MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2020 AND 2019

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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YEARS ENDED JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

Council of Trustees
Mansfield University of Pennsylvania
of the State System of Higher Education
Mansfield, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Mansfield University of Pennsylvania of the State System of Higher Education (the University), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of the discretely presented component units, Mansfield Auxiliary Corporation (MAC), College Community Services, Inc. (CCSI), and Mansfield University Foundation (MU Foundation), which represent 100% of the assets, net assets, and revenues of the discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon 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. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9 and the schedules of proportionate share of net pension liability, OPEB liability, proportionate share of net OPEB liability, and contributions on pages 70 through 74 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 27, 2020

Mansfield University is one of the 14 public universities of the Pennsylvania State System of Higher Education (PASSHE). Mansfield University is a public liberal arts college founded in 1857, and in January 2015 became Pennsylvania's only member of the Council of Public Liberal Arts Colleges, or COPLAC. The 174 acre campus is located in the beautiful northern tier of Pennsylvania. Although each university is regulated and monitored by PASSHE, the general management is performed independently. Being part of PASSHE enables the university to share resources and benefits from economies of scale. The following is an overview of Mansfield University's financial activities for the year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- Mansfield University experienced an increase in enrollment for the fall 2019 semester. The fall 2019 semester headcount of 1,663 represented an increase of 26 students (1.6%) from fall 2018. The fall 2018 semester headcount of 1,637 represented a decrease of 260 students (13.7%) from fall 2017.

- Due to enrollment increases, the FTE Enrollment for fall 2019, increased to 1,554, an increase of 26 FTE (1.7%) from fall 2018. The FTE Enrollment for fall 2018, decreased to 1,528, a decrease of 197 FTE (11.4%) from fall 2017.

- The State System received a 2.0% and 3.3% increase in the 2019/20 and 2018/19 General Fund appropriations from the Commonwealth of Pennsylvania, respectively. The funding formula effect on Mansfield University was a net increase of 2.21% and 5.56%, respectively. The base appropriations increase totaled $1,295,160 and $991,420, and the performance funding decreased a total of $904,500 and $59,484 for fiscal years 2019/20 and 2018/19, respectively.

- The State System's board of governors approved a tuition freeze for undergraduate resident students for fiscal year 2019/20 as compared to a tuition increase of 2.99% for fiscal year 2018/19. Locally, Mansfield University's Council of Trustees chose not to increase the mandatory student fees. Tuition was changed to a flat-rate model. The meal plans were increased by 2.5% with the same $250 of dining flex spending. University housing offered additional options for fiscal year 2019/20. The tuition and mandatory fee freezes combined with the refunds to students due to the COVID pandemic resulted in combined tuition and fee revenue (before discounts) of $15,496,476, a decrease of $2,282,502 or (12.8%) from fiscal year 2018/19. The tuition and fee revenue (before discounts) of $17,778,978, a decrease of $2,130,517 or (10.7%) from fiscal year 2017/18.

- During fiscal year 19/20 and 18/19, the University made scheduled **principal payments** of $2,871,701 and $3,136,203, respectively, resulting in total bond debt outstanding of $79,648,360 at June 30, 2020 as compared to $82,520,061 at June 30, 2019 and to $85,656,264 at June 30, 2018.

  This bond debt is allocated to:

E&G	$ 4,222,224
Residence Life	75,426,136

- Mansfield University purchased $3,438,295 in **capital assets** in fiscal year 2019/20. The amount spent on buildings and improvements to buildings and grounds totaled $3,240,743, while equipment and furnishings totaled $181,970 and $15,582 for library books.

- On May 5, 2020 The Board of Governors approved a $6,000,000 Promissory Note between Mansfield University and PASSHE of which $4,000,000 was drawn on May 26, 2020. This loan will be interest and principal free for the first five fiscal years, with principal and interest repayments beginning in year six of the ten-year period.

THE FINANCIAL STATEMENTS

Balance Sheet

This statement reports the balances of the assets, deferred outflows, liabilities, deferred inflows, and net position of Mansfield University as of the end of the fiscal year (the term "net position" was formerly referred as "net assets"). Assets include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation. Deferred outflows are the consumption of net assets applicable to a future reporting period; such as the unamortized loss on refunding of debt. Liabilities include payments due to vendors and students; the balance of bonds payable; and liabilities such as workers' compensation (PASSHE is self-insured), compensated absences (the value of sick and annual leave earned by employees), and postretirement benefits (health and tuition benefits expected to be paid to certain current and future retirees). Deferred inflows are acquisitions of net assets applicable to a future reporting period; such as the unamortized gain on refunding of debt. Net position is measured as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Statement of Revenues, Expenses, and Changes in Net Position

This statement reports the revenues earned and the expenses incurred in the fiscal year. The result is reported as an increase or decrease in net position.

In accordance with Governmental Accounting Standards Board (GASB) requirements, Mansfield University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations are nonoperating revenues. In addition, GASB requires Pell Grants, classification of gifts, investment income and expenses, and gains/losses on disposals of assets as nonoperating; Mansfield University classifies all of its remaining activities as operating.

Statement of Cash Flows

This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of Mansfield University. It may be used to determine the University's ability to generate future net cash flows and meet its obligations as they come due, and its need for external financing.

NET POSITION

Net position decreased by $9,715,771 in fiscal year 2019/20, as compared to an increase of $872,154 in fiscal year 2018/19, and to decrease of $30,583,025 in fiscal year 2017/2018. Items impacting the net position increase in fiscal year 2018/19 was the result of: 1) postretirement GASB 68 pension liability requirements and 2) liability requirements under GASB 75 postretirement benefits other than pensions.

NET POSITION (CONTINUED)

Following is a summary of the balance sheet at June 30, 2020, 2019, and 2018:

	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and Cash Equivalents	$ 4,445,791	$ 10,796,026	$ 22,647,355
Capital Assets, Net	90,024,787	92,153,779	31,249,964
Other Assets	3,984,809	5,310,245	6,020,063
Deferred Outflows of Resources	5,286,259	7,280,159	1,589,045
Total Assets and Deferred Outflows of Resources	$ 103,741,646	$ 115,540,209	$ 61,506,427
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Postretirement Benefits Liability	$ 46,005,877	$ 53,197,289	$ 59,438,811
Compensated Absences Liability	3,696,289	3,180,271	3,321,460
Due to State System, AFRP	247,470	411,597	1,248,802
Due to State System, Sustainability Loan	4,000,000	-	-
Net Pension Liability	19,436,358	21,912,954	-
Bonds Payable	87,195,679	90,393,114	14,633,306
Other Liabilities	7,328,662	6,787,171	7,289,244
Deferred Inflows of Resources	21,497,232	15,607,963	355,340
Total Liabilities and Deferred Inflows of Resources	189,407,567	191,490,359	86,286,963
NET POSITION			
Net Investment in Capital Assets	2,380,969	1,644,990	15,973,346
Restricted	3,155,696	3,537,282	2,688,855
Unrestricted	(91,202,586)	(81,132,422)	(43,442,737)
Total Net Position	(85,665,921)	(75,950,150)	(24,780,536)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 103,741,646	$ 115,540,209	$ 61,506,427

- *Net investment in capital assets* is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation, less any associated debt (bonds payable). This balance is not available for Mansfield 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.

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

NET POSITION (CONTINUED)

- *Unrestricted* net position includes funds that the board of governors has designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net position reflects two unfunded liabilities:

    - The liability for **postretirement benefits** for employees who participate in the PASSHE plan and the two Commonwealth plans decreased $7,191,412, to $46,005,877 for the year ended June 30, 2020, and $14,787,321, to $53,197,289 for the year ended June 30, 2019. Because this liability is expected to be realized gradually over time and because of its size, the PASSHE universities fund it only as it becomes due. Actual annuitant pay-as-you-go cost for 2019/20 2018/19 and was $1,507,441 and $1,725,991, respectively.

    - The liability for **compensated absences** increased by $516,018 to a total of $3,696,289 for the year ended June 30, 2020, and by $64,411 to a total of $3,180,271 for the year ended June 30, 2019. Similar to the postretirement benefits liability, cash payouts to employees upon termination or retirement for annual and sick leave balances are expected to be realized gradually over time. PASSHE universities are discouraged from funding this liability in its entirety as it would unnecessarily reduce available and already limited resources. Actual leave payouts for 2019/20 totaled $771,929 an increase of $444,804 over prior year, and for 2018/19 totaled $327,125 an increase of $43,548 over the prior year.

REVENUES AND EXPENSES

In addition to the changes to the appropriation and tuition revenue discussed in the Financial Highlights section of this analysis the following are the more significant revenue and expense items:

- Financial aid to students in the form of waivers, grants, and scholarships for the fiscal year 2019/20 was $12,104,983, an increase of $3,730,142 from the previous year, and for the fiscal year 2018/19 it was $8,374,841, a decrease of $96,633 from previous year. The primary increase for fiscal year 2019/2020 was due to the increase in tuition and fee waivers and E&G institutional scholarships of $3,034,631. The aid was disbursed as follows:

	2020	2019
Federal Pell Grants	$ 3,978,631	$ 3,689,319
Other Federal Aid	129,962	126,206
State Aid (including PHEAA)	2,892,292	2,261,477
External Funds Received for	121,857	181,776
Endowments and Restricted Aid	172,565	86,050
Tuition and Fee Waivers	4,558,748	1,524,117
Housing and Dining Waivers	250,928	505,896
	$ 12,104,983	$ 8,374,841

  Financial aid is shown both as a reduction of student tuition and fee revenues and student aid expense.

- **Investment income** (before investment expenses) for fiscal years 2019/20 and 2018/19 was $242,354 and $527,239, a decrease of $284,885 and $93,421 from the prior year, respectively. The investment rate for June 2020 was 1.61% compared to the June 2019 rate of 2.50% and to June 2018 rate of 2.10%.

REVENUES AND EXPENSES (CONTINUED)

- Salaries and benefits totaled $32,124,403 and $27,559,496. Salaries increased by $297,061 and $279,470, and benefits increased by $4,267,846 and decreased by $9,864 for an overall increase of $4,564,907 or 16.56% and overall decrease of $289,334 or 1.04% and over fiscal years 2018/19 and 2018/19, respectively. Benefits as a percentage of salaries were 39.92% and 21.61%, respectively.

- Mansfield University's employer health & welfare and hospitalization benefit costs for 2019/20 and 2018/19 totaled $3,447,919 and $3,337,051, an increase of $110,868 or 3.32% and a decrease of $121,96 or 3.53% more than the prior year, respectively.

- GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions)* was implemented during the fiscal year ended June 30, 2018. This GASB statement requires the University to report its share of the liabilities, expense, deferred outflows of resources, and deferred inflows of resources allocated to it by the Retired Employees Health Program and the Public School Employees' Retirement System Health Insurance Premium Assistance Program. Due to this GASB 75 implementation, the fiscal year 2019/20 required contribution of $1,511,900 and $1,725,991 toward annuitant health care expense was $218,550 or 12.66% less and $126,622 or 7.92% more than the prior year, respectively. Annuitant health care was 30.42% and 34.09% of the total 2019/20 and 2018/19 pay-as-you-go healthcare costs for the University.

- Fall 2019 permanent salaried complement totaled 292, compared to 278 for fall 2018 and 284 for fall 2017.

