MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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

Council of Trustees
Millersville University of Pennsylvania
of the State System of Higher Education
Millersville, 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 Millersville 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units, Millersville University Foundation, Student Services, Inc., and Student Lodging, Inc., which represent total assets, net assets, and revenues constituting 100%, 100%, and 100%, respectively, of the June 30, 2023 assets, net assets, and revenues of the discretely presented component units as of June 30, 2023. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

The financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units that are attributable to the transactions of the University. The University is one of 10 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.

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

Required Supplementary Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 30, 2023

Management's Discussion and Analysis (MD&A) is intended to provide an overview of the financial position and operating results of Millersville University of Pennsylvania (the University) for the years ended June 30, 2023 and 2022. The information included in this MD&A is presented within the context of the audited financial statements that follow and should be read in conjunction with the entirety of the audited financial statements and accompanying notes.

Millersville University is a public university of the Commonwealth of Pennsylvania and is one of the ten member institutions on June 30, 2023, comprising the Pennsylvania State System of Higher Education (State System, or PASSHE), the purpose of which is to provide high quality education at the lowest possible cost to its students. While each institution operates independently, all fall under the governance umbrella of the State System and is subject to the State System's oversight and requirements, while benefiting from certain shared services and administrative support.

Financial Highlights

Higher education institutions continue to be in the public spotlight and subject to criticism, not only as relates to cost, but also from the perspective of the "need" for a college education. The latter has been a discussion point particularly over the past few years given the change in the overall work environment as the result of the COVID pandemic as well as the national labor shortage, resulting in increased wages.

The University's mission is focused, not only on affordable higher education, but also the intellectual and social development of its students in preparing them to, not only obtain gainful employment, but to make a difference as they go out into the world. While the University continues to be financially stable, there are pressures that continue to make this challenging as discussed in more detail in the future economics section below.

The primary challenge continues to be enrollment, as the University's overall enrollment numbers continued a downward trend for the fiscal year ended June 30, 2023. Costs to attract students, through more substantial levels of financial aid and the need for student services continued to increase. Other costs are also increasing, particularly as relates to salaries and benefits as driven by the various collective bargaining agreements within the State System, the University's portion of state retirement defined benefits plan and other post-retirement costs. However, in seeking to hold as level as possible the cost of attendance for new and currently enrolled students, the PASSHE Board of Governors has not allowed tuition increases for any university in the State System over the past several years.

As reflected in the audited financial statements, other than the significant increase in capital assets which occurred as the result of the University obtaining ownership of the Villages residence halls in fiscal year 2021, total assets have remained fairly consistent over the past three years. From a liability perspective, long-term debt increased substantially during the fiscal year ended June 30, 2021, as the result of the University acquiring debt associated with the ownership of the Villages. Additionally, there has been a fairly significant change, both increases and decreases, over the three years presented in the audited financial statements related to the University's portion of the system's pension liability as well as liabilities for and compensated absences. For both assets and liabilities, the deferred outflows and inflows of resources have shifted over the three years presented in the financial statements.

All bonds held by the University are issued through the Pennsylvania State System of Higher Education. 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.

Total operating revenues were $106.2 million in fiscal year 2022-23, representing a 3.3% decrease compared to $109.8 million in fiscal year 2021-22. Of this total, tuition, and fee revenue (net of discounts) was $55.9 million for fiscal year 2022-23 and $64.8 million for fiscal year 2021-22. Revenue from auxiliary operations was $31.9 million for fiscal year 2022-23 and $30.0 million for fiscal year 2021-22, a 6.3% increase as a result of more students returning full-time to campus.

The overall change in net position from both operating and non-operating activities for fiscal year 2023 is $13.5 million. Net tuition and fees decreased, reflecting the continuing enrollment challenges as well as increases in institutional financial aid. Non-operating revenues for fiscal year 2023 reflect a significant increase in state appropriations as well as investment income. Other non-operating revenues decreased by $15.4 million, reflecting the end of COVID relief funds and other minor changes. Overall revenues decreased to $169.5 million from $177.8 million in fiscal year 2022. In fiscal year 2023, the University received Coronavirus State and Local Fiscal Recovery Funds (CSFRF) funds in the amount of $9.1 million and utilized $2.3 million per guidance issued from PASSHE. The remaining $6.8 million has been deferred for use in future years through December 31, 2026.

Overall expenditures decreased $9.5 million largely in part due to the end of student aid COVID relief funds. Auxiliary operations expenditures increased substantially due to changes in the compensation expenses related to unfunded liabilities. Additionally, the University faced financial aid pressures in offering higher scholarship levels to attract students, resulting in increased expenses for institutional aid. Interest expense remained stable at $4.4 million in fiscal year 2023 as compared to $4.6 million in fiscal year 2022. Overall total expenses ended at $156.0 million.

The Financial Statements

Balance Sheet (Statement of Net Position)

The adoption of various Governmental Accounting Statements Board (GASB) pronouncements in recent years continues to be impactful as noted below:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (adopted in FY15) requires the University to report its share of the pension liability that the State Employees Retirement System (SERS) and Public School Employees Retirement System (PSERS). These liabilities totaled $86.5 million as of June 30, 2023 and $55.0 million as of June 30, 2022.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (adopted in fiscal year 2018) requires the University to report its share of the post-employment benefits other than pensions (OPEB) for the following plans: State System Plan (SSHE Plan), Commonwealth Retired Employees Health Program (REHP Plan), and PSERS Healthcare Premium Assistance Program (PSERS OPEB Plan). On June 30, 2023, this liability totaled $107.7 million, down $42.6 million from June 30, 2022.

GASB issued Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right of use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right of use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for all leases with lease terms greater than twelve months. The adoption of this statement resulted in the recognition of lease related assets, liabilities, and deferred inflows of resources.

Assets and Deferred Outflows of Resources

As of June 30, 2023, total assets, including deferred outflows of resources of $40.5 million totaled $345.5 million.

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets	$ 78,922,197	$ 83,586,291
Noncurrent Assets:		
Capital Assets, Net	213,607,249	216,374,965
Other Noncurrent Assets	12,477,568	11,980,340
Total Assets	305,007,014	311,941,596
Deferred Outflows of Resources	40,502,625	33,325,944
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 345,509,639	$ 345,267,540

Liabilities and Deferred Inflows of Resources

On June 30, 2023, current liabilities of $39.9 million were slightly higher than the prior year at $35.6 million. The differences in the liabilities for post-employment benefits and compensated absences resulting from the recognition of the University's portion of the state pension liability. These liabilities are the result of annual actuarial calculations and change from year to year based on many factors and actuarial assumptions.

The long-term debt decreased from the prior year by $8.9 million, the result of more than $8.0 million in principal payments and the classification of the current portion of bonds payable reflected in current liabilities. There were no new bond issuances during fiscal year 2023.

Total liabilities prior to consideration of deferred inflows decreased by over $20.0 million from the prior year. With consideration of the deferred inflows (acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance and certain items associated with the net pension liability and annual pension expense) of $77.5 million, total liabilities decreased by $17.5 million to $434.8 million.

Net Position

The net position of the University increased by $13.5 million in fiscal year 2022-23.

	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities	$ 39,870,245	$ 35,639,793
Noncurrent Liabilities:		
OPEB and Compensated Absences	107,744,313	150,286,538
Pension Liability	86,493,971	55,048,529
Long-Term Debt	159,680,103	168,586,422
Other Noncurrent Liabilities	3,407,881	3,652,944
Total Liabilities	397,196,513	413,214,226
Deferred Inflows of Resources	77,503,741	74,710,443
Total Liabilities and Deferred Inflows	474,700,254	487,924,669

	2023	2022
NET POSITION		
Net Investment in Capital Assets	$ 38,773,002	$ 33,137,340
Total Restricted	25,768,628	24,534,569
Unrestricted	(193,732,245)	(200,329,038)
Total Net Position	(129,190,615)	(142,657,129)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 345,509,639	$ 345,267,540

Net investment in capital assets is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation and less any associated debt such as bonds payable. This balance is not available for the University's use in ongoing operations since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations which is prohibited.

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

Unrestricted net position includes all other funds - both the current and plant funds that can be used to finance day to day operations without constraints. This total increased from ($200.3 million) on June 30, 2022, to ($193.7 million) at June 30, 2023. The negative position of these funds is the result of three unfunded liabilities: a) postretirement benefits which are funded as they come due; b) similarly compensated absences are funded as they come due; and c) the pensions liability is funded annually based on required contributions to the State Employees Retirement System and the Public School Employees Retirement System.

