 30, 2023.

	System Plan	REHP	Premium Assistance	Total
Net OPEB Liabilities	$ 93,991,010	$ 37,195,180	$ 422,402	$ 131,608,592
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	$ -	$ 1,416,147	$ 3,867	$ 1,420,014
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	153,675	1,160	154,835
Change in Assumptions	12,148,033	3,371,450	46,919	15,566,402
Changes in Proportion	-	567,368	10,054	577,422
Contributions after the Measurement Date	3,118,523	838,585	26,142	3,983,250
Total Deferred Outflows of Resources	$ 15,266,556	$ 6,347,225	$ 88,142	$ 21,701,923
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	$ 27,483,456	$ 11,100,268	$ 2,320	$ 38,586,044
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	-	-
Change in Assumptions	34,908,255	6,855,029	99,768	41,863,052
Changes in Proportion	-	9,552,147	21,913	9,574,060
Total Deferred Inflows of Resources	$ 62,391,711	$ 27,507,444	$ 124,001	$ 90,023,156
OPEB Expense	$ (26,163,756)	$ (18,659,575)	$ 19,025	$ (44,804,306)
Contributions Recognized by OPEB Plans	$ -	$ 838,585	$ 26,142	$ 864,727

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $3,118,523 for the System Plan, $838,585 for the REHP plan, and $26,142 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

	Amortization		
Year Ending June 30,	System Plan	REHP	Premium Assistance
2024	$ (12,363,988)	$ (8,860,144)	$ (12,632)
2025	(9,110,174)	(5,588,837)	(8,250)
2026	(10,860,847)	(3,199,069)	(11,085)
2027	(8,954,334)	(3,121,353)	(14,823)
2028	(8,954,335)	(1,229,401)	(15,211)
Thereafter	-	-	-
Totals	$ (50,243,678)	$ (21,998,804)	$ (62,001)

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.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

A total of 11,307 individuals are covered by the benefit terms (down from 11,872 in the prior year), including 5,817 active employees that may be entitled to receive benefit payments upon retirement, 314 retired participants entitled to but not yet receiving benefits, and 5,176 retired participants receiving benefits. Effective January 16, 2016, the State System OPEB plan became closed to newly hired SCUPA, SPFPA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

Funding Policy

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements.

Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2023:

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year-end. The actuarial valuation on which the total OPEB liability as of June 30, 2023 is based is dated July 1, 2022, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025, with rates gradually decreasing from 5.4% in 2026 to 3.9% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- APSCUF 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 2.28% to 4.06%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022.
- Participant data is based on census information as of July 1, 2022.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.5% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0% decreasing to 2.9%) or one percentage point higher (7.0% decreasing to 4.9%) than the current healthcare cost trend rates (6.0% decreasing to 3.9%).

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

	1% Decrease (5.0% Decreasing to 2.9%)	Healthcare Cost Trend Rates 6.0% Decreasing to 3.9%	1% Increase (7.0% Decreasing to 4.9%)
2023	$ 79,775,946	$ 93,991,010	$ 111,965,680

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

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

	1% Decrease 3.06%	Current Rate 4.06%	1% Increase 5.06%
2023	$ 108,001,633	$ 93,991,010	$ 82,542,534

University OPEB Liability

The University's portion of the System Plan's total OPEB liability as of June 30, 2023 of $93,991,010 was measured and determined by an actuarial valuation as of July 1, 2022.

Changes in the System Plan Total OPEB Liability	
Total OPEB Liability – Beginning Balance	$ 160,687,462
Service Cost	4,704,930
Interest	3,712,403
Changes of Benefit Terms	(947,638)
Difference Between Expected and Actual Experience	(24,119,764)
Changes of Assumptions	(35,316,509)
Benefit Payments	(14,729,874)
Net Changes	(66,696,452)
Total OPEB Liability—Ending Balance	$ 93,991,010
Covered Employee Payroll	$ 53,699,339
OPEB Liability as a Percent of Covered Payroll	175.03%

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP

Plan Description

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

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

Funding Policy

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2023.