- PASSHE salaries for employee members of the American Federation of State, County, and Municipal Employees (**AFSCME**) provided for a general pay increase of 2.75% effective October 2016, 2% July 2017, and 2.5% July 2018. It also included longevity increases in January 2018 and 2019. The AFSCME contract expired June 30, 2019. On August 28, 2019, the new four-year contract reached the finalized signature process. The new contract will expire on June 30, 2023 and includes 16.75% wage increases over the four years.

  The PASSHE contract with the State College and University Professional Association (**SCUPA**) union expires June 30, 2023. The SCUPA contract provides for a general pay increase effective November 2020 of 3%, 1.5% in January 2022, and 2% in April 2023, dependent on their pay level, or a one-time cash payment. Additionally, qualified SCUPA employees will be eligible for a step service increment in spring semester 2022 and again in spring semester 2023, or a one-time cash payment of 2.5%.

  The Security Police and Fire Professionals of America (**SPFPA**) contract expired August 31, 2020. The SPFPA contract provided for a 2% general pay increase effective in October 2017, 2.5% in September 2018. The contract also implemented a new 12 step salary schedule in March 2018 which provided for a cash payment of 2.25% of the annual base salary. New contract is currently being negotiated and will cover a period from September 1, 2020 through August 31, 2022.

REVENUES AND EXPENSES (CONTINUED)

The PASSHE contract with the Association of Pennsylvania State College and University Faculties (**APSCUF**), which represents all faculty and coaches expires on June 30, 2023. The APSCUF contract provides that faculty members receive a 2% general pay increase effective with the start of the fall semester of 2021 and a 2.5% general pay increase at the start of the fall semester of 2022. Annual service increments effective the first pay of the fall 2020 semester or a one-time cash payment of 2.5%. An agreement in principle was reached on September 18, 2019. If approved, the agreement would last four years.

Lastly, for those employees not represented by a union, the PASSHE Board of Governors has not approved any new pay adjustments beyond June 2020. The last merit-based pay increases for eligible nonrepresented employees was approved by the Board of Governors in December 2016 effective for January 2017 at 2.75% and January 2018 at 4.25%. The amount of the merit-based increases each employee received was determined based on the employee's prior year performance evaluation.

Following is a summary of revenues and expenses for the years ended June 30, 2020 and 2019:

	% of Total	2020	% of Total	2019	% of Total	2018
OPERATING REVENUES						
Tuition and Fees, Net	11.60 %	$ 5,090,494	22.59 %	$ 11,118,768	25.37 %	$ 13,065,632
Grants and Contracts	8.26	3,624,052	6.27	3,086,516	6.14	3,161,051
Auxiliary Enterprises, Net	20.90	9,176,781	21.66	10,660,557	22.87	11,775,073
Other	1.30	572,342	1.75	861,104	2.08	1,073,251
Total Operating Revenues	42.06	18,463,669	52.27	25,726,945	56.46	29,075,007
OTHER REVENUES						
State Appropriations (including ARRA Funds)	43.30	19,008,147	37.79	18,602,123	34.28	17,651,081
Investment Income, Net	0.65	284,967	1.15	565,902	0.84	434,530
Pell Grants	9.06	3,978,631	7.49	3,689,319	7.41	3,816,176
Gifts, Grants, and Other	4.93	2,163,906	1.30	641,379	1.01	521,569
Total Other Revenues	57.94	25,435,651	47.73	23,498,723	43.54	22,423,356
Total Revenues	100.00	43,899,320	100.00	49,225,668	100.00 %	51,498,363
OPERATING EXPENSES						
Instruction	27.56 %	14,776,586	27.44 %	13,270,490	26.25 %	12,661,143
Public Service	0.38	197,333	0.44	215,068	0.59	286,879
Academic Support	7.12	3,818,382	5.44	2,628,913	5.45	2,629,225
Student Services	13.01	6,977,929	11.33	5,478,288	10.05	4,846,556
Institutional Support	15.18	8,136,733	12.05	5,827,895	9.85	4,750,324
Operation/Maintenance of Plant	9.03	4,842,552	5.54	2,677,717	5.08	2,449,847
Depreciation	9.82	5,266,478	11.49	5,554,936	11.79	5,685,285
Student Aid	4.43	2,375,190	2.20	1,063,541	2.62	1,261,502
Auxiliary Enterprises	7.85	4,210,333	17.60	8,507,912	21.84	10,535,420
Total Operating Expenses	94.38	50,601,516	93.53	45,224,760	93.52	45,106,181
OTHER EXPENSES						
Interest Expense	5.15	2,762,898	6.23	3,011,949	6.48	3,127,201
Loss on Disposal of Assets	0.47	250,677	0.24	116,805	-	-
Total Other Expenses	5.62	3,013,575	6.47	3,128,754	6.48	3,127,201
Total Expenses	100.00	53,615,091	100.00	48,353,514	100.00	48,233,382
CHANGE IN NET POSITION		$ (9,715,771)		$ 872,154		$ 3,264,981

FUTURE ECONOMIC FACTORS

- Enrollment issues continue to be the primary focus at Mansfield University. The University is partnering with EAB Global, Inc. for a second year to provide a comprehensive enrollment improvement program for Mansfield University. EAB Global will also help Mansfield University optimize its financial aid packages to maximize net tuition revenue.

- There continues to be strong demand to attend Mansfield University with overall enrollment growth continuing despite the global pandemic. Mansfield University's enrollment increased approximately 2% in fall 2019 and 7.8% in fall 2020.

- Mansfield University continues to optimize its financial aid packages to maximize net tuition revenue. Among the full-time first-year students admitted for fall 2020, total institutional aid decreased from $3.2 million to $1.6 million. The growth in a lower financial need student population resulted in a reduction of the discount rate from 65.4% to 34.5% in just one year.

- Demand for on-campus living was strong before the fall 2020 pivot to 75% remote learning. If traditional learning modalities were employed, residential occupancy would have been approximately 80% across all available housing. This demonstrates strong demand for an on-campus residency population, which also supports Mansfield University's bond payment for residence halls - the largest driver on noninstructional costs/debt.

- The University has enhanced marketing plans based on applications, admitted students, deposits and enrolled student data. This includes utilization of all media platforms, enhancement of the University's website and Search Engine Optimization.

- The University continues to improve efficiency of their administrative operations and will continue to do so. The University continues to move aggressively in partnering with other PASSHE universities to share resources, combine services, and take advantage of economies of scale.

- The University has made changes to the organizational structure to reduce hiring and continues to examine all open positions, delay hiring when feasible, and eliminate all unnecessary operating expenses.

- The University continues to address low-enrolled programs and has recently placed one degree program, six concentrations, and eight minors in moratorium effective September 1, 2020.

- Mansfield University is taking action to reduce personnel expenses by reducing our E&G faculty complement and nonfaculty complement by fiscal year 2023. Total personnel expenditures are estimated at $27.9M for FY2021/22 and $23.7M for FY2022/23.

- One of the greatest risks to Mansfield University is the possibility that the pandemic continues to impact fall 2021 and beyond, coupled with ongoing uncertainty about the State System's financial health and the Commonwealth's investment in higher education.

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,445,791	$ 10,796,026
Accounts Receivable:		
Governmental Grants and Contracts	300,968	575,551
Students, Net of Allowance for Doubtful Accounts of Accounts of $321,246 in 2020 and $413,057 in 2019	964,588	1,528,313
Gifts and Other	63,755	207,786
Interest Income Receivable	39,971	58,221
Inventories	78,518	78,415
Prepaid Expenses and Other Current Assets	298,595	261,536
Loans Receivable	210,941	262,679
Total Current Assets	6,403,127	13,768,527
NONCURRENT ASSETS		
Investments	1,063,647	1,047,364
Loans Receivable, Net	952,093	1,278,715
Capital Assets, Net	90,024,787	92,153,779
Other Assets	11,733	11,665
Total Noncurrent Assets	92,052,260	94,491,523
Total Assets	98,455,387	108,260,050
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	8,259	14,008
Pension Related	2,438,986	4,479,083
Other Postretirement Benefits Related	2,839,014	2,787,068
Total Deferred Outflows of Resources	5,286,259	7,280,159
Total Assets and Deferred Outflows of Resources	$ 103,741,646	$ 115,540,209

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 4,210,788	$ 3,846,946
Unearned Revenue	1,195,329	617,961
Students' Deposits	59,600	58,775
Workers' Compensation	123,333	132,314
Compensated Absences	363,545	324,761
Other Postretirement Benefit	1,507,441	1,725,991
Capitalized Lease Obligations	60,110	60,110
Current Portion of Bonds Payable	3,881,611	3,688,954
Due to System, Academic Facilities Renovation Bond Program (AFRP)	74,047	164,127
Other Current Liabilities	286,120	293,238
Total Current Liabilities	11,761,924	10,913,177
NONCURRENT LIABILITIES		
Workers' Compensation	239,507	222,308
Compensated Absences	3,332,744	2,855,510
Other Postretirement Benefit	44,498,436	51,471,298
Net Pension Liability	19,436,358	21,912,954
Capitalized Lease Obligations	70,749	130,858
Bonds Payable	83,314,068	86,704,160
Due to System, AFRP	173,423	247,470
Unearned Revenue	28,357	38,463
Due to System, Sustainability Loan	4,000,000	-
Other Noncurrent Liabilities	1,054,769	1,386,198
Total Noncurrent Liabilities	156,148,411	164,969,219
Total Liabilities	167,910,335	175,882,396
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding	78,069	14,852
Pension Related	1,954,383	530,915
Other Postretirement Benefits Related	19,464,780	15,062,196
Total Deferred Inflows of Resources	21,497,232	15,607,963
Total Liabilities and Deferred Inflows of Resources	189,407,567	191,490,359
NET POSITION		
Net Investment in Capital Assets	2,380,969	1,644,990
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	586,806	563,163
Other	446,925	441,305
Expendable:		
Scholarships and Fellowships	532,329	543,319
Research	44,629	-
Capital Projects	1,285,470	1,682,989
Other	259,537	306,506
Unrestricted Net Position	(91,202,586)	(81,132,422)
Total Net Position	(85,665,921)	(75,950,150)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 103,741,646	$ 115,540,209

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Tuition and Fees	$ 15,496,476	$ 17,778,978
Less: Scholarship Discounts and Allowances	10,405,982	6,660,210
Net Tuition and Fees	5,090,494	11,118,768
Governmental Grants and Contracts:		
Federal	533,342	516,631
State	3,008,807	2,452,041
Local	50,000	90,350
Nongovernmental Grants and Contracts	31,903	27,494
Sales and Services of Educational Departments	352,289	414,671
Auxiliary Enterprises	9,176,781	10,660,557
Other Revenues	220,053	446,433
Total Operating Revenues	18,463,669	25,726,945
OPERATING EXPENSES		
Instruction	14,776,586	13,270,490
Public Service	197,333	215,068
Academic Support	3,818,382	2,628,913
Student Services	6,977,929	5,478,288
Institutional Support	8,136,733	5,827,895
Operations and Maintenance of Plant	4,842,552	2,677,717
Depreciation	5,266,478	5,554,936
Student Aid	2,375,190	1,063,541
Auxiliary Enterprises	4,210,333	8,507,912
Total Operating Expenses	50,601,516	45,224,760
NET OPERATING LOSS	(32,137,847)	(19,497,815)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	18,074,506	17,683,846
Federal Grants - CARES Act Covid Relief	1,473,619	-
Commonwealth on-behalf contributions to PSERS	224,216	178,111
Pell Grants	3,978,631	3,689,319
Investment Income, Net of Related Investment Expense of $1,775 in 2020 and $3,325 in 2019	240,579	523,914
Unrealized Gain on Investments	44,388	41,988
Gifts and Contributions for Other than Capital Purposes	483,586	479,092
Interest Expense on Capital Asset-Related Debt	(2,762,898)	(3,011,949)
Loss on Disposal of Assets	(250,677)	(116,805)
Other Nonoperating Revenue	153,705	61,465
Nonoperating Revenues, Net	21,659,655	19,528,981
INCOME (LOSS) BEFORE OTHER REVENUES	(10,478,192)	31,166
OTHER REVENUES		
State Appropriations, Capital	709,425	740,166
Capital Gifts and Grants	51,574	100,822
Additional Permanent Endowments	1,422	-
Total Other Revenues	762,421	840,988
INCREASE (DECREASE) IN NET POSITION	(9,715,771)	872,154
Net Position - Beginning of Year	(75,950,150)	(76,822,304)
NET POSITION - END OF YEAR	$ (85,665,921)	$ (75,950,150)