Statement of Revenues, Expenses, and Changes in Net Position

Revenues
Overall operating revenues decreased slightly for fiscal year 2023 as compared to fiscal year 2022. A primary driver in the decrease from fiscal year 2022 was net tuition and fees. Increases in governmental grants and contracts, auxiliary operations, and sales and services assisted in greatly reducing the impact of the net tuition and fees. Net tuition and fees were $8.9 million less than fiscal year 2022. This is reflective of decreasing enrollments as well increased financial aid from institutional sources, necessary to compete with other institutions in attracting students.

Nonoperating revenues for fiscal year 2023 were $4.3 million less than fiscal year 2022. While state appropriations increased $6.3 million in fiscal year 2023 coupled with favorable almost $5.0 million in investment income over fiscal year 2022, the ending of COVID Relief in the form of HEERF3/ARPA Student Aid and Institutional Share in the amount of $15.9 million had significant impacts. Other revenues related to capital funding, including funding from state sources decreased slightly.

The combination of operating and non-operating activity resulted in Income/(Loss) Before Other Revenues of $9.6 million in fiscal year 2023 and $7.9 million in fiscal year 2022. Capital revenues of $3.9 million in fiscal year 2023 and $4.2 million in fiscal year 2022 yielded Changes in Net Position gains of $13.5 million and $12.1 million, respectively. The University's net position across all fund categories at the end of fiscal year 2023 was ($129.2 million).

	2023	2022
OPERATING REVENUES		
Tuition and Fees, Net	$ 55,911,903	$ 64,814,665
Governmental Grants and Contracts	14,555,259	12,280,256
Sales and Services	2,908,620	1,830,692
Auxiliary Enterprises, Net	31,856,339	29,964,348
Other Revenues, Net	987,364	934,271
Total Operating Revenues	106,219,485	109,824,232
NONOPERATING REVENUES		
State Appropriations, General and Restricted	42,325,025	36,008,794
Pell Grants	7,858,302	7,907,639
Gifts for Other Than Capital Purposes	2,603,993	2,843,210
Investment Income, Net	3,767,485	(1,193,299)
Loss on Disposal of Assets	(2)	(105,477)
Loss on Acquisition of Assets	-	-
Other Nonoperating Revenue	2,831,798	13,664,376
Total Nonoperating Revenues	59,386,601	59,125,243
OTHER REVENUES		
State Appropriations, Capital	1,746,120	2,109,674
Capital Gifts and Grants	2,106,456	2,093,938
Total Other Revenues	3,852,576	4,203,612
Total Revenues	$ 169,458,662	$ 173,153,087

Expenses

Operating expenses for fiscal year 2023 ended $9.5 million less than fiscal year 2022. A significant factor was the end of COVID Relief (as mentioned previously) in regard to institutional student aid expense. Other areas showing fiscal year 2023 decreases over fiscal year 2022 levels included instruction and student services offset by significant increases in auxiliary related to compensation expense for unfunded liabilities. Depreciation expense remained stable from fiscal year 2022 to 2023 with interest expense following similar patterns.

	2023	2022
OPERATING EXPENSES		
Instruction	$ 46,209,082	$ 52,693,743
Research	557,812	467,213
Public Service	6,990,493	6,879,238
Academic Support	11,000,526	11,409,986
Student Services	15,763,025	16,810,431
Institutional Support	21,885,877	21,781,364
Operations and Maintenance of Plant	3,182,797	7,199,787
Depreciation	15,619,384	15,107,096
Student Aid	5,696,026	15,058,309
Auxiliary Enterprises	24,644,173	13,638,880
Total Operating Expenses	151,549,195	161,046,047
NONOPERATING EXPENSES		
Interest Expense on Capital Asset-Related Debt	4,442,953	4,603,714
Total Expenses	$ 155,992,148	$ 165,649,761

Change in Net Position

The change in net position, the difference between total revenues and total expenditures, for fiscal year 2023 was $13.5 million, improving the overall net financial position of the University.

	2023	2022
CHANGE IN NET POSITION	$ 13,466,514	$ 12,107,040
Net Position - Beginning of Year	(142,657,129)	(154,764,169)
NET POSITION - END OF YEAR	$ (129,190,615)	$ (142,657,129)

Statement of Cash Flows

Cash decreased by $3.9 million in fiscal year 2023. Cash used by operating activities ($47.3 million), and cash used by capital financing activities ($21.6 million), were offset by inflows from noncapital financing activities of $62.0 million. Investing activities provided $3.1 million in cash.

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES	$ (47,338,961)	$ (47,573,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	62,023,086	64,702,779
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	(21,597,022)	(13,638,028)
CASH FLOWS FROM INVESTING ACTIVITIES	3,052,287	1,178,277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,860,610)	4,669,083
Cash and Cash Equivalents--Beginning	74,448,964	69,779,881
CASH AND CASH EQUIVALENTS--ENDING	$ 70,588,354	$ 74,448,964

Future Economic Factors

Several conditions could limit the University's financial flexibility in fiscal year 2023-2024 and beyond:

State Appropriations – Following several years of flat or declining state appropriations, an increase of $6.3 million, or 17.7% occurred in fiscal year 2023. Fiscal year 2024 will see an additional increase of 5.7%, or $2.4 million. Nevertheless, Pennsylvania remains near the bottom of all states for its state funding levels per student and financial pressures on state government could result in future reductions in state support.

State System Universities Consolidation - As of July 1, 2022, the State System combined six institutions into two: California, Clarion, and Edinboro into Penn West University; and Bloomsburg, Lock Haven, and Mansfield into Commonwealth University. This resulted in the need for special state appropriations consideration for these two new universities. There will be continued interest in both the success resulting in the combination of these respective institutions as well as future appropriations needs for them as compared to the other PASSHE institutions.

Enrollment - Projections indicate high school graduates in Pennsylvania will spike in 2025 followed by significant declines. This will continue to add enrollment pressures for the University in competing with both public and private institutions for a smaller group of students and will require a continued focus in being more strategic in the areas of scholarship, marketing, financial aid, recruitment, retention, and program development. The addition of a team devoted entirely to enrollment management along with collaboration with Ruffalo Noel Levitz is expected to have positive impacts on enrollment despite the current demographic trends. Other efforts underway include focus on international student populations, the non-traditional students, and partnerships (ReUp & Academic) to assist in the enrollment growth. Fall 2023 saw shifts between undergraduate and graduate populations; however, overall enrollment figures look as if they have stabilized.

Undergraduate Tuition Model – As is typical among both public and private higher education institutions, Millersville relies substantially on tuition revenues to support its operations. Several years ago, the University moved to a per credit hour tuition rate structure for its in-state undergraduate students and remains the only institution in the State System utilizing this model for this group of students. Although this per credit hour rate is lower than other PASSHE hourly rates, when applied to a typical student credit hour semester load of fifteen hours, it is higher than the application of the flat tuition rate for other PASSHE universities. In August 2023, the Board of Governors approved the university's request to return to a flat rate tuition model for fiscal year 2025. Plans exist to manage the significant reduction of revenue that will initially result from the switch while working toward financial stability.

Compensation Costs – Most of the employees within the State System, including faculty, are a part of respective collective bargaining units with multi-year contracts negotiated at the state level. Several of the contracts are due to be expired on June 30, 2023. AFSCME has since settled, however APSCUF and others are still early into the negation processes. Once finalized, these contracts will very likely result in higher personnel costs. Further, these increases are not directly tied to the institutional growth or contraction, so they become a mandated cost that must be funded at the expense of other non-personnel areas.

The factors mentioned above may impact the financial flexibility of the University over the next several years. However, through planning and continuous analysis with a focus on enrollment, right sizing the institution, effectively managing position vacancies, implementation of operational efficiencies and controlling funds availability, the desired outcome will be to further strengthen the University.

Facilities – While the campus buildings are maintained appropriately, the aging of certain structures and the need for modernization, including new facilities, to provide educational and experiential expenses for students continues to be a challenge. The campus master plan identifies a number of these needs, but funding for such is the primary challenge. There is continuous work with state officials in this area, which has resulted in significant funding for current and future projects. The same is true for fundraising efforts for specific facilities. Lastly, funded by PASSHE, the University has participated in a space optimization study to ensure that physical spaces are used effectively and efficiently to meet the goals and needs of the University.