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Funding Policy (Continued)

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of $230 per pay period for each current REHP eligible active employee during the period July 1, 2020 through January 15, 2021, and $-0- from January 16, 2021 through June 30, 2021. The rate during the period July 1, 2021, through June 30, 2023 was $120 per pay period.

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 7.3%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2022_f4 for the December 31, 2021 measurement date
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the 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, 2021, for the June 30, 2022, measurement date.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40.0%	5.1%
International Equity	27.0%	5.5%
Fixed Income	23.0%	1.6%
Real Estate	8.0%	4.7%
Cash	1.5%	0.0%
Private Equity	0.5%	8.3%
Total	100.0%	

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 4.0260% for the measurement date of June 30, 2022.

The following presents the University's share of the REHP net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.3% decreasing to 2.9%) or one percentage point higher (8.3% decreasing to 4.9%) than the current healthcare cost trend rates (7.3% decreasing to 3.9%).

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

	1% Decrease (6.3% Decreasing to 2.9%)	Healthcare Cost Trend Rates 7.3% Decreasing to 3.9%	1% Increase (8.3% Decreasing to 4.9%)
2023	$ 32,131,341	$ 37,195,181	$ 43,408,640

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, 2023, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.67%) or one percentage point higher (5.67%) than the current discount rate (4.67%).

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

	1% Decrease 3.67%	Current Rate 4.67%	1% Increase 5.67%
2023	$ 42,158,052	$ 37,195,181	$ 33,017,531

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

Premium Assistance

Plan Description

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, 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.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Actuarial Assumptions and Other Inputs

The 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, 2022 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2021, to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021.
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2021/22.
- 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.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- The discount rate used to measure the total OPEB liability was 4.09% at June 30, 2022.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.
- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2022.

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 6.0%) or one percentage point higher (between 6.0% and 8.0%) than the current healthcare cost trend rates (between 5.0% and 7.0%).

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

	1% Decrease Trend Rates Between 4% and 6.0%	Healthcare Cost Trend Rates Between 5% and 7.0%	1% Increase Trend Rates Between 6% and 8.0%
2023	$ 422,273	$ 422,402	$ 422,402

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2023, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current healthcare cost trend rates (4.09%).

Sensitivity of the Premium Assistance Net OPEB
Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 3.09%	Current Rate 4.09%	1% Increase 5.09%
2023	$ 477,570	$ 422,402	$ 376,127

Fiduciary Net Position

For purposes of measuring the net 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 PSERS, and additions to and deductions from PSERS' fiduciary net position, have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional plan information can be found in the PSERS Comprehensive Annual Financial Report at www.psers.pa.gov.

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).

NOTE 10 PENSION BENEFITS (CONTINUED)

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 year ended June 30, 2023.

	SERS	PSERS	ARP	Total
Net Pension Liabilities	$ 109,497,797	$ 10,298,652	$ -	$ 119,796,449
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	$ 1,591,272	$ 4,664	$ -	$ 1,595,936
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	14,873,166	-	-	14,873,166
Changes in Assumptions	7,385,079	307,566	-	7,692,645
Difference Between Employer Contributions and Proportionate Share of Contributions	214,545	29,489	-	244,034
Changes in Proportion	-	49,231	-	49,231
Contributions After the Measurement Date	5,978,697	1,203,788	-	7,182,485
Total Deferred Outflows of Resources	$ 30,042,759	$ 1,594,738	$ -	$ 31,637,497
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	$ 303,890	$ 89,135	$ -	$ 393,025
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	174,771	-	- 174,771
Difference Between Employer Contributions and Proportionate Share of Contributions	122,999	-	-	122,999
Changes in Proportion	7,443,156	292,667	-	7,735,823
Total Deferred Inflows of Resources	$ 7,870,045	$ 556,573	$ -	$ 8,426,618
Pension Expense	$ 4,836,081	$ 1,245,734	$ 4,226,786	$ 10,308,601
Contributions Recognized by Pension Plans	$ 10,589,706	$ 1,203,788	$ -	$ 11,793,494