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Tuition and Fees	$ 5,471,675	$ 10,951,226
Grants and Contracts	4,203,693	2,587,026
Payments to Suppliers for Goods and Services	(10,810,453)	(11,037,181)
Payments to Employees	(33,004,282)	(33,805,337)
Loans Collected from Students	378,360	401,739
Student Aid	(2,411,477)	(1,131,571)
Auxiliary Enterprise Charges	9,453,044	10,538,328
Sales and Services of Educational Departments	401,542	412,133
Other Receipts (Payments), Net	(185,129)	248,665
Net Cash Used by Operating Activities	(26,503,027)	(20,834,972)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	18,601,531	17,683,846
Gifts and Nonoperating Grants for Other than Capital Purposes	5,859,178	4,158,619
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	13,661,510	17,010,467
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(13,661,510)	(17,010,467)
Agency Transactions, Net	(11,335)	(73,556)
Other	153,705	61,465
Net Cash Provided by Noncapital Financing Activities	24,603,079	21,830,374
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	7,683,323	262,949
Capital Appropriations	709,425	740,166
Capital Grants and Gifts Received	51,574	100,823
Proceeds from Sales of Capital Assets	50,129	3,060
Purchases of Capital Assets	(3,426,890)	(905,687)
Principal Paid on Capital Debt and Leases	(6,355,939)	(3,617,847)
Interest Paid on Capital Debt and Leases	(3,448,847)	(3,642,616)
Net Cash Used by Capital Financing Activities	(4,737,225)	(7,059,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	43,149	56,842
Interest on Investments, Net of Fees	258,829	533,444
Purchases of Investments	(15,040)	(35,563)
Net Cash Provided by Investing Activities	286,938	554,723
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,350,235)	(5,509,027)
Cash and Cash Equivalents - Beginning of Year	10,796,026	16,305,053
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,445,791	$ 10,796,026

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	$ (32,137,847)	$ (19,497,815)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	5,266,478	5,554,936
Expenses Paid by Commonwealth or Donor	224,216	178,111
Effect of Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Receivables, Net	1,145,054	(762,749)
Inventories	(102)	2,232
Other Assets	94,077	(84,393)
Accounts Payable	75,243	(130,537)
Unearned Revenue	107,454	(59,798)
Student Deposits	825	30,300
Compensated Absences	516,018	(64,411)
Loans to Students and Employees	378,360	401,739
Postretirement Benefits Liability (OPEB)	(7,191,414)	(14,787,321)
Defined Benefit Pensions	(2,476,596)	2,845,499
Other Liabilities	(318,996)	(53,615)
Deferred Outflows of Resources Related to Pensions and OPEB	1,988,151	(2,723,951)
Deferred Inflows of Resources Related to Pensions and OPEB	5,826,052	8,316,801
Net Cash Used by Operating Activities	$ (26,503,027)	$ (20,834,972)
SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION		
Commonwealth On-Behalf Contributions to PSERS	$ 224,216	$ 178,111
Capital Assets Acquired by Gift or Appropriation	$ 11,405	$ 19,108

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 759,120	$ 985,847
Accounts Receivable	3,695	1,104
Contributions/Pledges Receivable	251,465	21,279
Inventories	241,932	259,440
Total Current Assets	1,256,212	1,267,670
NONCURRENT ASSETS		
Investments	21,465,198	21,810,515
Capital Assets, Net	100,120	59,655
Other Assets	1,412,284	1,424,792
Total Noncurrent Assets	22,977,602	23,294,962
Total Assets	$ 24,233,814	$ 24,562,632
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 73,882	$ 54,595
Annuity Liabilities	204,483	207,670
Other Liabilities	309,333	358,825
Total Current Liabilities	587,698	621,090
NET ASSETS		
Without Donor Restriction	4,996,642	5,439,660
With Donor Restriction	18,649,474	18,501,882
Total Net Assets	23,646,116	23,941,542
Total Liabilities and Net Assets	$ 24,233,814	$ 24,562,632

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER ADDITIONS		
Student Activity Fees	$ 1,025,910	$ 1,267,789
Sales and Services	463,698	481,516
Investment Income	17,719	112,059
Contributions	50,896	37,604
Other Revenues	57,983	100,131
Net Asset Released from Restrictions	914,826	722,095
Total Revenues and Other Additions	2,531,032	2,721,194
EXPENSES AND OTHER DEDUCTIONS		
Scholarships and Grants	550,401	502,160
Student Activities and Programs	1,019,081	1,173,804
University Stores	607,189	606,076
Housing	15,000	-
Other Program Expenses	204,892	178,509
Management and General	444,228	457,242
Other University Support	133,259	79,168
Total Expenses and Other Deductions	2,974,050	2,996,959
Total Changes in Net Assets Without Donor Restrictions	(443,018)	(275,765)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	567,283	192,651
Investment Return, Net	514,717	1,554,564
Other Revenue and Gains	6,498	50,275
Other Expenses and Losses	(26,080)	(23,270)
Net Assets Released from Restrictions	(914,826)	(722,095)
Total Changes in Net Assets With Donor Restrictions	147,592	1,052,125
CHANGE IN TOTAL NET ASSETS	(295,426)	776,360
Net Assets - Beginning of Year	23,941,542	23,165,182
NET ASSETS - END OF YEAR	$ 23,646,116	$ 23,941,542

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMPONENT UNITS EXPENSES BY NATURE AND FUNCTION
YEARS ENDED JUNE 30, 2020 AND 2019

FY 2019/20	**Program Activities**						**Supporting Activities**			
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	**Total Expenses**
Salaries and Benefits	$ -	$ -	$ 163,919	$ -	$ 110,409	$ 274,328	$ 164,202	$ 76,034	$ 240,236	$ 514,564
Gifts and Grants	550,401	-	-	15,000	1,950	567,351	18,000	-	18,000	585,351
Supplies and Travel	-	1,005,812	-	-	21,441	1,027,253	8,377	3,335	11,712	1,038,965
Services and Professional Fees	-	-	-	-	34,893	34,893	120,857	-	120,857	155,750
Office and Occupancy	-	-	48,909	-	34,714	83,623	116,965	53,890	170,855	254,478
Depreciation	-	13,269	-	-	-	13,269	8,439	-	8,439	21,708
Interest	-	-	-	-	-	-	-	-	-	-
Other	-	-	394,361	-	1,485	395,846	7,388	-	7,388	403,234
Total Expenses	**$ 550,401**	**$ 1,019,081**	**$ 607,189**	**$ 15,000**	**$ 204,892**	**$ 2,396,563**	**$ 444,228**	**$ 133,259**	**$ 577,487**	**$ 2,974,050**

FY 2018/19	**Program Activities**						**Supporting Activities**			
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	**Total Expenses**
Salaries and Benefits	$ -	$ -	$ 166,010	$ -	$ 91,967	$ 257,977	$ 200,014	$ 60,962	$ 260,976	$ 518,953
Gifts and Grants	497,716	-	-	-	2,000	504,160	-	-	-	504,160
Supplies and Travel	-	1,158,722	-	-	14,932	1,173,654	12,046	7,551	19,597	1,193,251
Services and Professional Fees	-	-	-	-	17,024	20,473	113,332	-	115,682	136,155
Office and Occupancy	-	-	49,028	-	49,004	98,165	114,177	10,655	124,946	223,111
Depreciation	-	15,082	1,151	-	-	16,233	9,072	-	9,072	25,305
Interest	-	-	-	-	-	-	-	-	-	-
Other	-	-	389,887	-	-	389,887	6,137	-	6,137	396,024
Total Expenses	**$ 502,160**	**$ 1,173,804**	**$ 606,076**	**$ -**	**$ 178,509**	**$ 2,468,566**	**$ 457,242**	**$ 79,168**	**$ 536,410**	**$ 2,996,959**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mansfield University of Pennsylvania of the State System of Higher Education (the University), a public four year institution located in Mansfield, Pennsylvania, was founded in 1857. The University is one of fourteen 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).

The Commonwealth determines the state appropriation allocated to the State System. The State System determines the allocation to each University from the state appropriated amount. Tuition rates are set by the board of governors of the State System, for all 14 member universities. Labor agreements are negotiated at either the State System level or Commonwealth level.

Reporting Entity

The University functions as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). College Community Services, Inc. (CCSI), Mansfield Auxiliary Corporation (MAC), and Mansfield University Foundation (MU Foundation) are 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.

CCSI, MAC, and MU Foundation are private nonprofit organizations reported in accordance with Financial Accounting Standards Board (FASB) requirements, including FASB Accounting Standards Codification Section 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences. Complete financial statements for the CCSI, MAC, and MU Foundation may be obtained at the University Controller's Office.

CCSI is a legally separate tax-exempt entity that provides bookstore services to students and accounting services for student activity organizations including the Student Government Association. Because the economic resources received and held by CCSI are for the direct benefit of the University and the influence of the University over CCSI, CCSI is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of CCSI is presented as of and for the years ended May 31, 2020 and 2019.

During the years ended June 30, 2020 and 2019, CCSI paid either directly to the University or on behalf of the University, scholarships, salaries and other administrative expenses, and capital additions totaling $230,323 and $315,992, respectively. These expenditures to or on behalf of the University were for both restricted and unrestricted purposes.

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

Reporting Entity (Continued)

MAC is a legally separate tax-exempt entity that provides construction, operation, and management of student housing facilities or other projects for the benefit of the students of the University. Because the economic resources received and held by MAC are for the direct benefit of the University, MAC is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of MAC is presented as of and for the years ended June 30, 2020 and 2019.

MU Foundation is a legally separate, tax-exempt entity that acts primarily as a fundraising 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 the resources or income thereon that the Foundation holds and invests is restricted by donors to the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of the Foundation is presented as of and for the years ended June 30, 2020 and 2019.

During the years ended June 30, 2020 and 2019, MU Foundation paid either directly to the University or on behalf of the University, scholarships, salaries and other administrative expenses, and capital additions totaling $509,634 and $540,872, respectively. These expenditures to or on behalf of the University were for both restricted and unrestricted purposes.