Request for Information

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

Dr. Nafez Alyan
Vice President for Finance & Administration
Biemesderfer Center
Millersville University
Millersville PA 17551

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEET — PRIMARY INSTITUTION
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 70,588,354
Accounts Receivable:	
Governmental Grants and Contracts	993,393
Students, Net of Allowance for Doubtful Accounts of $1,253,985	3,486,243
Other, Net of Allowance for Doubtful Accounts of $20,853	1,136,973
Interest Income Receivable	67,873
Inventory	64,558
Prepaid Expenses	1,190,650
Loans Receivable, Net of Allowance for Doubtful Accounts	64,797
Current Portion of Leases Receivable	36,100
Due from Component Units	1,252,981
Other Assets	40,275
Total Current Assets	78,922,197
NONCURRENT ASSETS	
Investments	3,931,976
Beneficial Interests	8,345,308
Loans Receivable, Net of Current Portion	117,100
Leases Receivable, Net of Current Portion	83,184
Capital Assets, Net	213,607,249
Total Noncurrent Assets	226,084,817
Total Assets	305,007,014
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized Loss on Refunding of Debt	167,493
Deferred Outflows from SERS Contributions	22,327,416
Deferred Outflows from PSERS Contributions	950,915
Deferred Outflows from OPEB Contributions	17,056,801
Total Deferred Outflows of Resources	40,502,625
Total Assets and Deferred Outflows of Resources	$ 345,509,639

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEET — PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 11,482,592
Unearned Revenue	10,491,211
Students' Deposits	818,674
Workers' Compensation, Current	367,093
Compensated Absences, Current	1,351,363
Other Postemployment Benefits Liability, Current	3,064,710
Current Portion of Lease Liabilities	297,123
Current Portion of Financed Purchases, Liability	588,394
Current Portion of Bonds Payable, Net	9,790,546
Current Portion of Subscription Liabilities	1,161,249
Due to System, Academic Facilities Renovation Bond Program (AFRP)	59,803
Due to Component Units - Lease Liabilities, Current	58,359
Other Current Liabilities	339,128
Total Current Liabilities	39,870,245
NONCURRENT LIABILITIES	
Unearned Revenue	10,694
Workers' Compensation, Net of Current Portion	305,417
Compensated Absences, Net of Current Portion	7,820,217
Other Postemployment Benefits Liability, Net of Current Portion	99,924,095
Net Pension Liability	86,493,971
Long-Term Portion of Lease Liabilities	754,053
Long-Term Portion of Subscription Liabilities	1,268,161
Bonds Payable, Net of Current Portion	157,507,331
Due to System, AFRP	150,558
Due to Component Units - Lease Liabilities, Net of Current Portion	194,444
Other Noncurrent Liabilities	2,897,327
Total Noncurrent Liabilities	357,326,268
Total Liabilities	397,196,513
DEFERRED INFLOWS OF RESOURCES	
Unamortized Gain on Refunding of Debt	351,760
Deferred Inflows from SERS Contributions	5,785,786
Deferred Inflows from PSERS Contributions	323,986
Deferred Inflows from OPEB Contributions	70,928,197
Deferred Inflows from Leases Receivable	114,012
Total Deferred Inflows of Resources	77,503,741
Total Liabilities and Deferred Inflows of Resources	474,700,254

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEET — PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2023

NET POSITION (DEFICIT)	
Net Investment in Capital Assets	$ 38,773,002
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	2,277,818
Other	745,563
Expendable:	
Scholarships and Fellowships	7,871,492
Capital Projects	5,404,268
Other	9,469,487
Unrestricted	(193,732,245)
Total Net Position (Deficit)	(129,190,615)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 345,509,639

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Tuition and Fees	$ 73,365,118
Less: Scholarship Discounts and Allowances	(17,453,215)
Net Tuition and Fees	55,911,903
Governmental Grants and Contracts:	
Federal	7,548,555
State	7,006,704
Nongovernmental Grants and Contracts:	87,611
Sales and Services of Educational Departments	2,908,620
Auxiliary Enterprises, Net	31,856,339
Other Revenues	899,753
Total Operating Revenues	106,219,485
OPERATING EXPENSES	
Instruction	46,209,082
Research	557,812
Public Service	6,990,493
Academic Support	11,000,526
Student Services	15,763,025
Institutional Support	21,885,877
Operations and Maintenance of Plant	3,182,797
Depreciation and Amortization	15,619,384
Student Aid	5,696,026
Auxiliary Enterprises	24,644,173
Total Operating Expenses	151,549,195
NET OPERATING LOSS	(45,329,710)

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — PRIMARY INSTITUTION (CONTINUED)
YEAR ENDED JUNE 30, 2023

NONOPERATING REVENUES (EXPENSES)	
State Appropriations, General and Restricted	$ 42,325,025
Federal and State Appropriation - COVID	2,350,864
Commonwealth on Behalf Contributions to PSERS	384,509
Pell Grants	7,858,302
Investment Income, Net of Related Investment Expense of $17,336	3,101,904
Unrealized Gain on Investments	665,581
Gifts for Other than Capital Purposes	2,603,993
Interest Expense	(4,442,953)
Loss on Disposal of Assets	(2)
Other Nonoperating Revenue	96,425
Nonoperating Revenues, Net	54,943,648
INCOME BEFORE OTHER REVENUES	9,613,938
OTHER REVENUES	
State Appropriations, Capital	1,746,120
Capital Gifts and Grants	2,106,456
Total Other Revenues	3,852,576
INCREASE IN NET POSITION	13,466,514
Net Position (Deficit) - Beginning of Year	(142,657,129)
NET POSITION (DEFICIT) - END OF YEAR	$ (129,190,615)

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF CASH FLOWS — PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 56,422,446
Grants and Contracts	18,266,679
Payments to Suppliers for Goods and Services	(40,914,024)
Payments to Employees	(108,979,612)
Loans Collected from Students	39,169
Student Aid	(5,696,026)
Auxiliary Enterprise Charges	31,864,002
Sales and Services of Educational Departments	2,659,025
Other Payments	(1,000,620)
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	47,098,778
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(47,098,778)
Net Cash Used by Operating Activities	(47,338,961)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations, Including Federal ARRA	51,463,011
Gifts and Nonoperating Grants for Other than Capital Purposes	10,462,295
Agency Transactions	1,354
Other	96,426
Net Cash Provided by Noncapital Financing Activities	62,023,086
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Appropriations	1,746,120
Capital Gifts and Grants Received	2,106,456
Purchases of Capital Assets	(7,990,456)
Principal Paid on Debt, Leases and Subscriptions	(12,236,161)
Interest Paid on Debt, Leases and Subscriptions	(5,222,981)
Net Cash Used by Capital Financing Activities	(21,597,022)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	3,052,287
Net Cash Provided by Investing Activities	3,052,287
DECREASE IN CASH AND CASH EQUIVALENTS	(3,860,610)
Cash and Cash Equivalents - Beginning of Year	74,448,964
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 70,588,354

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF CASH FLOWS — PRIMARY INSTITUTION (CONTINUED)
YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (45,329,710)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	15,619,384
Expenses Paid by Commonwealth	384,509
Effect of Changes in Operating Assets, Deferred Outflows,	
Receivables, Net	1,558,588
Lease rental receivable (3rd Party & Comp Units)	(73,053)
Inventory	3,343
Prepaid Expenses and Other Assets	(506,594)
Accounts Payable and Accrued Expenses	(4,658,514)
Unearned Revenue	2,051,327
Students' Deposits	286,657
Compensated Absences	(3,779,272)
Loans Receivable	39,169
Postretirement Benefit Obligations	(39,477,125)
Net Pension Liability	31,445,442
Deferred Outflows of Resources Related to Pensions	(12,115,612)
Deferred Outflows of Resources Related to OPEB	4,896,762
Deferred Inflows of Resources Related to Pensions	(16,933,301)
Deferred Inflows of Resources Related to OPEB	19,718,490
Deferred Inflows of Resources Related to Leases	73,972
Other Current and Noncurrent Liabilities	(543,423)
Net Cash Used by Operating Activities	$ (47,338,961)
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL FINANCING ACTIVITIES	
Capital Assets Acquired by New ROU Leases	$ 617,933
Capital Assets Acquired by New ROU Leases with Comp Units	$ 311,754
Capital Assets Acquired by New Subscription Agreements	$ 3,931,525

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENT OF NET ASSETS — COMPONENT UNITS
JUNE 30, 2023

ASSETS

Cash and Cash Equivalents	$ 8,286,492
Investments	56,818,467
Accounts Receivable	782,019
Pledges Receivable	668,441
Interest Rate Swap Asset	652,507
Inventories and Prepaid Expenses	919,992
Net Capital Assets	29,622,278
Other Assets	559,014
Total Assets	$ 98,309,210

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable	$ 2,456,254
Annuity Liabilities	114,123
Deferred Revenue	179,957
Due to University	1,195,161
Notes Payable	25,829,651
Other Liabilities	5,433,488
Total Liabilities	35,208,634
NET ASSETS	
Without Donor Restrictions	7,857,712
With Donor Restrictions	55,242,864
Total Net Assets	63,100,576
Total Liabilities and Net Assets	$ 98,309,210

See accompanying Notes to Financial Statements.