NOTE 10 PENSION BENEFITS (CONTINUED)

The University will recognize the $5,978,697 reported as 2023 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $1,203,788 reported as 2023 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amortization	
Year Ending June 30,	SERS	PSERS
2024	$ 118,580	$ (104,076)
2025	3,191,041	(60,124)
2026	4,408,854	(244,559)
2027	8,390,661	243,396
2028	84,880	-
Totals	$ 16,194,016	$ (165,363)

SERS

Plan Description

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

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

Benefits Provided

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit 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.

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 State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. 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 State System's actuarially determined contribution rate for most active members was 38.82% of active members' annual covered payroll at June 30, 2023, with less common rates ranging between 26.05% and 30.44%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 16.18% or 16.43% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 14.87% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan.

The University's contribution to SERS for the year ended June 30, 2023, was $10,589,706, equal to the required contractual contribution.

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 $60,479 for the year June 30, 2023. 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).

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 June 2022 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.000% to 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

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

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

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.

NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

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

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

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

	1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
2023	$ 129,097	$ 109,498	$ 76,738

NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Proportionate Share

At June 30, 2023, the amount recognized as the University's proportionate share of the SERS net pension liability, measure at December 31, 2022 was $109,497,798 The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the 2022 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2023/24 from the December 31, 2022 funding valuation to the expected funding payroll. At December 31, 2022, measurement date, the State System's proportion was 4.1504%, a decrease of 0.028% from its proportion calculated as of December 31, 2021, measurement date.

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.

NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided

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

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits. Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

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

NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 17.55% of covered payroll. The University's contributions to PSERS for the year ended June 30, 2023 was $1,203,788, equal to the required contractual contribution.

For the PSERS defined contribution plan, the University is required to contribute at actuarially determined average rate 0.20% of active members' annual covered payroll for the year ending June 30, 2023, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the University contribution for the year ended June 30, 2023 was immaterial.

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 June 30, 2022 was determined by rolling forward PSERS' total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00%, with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation, and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

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

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

The discount rate used to measure the total PSERS pension liability was 7.00% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2023 calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Sensitivity of the University's Proportionate Share of
the PSERS Net Pension Liability to Changes in the Discount Rate
(in thousands)

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2023	$ 13,321	$ 10,299	$ 7,751

NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Proportionate Share

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

Total PSERS Net Pension Liability Associated with the University	$ 20,597,304
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	(10,298,652)
University's Proportionate Share of the PSERS Net Pension Liability	$ 10,298,652

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

ARP

The ARP is a defined contribution plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2023 was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2023 were $4,226,786, from the University; and $2,274,912 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 $126,167 to the Reserve Fund for the year ended June 30, 2023.

NOTE 11 WORKERS' COMPENSATION (CONTINUED)

Changes in the University's claims liability amount for the fiscal year 2023 are as follows:

Balance - July 1	$	568,107
Projected Retained Losses		350,332
Retirements and Changes in Estimates		(233,345)
Balance - June 30	$	685,094

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 11). 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.

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, 2023, the University estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the accompanying financial statements.

Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2023, were $10,951,254.

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19 Pandemic

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

Labor Concentration

Approximately 86% of PASSHE's employees are covered by nine collective bargaining agreements. During 2022-23, new collective bargaining agreements were established for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA) and PASSHE Officers Association (POA) through August 31, 2025. The collective bargaining agreements with the other 7 unions expired on June 30, 2023. The terms of the prior contracts remain in effect until a successor agreement is reached. In August 2023, the Commonwealth and AFSCME signed a four-year contract, the provisions of which apply to the State System's clerical, administrative, technical, maintenance and trade employees whom AFSCME represents, which is approximately 26% of the State System's labor force.