During fiscal year 2019/20, the Foundation for Mansfield University, a former component unit, was dissolved. The combined component unit financial statements for fiscal year 2018/19 have been restated accordingly and result in a reduction of $12,048 of cash and cash equivalents, $12,048 of net assets, and $9,753 of change in total net assets.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with FASB requirements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

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

Operating Revenues and Expenses

The University records tuition; all academic, instructional, and other student fees; auxiliary activity; and corporate partnership revenues as operating revenues. 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 the disposal of assets, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

Scholarship Discounts and Allowances and Waivers

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the University has recorded a scholarship discount and allowance.

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

Net Position

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The State System maintains the following classifications of net position.

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

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

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

Net Position (Continued)

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, money market funds and overnight repurchase agreements 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.

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, 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 loss experience and periodic review of individual accounts.

Inventories

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

Capital Assets

Land and buildings at the University's campus acquired or constructed prior to the creation of the State System on July 1, 1983, are owned by the Commonwealth and made available to the University. Since the University neither owns such assets nor is responsible to service the 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.

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

Capital Assets (Continued)

All assets with a 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, capital improvements, and equipment and furnishings acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation. All library books are capitalized and depreciated. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. 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 in 2020 or 2019.

Unearned Revenue

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

Compensated Absences

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

Pension Plans and OPEB Plans

Eligible employees of the University enroll in one of three available pension plans immediately upon employment. The University 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.

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

Pension Plans and OPEB Plans (Continued)

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

Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

- Deferred gain or loss on bond refunding, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

- For defined benefit pension plans and other postretirement 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 the University's pension and OPEB contributions subsequent to the pension or OPEB valuation measurement date.

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

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 (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at October 27, 2020, the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

New Accounting Standards

GASB has issued several accounting standards that are required to be adopted by the University in future years. The University is evaluating the impact of the adoption of these standards on its financial statements as discussed below.

In May 2020, GASB issued Statement No. 95, *Postponement of Effective Dates*, which is effective immediately. Statement 95 provides relief to governments and other stakeholders in light of the COVID-19 pandemic. It postpones the following standards, which are evaluated below, by one year from the original effective date: Statements 84, 89, 92 and 93. It postpones the effective date of Statement 87 by 18 months. Statement 94 and those issued after were not affected by Statement 95.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 84 are effective for reporting periods beginning after December 15, 2019.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in a similar manner as capital leases, with assets and liabilities recorded at lease inception. The University has determined that the effect on net position and results of operations will be immaterial. The provisions in Statement No. 87 are effective for reporting periods beginning after June 15, 2021.

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

New Accounting Standards (Continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and should no longer be capitalized as part of the cost of an asset. The University has determined that the effect of Statement No. 89 on its financial statements will vary from year to year, depending upon the amount of new debt incurred for capital assets. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2020.

In March 2020, GASB issued Statement No. 93*, Replacement of Interbank Offered Rates*. The objective of Statement No. 93 is to address accounting and financial reporting implications that result from the replacement of LIBOR. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 93 are effective for the fiscal year ending June 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of Statement No 94 is to address issues related to situations in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. In addition, it addresses an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating a nonfinancial asset. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 94 are effective for the fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The objective of Statement No 96 is to provide the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA and the required note disclosures. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 96 are effective for the fiscal years beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objective of Statement No. 97 is to address situations in which a primary government is financially accountable for its fiduciary component unit if there is no governing board over the unit and therefore the government takes up the role of the board. The University is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 97 are effective for the fiscal years beginning after June 15, 2021.

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION

The following represents combining condensed statements of financial position information for the component units as of June 30, 2020 and 2019, respectively:

	2020			
	CCSI	MAC	MU Foundation	Total
Capital Assets, Net	$ 17,541	$ 69,105	$ 13,474	$ 100,120
Cash and Cash Equivalents	350,726	90,466	317,928	759,120
Inventories	237,051	4,881	-	241,932
Investments	-	2,633,009	18,832,189	21,465,198
Other Assets	7,927	-	1,659,517	1,667,444
Total Assets	$ 613,245	$ 2,797,461	$ 20,823,108	$ 24,233,814
Other Liabilities	$ 336,715	$ 4,454	$ 246,529	$ 587,698
Total Liabilities	336,715	4,454	246,529	587,698
Net Assets:				
Without Donor Restrictions	276,530	2,793,007	1,927,105	4,996,642
With Donor Restriction	-	-	18,649,474	18,649,474
Total Net Assets	276,530	2,793,007	20,576,579	23,646,116
Total Liabilities and Net Assets	$ 613,245	$ 2,797,461	$ 20,823,108	$ 24,233,814

	2019			
	CCSI	MAC	MU Foundation	Total
Capital Assets, Net	$ 25,557	$ 12,838	$ 21,260	$ 59,655
Cash and Cash Equivalents	543,435	178,268	264,144	985,847
Inventories	259,440	-	-	259,440
Investments	-	2,742,409	19,068,106	21,810,515
Other Assets	13,772	-	1,433,403	1,447,175
Total Assets	$ 842,204	$ 2,933,515	$ 20,786,913	$ 24,562,632
Other Liabilities	$ 380,124	$ 307	$ 240,659	$ 621,090
Total Liabilities	380,124	307	240,659	621,090
Net Assets:				
Without Donor Restrictions	462,080	2,933,208	2,044,372	5,439,660
With Donor Restriction	-	-	18,501,882	18,501,882
Total Net Assets	462,080	2,933,208	20,546,254	23,941,542
Total Liabilities and Net Assets	$ 842,204	$ 2,933,515	$ 20,786,913	$ 24,562,632

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2020:

	CCSI	MAC	MU Foundation	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues and Other Additions:				
Student Activity Fees	$ 1,025,910	$ -	$ -	$ 1,025,910
Sales and Services	463,698	-	-	463,698
Net Assets Released from Restrictions	-	-	914,826	914,826
Investment Income	5,580	10,715	1,424	17,719
Contributions	-	-	50,896	50,896
Other Revenues	57,225	-	758	57,983
Total Revenues and Other Additions	1,552,413	10,715	967,904	2,531,032
Expenses and Other Deductions:				
Scholarships and Grants	-	70,000	480,401	550,401
Student Activities and Programs	1,019,081	-	-	1,019,081
University Stores	607,189	-	-	607,189
Housing	-	15,000	-	15,000
Program Expenses	1,950	1,485	201,457	204,892
Management and General	109,743	64,431	270,054	444,228
Other University Support	-	-	133,259	133,259
Total Expenses and Other Deductions	1,737,963	150,916	1,085,171	2,974,050
Total Change in Net Assets Without Donor Restrictions	(185,550)	(140,201)	(117,267)	(443,018)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions and Support	-	-	567,283	567,283
Realized and Unrealized Gains on Investments, Net	-	-	514,717	514,717
Other Additions, Net	-	-	(19,582)	(19,582)
Net Assets Released from Restrictions	-	-	(914,826)	(914,826)
Total Change in Net Assets With Donor Restrictions	-	-	147,592	147,592
CHANGE IN TOTAL NET ASSETS	(185,550)	(140,201)	30,325	(295,426)
Net Assets - Beginning of Year	462,080	2,933,208	20,546,254	23,941,542
NET ASSETS - END OF YEAR	$ 276,530	$ 2,793,007	$ 20,576,579	$ 23,646,116

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2019:

	CCSI	MAC	MU Foundation	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues and Other Additions:				
Student Activity Fees	$ 1,267,789	$ -	$ -	$ 1,267,789
Sales and Services	481,516	-	-	481,516
Net Assets Released from Restrictions	-	-	722,095	722,095
Investment Income	11,561	99,768	730	112,059
Contributions	-	-	37,604	37,604
Other Revenues	56,742	-	43,389	100,131
Total Revenues and Other Additions	1,817,608	99,768	803,818	2,721,194
Expenses and Other Deductions:				
Scholarships and Grants	-	-	502,160	502,160
Student Activities and Programs	1,173,804	-	-	1,173,804
University Stores	606,076	-	-	606,076
Program Expenses	2,000	-	176,509	178,509
Management and General	144,726	22,005	290,511	457,242
Other University Support	-	-	79,168	79,168
				2,996,959
Total Change in Net Assets Without Donor Restrictions	(108,998)	77,763	(244,530)	(275,765)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions and Support	-	-	192,651	192,651
Realized and Unrealized Gains on Investments, Net	-	-	1,554,564	1,554,564
Other Additions, Net	-	-	27,005	27,005
Net Assets Released from Restrictions	-	-	(722,095)	(722,095)
Total Change in Net Assets With Donor Restrictions	-	-	1,052,125	1,052,125
CHANGE IN TOTAL NET ASSETS	(108,998)	77,763	807,595	776,360
Net Assets - Beginning of Year	571,078	2,855,445	19,738,659	23,165,182
NET ASSETS - END OF YEAR	$ 462,080	$ 2,933,208	$ 20,546,254	$ 23,941,542

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 of 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 $4,070,606 and $10,439,439 at June 30, 2020 and 2019, respectively.

For purposes of convenience and expedience, the University uses local financial institutions for activities such as cash deposits.

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.

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 Policy 1986-02-A, *Investment*, for a complete list of and more details on permissible investments and associated qualifications).

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

CMO Risk

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

Moody's Rating

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Modified Duration

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

Fair Value Hierarchy

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

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

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

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

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

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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

Commonfund investments, held locally by some of the universities, are valued based upon the unit values (NAV) of the funds held by the universities 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 High Quality Bond Fund, held by the University, are restricted to withdrawals on the last day of business of the month.

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, 2020, the University had the following investments which exceeded 5% of the Universities total investments:

Issuer	Type of Investment	Amount	Percentage of Total Long-Term Investments
Commonfund	Multi-Strategy Equity Fund	$ 209,122	19.67 %
Commonfund	High Quality Bond Fund	854,525	80.33

At June 30, 2020 and 2019, the carrying amount of the University's cash on hand was $3,178 and $3,228, respectively. The carrying amount of the University's demand and time deposits was $372,007 and $353,359 as of June 30, 2020 and 2019, respectively, compared to the bank balances of $331,783 and $346,468, respectively. The difference is caused primarily by items in transit. Of the bank balances, $63,303 and $80,407, respectively, were covered by federal government depository insurance, $268,480 and $266,061, respectively, were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2020 and 2019, none of the University's demand and time deposits was exposed to foreign currency risk.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The fair value of the local deposits and investments at June 30, 2020 and 2019 is as follows:

	Fair Value Hierarchy Level	2020	2019
Deposits:			
Demand and Time Deposits	N/A	372,007	$ 353,359
Investments:			
Fixed Income Mutual Funds	NAV	854,525	824,160
Equity/Balanced Mutual Funds	NAV	209,122	223,204
Total		$ 1,435,654	$ 1,400,723

NOTE 4 CAPITAL ASSETS

Capital assets acquired or constructed by the University through the expenditure of University funds or the incurrence of debt consist of the following:

	Estimated Lives (in Years)	Beginning Balance July 1, 2019	Additions	Retirements	Reclassifications	Ending Balance June 30, 2020
Capital Assets Not Being Depreciated:						
Land		$ 840,936	$ -	$ (300,807)	$ -	$ 540,129
Construction in Progress		361,098	3,240,743	-	(1,941,188)	1,660,653
Total Capital Assets Not Being Depreciated		1,202,034	3,240,743	(300,807)	(1,941,188)	2,200,782
Capital Assets Being Depreciated:						
Buildings, Including Improvements	10 to 40	129,052,544	-	-	1,807,792	130,860,336
Other Improvements	20	13,181,937	-	-	133,396	13,315,333
Furnishings and Equipment (Including Cost of Capital Leases)	3 to 10	12,903,199	181,970	(85,372)	-	12,999,797
Library Books	10	2,864,747	15,582	(56,469)	-	2,823,860
Total Capital Assets Being Depreciated		158,002,427	197,552	(141,841)	1,941,188	159,999,326
Less Accumulated Depreciation:						
Buildings, Including Improvements		(46,583,344)	(3,981,148)	-	-	(50,564,492)
Other Improvements		(7,839,796)	(507,866)	-	-	(8,347,662)
Furnishings and Equipment		(9,862,086)	(751,966)	85,370	-	(10,528,682)
Library Books		(2,765,456)	(25,498)	56,469	-	(2,734,485)
Total Accumulated Depreciation		(67,050,682)	(5,266,478)	141,839	-	(72,175,321)
Total Capital Assets Being Depreciated, Net		90,951,745	(5,068,926)	(2)	1,941,188	87,824,005
Capital Assets, Net		$ 92,153,779	$ (1,828,183)	$ (300,809)	$ -	$ 90,024,787

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Estimated Lives (in Years)	Beginning Balance July 1, 2018	Additions	Retirements	Reclassifications	Ending Balance June 30, 2019
Capital Assets Not Being Depreciated:						
Land		$ 840,936	$ -	$ -	$ -	$ 840,936
Construction in Progress		278,761	592,129	-	(509,792)	361,098
Total Capital Assets Not Being Depreciated		1,119,697	592,129	-	(509,792)	1,202,034
Capital Assets Being Depreciated:						
Buildings, Including Improvements	10 to 40	128,809,277	-	-	243,267	129,052,544
Other Improvements	20	12,915,412	-	-	266,525	13,181,937
Furnishings and Equipment (Including Cost of Capital Leases)	3 to 10	14,831,548	330,178	(2,258,527)	-	12,903,199
Library Books	10	2,889,264	2,488	(27,005)	-	2,864,747
Total Capital Assets Being Depreciated		159,445,501	332,666	(2,285,532)	509,792	158,002,427
Less Accumulated Depreciation:						
Buildings, Including Improvements		(42,533,416)	(4,049,928)	-	-	(46,583,344)
Other Improvements		(7,330,216)	(509,580)	-	-	(7,839,796)
Furnishings and Equipment		(11,036,544)	(964,204)	2,138,662	-	(9,862,086)
Library Books		(2,761,237)	(31,224)	27,005	-	(2,765,456)
Total Accumulated Depreciation		(63,661,413)	(5,554,936)	2,165,667	-	(67,050,682)
Total Capital Assets Being Depreciated, Net		95,784,088	(5,222,270)	(119,865)	509,792	90,951,745
Capital Assets, Net		$ 96,903,785	$ (4,630,141)	$ (119,865)	$ -	$ 92,153,779

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2020	2019
Employees	$ 3,043,567	$ 2,846,163
Suppliers and Services	924,985	576,585
Other	107,052	283,151
Interest	135,184	141,047
Total	$ 4,210,788	$ 3,846,946

NOTE 6 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	2020	2019
Current:		
Student Tuition and Fees-Summer Sessions	$ 277,668	$ 439,249
Other	136,206	169,212
Grants and Gifts	781,455	9,500
Unearned Revenue, Current	1,195,329	617,961
Noncurrent:		
Other	28,357	38,463
Total Unearned Revenue	$ 1,223,686	$ 656,424

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 loan agreements with PHEFA under which the State System has pledged its full faith and credit for the repayment of the bonds. The loans constitute 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.

To decrease operational expenses and lower the cost of debt service, the University purchased student residence halls that were constructed by the MAC by issuing tax-exempt bonds through State System bond financing and paying off the MAC debt. Since the transactions are between related parties, U.S. GAAP require that the University record the assets (the buildings) at the depreciated value that was recorded on the MAC's books at the time of acquisition by the University. Consequently, the debt assumed by the University significantly exceeded the value of the asset recorded, because not only did the funds that were originally borrowed by the MAC include noncapitalized items such as furnishings and debt service fees, but also because the annual depreciation on the housing recorded by the MAC exceeded the annual payments that were made to reduce debt principal.

The various bond series allocated to the University for the year ended June 30, 2020 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2019	Bonds Issued	Bonds Redeemed	Balance June 30, 2020
Series AJ Issued in 2009 for Building Renovations	4.85%	$ 3,615,000	$ -	$ 3,615,000	$ -
Series AL Issued in 2010 for Capital Project	5.00%	751,704	-	139,126	612,578
Series AN Issued in 2012 for Building Renovations	5.00%	1,185,228	-	334,979	850,249
Series AO Issued in 2013 for Capital Project	4.49%	425,000	-	100,000	325,000
Series AP Issued in 2014 for Note Financing	4.62%	1,020,937	-	187,534	833,403
Series AT Issued in 2016 for Housing Acquisition	3.44%	75,325,000	-	1,710,000	73,615,000
Series AV Issued in 2018 for Note Financing	4.22%	197,191	-	45,061	152,130
Series AW Issued in 2019 for Note Financing	3.11%	-	3,260,000	-	3,260,000
Total Bonds Payable		$ 82,520,060	$ 3,260,000	$ 6,131,700	$ 79,648,360
Plus: Unamortized Bond Premiums, Net					7,547,319
Outstanding - End of Year					$ 87,195,679

NOTE 7 BONDS PAYABLE (CONTINUED)

The various bond series allocated to the University for the year ended June 30, 2019 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2018	Bonds Issued	Bonds Redeemed	Balance June 30, 2019
Series AI Issued in 2008 for Note Financing	4.36%	$ 257,500	$ -	$ 257,500	$ -
Series AJ Issued in 2009 for Building Renovations	4.85%	4,130,000	-	515,000	3,615,000
Series AK Issued in 2009 for Building Renovations	4.00%	206,745	-	206,745	-
Series AL Issued in 2010 for Capital Project	5.00%	884,288	-	132,584	751,704
Series AN Issued in 2012 for Building Renovations	5.00%	1,506,501	-	321,272	1,185,229
Series AO Issued in 2013 for Capital Project	4.49%	520,000	-	95,000	425,000
Series AP Issued in 2014 for Note Financing	4.62%	1,201,230	-	180,293	1,020,937
Series AT Issued in 2016 for Housing Acquisition	3.44%	76,950,000	-	1,625,000	75,325,000
Series AV Issued in 2018 for Note Financing	4.22%	-	243,270	46,079	197,191
Total Bonds Payable		$ 85,656,264	$ 243,270	$ 3,379,473	82,520,061
Plus: Unamortized Bond Premiums, Net					7,873,053
Outstanding - End of Year					$ 90,393,114

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

Series		2021	2022	2023	2024	2025	2026-2030	2031-2035	2036-2040	2041-2045	2450-2050	2051-2055	Total
AL	Principal	$ 145,996	$ 42,317	$ 44,420	$ 46,692	$ 48,964	$ 284,189	$ -	$ -	$ -	$ -	$ -	$ 612,578
	Interest	30,629	23,329	21,213	18,992	16,658	44,017	-	-	-	-	-	154,838
	Total	176,625	65,646	65,633	65,684	65,622	328,206	-	-	-	-	-	767,416
AN	Principal	353,247	369,150	127,852	-	-	-	-	-	-	-	-	850,249
	Interest	25,676	6,193	636	-	-	-	-	-	-	-	-	32,505
	Total	378,923	375,343	128,488	-	-	-	-	-	-	-	-	882,754
AO	Principal	100,000	110,000	115,000	-	-	-	-	-	-	-	-	325,000
	Interest	16,250	11,250	5,750	-	-	-	-	-	-	-	-	33,250
	Total	116,250	121,250	120,750	-	-	-	-	-	-	-	-	358,250
AP	Principal	194,775	202,739	212,876	223,013	-	-	-	-	-	-	-	833,403
	Interest	39,722	31,931	21,794	11,152	-	-	-	-	-	-	-	104,599
	Total	234,497	234,670	234,670	234,165	-	-	-	-	-	-	-	938,002
AT	Principal	1,800,000	1,885,000	1,980,000	2,075,000	2,180,000	12,660,000	15,990,000	16,120,000	12,405,000	3,025,000	3,495,000	73,615,000
	Interest	3,015,600	2,925,600	2,831,350	2,732,350	2,628,600	11,394,000	8,089,000	4,913,000	2,575,000	1,342,500	506,000	42,953,000
	Total	4,815,600	4,810,600	4,811,350	4,807,350	4,808,600	24,054,000	24,079,000	21,033,000	14,980,000	4,367,500	4,001,000	48,107,500
AV	Principal	47,434	49,467	55,229	-	-	-	-	-	-	-	-	152,130
	Interest	7,606	5,235	2,761	-	-	-	-	-	-	-	-	15,602
	Total	55,040	54,702	57,990	-	-	-	-	-	-	-	-	167,732
AW	Principal	585,000	810,000	885,000	980,000	-	-	-	-	-	-	-	3,260,000
	Interest	163,000	133,750	93,250	49,000	-	-	-	-	-	-	-	439,000
	Total	748,000	943,750	978,250	1,029,000	-	-	-	-	-	-	-	3,699,000
Total	Principal	3,226,452	3,468,673	3,420,377	3,324,705	2,228,964	12,944,189	15,990,000	16,120,000	12,405,000	3,025,000	3,495,000	79,648,360
	Interest	3,298,483	3,137,288	2,976,754	2,811,494	2,645,258	11,438,017	8,089,000	4,913,000	2,575,000	1,342,500	506,000	43,732,794
	Total	$ 6,524,935	$ 6,605,961	$ 6,397,131	$ 6,136,199	$ 4,874,222	$ 24,382,206	$ 24,079,000	$ 21,033,000	$ 14,980,000	$ 4,367,500	$ 4,001,000	$ 119,380,154

NOTE 7 BONDS PAYABLE (CONTINUED)

In addition, the University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. This program provided $100,000,000 in funding over the next several years. The State System issued bonds to provide a pool for funding for AFRP $9,228,259 was outstanding as of June 30, 2020 and 2019. Universities requested funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program.

Changes in the balance under the AFRP pool of funding were as follows:

	2020	2019
Balance - July 1	$ 411,596	$ 593,150
Repayments	(164,127)	(181,553)
Balance - June 30	$ 247,469	$ 411,596

NOTE 8 NOTE PAYABLE

In May 2020, State System approved a ten-year Sustainability Loan to the University in the amount of $6 million. The loan interest is 0.64% per anum. This loan will be interest and principal free for the first five fiscal years, with principal and interest repayments beginning in year six of the ten-year period. As of June 30, 2020, the University drew $4 million and could draw up to $2 million more in the subsequent period. This amount is reported as a long-term payable due to State System on the University's balance sheet.

NOTE 9 DEBT REFUNDING

In September 2019, $85 million of the net proceeds from the Series AW tax-exempt revenue bonds were used to current refund portions of the Series AJ and Series AK bonds at the State System. The refunding resulted in an accounting gain of approximately $1,500,000 and was performed to reduce the debt service by approximately $14,000,000 and an economic gain (difference between the present values of the old and new debt service payments) of approximately $13,700,000. The University's share of the deferred gain on refunding was $78,069. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

In September 2018, $36.2 million of the net proceeds from the Series AV-1 tax-exempt revenue bonds were used to current refund Series AG and a portion of Series AI bonds. The refunding resulted in an accounting gain of approximately $144,000 and was performed to reduce debt service by approximately $2,700,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately $2,400,000. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

NOTE 10 RATING ACTIONS

In June 2020, Moody's Investors Service, Inc., maintained the State System's bond rating of Aa3 with an outlook of stable. In June 2020, Fitch Ratings affirmed the State System's rating of A+ with an outlook of stable.