MILLERSVILLE 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 RESTRICTIONS	
Revenues and Other Additions:	
Contributions	$ 452,562
Sales and Services	979,712
Investment Income	(87,062)
Change in Value of Charitable Gift Annuities	273,296
Rental Income	6,509,408
Net Assets Released from Restrictions	1,936,544
Total Revenues and Other Additions	10,064,460
Expenses and Other Deductions:	
Program Services:	
Scholarships and Grants	1,480,732
University Stores	797,150
Housing	6,007,199
Management and General	2,068,903
Fundraising	164,087
Total Expenses and Other Deductions	10,518,071
Other Expenses and Losses	(1,026,804)
Changes in Net Assets Without Donor Restrictions	573,193
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	810,010
Investment Income	5,569,677
Other Revenues and Losses	(12,418)
Net Assets Released from Restrictions	(1,936,544)
Changes in Net Assets With Donor Restrictions	4,430,725
CHANGE IN TOTAL NET ASSETS	5,003,918
Net Assets - Beginning of Year	58,096,658
NET ASSETS - END OF YEAR	$ 63,100,576

See accompanying Notes to Financial Statements.

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMPONENT UNITS' EXPENSES BY NATURE AND FUNCTION
YEAR ENDED JUNE 30, 2023

2023	**Program Activities**				**Supporting Activities**			
Natural Expense	Scholarships and Grants	University Stores	Housing	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	$ -	$ 403,721	$ 813,693	$ 1,217,414	$ 290,489	$ -	$ 290,489	$ 1,507,903
Gifts and Grants	1,480,732	-	92,950	1,573,682	-	-	-	1,573,682
Supplies and Travel	-	19,449	8,771	28,220	2,362	79,180	81,542	109,762
Services and Professional Fees	-	271,402	86,301	357,703	1,603,804	188,846	1,792,650	2,150,353
Office and Occupancy	-	72,602	1,994,697	2,067,299	50,371	-	50,371	2,117,670
Depreciation	-	12,551	1,724,643	1,737,194	14,789	-	14,789	1,751,983
Interest	-	-	1,085,555	1,085,555	-	-	-	1,085,555
Other	-	17,425	200,589	218,014	107,088	(103,939)	3,149	221,163
Total Expenses	$ 1,480,732	$ 797,150	$ 6,007,199	$ 8,285,081	$ 2,068,903	$ 164,087	$ 2,232,990	$ 10,518,071

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Millersville University of Pennsylvania of the State System of Higher Education (the University), a public four-year institution located in Millersville, Pennsylvania, was founded in 1855. The University is one of 10 universities of 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).

Reporting Entity

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

The University has determined the Millersville University Foundation (the Foundation); Student Services, Inc.; and Student Lodging, Inc. should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related. The financial activity of these component units are presented as of June 30, 2023.

Foundation

The Foundation is a tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted to the activities of the University by the donors.

During the year ended June 30, 2023, the Foundation distributed $1,677,458 to the University for both restricted and unrestricted purposes. As of June 30, 2023, the Foundation has accounts payable to the University of $42,874.

Student Services, Inc.

Student Services, Inc. (the Corporation) is a tax-exempt entity that was formed to provide services not readily available through the University to students. These services include a retail bookstore, conferences, vending, laundry, and miscellaneous other services. Because the economic resources received and held by Student Services are for the direct benefit of the University and the influence of the University over Student Services, Student Services is considered a component unit of the University and is included within the University's financial reporting entity.

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

Reporting Entity (Continued)

Student Services, Inc. (Continued)

The total amount due to the University at June 30, 2023 was $1,993. The amount due from the University at June 30, 2023 was $265. Student Services, Inc. made no contributions to the University during the year ended June 30, 2023.

Student Services, Inc. also performs various administrative services for University student organizations. The total amount due to the University related to student organizations at June 30, 2023 was $1,152,287.

Student Lodging, Inc.

Student Lodging, Inc. is a tax-exempt entity that was formed for the purpose of purchasing an apartment complex and other property to provide housing for students of the University. Because the economic resources received and held by Student Lodging are for the direct benefit of the University and the influence of the University over Student Lodging, Student Lodging is considered a component unit of the University and is included within the University's financial reporting entity.

On May 29, 2012, the University entered into several leases with Student Lodging, Inc. for the use of certain buildings and office space. In addition, on December 11, 2012, the University entered into an agreement with Student Lodging, Inc. for the use of Shenks Hall and Reighard Hall. The University collects rent and reimburses Student Lodging, Inc. for expenses on a quarterly basis. The University also remits a portion of total profits to Student Lodging, Inc. During the fiscal years ended June 30, 2023, rental payments amounted to $1,763,496. During the year ended June 30, 2023, the University received contributions from Student Lodging, Inc. of $32,950. The amount due to Student Lodging, Inc. included rents payable at June 30, 2023 in the amount of $525,281.

Complete financial statements for the Millersville University Foundation; Student Services, Inc.; and Student Lodging, Inc. may be obtained at the University's Accounting Office.

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

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 (GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Foundation, Student Services, Inc., and Student Lodging, Inc. are private nonprofit organizations, reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities,* an amendment of FASB Codification Topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences.

Operating Revenues and Expenses

Operating revenues of the University consist of tuition, all academic, instructional and other 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 investments, loss on the disposal of assets, and extraordinary expenses are recorded as operating expenses. Appropriations, gifts, investment income, capital grants, gains on 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.

Deferred Outflows and Deferred Inflows of Resources

The balance sheets report separate sections for d*eferred 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.

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

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

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

Scholarships and Waivers

In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), the University allocates the cost of scholarships, waivers, and other student financial aid between 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 amortization and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted – Nonexpendable – The portion of net position subject to externally imposed conditions requiring that it be maintained by the University in perpetuity.

Restricted – Expendable – The portion of net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

Unrestricted – All other categories of net position. Unrestricted net position may be designated for specific purposes by the University's Council of Trustees.

When both restricted and unrestricted funds are available for expenditure, the decision as to which assets are used first is left to the discretion of the University.

Cash Equivalents 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 and Loans Receivable

Accounts and loans receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources.

Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

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

Inventory

Inventory consists mainly of supplies and is stated at the lower of average cost or market.

Capital Assets

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

All assets with an individual purchase cost, or fair value if acquired by gift, in excess of $5,000 with an estimated useful life of two years or greater are capitalized. Buildings, portions of buildings, and capital improvements acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation.

Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized on a composite basis in the year of purchase. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under capital leases is included in depreciation expense. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

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

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the year ended June 30, 2023.

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

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

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

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 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 provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

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

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

New Accounting Standards

GASB has issued several accounting standards that were required to be adopted by the University in the current 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.

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 16 provide details on the statement of net position amounts reported.