NOTE 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, 2023 as follows:

Designated Amounts for Educational and General Activities	$ 46,576,307
Designated Amounts for Healthcare Reserve	581,204
Designated Amounts for Auxiliary Enterprises (Operations, Plant Activities, and Debt Retirement)	(5,498,185)
Designated Amounts for Plant Activities and Debt Retirement	21,073,883
Compensated Absences Deficit - Non-Auxiliary	(14,219,826)
Postretirement Benefit Deficit - Non-Auxiliary	(190,847,363)
Pension Benefit Deficit - Non-Auxiliary	(92,792,841)
Compensated Absences Deficit - Auxiliary	(206,113)
Postretirement Benefit Deficit - Auxiliary	(9,082,462)
Pension Benefit Deficit - Auxiliary	(3,792,729)
Total Unrestricted Net Position	$ (248,208,125)

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

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 year ended June 30, 2023 of:

	Base Rent	Additional Rent	Room Waivers
Phase II	$ 48,293	$ 38,496	$ 149,820

Ground Lease Agreement – Phase III

The state System, on behalf of the University, entered into a Master Lease Agreement (Master Lease Agreement) with The Foundation effective August 11, 2022 for Phase III. Payments under the 2008 Ground Lease for Phase III are suspended while the Master Lease Agreement is in effect.

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 was automatically renewed for an additional five-year period through June 30, 2028 under an automatic renewal clause in the agreement.

The State System, on behalf of the University, entered into a Master Lease Agreement (Master Lease Agreement) with the Foundation effective August 11, 2022 for Phase III. Payments under facilities management contracts for Phase III are suspended while the Master Lease Agreement is in effect.

Total management fees charged to the Foundation for the year ended June 30, 2023 was $381,042.

Under the terms of the management agreements the University collects rent, advance deposits, and other feeds from student renters then transfers the money to the Foundation. The total amount due to the Foundation at June 30, 2023 was $538,459.

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 $836,196 for the year ended June 30, 2023.

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

Other Property Leases (Continued)

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 $17,698 for the year ended June 30, 2023.

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 $16,537 for year ended June 30, 2023.

Master Lease Agreements

Effective August 11, 2022 the State System, on behalf of the University, entered into a Master Lease Agreement with the Foundation. Under the terms of the Master Lease Agreement, the State System agreed to make monthly rent payments to the foundation 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 of use, operate, and collect all payments from the Foundation Phase III housing facilitate. The Master Lease Agreement includes 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.

Phase	Agreement Date	Rent and Fees	Expiration Date
Phase III	July 1, 2022	Base rent of $2,950,000 per year. Capital Reserve fee of $294,505 in first year, increasing 3% each subsequent year. Payment of PILOT agreement.	December 31, 2056

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.

On September 30, 2022, the Foundation paid the balances owed IUP for the Covid-19 refunds IUP made to the students on behalf of the Foundation.

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. Effective with the September 2023 valuation, the swap agreements with utilize SOFR (Secured Overnight Financing Rate) as a the valuation basis.

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 $4,600,029 at June 30, 2023. 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 $3,628,731 for the year ended June 30, 2023. With the termination of a swap associated with Phase III, the Foundation recognized a gain of $17,501,481, which is presented in other revenues and gains in the consolidated statement of activities – component units.

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.

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.

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

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.

Phase	Agreement Date	Rent and Fees	Expiration Date
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

COVID-19 Refunds

Under prior arrangements with RR Indiana, student housing charges were 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.

On September 30, 2022, RR Indiana paid the balances owed IUP for the Covid-19 refunds IUP made to the students on behalf of RR Indiana.

NOTE 17 RELATED PARTY TRANSACTIONS – 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 year ended June 30, 2023 the Research Institute paid IUP $1,702,839 for contracted services. The Research Institute owed the University $855,349 as of June 30, 2023, which is 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 year ended June 30, 2023, total amounts paid by the University to the Research Institute were $1,073,268. The University owed the Research Institute $139,092 as of June 30, 2023, which is included in Due to Component Units.