NOTE 11 LEASES

The University has entered into a lease agreement which have been accounted for as capital lease. Changes in capital lease obligations were as follows:

	2020	2019
Balance at July 1	$ 190,968	$ 247,789
Additions	-	-
Repayments	(60,109)	(56,821)
Balance at June 30	$ 130,859	$ 190,968

At June 30, 2020 and 2019, capital assets include equipment under capital lease of $301,501, which is reported net of accumulated depreciation of $180,904 and $120,600, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2021	$ 71,163
2022	71,164
Total	142,327
Less: Amount Representing Interest	11,468
Net Present Value of Minimum Lease Payments	130,859
Less: Current Maturities	60,110
Long-Term Capital Lease Obligations	$ 70,749

NOTE 12 COMPENSATED ABSENCES

Changes in compensated absences are as follows:

	2020	2019
Balance - July 1	$ 3,180,271	$ 3,244,682
Current Changes in Estimate	771,929	327,125
Payouts	(255,911)	(391,536)
Balance - June 30	$ 3,696,289	$ 3,180,271

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB)

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

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal years ended June 30, 2020, and 2019.

	System Plan		REHP		Premium Assistance		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net OPEB Liabilities	$ 31,713,810	$ 33,396,338	$ 14,212,550	$ 19,731,269	$ 79,517	$ 69,682	$ 46,005,877	$ 53,197,289
Deferred Outflows of Resources:								
Net Difference between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	-	-	139	109	139	109
Difference Between Expected and Actual Experience	-	-	-	-	454	438	454	438
Changes in Proportion	-	-	866,636	1,054,290	2,557	837	869,193	1,055,127
Changes in Assumptions	-	-	454,711	-	2,617	1,092	457,328	1,092
Contributions after the Measurement Date	899,063	920,661	608,378	805,330	4,459	4,311	1,511,900	1,730,302
Total Deferred Outflows of Resources	899,063	920,661	1,929,725	1,859,620	10,226	6,787	2,839,014	2,787,068
Deferred Inflows of Resources:								
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	25,171	30,157	-	-	25,171	30,157
Difference Between Expected and Actual Experience	2,905,836	3,722,096	10,570,461	6,043,239	-	-	13,476,297	9,765,335
Changes in Assumptions	3,384,618	2,669,598	1,968,591	2,593,848	2,359	2,639	5,355,568	5,266,085
Changes in Proportion	-	-	607,207	-	537	619	607,744	619
Total Deferred Inflows of Resources	6,290,454	6,391,694	13,171,430	8,667,244	2,896	3,258	19,464,780	15,062,196
OPEB Expense	$ (863,106)	$ 622,106	$ (476,259)	$ (192,541)	$ 14,711	$ 6,443	$ (1,324,654)	$ 436,008
Contributions Recognized by OPEB Plans	$ 899,063	$ 920,661	$ 608,378	$ 805,330	$ 4,459	$ 4,311	$ 1,511,900	$ 809,641

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $899,063 for the System Plan, $608,378 for the REHP plan, and $4,459 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2021. 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	System Plan	REHP	Premium Assistance
June 30, 2021	$ 1,649,594	$ 2,979,229	$ (337)
June 30, 2022	1,649,594	2,979,229	(337)
June 30, 2023	1,649,594	2,822,579	(317)
June 30, 2024	1,057,910	2,138,108	(297)
June 30, 2025	283,762	926,411	(1,011)
Thereafter	-	4,527	(572)

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan

Plan Description

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

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

A total of 12,122 individuals are covered by the benefit terms (down from 12,511 in the prior year), including 7,235 active employees that may be entitled to receive benefit payments upon retirement, 47 retired participants entitled to but not receiving benefits, and 4,840 retired participants receiving benefits. Effective January 16, 2016, the State System OPEB plan became closed to newly hired SCUPA, SPFPA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

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

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2020.

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

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

- 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, 2020 is based is dated July 1, 2018, which was rolled forward to the measurement date of July 1, 2019. 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 6.0% in 2018 and 5.5% in 2019 through 2021, with rates gradually decreasing from 5.4% in 2022 to 3.8% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- The cost due to the excise tax under the Patient Protection and Affordable Care Act beginning in 2020 is 40% of the projected premiums in excess of the annual limits, calculated using an inflation rate of 2%.
- The annual cost of living increase beginning in 2018 is assumed to be 2.2% per year.
- Retiree premium cost sharing is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on a generational projection using Scale MP-2018 to reflect mortality improvement. The discount rate decrease from 3.13% to 2.98%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July, 1 2019.
- The discount rate increased from 2.98% to 3.36%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.
- Participant data is based on census information as of July 1, 2018.
- Experience assumptions for withdrawal and retirement, expected vs. actual, and election percentages were reviewed in 2019, and it was determined that the results were reasonable and did not warrant a further formal study.
- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 2.8%) or one percentage point higher (6.5% decreasing to 4.8%) than the current healthcare cost trend rates (5.5% decreasing to 3.8%).

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

	1% Decrease (4.5% Decreasing to 2.8%)	Healthcare Cost (5.5% Decreasing to 3.8%)	1% Increase (6.5% Decreasing to 4.8%)
2020	$ 26,451,073	$ 31,713,810	$ 38,529,002

The following presents the University's net OPEB liability, was at June 30, 2019 as well as what the liability would be if it were calculated using healthcare cost trend rates that were one percentage point lower (4.5% decreasing to 2.8%) or one percentage point higher (6.5% decreasing to 4.8%) than the current healthcare cost trend rates (5.5% decreasing to 3.8%).

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

	1% Decrease (4.5% decreasing to 2.8%)	Healthcare Cost (5.5% decreasing to 3.8%)	1% Increase (6.5% decreasing to 4.8%)
2019	$ 27,959,841	$ 33,396,338	$ 40,431,515

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The follow presents the University's net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current discount rate (2.98%).

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

	1% Decrease 1.98%	Current Rate 2.98%	1% Increase 3.98%
2020	$ 37,020,594	$ 31,713,810	$ 27,484,365

The following presents the University's Net OPEB liability was at June 30, 2019, as well as what the liability would have been if it had been calculated using a discount rate that was one percentage point lower (1.98%) or one percentage point higher (2.98%) than the current discount rate (3.98%).

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

	1% Decrease 1.98%	Current Rate 2.98%	1% Increase 3.98%
2019	$ 39,196,833	$ 33,396,338	$ 28,794,819

System Plan OPEB Liability

The System Plan's total OPEB liability of $31,713,810 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019.

The System Plan's total OPEB liability of $33,396,338 was measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2018.

	Changes in the System Plan Total OPEB Liability	
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019
Balance Beginning of Year	$ 33,396,338	$ 40,459,636
Service Cost	904,679	1,173,967
Interest	1,005,001	1,281,672
Changes in Assumptions	(1,744,653)	(319,847)
Changes in Benefit Terms	-	(28,221)
Difference Between Expected and Actual Experience	-	(4,872,166)
Benefit Payments	(1,847,555)	(4,298,703)
Net Changes	(1,682,528)	(7,063,298)
Balance End of Year	$ 31,713,810	$ 33,396,338

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP

Plan Description

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

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

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, 2020.

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

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs

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 $300 for each current REHP eligible active employee during the fiscal year ended June 30, 2019. The rate during the period July 1, 2017, through June 30, 2018, also was $300.

The State System records its REHP pension liability annually utilizing a measurement date one year prior to its fiscal year-end. The Commonwealth's State Employees' Retirement System (SERS) performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2011 through 2015 and was presented to the SERS Board in March 2016. 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 an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook.

The total OPEB liability in the June 30, 2019 and 2018 actuarial valuations were 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 estimated of the projected benefit payable at retirement to determine costs and liabilities,
- Inflation of 2.60%.
- Healthcare cost trend rate of 6.0%, with rates gradually decreasing to 4.1% in 2075 and later based on the SOA-Getzen trend rate model version 2019_b.
- Average career salary growth of 2.65% per year and an assumed 2.90% general salary increase.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the RP-2000 Male and Female Combined Healthy Mortality Tables or the RP-2000 Male and Female Disabled Retiree Mortality Tables, as appropriate, adjusted to ensure sufficient margin improvement in certain age ranges.
- Participant data based on census information as of December 31, 2018, for the June 30, 2019, measurement date; and as of December 30, 2017, for the June 30, 2018, measurement date.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- Discount rate of 3.50% as of June 30, 2019, and 3.87% as of June 30, 2018.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the index rate for the 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

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

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

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 4.37% for the measurement date of June 30, 2019 and 4.57% for the measurement date of June 30, 2018.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the REHP net OPEB liability at June 30, 2020, 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 3.1%) or one percentage point higher (7.0% decreasing to 5.1%) than the current healthcare cost trend rates (6.0% decreasing to 4.1%).

	Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
	1% Decrease (5.0% Decreasing to 3.1%)	Healthcare Cost (6.0% Decreasing to 4.1%)	1% Increase (7.0% Decreasing to 5.1%)
2020	$ 12,346,207	$ 14,212,550	$ 16,508,277

The following presents the University's share of the REHP net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.2% decreasing to 3.1%) or one percentage point higher (7.2% decreasing to 5.1%) than the current healthcare cost trend rates (6.2% decreasing to 4.1%).

	Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
	1% Decrease (5.2% Decreasing to 3.1%)	Healthcare Cost (6.2% Decreasing to 4.1%)	1% Increase (7.2% Decreasing to 5.1%)
2019	$ 16,937,684	$ 19,731,268	$ 23,203,652

The Following resents the University's share of the REHP net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate (3.50%).

	Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate		
	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
2020	$ 16,124,927	$ 14,212,550	$ 12,611,819

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

The Following resents the University's share of the REHP net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate (3.87%).

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

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
2019	$ 22,605,341	$ 19,731,268	$ 17,363,387

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

Premium Assistance

Plan Description

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiemployer OPEB plan administered by the administrative staff of PSERS. The members eligible to participate in the program include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the board of trustees (PSERS Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. Additional plan information can be found in the PSERS 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, 2019, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Plan Description (Continued)

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.83% of covered payroll for the fiscal years ended June 30, 2020 and 2019. 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 0.415% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year-end. The total OPEB liability, as of the June 30, 2019 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2018, to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2018
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 5.0%, comprising 2.75% for inflation and 2.25% 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 the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- 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, 2017, determined the employer contribution rate for fiscal year 2018/19.
- 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 rates and retirement ages were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- The discount rate used to measure the total OPEB liability was 2.79% at June 30, 2019, and 2.98% at June 30, 2018.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payment; therefore the plan is considered to be a pay-as-you-go plan. A discount rate of 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefits 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, 2019.