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION

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

	Foundation	Student Services	Student Lodging	Total
Assets:				
Cash and Cash Equivalents	$ 2,186,959	$ 3,077,009	$ 3,022,524	$ 8,286,492
Capital Assets, Net	-	94,477	29,527,801	29,622,278
Investments	56,818,467	-	-	56,818,467
Other Assets	709,955	848,411	2,023,607	3,581,973
Total Assets	$ 59,715,381	$ 4,019,897	$ 34,573,932	$ 98,309,210
Liabilities:				
Accounts Payable	$ 3,911	$ 120,924	$ 2,331,419	$ 2,456,254
Long-Term Debt	-	-	25,829,651	25,829,651
Due to University	42,874	1,152,287	-	1,195,161
Other Liabilities	3,455,445	2,092,166	179,957	5,727,568
Total Liabilities	3,502,230	3,365,377	28,341,027	35,208,634
Net Assets:				
Without Donor Restrictions	970,287	654,520	6,232,905	7,857,712
With Donor Restrictions	55,242,864	-	-	55,242,864
Total Net Assets	56,213,151	654,520	6,232,905	63,100,576
Total	$ 59,715,381	$ 4,019,897	$ 34,573,932	$ 98,309,210

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

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

	Foundation	Student Services	Student Lodging	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues and Other Additions:				
Contributions	$ 452,562	$ -	$ -	$ 452,562
Sales and Services	-	979,712	-	979,712
Investment Income	(123,175)	-	36,113	(87,062)
Change in Value of Charitable Gift Annuities	(3,284)	189,780	86,800	273,296
Rental Income	-	-	6,509,408	6,509,408
Net Assets Released from Restrictions	1,936,544	-	-	1,936,544
Total Revenues and Other Additions	2,262,647	1,169,492	6,632,321	10,064,460
EXPENSES AND OTHER DEDUCTIONS				
Program Services:				
Scholarships and Grants	1,480,732	-	-	1,480,732
University Stores	-	797,150	-	797,150
Housing	-	-	6,007,199	6,007,199
Management and General	381,022	550,560	1,137,321	2,068,903
Fundraising	164,087	-	-	164,087
Total Expenses and Other Deductions	2,025,841	1,347,710	7,144,520	10,518,071
Other Expenses and Losses	-	-	(1,026,804)	(1,026,804)
Change in Net Assets Without Donor Restrictions	236,806	(178,218)	514,605	573,193
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	810,010	-	-	810,010
Investment Income	5,569,677	-	-	5,569,677
Other Expenses and Losses	(12,418)	-	-	(12,418)
Net Assets Released from Restrictions	(1,936,544)	-	-	(1,936,544)
Change in Net Assets With Donor Restrictions	4,430,725	-	-	4,430,725
CHANGE IN TOTAL NET ASSETS	4,667,531	(178,218)	514,605	5,003,918
Net Assets - Beginning of Year	51,545,620	832,738	5,718,300	58,096,658
NET ASSETS - END OF YEAR	$ 56,213,151	$ 654,520	$ 6,232,905	$ 63,100,576

NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of $1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totaled $70,548,289 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, universities use local financial institutions for activities such as deposits of cash. In addition, 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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.)

Investment Categories	Qualifications/Moody's Ratings Requirements
United States Government Securities	Together with repurchase agreements must comprise at least 20% of the market value of the fund.
Repurchase Agreements	Underlying collateral must be direct obligations of the United States Treasury and be in the State System's or its agent's custody.
Commercial Paper	P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer. Total may not exceed 20% of the market value of the fund.
Municipal Bonds	Bonds must carry long-term debt rating of A or better. Total may not exceed 20% of the market value of the fund.
Corporate Bonds	15% must carry long-term debt rating of A or better; 5% may be rated Baa2 or better. Total may not exceed 20% of the market value of the fund.
Collateralized Mortgage Obligations (CMOs)	Must be rated Aaa and guaranteed by U.S. government. Total may not exceed 20% of the market value of the fund.
Asset-Backed Securities	Must be Aaa rated. Total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer.
System Investment Fund Loans (University Loans and Bridge Notes)	Total may not exceed 20% of the market value of the fund, and loan terms may not exceed five 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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 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. 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 universities have 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 Multi-Strategy Bond Fund, held by the University, are restricted to withdrawals on the last day of business of the month.

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.

Multi-Strategy Bond Fund: The investment objective of the fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The University receives income from perpetual trusts held by a third party. Under the terms of the trusts, the University has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. Income from these trusts is restricted for scholarships and capital and is included in interest income in the statements of revenues, expenses, and changes in net position.

The fair value of cash, cash equivalents and investments at June 30, 2023 is as follows:

	Fair Value Hierarchy	2023
Primary Institution		
Cash and Cash Equivalents:		
Noncategorized Cash:		
Cash on Hand	N/A	$ 17,760
Deposits in PASSHE Pooled Fund	N/A	70,570,594
Total Cash and Cash Equivalents		$ 70,588,354
Long-Term Investments-Primary Institution		
Noncategorized Long-Term Investments:		
Common Fund		
Multi-Strategy Equity Fund	NAV	$ 1,875,787
Multi-Strategy Bond Fund	NAV	297,064
Cash Equivalent	3	97,224
Excess VPAC Project Gifts Invested with Foundation	3	526,209
Scholarship Funds Invested with Foundation	3	1,135,692
Beneficial Interest in Perpetual Trusts:	3	8,345,308
Total Long-Term Investments		$ 12,277,284
Foundation		
Certificates of Deposit	1	$ 3,569,532
Common Stock	1	286,432
Corporate Bonds	1	24,943
U.S. Government/Agency Bonds	1	1,960,675
Collective Trust Fund	NAV	1,818,583
Mutual Funds	1	47,005,053
Private Equity Funds	NAV	2,153,249
Total Investments		$ 56,818,467

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Primary Institution 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Multi-Strategy Equity Fund	$ 1,875,787	$ -	Monthly	5 Days
Commonfund Multi-Strategy Bond Fund	297,064	-	Monthly	5 Days
Total	$ 2,172,851	$ -		
Foundation 2023				
Hedge Fund	$ 1,818,583	$ -	Quarterly	180 Days in the First Year, then 65 Days
Private Equity Fund	$ 2,153,249	$ 585,200	None	None

Credit Risk

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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

Issuer	Type of Investment	Amount	Percentage of Total Long-Term Investments
Commonfund	Multi-Strategy Equity Fund	$ 1,875,787	15.28 %

NOTE 4 CAPITAL ASSETS

Capital assets acquired or constructed by the University through the expenditures of University funds or the incurrence of debt consist of the following as of June 30, 2023:

	Balance June 30, 2022	2022-23 Additions	2022-23 Retirements/ Adjustments	2022-23 Reclassifications	Balance June 30, 2023
Land	$ 594,260	$ -	$ -	$ -	$ 594,260
Construction in Progress	2,929,726	6,092,180	(2)	(289,943)	8,731,961
Total Capital Assets not being Depreciated	3,523,985	6,092,180	(2)	(289,943)	9,326,221
Buildings, Including Improvements	294,716,192	843,916	(122,644)	51,943	295,489,407
Improvements Other than Buildings	28,226,017	93,831	(18,170)	-	28,301,678
Furnishings and Equipment	36,504,377	934,070	(782,545)	238,000	36,893,902
Library Books	3,596,258	26,461	(19,395)	-	3,603,324
Right To Use Assets:					
Buildings	3,313,889	-	(168,986)	-	3,144,903
Equipment	507,134	929,686	(195,827)	-	1,240,993
Subscription Assets	-	3,931,525	-	-	3,931,525
Total Capital Assets Being Depreciated and Amortized	366,863,867	6,759,489	(1,307,567)	289,943	372,605,732
Less Accumulated Depreciation and Amortization:					
Buildings, Including Improvements	(100,381,309)	(10,260,017)	122,644	-	(110,518,682)
Improvements Other than Buildings	(17,038,451)	(1,243,319)	18,170	-	(18,263,600)
Furnishings and Equipment	(30,839,599)	(1,949,571)	782,545	-	(32,006,625)
Library Books	(3,535,452)	(15,971)	19,395	-	(3,532,028)
Right To Use Assets:					
Buildings	(1,925,499)	(974,111)	168,986	-	(2,730,624)
Equipment	(292,577)	(202,714)	195,827	-	(299,464)
Subscription Assets	-	(973,680)	-	-	(973,680)
Total Accumulated Depreciation and Amortization	(154,012,887)	(15,619,383)	1,307,567	-	(168,324,702)
Total Capital Assets Being Depreciated and Amortized, Net	212,850,980	(8,859,894)	-	289,943	204,281,029
Capital Assets, Net	$ 216,374,965	$ (2,767,714)	$ (2)	$ -	$ 213,607,249

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2023:

Employees	$ 8,043,165
Supplies and Services	3,213,402
Interest	226,025
Total	$ 11,482,592

NOTE 6 LEASES RECEIVABLE

The University routinely leases various land or facilities to third parties. 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 are incurred.

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

Lease Interest Income	$ 2,237
Lease Revenue	31,064
Lease Revenue - Variable	7,524
Total	$ 40,825

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 36,100	$ 2,018	$ 38,118
2025	35,175	1,295	36,470
2026	21,267	733	22,000
2027	20,956	239	21,195
2028	5,786	19	5,805
Total	$ 119,284	$ 4,304	$ 123,588

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

	June 30, 2022	Additions	Retirements	June 30, 2023
Leases Receivable - Third Parties	$ 46,232	$ 105,111	$ (32,059)	$ 119,284

NOTE 7 BONDS PAYABLE

Bonds payable consist of tax-exempt revenue bonds 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 on behalf of the University under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The State System's Board of 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.