NOTE 18 RATING ACTIONS

In June 2022, Moody’s Investors Service, Inc. maintained the State System’s bond rating of Aa3, but revised the outlook from stable to negative. The negative outlook reflects Moody’s expectations of ongoing student demand difficulties leading to a continued trend of thin operating performance and weakening debt service coverage through fiscal 2022. In June 2022, Moody’s published an updated Environmental, Social, and Governance methodology which introduces ESG Issuer Profile (IPS) and Credit Impact Scores (CIS) for rated entities. The new scores are incorporated in the credit ratings of ESG issues. The State System has been assigned a CIS-4, reflecting Moody’s assessment that the State System has high exposure to social risks, primarily demographics, with neutral to low environmental and governance risks. The next rating update from Moody’s is anticipated in the fall of 2023. In March 2023, Fitch Ratings reviewed the State System’s rating of A+ with stable outlook and no rating change was made.

NOTE 19 SUBSEQUENT EVENTS

On July 15, 2023, Indiana University elected to pay the full $11,125,000 outstanding bond principal of Bond Series AO-2 along with accrued interest of $44,765. The early payoff of the bonds resulted in an estimated interest savings of $3,314,570 over the life of the bonds.

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YEAR ENDED JUNE 30, 2023
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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%
2022/23	4.1504%	$ 109,498	$ 32,747	334%	61.5%

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%
2022/23	$ 10,590	$ 10,590	$ -	$ 32,363	32.7%

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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: State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total	State System's Reported Contributions Per PSERS	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
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%
2022/23	0.1788%	$ 10,299	$ 10,299	$ 20,597	$ 1,155	900%	61.3%

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%
2022/23	$ 1,204	$ 1,204	$ -	$ 7,070	17.0%

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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%
2022/23	3.6478%	$ 37,195	$ 10,432	356.6%	5.9%

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%
2022/23	$ 839	$ 839	$ -	$ 12,030	7.0%

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

Fiscal Year	PSERS Net OPEB Liability: State System's Proportion	PSERS Net OPEB Liability: University's Proportionate Share	PSERS Net OPEB Liability: Commonwealth's Proportionate Share	PSERS Net OPEB Liability: Total	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
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%
2022/23	0.1780%	$ 422	$ 422	$ 845	$ 6,748	6.26%	6.86%

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%
2022/23	$ 27	$ 27	$ -	$ 7,070	0.37%

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	Fiscal Year June 30, 2023	Fiscal Year June 30, 2022	Fiscal Year June 30, 2021	Fiscal Year June 30, 2020	Fiscal Year June 30, 2019	Fiscal Year June 30, 2018
Changes in the System Plan Total OPEB Liability						
Total OPEB Liability – Beginning Balance	$ 160,687,462	$ 171,185,138	$ 153,416,569	$ 161,883,866	$ 183,519,604	$ 200,733,192
Service Cost	4,704,930	5,273,484	3,973,371	4,385,301	5,324,961	8,448,749
Interest	3,712,403	3,235,356	5,191,684	4,871,602	5,813,501	6,851,343
Changes of Benefit Terms	(947,638)	-	-	-	(128,007)	-
Difference Between Expected and Actual Experience	(24,119,764)	-	(18,016,223)	(8,456,952)	(22,099,508)	-
Changes of Assumptions	(35,316,509)	(10,780,899)	34,954,393	-	(1,450,784)	(24,875,917)
Benefit Payments	(14,729,874)	(8,225,617)	(8,334,656)	(9,267,248)	(9,095,901)	(7,637,763)
Net Changes	(66,696,452)	(10,497,676)	17,768,569	(8,467,297)	(21,635,738)	(17,213,588)
Total OPEB Liability—Ending Balance	$ 93,991,010	$ 160,687,462	$ 171,185,138	$ 153,416,569	$ 161,883,866	$ 183,519,604
Covered Employee Payroll	$ 53,699,339	$ 65,803,740	$ 67,271,134	$ 69,899,009	$ 71,772,516	$ 74,442,050
OPEB Liability as a Percent of Covered Payroll	175.03%	244.19%	254.47%	219.48%	225.55%	246.53%

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.