	2019		2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2 %	0.2%	5.9 %	0.3%
U.S. Core Fixed Income	83.1	1.0%	92.8	1.2%
Non-US Developed Fixed	3.7	0.0%	1.3	0.4%
Total	100.0 %		100.0 %	

The net OPEB liability was measured as of June 30, 2019 and 2018, 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, 2018, to June 30, 2019, and as of June 30, 2017, to June 30, 2018, respectively. 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 0.1886% and 0.1836% for the measurement dates of June 30, 2019 and 2018, respectively.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 6.50%) or one percentage point higher (between 6% and 8.50%) than the current healthcare cost trend rates (between 5% and 7.50%).

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

	1% Decrease (Between 4.0% and 6.5%)	Healthcare Cost (Between 5.0% and 7.5%)	1% Increase (Between 6.0% and 8.5%)
2020	$ 79,515	$ 79,517	$ 79,535

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2019, as well as what the liability would have been if it were calculated using healthcare cost trend rates that were one percentage point lower (between 4% and 6.75%) or one percentage point higher (between 6% and 8.75%) than the current healthcare cost trend rates (between 5% and 7.75%).

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

	1% Decrease (Between 4.0% and 6.75%)	Healthcare Cost (Between 5.0% and 7.75%)	1% Increase (Between 6.0% and 8.75%)
2019	$ 69,664	$ 69,682	$ 69,700

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.79%) or one percentage point higher (3.79%) than the discount rate used (2.79%).

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

	1% Decrease 1.79%	Current Rate 2.79%	1% Increase 3.79%
2020	$ 90,597	$ 79,517	$ 70,336

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2019, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the discount rate used (2.98%).

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

	1% Decrease 1.98%	Current Rate 2.98%	1% Increase 3.98%
2019	$ 79,239	$ 69,682	$ 61,746

NOTE 14 PENSION BENEFITS

The University's employees enroll in one of three available retirement plans upon employment. 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.

Following is the total of the University's pension liabilities, deferred outflows and deferred inflows of resources related to pensions, and the pension expense for the fiscal years ended June 30, 2020 and 2019.

	SERS		PSERS		Total	
	2020	2019	2020	2019	2020	2019
Net Pension Liabilities	$ 17,606,910	$ 20,324,843	$ 1,829,448	$ 1,588,111	$ 19,436,358	$ 21,912,954
Deferred Outflows of Resources:						
Difference Between Expected and Actual Experience	$ 219,532	$ 305,006	$ 10,077	$ 12,775	$ 229,609	$ 317,781
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	1,977,487	-	7,784	-	1,985,271
Changes in Assumptions	678,480	541,504	17,479	29,605	695,959	571,109
Difference Between Employer Contributions and Proportionate Share of Contributions	-	-	5,314	6,269	5,314	6,269
Changes in Proportion	182,260	291,512	48,830	27,100	231,090	318,612
Contributions After the Measurement Date	1,099,249	1,102,455	177,764	177,586	1,277,013	1,280,041
Total Deferred Outflows of Resources	$ 2,179,521	$ 4,217,964	$ 259,464	$ 261,119	$ 2,438,985	$ 4,479,083
Deferred Inflows of Resources:						
Difference Between Expected and Actual Experience	$ 119,255	$ 220,240	$ 60,628	$ 24,578	$ 179,883	$ 244,818
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	1,255,705	-	5,246	-	1,260,951	-
Difference Between Employer Contributions and Proportionate Share of Contributions	92,063	108,567	-	-	92,063	108,567
Changes in Proportion	409,772	160,755	11,715	16,775	421,487	177,530
Total Deferred Inflows of Resources	$ 1,876,795	$ 489,562	$ 77,589	$ 41,353	$ 1,954,384	$ 530,915
Contributions Recognized by Pension Plans	$ 2,022,455	$ 1,977,836	$ 177,764	$ 177,586	$ 2,200,219	$ 2,155,422
Pension Expense:						
SERS and PSERS	$ 2,730,198	$ 2,253,647	$ 676,984	$ 472,400	$ 3,407,182	$ 2,726,047
ARP					1,310,447	1,291,808
Total Pension Expense					$ 4,717,629	$ 4,017,855

NOTE 14 PENSION BENEFITS (CONTINUED)

The University will recognize the $1,099,249 reported as 2020 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $177,764 reported as 2020 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amortization	
Year Ending June 30,	SERS	PSERS
2021	$ (57,763)	$ 21,824
2022	(245,797)	(16,161)
2023	103,610	(5,278)
2024	(603,605)	3,726
2025	7,032	-
Total	$ (796,523)	$ 4,111

SERS

Plan Description

SERS is the administrator of a cost-sharing multiple-employer defined benefit plan established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option, to participate. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained from the SERS website at www.sers.state.pa.us.

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

Benefits Provided

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

NOTE 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

Employees who were hired prior to January 1, 2011 and retire at age 60 with 3 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. 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 new vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members, but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

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

Contributions

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In fiscal year 2018/2019, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 120.

For the SERS defined benefit plan, the State System's actuarially determined contribution rate for most active members was 34.04% of active members' annual covered payroll at June 30, 2020, with less common rates ranging between 24.92% and 28.84%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 16.93% or 17.18% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 15.62% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan.

NOTE 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

The University's contribution to the SERS defined benefit plan for the years ended June 30, 2020, 2019, and 2018, were $2,022,455. $1,977,836, and $1,887,259, respectively, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 4.0% or 5.0% of gross salary, depending upon what class of membership was elected.

For the SERS defined contribution plan, the University contributed at actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2020, depending upon the plan chosen by the employee. The University recognized $3,258 in SERS defined contribution pension expense for the year ended June 30, 2020 and $-0- for the year ended June 30, 2019, the first year of the plan's implementation.

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 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011–2015 was released in March 2016. 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 18th Investigation of Actuarial Experience at its March 2016 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2019 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.25% to 7.125%. The next SERS actuarial experience review occurred in summer 2020 and will be used for its 2020 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2019, measurement date:

- Entry age actuarial cost method.
- Investments amortized on straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.60%.
- Investment return of 7.125%, net of manager fees and including inflation.
- Salary increases based on an effective average of 5.60%, with a range of 3.70% to 8.90%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected RP-2000 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

NOTE 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2019 and 2018 summarized below:

	December 31, 2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0 %	7.25%
Global Public Equity	48.0	5.15%
Real Assets	12.0	5.26%
Multi-Strategy	10.0	4.44%
Fixed Income	11.0	1.26%
Cash	3.0	0.00%
Total	100.0 %	

	December 31, 2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.0 %	7.25%
Global Public Equity	48.0	5.15%
Real Assets	12.0	5.26%
Hedge Funds	10.0	4.44%
Fixed Income	11.0	1.26%
Cash	3.0	0.00%
Total	100.0 %	

The discount rate used to measure the total SERS pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2020, calculated using the discount rate of 7.125% as well as what the SERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.125%) or one percentage point higher (8.125%) than the current rate.

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

	1% Decrease 6.125%	Current Rate 7.125%	1% Increase 8.125%
2020	$ 22,372,463	$ 17,606,910	$ 13,527,035

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2019, calculated using the discount rate of 7.25% as well as what the SERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

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

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2019	$ 24,957,248	$ 20,324,843	$ 16,355,125

Proportionate Share

At June 30, 2020, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2019 was $17,606,910. At June 30, 2019, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2018 was $20,324,843.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the 2019 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2020/21 from the December 31, 2019 funding valuation to the expected funding payroll. For the allocation of the 2018 amounts this methodology applies the most recently calculated contribution rates for fiscal year 2019/20 from the December 31, 2018 funding valuation to the expected funding payroll. At December 31, 2019, the State System's proportion was 4.773% a decrease of 0.124% from its proportion calculated as of December 31, 2018, measurement date.

NOTE 14 PENSION BENEFITS (CONTINUED)

PSERS

Plan Description

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

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

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

Benefits Provided

Members who joined prior to July 1, 2011, are eligible for monthly retirement benefits upon reaching age 62 with at least one year of credited service, age 60 with 30 or more years of credited service, or any age with 35 or more years of service. Act 120 of 2010 preserved the benefits of members who joined prior to July 1, 2011, and introduced benefit reductions for individuals who become new members on or after July 1, 2011, through June 30, 2019, by creating two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must complete a minimum of 35 years of service with a combination of age and service that totals 92 or greater, or they must work until age 65 with a minimum of three years of service.

NOTE 14 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided (Continued)

Depending upon membership class, benefits are generally 2% or 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service. Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Member Contributions

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

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2020, was 32.60% 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 State System, meaning that the amount that the State System actually contributed was 16.68% of covered payroll. The University's contributions to PSERS for the years ended June 30, 2020, June 30, 2019, and June 30, 2018 was $177,764, $177,586, and $141,980, respectively, equal to the required contractual contribution.

NOTE 14 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions (Continued)

For the PSERS defined contribution plan, the State System is required to contribute at actuarially determined average rate of 0.09% of active members' annual covered payroll for the year ended June 30, 2020, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the State System contributions for the year ended June 30, 2020 were immaterial.

Actuarial Methods and Assumptions

The State System records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year-end. The total PSERS pension liability, as of the June 30, 2019 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2018, to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2018
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.25% with 2.75% inflation.
- Salary increases based on an effective average of 5.0%, which comprises a 2.75% allowance for inflation, and 2.25% for real wage growth and merit or seniority increases.
- Mortality rates based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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.

NOTE 14 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Methods and Assumptions (Continued)

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, 2019 and 2018.

	June 30, 2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0 %	5.6 %
Fixed Income	36.0	1.9
Commodities	8.0	2.7
Absolute Return	10.0	3.4
Risk Parity	10.0	4.1
Infrastructure/MLPs	8.0	5.5
Real Estate	10.0	4.1
Alternative Investments	15.0	7.4
Cash	3.0	0.3
Financing (LIBOR)	(20.0)	0.7
Total	100.0 %	

	June 30, 2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0 %	5.2 %
Fixed Income	36.0	2.2
Commodities	8.0	3.2
Absolute Return	10.0	3.5
Risk Parity	10.0	3.9
Infrastructure/MLPs	8.0	5.2
Real Estate	10.0	4.2
Alternative Investments	15.0	6.7
Cash	3.0	0.4
Financing (LIBOR)	(20.0)	0.9
Total	100.0 %	

The discount rate used to measure the total PSERS pension liability was 7.25%. 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 project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investment was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 14 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Methods and Assumptions (Continued)

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2020, calculated using the discount rate of 7.25% as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

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

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2020	$ 2,278,786	$ 1,829,448	$ 1,448,970

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2019, calculated using the discount rate of 7.25% as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

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

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2019	$ 1,968,575	$ 1,588,111	$ 1,266,406

Proportionate Share

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:

	2020	2019
Total PSERS Net Pension Liability Associated with the University	$ 3,658,896	$ 3,176,222
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Pension Liability	(1,829,448)	(1,588,111)
University's Proportionate Share of the PSERS Net Pension Liability	$ 1,829,448	$ 1,588,111

PSERS measured the 2020 and 2019 net pension liabilities as of June 30, 2019, and June 30, 2018 respectively. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employer's one-year reported covered payroll, At June 30, 2019, the University's proportion was .1886%, an increase of .005% from its proportion calculated as of June 30, 2018.

NOTE 14 PENSION BENEFITS (CONTINUED)

ARP

The ARP is a defined contribution plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2020 and 2019 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2020 and 2019, were $1,310,447 and $1,291,808, respectively, from the University; and $705,300 and $695,000, respectively, from active members. No liability is recognized for the ARP.