The various bond series allocated to the University and their balances as of June 30, 2023 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2022	Bonds Issued	Bonds Redeemed	Balance June 30, 2023
Series AP Used for Residence Hall Refunded AA Final Maturity June 2024	5.00 %	$ 725,503	$ -	$ (354,316)	$ 371,187
Series AQ Used for Refunding of Residence, Buildings, Infrastructure Final Maturity June 2026	4.30 %	4,107,336	-	(1,071,414)	3,035,922
Series AR Used for Dining Hall Renovations Final Maturity June 2035	3.76 %	7,085,036	-	(459,683)	6,625,353
Series AS Used for Infrastructure Refunded AF Final Maturity June 2027	4.18 %	803,564	-	(145,407)	658,157
Series AV issued in September 2018 Refund AG and AI Final Maturity in June 2025	4.14 %	291,168	-	(158,216)	132,952
Series AW issued Sept 2019 Final Maturity in June 2029	4.61 %	5,110,595	-	(765,566)	4,345,029
Series AX issued in July 2020 Final maturity in June 2042	3.73 %	4,583,091	-	(479,818)	4,103,273
Series AY issued in October 2020 Final maturity in June 2036	1.65 %	10,175,560	-	(1,257,369)	8,918,191
Series AZ issued in June 2021 Final maturity in June 2047	2.76 %	138,520,000	-	(4,190,000)	134,330,000
Total Bonds Payable		171,401,853	-	(8,881,789)	162,520,064
Plus: Unamortized Bond Premium					4,777,813
Outstanding at June 30, 2023					167,297,877
Less: Current Portion					(9,790,546)
Bonds Payable, Net of Current Portion					$ 157,507,331

NOTE 7 BONDS PAYABLE (CONTINUED)

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

Series		2024	2025	2026	2027	2008	2029-2033	2034-2038	2039-2043	2044-2048	Total
AP	Principal	$ 371,187	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 371,187
	Interest	18,559	-	-	-	-	-	-	-	-	18,559
	Total	389,746	-	-	-	-	-	-	-	-	389,746
AQ	Principal	1,125,305	1,181,612	729,005	-	-	-	-	-	-	3,035,922
	Interest	151,796	95,531	36,450	-	-	-	-	-	-	283,777
	Total	1,277,101	1,277,143	765,455	-	-	-	-	-	-	3,319,699
AR	Principal	473,768	491,373	508,979	519,543	530,106	2,847,711	1,253,873	-	-	6,625,353
	Interest	308,041	291,316	273,710	262,619	251,210	1,057,575	312,306	-	-	2,756,778
	Total	781,809	782,689	782,689	782,162	781,316	3,905,286	1,566,179	-	-	9,382,131
AS	Principal	152,657	160,310	168,366	176,824	-	-	-	-	-	658,157
	Interest	32,908	25,275	17,260	8,841	-	-	-	-	-	84,284
	Total	185,565	185,585	185,626	185,665	-	-	-	-	-	742,441
AV	Principal	95,155	37,797	-	-	-	-	-	-	-	132,952
	Interest	6,648	1,890	-	-	-	-	-	-	-	8,538
	Total	101,803	39,687	-	-	-	-	-	-	-	141,490
AW	Principal	803,015	641,278	673,242	706,206	742,165	779,123	-	-	-	4,345,029
	Interest	217,251	177,101	145,037	111,375	76,064	38,956	-	-	-	765,784
	Total	1,020,266	818,379	818,279	817,581	818,229	818,079	-	-	-	5,110,813
AX	Principal	504,086	529,455	554,824	583,501	612,182	1,319,225	-	-	-	4,103,273
	Interest	205,164	179,959	153,487	125,745	96,570	99,714	-	-	-	860,640
	Total	709,250	709,414	708,311	709,246	708,752	1,418,939	-	-	-	4,963,913
AY	Principal	1,279,935	1,307,501	1,338,310	966,280	980,330	3,045,835	-	-	-	8,918,191
	Interest	134,451	123,251	108,542	90,140	75,646	123,953	-	-	-	655,983
	Total	1,414,386	1,430,752	1,446,852	1,056,420	1,055,976	3,169,788	-	-	-	9,574,174
AZ	Principal	4,310,000	4,435,000	4,560,000	4,685,000	4,830,000	26,295,000	29,520,000	33,385,000	22,310,000	134,330,000
	Interest	3,709,408	3,580,108	3,447,058	3,310,258	3,169,708	13,637,373	10,261,810	6,236,445	1,430,850	48,783,018
	Total	8,019,408	8,015,108	8,007,058	7,995,258	7,999,708	39,932,373	39,781,810	39,621,445	23,740,850	183,113,018
Total	Principal	9,115,108	8,784,326	8,532,726	7,637,354	7,694,783	34,286,894	30,773,873	33,385,000	22,310,000	162,520,064
	Interest	4,784,226	4,474,431	4,181,544	3,908,978	3,669,198	14,957,571	10,574,116	6,236,445	1,430,850	54,217,359
	Total	$ 13,899,334	$ 13,258,757	$ 12,714,270	$ 11,546,332	$ 11,363,981	$ 49,244,465	$ 41,347,989	$ 39,621,445	$ 23,740,850	$ 216,737,423

NOTE 7 BONDS PAYABLE (CONTINUED)

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. In the past, the State System issued bonds to provide a pool for funding for AFRP $2,499,340 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:

Balance - July 1	$ 267,358
Repayments	(56,997)
Balance - June 30	210,361
Less: Current portion	(59,803)
Due to Systems, Net of Current Portion	$ 150,558

NOTE 8 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2023:

	Current	Noncurrent
Student Tuition and Fees	$ 1,278,556	$ 10,694
Grants, Sales, and Services	2,425,533	-
Federal Appropriations	6,787,122	-
Total	$ 10,491,211	$ 10,694

NOTE 9 COMPENSATED ABSENCES

Compensated absences consisted of the following at June 30, 2023:

	Current	Noncurrent
Compensated Absences	$ 1,351,363	$ 7,820,217

Compensated absences activity consisted of the following during 2023:

Balance - July 1	$ 12,950,853
Current Changes in Estimate	(2,969,418)
Payouts	(809,855)
Balance - June 30	9,171,580
Less: Current Portion	(1,351,363)
Noncurrent Portion	$ 7,820,217

NOTE 10 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.

University employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), PASSHE Officers Association (POA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and 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	$ 67,692,604	$ 35,050,530	$ 245,671	$ 102,988,805
Deferred Outflows of Resources:				
Net Differences Between Actual and Expected Experience	$ -	$ 1,334,493	$ 2,247	$ 1,336,740
Net Differences Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	144,814	675	145,489
Changes in Assumptions	8,749,049	3,177,054	27,289	11,953,392
Changes in Proportion	-	534,654	5,848	540,502
Contributions After the Measurement Date	2,208,957	855,752	15,969	3,080,678
Total Deferred Outflows of Resources	$ 10,958,006	$ 6,046,767	$ 52,028	$ 17,056,801
Deferred Inflows of Resources:				
Net Differences Between Actual and Expected Experience	$ 19,793,667	$ 10,460,233	$ 1,349	$ 30,255,249
Changes in Assumptions	25,141,028	6,459,772	58,026	31,658,826
Changes in Proportion	-	9,001,377	12,745	9,014,122
Total Deferred Inflows of Resources	$ 44,934,695	$ 25,921,382	$ 72,120	$ 70,928,197
OPEB Expense	$ (5,626,630)	$ (6,173,834)	$ 25,341	$ (11,775,123)
Contributions Recognized by OPEB Plans	$ 2,208,957	$ 855,752	$ 15,969	$ 3,080,678

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $2,208,957 for the System Plan, $855,752 for the REHP plan, and $15,969 for the Premium Assistance plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

	Amortization		
Fiscal Year Ending June 30,	System Plan	REHP	Premium Assistance
2024	$ (8,904,581)	$ (8,349,274)	$ (7,347)
2025	(6,561,174)	(5,266,588)	(4,798)
2026	(7,822,014)	(3,014,612)	(6,447)
2027	(6,448,938)	(2,941,377)	(8,621)
2028	(6,448,939)	(1,158,516)	(8,846)
Total	$ (36,185,646)	$ (20,730,367)	$ (36,059)

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 employer and employee System Plan contributions that have been collected from the universities, employees, and retirees, but not yet been paid to the provider; however, the System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

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

NOTE 10 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 actuarial valuation), including 5,817 active employees that may be entitled to receive benefit payments upon retirement, 314 retired participants entitled to but not yet receiving benefits, and 5,176 retired participants receiving benefits.

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

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2023.

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

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.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

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

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

	One Percent Decrease (5.0% Decreasing to 2.9%)	Healthcare Cost Trend Rates (6.0% Decreasing to 3.9%)	One Percent Increase (7.0% Decreasing to 4.9%)
	$ 57,454,872	$ 67,692,604	$ 80,638,014

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's net OPEB liability at June 30, 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 University's Proportionate Share of the System Plan's
Net OPEB Liability to Changes in the Discount Rate

	One Percent Decrease 3.06%	Current Rate 4.06%	One Percent Increase 5.06%
	$ 77,783,096	$ 67,692,604	$ 59,447,377

OPEB Liability

The University's total OPEB liability as of June 30, 2023 of $67,692,604 was measured and determined by an actuarial valuation as of July 1, 2022.

Changes in the University's Proportionate Share of the System Plan Total OPEB Liability	Fiscal Year Ending June 30, 2023
Total OPEB Liability - Beginning Balance	$ 103,470,363
Service Cost	3,029,613
Interest	2,390,502
Changes in Benefit Terms	(610,206)
Net Differences Between Actual and Expected Experience	(15,531,272)
Changes in Assumptions	(22,741,115)
Benefit Payments	(2,315,282)
Net Changes	(35,777,760)
Total OPEB Liability - Ending Balance	$ 67,692,604
Covered Employee Payroll	$ 38,674,423
OPEB Liability as a Percent of Covered Payroll	175.03%

NOTE 10 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 CAFR is an audited financial statement and is available at www.budget.pa.us.

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

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

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

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of $120 per pay period for each current REHP eligible active employee during the period July 1, 2022 through June 30, 2023. The rate during the period July 1, 2021, through June 30, 2022 was also $120 per pay period.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the June 30, 2022 actuarial 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 for active employees based on the PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.
- Participant data based on census information as of December 31, 2021, for the June 30, 2022, measurement date.

NOTE 10 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 on the OPEB investment poll (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	40.00%	5.10%
International Equity	27.00%	5.50%
Fixed Income	23.00%	1.60%
Real Estate	8.00%	4.70%
Cash and Cash Equivalents	1.50%	0.00%
Private Equity	0.50%	8.30%
Total	100%	

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The University's proportion of the collective net OPEB liability was 3.6478% for the measurement date of June 30, 2022, and 4.0260% for the measurement date of June 30, 2021.

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 or one percentage point higher than the current healthcare cost trend rates.

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

One Percent Decrease (6.3% Decreasing to 2.9%)	Healthcare Cost Trend Rates (7.3% Decreasing to 3.9%)	One Percent Increase (8.3% Decreasing to 4.9%)
$ 30,278,668	$ 35,050,530	$ 40,905,725

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 University's Proportionate Share of the REHP Net OPEB Liability to Changes in the Discount Rate

One Percent Decrease 3.67%	Current Rate 4.67%	One Percent Increase 5.67%
$ 39,727,245	$ 35,050,530	$ 31,113,761

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance

Plan Description

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

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

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

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

- Valuation Date - June 30, 2021.
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- 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 2022.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

- The discount rate used to measure the total OPEB liability was 4.09% at June 30, 2022 and 2.18% at June 30, 2021.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

- 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 seceding year. Following is the PSERS board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2022.

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

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

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

One Percent Decrease (Between 4.0% and 6.0%)	Healthcare Cost Trend Rates (Between 5.0% and 7.0%)	One Percent Increase (Between 6.0% and 8.0%)
$ 245,597	$ 245,671	$ 245,672

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

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

One Percent Decrease 3.09%	Current Rate 4.09%	One Percent Increase 5.09%
$ 277,758	$ 245,671	$ 218,758

NOTE 11 PENSION BENEFITS

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

NOTE 11 PENSION BENEFITS (CONTINUED)

Following is the total of the University's pension liabilities, deferred outflows and deferred inflows of resources related to pensions, and the pension expense for the fiscal year ended June 30, 2023:

	SERS	PSERS	ARP	Total
Net Pension Liabilities	$ 80,499,010	$ 5,994,961	$ -	$ 86,493,971
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	1,169,848	2,715	-	1,172,563
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	10,934,240	-	-	10,934,240
Changes in Assumptions	5,429,256	179,037	-	5,608,293
Difference Between Employer Contributions and Proportionate Share of Contributions	157,726	17,166	-	174,892
Changes in Proportion	-	28,658	-	28,658
Contributions After the Measurement Date	4,636,346	723,339	-	5,359,685
Total Deferred Outflows of Resources	$ 22,327,416	$ 950,915	$ -	$ 23,278,331
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	$ 223,410	$ 51,886	$ -	$ 275,296
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	101,735	-	101,735
Difference Between Employer Contributions and Proportionate Share of Contributions	90,424	-	-	90,424
Changes in Proportion	5,471,952	170,365	-	5,642,317
Total Deferred Inflows of Resources	$ 5,785,786	$ 323,986	$ -	$ 6,109,772
Pension Expense	$ 10,579,786	$ 990,707	$ 3,396,784	$ 14,967,277
Contributions Recognized by Pension Plans	$ 8,072,391	$ 723,339	N/A	$ 8,795,730

NOTE 11 PENSION BENEFITS (CONTINUED)

The University will recognize the $4,636,346 reported as 2023 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $723,339 reported as 2023 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows.

	Amortization	
Year Ending June 30,	SERS	PSERS
2024	$ 87,176	$ (60,584)
2025	2,345,944	(34,999)
2026	3,241,238	(142,361)
2027	6,168,525	141,683
2028	62,400	-
Total	$ 11,905,283	$ (96,261)

SERS

Plan Description

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit 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 require supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.pa.gov.

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 given the option to, participate.

Benefits Provided

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

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

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

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

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

Contributions

The contribution rate for both active members and the University depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other non-pension obligations.

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.

NOTE 11 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

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 University was required to contribute to the defined benefit plan 14.87% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan.

The University's contributions to the SERS defined benefit plan for the year ended June 30, 2023, was $8,072,391, equal to the required contractual contribution.

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

For the SERS defined contribution plan, the University contributed at actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2023, depending upon the plan chosen by the employee. The University recognized SERS defined contribution pension expense of $10,579,786 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 401(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

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

NOTE 11 PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

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

Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the 19th Investigation of Actuarial Experience at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2022 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.000% 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.
- Investments amortized on a straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees 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 11 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' target asset allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.00 %	5.75 %
Private Credit	7.00	5.12
U.S. Equity	31.00	4.35
International Developed Equity	14.00	4.25
Emerging Markets Equity	5.00	4.65
Fixed Income	22.00	(0.50)
Inflation Protection (TIPS)	3.00	(1.00)
Cash	2.00	(1.05)
Total	100.00 %	

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		
One Percent Decrease 5.875%	Current Rate 6.875%	One Percent Increase 7.875%
$ 94,907,694	$ 80,499,010	$ 56,415,199

NOTE 11 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, measured at December 31, 2022, was $80,499,010.

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

PSERS

Plan Description

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

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

NOTE 11 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 between 1% to 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 5.25% (Class T-C members) or 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 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 11 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 17.155% of covered payroll. The University's contribution to PSERS for the year ending June 30, 2023 was $720,339, equal to the required contractual contribution.

For the PSERS defined contribution plan, the State System is required to contribute at actuarially determined average rate 0.20% of active members' annual covered payroll for the year ended 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. There were no contributions for the year ended June 30, 2023.

Actuarial Assumptions

The University records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year end. The total PSERS pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at the June 30, 2021 measurement date to June 30, 2022, using the following actuarial assumptions applied to all periods included in the measurement:
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- 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 MP2020 Improvement Scale.

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

NOTE 11 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
Absolute Return	6.0	3.5
Infrastructure/MLPs	9.0	5.4
Real Estate	11.0	4.6
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		
	One Percent Decrease 6.00%	Current Rate 7.00%	One Percent Increase 8.00%
2023	$ 7,754,112	$ 5,994,961	$ 4,511,832

NOTE 11 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	$ 11,989,922
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	(5,994,961)
University's Proportionate Share of the PSERS Net Pension Liability	$ 5,994,961

At June 30, 2023, PSERS measured net pension liabilities as of June 30, 2022. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll.