NOTE 15 WORKERS' COMPENSATION

The University is self-insured for workers' compensation losses. For claims occurring prior to July 1, 1995, State System universities must pay up to $100,000; for claims occurring on or after July 1, 1995, State System universities must pay up to $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all State System universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the universities contributed $52,812, 23,682, and $38,904 to the Reserve Fund during the years ended June 30, 2020, 2019, and 2018, respectively, and was given a refund of $2,565 from the Reserve Fund in 2018.

Changes in the aggregate liability for claims under the self-insurance limit were as follows:

	2020	2019	2018
Balance - July 1	$ 354,622	$ 248,926	$ 237,942
Current Year Claims and Changes in Payments	8,218	105,696	10,984
Balance - June 30	$ 362,840	$ 354,622	$ 248,926

NOTE 16 COMMITMENTS AND CONTINGENCIES

General

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 to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

General (Continued)

The University is self-insured for workers' compensation up to stated limits (Note 15). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including CARES funding in 2019/20. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for the eligible purposes. Substantially all grants are subject to financial regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to the financial and compliance audits by the grantors. As of June 30, 2020, the University estimates that adjustments, if any, as a result of such audits would have not have a material adverse effect on the accompanying financial statements.

Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2020 and 2019 were approximately $160,909 and $6,100, respectively.

Covid-19 Pandemic

Covid-19 may impact various parts of the operations and financial results of the University and component units, including method of educational delivery, athletics, housing, and food service. Management believes that the University and component units are taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is unknown and cannot be reasonably estimated June 30, 2020.

Labor Concentration

Approximately 86% of PASSHE's employees are covered by nine collective bargaining agreements. Seven of the agreements were renegotiated during the past fiscal year; most of which are effective through fiscal year 2022/23. The only exceptions are two minor unions: the agreement for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA), which expired on August 31, 2020, and the Professional Doctors Association (PDA). A tentative agreement was reached with SPFPA in September

NOTE 17 GOING CONCERN CONSIDERATIONS

As shown in the accompanying financial statements for the years ended June 30, 2020 and 2019, the University has net loss of $(9,716) thousand and net income of $872 thousand, respectively and negative cash flow of $(6.35) million and negative cash flow of $(5.5) million, respectively. The University also has a negative unrestricted net position of $(91.2) million and a negative total net position of $(85.7) million, as of June 30, 2020.

There was a decrease in cash flow during fiscal year 2019/20 and over the last five years, the University's Education & General (E&G) cash has decreased by $7.9 million, or 66%, from $11.9 million at June 30, 2015, to $4.0 million at June 30, 2020. Auxiliary cash has decreased by $8 million, or 95%, from $8.4 million at June 30, 2015, to $0.4 million at June 30, 2020.

The decline in cash, as well as the deficits in current year operations, can be primarily attributed to Mansfield's steadily declining enrollment. As cash flow weaknesses can seriously threaten financial viability, the Office of the Chancellor is working with Mansfield University to closely monitor its cash flows.

The declining enrollment, as well as the impact of labor contract terms, could cause further financial erosion creating uncertainty about the University's ability to continue as a going concern. Currently, the ability of the University to continue as a going concern is dependent on management's plans to reverse or slow the trends of declining enrollment, negative cash flow, and annual deficits. The financial statements do not include any adjustments that might be necessary if the University is unable to continue as a going concern.

Management's Plans – Management noted that Mansfield University is currently working on Sustainability Plans to address the negative financial trend that the University has experienced over the last several fiscal years. The priority of the current administration is to continue to focus on student success. As such, the administration remains committed to continuing to reverse the negative financial trend and to enhance the positive enrollment trend to ensure the University remains financially viable.

NOTE 17 GOING CONCERN CONSIDERATIONS (CONTINUED)

The Administration plans to take the following steps to enhance the positive enrollment trend and stabilize the financial position of the University:

- The University continues to collaborate with EAB Global, Inc. to provide a comprehensive enrollment improvement program for Mansfield University. Enrollment growth continues with fall 2019 enrollment up by approximately 2% and fall 2020 enrollment up by approximately 7.8%. EAB Global continues to help Mansfield University optimize its financial aid packages to maximize net tuition revenue.
- The University revised their tuition, room and board rate schedules to optimize marketability within the region and to all prospective students. A tuition freeze was also approved by the State Board of Governors for undergraduate resident students for Fiscal Year 2019/20. This pricing revision has positioned Mansfield University in the middle range of cost of attendance throughout PASSHE.
- The University engaged a marketing consultant to develop a strategic and effective plan for innovative ways to increase marketability and highlight program offerings to prospective and current students. The enhanced marketing plans include utilization of all media platforms, enhancement of the University's website and Search Engine Optimization.
- The University has made changes to the organizational structure to reduce hiring and continues to examine all open positions, delay hiring when feasible, and eliminate all unnecessary operating expenses. Mansfield University is also taking action to reduce personnel expenses by reducing the E & G faculty complement and nonfaculty complement by fiscal year 2023.
- The University continues to address low-enrolled programs and has recently placed one degree program, six concentrations, and eight minors in moratorium effective September 1, 2020.
- The University continues to partner with Bloomsburg University to provide its Human Resources, Payroll and Purchasing services. The University will continue to evaluate the opportunity for shared resources, combine services, and take advantage of economies of scale with other PASSHE universities as they continue to make progress toward further fiscal sustainability.
- PASSHE is working on a significant System Redesign process, which is looking at all of the PASSHE Universities to ensure student success, leverage University strengths, and transform the leadership structure. PASSHE has also engaged Ernest & Young to identify streamlined and centralized processes that can cut costs and gain efficiencies.

NOTE 18 SUBSEQUENT EVENTS

In July 2020, PHEFA issued Series AX tax-exempt revenue bonds in the amount of $94,985,000. The net proceeds from the Series AX revenue bonds were used to acquire certain student housing facilities at East Stroudsburg University, as well as to current refund Series AH, Series AJ and Series AL revenue bonds. The refunding was performed to reduce debt service by approximately $10 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $9 million. In connection with the bond issuance, the State System entered into a loan agreement with PHEFA under which the State System pledged its full faith and credit for repayment of the bonds.

On July 16, 2020, the State System Board of Governors entered into the next phase of System Redesign and authorized the chancellor to review the financial impacts of integrating operations at selected System universities. A financial review is the first step towards integrating universities as outlined in Act 50, which requires a detailed, transparent, and broadly consultative review, planning and implementation process—one that will be undertaken over the next two years. As a result of this review, the System has identified two possible combinations for further exploration – Bloomsburg-Lock Haven-Mansfield and California-Clarion-Edinboro. If integrated, these combinations would operate under a unified leadership team reporting through the chancellor to the Board, have a single faculty and staff, a single academic program array, a unified enrollment strategy, and a single budget—all while honoring the local identity of the original institutions.

The process for integrating State System universities is defined in Act 50. It is transparent, consultative, analytical, and intended to seek solutions, not implement solutions that have been predetermined. The process is conducted in partnership with the General Assembly through quarterly check-ins with House and Senate Education and Appropriations Committees. It consists of four phases, progress between which requires affirmation by the Board. The phases, and the most expeditious path for their completion are outlined below.

- Phase 1 involves a review of the financial impacts of a potential integration, which is underway.
- Phase 2 involves the development of a detailed plan or plans to integrate selected institutions.
- Phase 3 involves a public comment period.
- Phase 4 involves implementing the plan.

Detailed information on the progress of System Redesign can be found at https://www.passhe.edu/SystemRedesign/ and detailed information on integration can be found at https://www.passhe.edu/systemredesign/pages/integrations.aspx.

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Changes in the System Plan Total OPEB Liability	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Total OPEB Liability - Beginning Balance	$ 33,396,338	$ 40,459,636	$ 47,007,588
Service Cost	904,679	1,173,967	3,213,857
Interest	1,005,001	1,281,672	2,606,212
Changes of Benefit Terms	(1,744,653)	(28,221)	-
Differences Between Expected and Actual Experience	-	(4,872,166)	-
Changes in Assumptions	-	(319,847)	(9,462,659)
Benefit Payments	(1,847,555)	(4,298,703)	(2,905,362)
Net Changes	(1,682,528)	(7,063,298)	(6,547,952)
Total OPEB Liability - Ending Balance	$ 31,713,810	$ 33,396,338	$ 40,459,636
Covered Employee Payroll	$ 14,449,312	$ 14,806,535	16,411,861
OPEB Liability as a Percent of Covered Payroll	219.48%	225.55%	246.53%

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

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll	REHP's Fiduciary Net Position as a % of Total OPEB Liability
2017/18	4.374%	$ 27,464	$ 3,744	734%	1.4%
2018/19	4.483%	$ 19,731	$ 3,519	561%	2.2%
2019/20	4.370%	$ 14,213	$ 3,649	390%	3.8%

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	$ 643	$ 643	$ -	$ 4,403	14.6%
2018/19	$ 805	$ 805	$ -	$ 4,599	17.5%
2019/20	$ 608	$ 608	$ -	$ 4,613	13.2%

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

	PSERS Net OPEB Liability						
Fiscal Year	State 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 % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total OPEB Liability
2017/18	0.18110%	$ 61	$ 61	$ 122	$ 802	7.7%	5.7%
2018/19	0.18360%	$ 70	$ 70	$ 140	$ 900	7.7%	5.6%
2019/20	0.18860%	$ 80	$ 80	$ 160	$ 1,031	7.7%	5.6%

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	$ 4	$ 4	$ -	$ 912	0.4%
2018/19	$ 4	$ 4	$ -	$ 1,046	0.4%
2019/20	$ 4	$ 4	$ -	$ 1,061	0.4%

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Schedule of Proportionate Share of SERS Net Pension Liability (NPL)
Determined as of December 31, SERS 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 % of Covered Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	4.90055%	$ 18,328	$ 7,476	$ 245	64.8%
2015/16	4.72080	20,807	7,216	288	58.9
2016/17	4.83700	21,025	6,789	310	57.8
2017/18	4.90590	17,572	6,406	275	63.0
2018/19	4.89710	20,325	6,346	320	56.4
2019/20	4.77320	17,607	6,392	276	63.1

SERS Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	$ 1,379	$ 1,379	$ -	$ 7,476	18.4%
2015/16	1,558	1,558	-	7,216	23.8
2016/17	1,736	1,736	-	6,105	28.4
2017/18	1,887	1,887	-	5,865	32.2
2018/19	1,978	1,978	-	6,161	32.1
2019/20	2,022	2,022	-	6,101	33.2

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

		PSERS Net Pension Liability				University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
Fiscal Year	State System's Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total	University's Covered-Employee Payroll		
2014/15	0.1785%	$ 1,379	$ 1,379	$ 2,758	$ 445	310%	57.2%
2015/16	0.18520	1,310	1,310	2,620	779	200	54.4
2016/17	0.18330	1,650	1,651	3,301	862	200	50.1
2017/18	0.18110	1,485	1,485	2,970	801	200	51.8
2018/19	0.18360	1,588	1,588	3,176	891	200	54.0
2019/20	0.18360	1,829	1,829	3,658	1,079	200	55.7

PSERS Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	$ 77	$ 77	$ -	$ 445	19.2%
2015/16	109	109	-	895	12.2
2016/17	118	118	-	810	14.6
2017/18	142	142	-	912	15.6
2018/19	178	178	-	1,046	17.0
2019/20	178	178	-	1,061	16.8