At June 30, 2022, the University's proportion was 0.1788%, an increase of 0.0011% from its proportion calculated as of June 30, 2021.

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 University's contribution rate on June 30, 2023 was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2023 were $3,396,784, from the University and $1,828,194 and from active members. No liability is recognized for the ARP.

NOTE 12 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims up to $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims up to $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund) to which all State System universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed $127,215 to the Reserve Fund during the year ended June 30, 2023.

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

Balance - July 1	$ 637,081
Current Year Claims and Changes in Estimate	364,140
Payments	(328,711)
Balance - June 30	$ 672,510

NOTE 13 BENEFICIAL INTERESTS

At June 30, 2023, the fair value of beneficial interests totaled $8,345,308, representing gifts that donors placed in trust in perpetuity with third parties, with the University receiving a restricted revenue stream in accordance with the donors' wishes.

NOTE 14 CONTINGENCIES

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

The University is self-insured for workers' compensation up to stated limits (see Note 12). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not significantly reduced any of its insurance coverage from the prior year.

At times, settled claims may exceed the University's insurance coverage. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

NOTE 14 CONTINGENCIES (CONTINUED)

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funding in 2020/21 and 2021/22. 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 $4,140,171.

Labor Concentration

Approximately 85% 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 15 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 University 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 16 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.

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

	Financed Purchases		Right To Use Leases With Third Parties		Right To Use Leases With Component Units		Subscription Agreements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year Ending June 30,								
2024	$ 588,394	$ 22,480	$ 297,123	$ 17,250	$ 58,359	$ 4,967	$ 1,161,249	$ 43,702
2025	-	-	285,835	15,401	62,012	3,570	739,803	20,316
2026	-	-	283,116	8,710	64,784	2,109	304,257	8,177
2027	-	-	140,219	2,518	67,648	584	224,101	1,963
2028	-	-	44,883	340	-	-	-	-
Total	$ 588,394	$ 22,480	$ 1,051,176	$ 44,219	$ 252,803	$ 11,230	$ 2,429,410	$ 74,158

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

	Balance as of June 30, 2022	2022-23 Additions	2022-23 Reductions	Balance as of June 30, 2023
Financed Purchases	$ 1,155,136	$ -	$ (566,202)	$ 588,934
Lease Liability - Third Parties	711,807	617,932	(278,563)	1,051,176
Lease Liability - Component Units	891,007	311,754	(949,958)	252,803
Subscription Assets	-	3,931,525	(1,502,115)	2,429,410
Total	$ 2,757,950	$ 4,861,211	$ (3,296,838)	$ 4,322,323

University's Proportionate Share of the System Plan OPEB Liability
Determined as of the June 30 Measurement Dates

Changes in the University's Proportionate Share of the System Plan Total OPEB Liability	Fiscal Year Ending June 30, 2023
Total OPEB Liability - Beginning Balance	$ 103,470,363
Service Cost	3,029,613
Interest	2,390,502
Changes in Benefit Terms	(610,206)
Net Differences Between Actual and Expected Experience	(15,531,272)
Changes in Assumptions	(22,741,115)
Benefit Payments	(2,315,282)
Net Changes	(35,777,760)
Total OPEB Liability - Ending Balance	$ 67,692,604
Covered Employee Payroll	$ 38,674,423
OPEB Liability as a Percent of Covered Payroll	175.03%

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

Schedule of Proportionate Share of REHP's Net OPEB Liability
Determined as of June 30 Measurement Dates
(In Thousands)

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	Share of Net OPEB Liability as a Percent of Covered-Employee Payroll	REHP's Fiduciary Net Position as a Percent of Total OPEB Liability
2017/18	4.374 %	$ 79,495	$ 10,838	733.5 %	1.4 %
2018/19	4.483	59,749	10,657	560.7	2.2
2019/20	4.370	41,449	10,643	389.4	3.8
2020/21	4.275	48,575	10,710	453.6	3.7
2021/22	4.275	38,695	9,837	393.4	3.7
2022/23	3.650	35,050	9,830	356.6	5.9

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)

REHP Schedule of Contributions
(In Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS REHP	Deficiency (Excess)	Covered-Payroll	Contributions as a Percent of Covered-Employee Payroll
2017/18	$ 1,946	$ 1,946	$ -	$ 12,854	15.14 %
2018/19	2,349	2,349	-	13,215	17.78
2019/20	1,805	1,805	-	12,719	14.19
2020/21	974	974	-	11,888	8.19
2021/22	894	894	-	12,269	7.29
2022/23	856	856	-	12,740	6.72

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

Fiscal Year	PSERS Net OPEB Liability: State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a Percent of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total OPEB Liability
2017/18	0.18%	$ 296	$ 296	$ 592	$ 3,873	7.65 %	5.73 %
2018/19	0.18	295	295	590	3,804	7.74	5.56
2019/20	0.19	318	318	636	4,126	7.71	5.56
2020/21	0.19	317	317	634	4,120	7.70	5.69
2021/22	0.19	300	300	601	3,594	8.36	5.69
2022/23	0.18	246	246	491	3,925	6.26	6.86

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a Percent of Covered-Employee Payroll
2017/18	$ 16	$ 16	$ -	$ 3,946	0.40 %
2018/19	17	17	-	4,308	0.40
2019/20	17	17	-	4,287	0.41
2020/21	15	15	-	3,919	0.39
2021/22	16	16	-	4,150	0.38
2022/23	16	16	-	4,493	0.36

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023 AND 2022
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)

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

Fiscal Year	State System's Proportion	University's Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a Percent of Covered-Employee Payroll	SERS Fiduciary Net Position as a Percent of Total Pension Liability
2014/15	4.901 %	$ 59,723	$ 24,359	245 %	64.800 %
2015/16	4.721	70,203	24,348	288	58.900
2016/17	4.837	76,256	24,622	310	57.800
2017/18	4.906	71,289	25,974	275	63.000
2018/19	4.897	84,007	26,229	320	56.400
2019/20	4.773	72,805	26,431	276	63.100
2020/21	4.419	66,711	24,576	271	67.000
2021/22	4.178	49,742	22,838	218	76.000
2022/23	4.150	80,499	24,075	334	61.500

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2014/15	$ 4,691	$ 4,691	$ -	$ 24,359	19.3 %
2015/16	5,650	5,650	-	23,863	23.7
2016/17	7,038	7,038	-	25,132	28.0
2017/18	7,801	7,801	-	24,840	31.4
2018/19	8,173	8,173	-	26,212	31.2
2019/20	8,008	8,008	-	25,217	31.8
2020/21	7,636	7,636	-	23,717	32.2
2021/22	7,752	7,752	-	24,097	32.2
2022/23	8,072	8,072	-	24,988	32.3

MILLERSVILLE UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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JUNE 30, 2023 AND 2022
(UNAUDITED)
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Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
Determined as of June 30 Measurement Date
(In Thousands)

	PSERS Net Pension Liability						
Fiscal Year	State System's Proportion	University's Proportionate Share	Commonwealth's Proportion Share	Total	University's Covered-Employee Payroll	University's Proportionate Share of NPL as a Percent of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total Pension Liability
2014/15	0.1785 %	$ 6,223	$ 6,223	$ 12,446	$ 2,006	310 %	57.2 %
2015/16	0.1852	7,021	7,021	14,042	4,172	200	54.4
2016/17	0.1833	7,347	7,347	14,694	3,841	200	50.1
2017/18	0.1811	7,220	7,220	14,439	3,893	200	51.8
2018/19	0.1836	6,667	6,667	13,335	3,740	200	54.0
2019/20	0.1836	7,008	7,008	14,017	4,132	200	55.7
2020/21	0.1856	7,218	7,218	14,437	6,850	1100	54.3
2021/22	0.1777	5,307	5,307	10,613	614	900	63.7
2022/23	0.1788	5,995	5,995	11,989	672	900	61.3

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a Percent of Covered-Employee Payroll
2017/18	$ 16	$ 16	$ -	$ 3,946	0.40 %
2018/19	17	17	-	4,308	0.40
2019/20	17	17	-	4,287	0.41
2020/21	15	15	-	3,919	0.39
2021/22	16	16	-	4,150	0.38
2022/23	16	16	-	4,493	0.36