MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2021 AND 2020

WEALTH ADVISORY | OUTSOURCING
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MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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) and College Community Services, Inc. (CCSI), 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.

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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, 2021 and 2020, 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.

Emphasis of Matter

The financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units that are attributable to the transactions of the University. The University is one of fourteen universities and the Office of Chancellor of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2021 and June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 12 and the schedules of proportionate share of net pension liability, OPEB liability, proportionate share of net OPEB liability, and contributions on pages 73 through 77 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 29, 2021

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

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, 2021.

FINANCIAL HIGHLIGHTS

- Mansfield University experienced an increase in enrollment for the fall 2020 semester. The fall 2020 semester headcount of 1,792 represented an increase of 129 students (7.76%) from fall 2019. The fall 2019 semester headcount of 1,663 represented an increase of 26 students(1.6%) from fall 2018.

- Due to enrollment increases, the FTE Enrollment for fall 2020 increased to 1,604, an increase of 50 FTE (3.2%) from fall 2019. The FTE Enrollment for fall 2019 increased to 1,554, an increase of 26 FTE(1.7%) from fall 2018.

- The State System received no increase or decrease in the 2020/21 General Fund appropriations from the Commonwealth of Pennsylvania. The base appropriations did not change and the performance funding is no longer part of the appropriation formula for fiscal year 2020/21.

- The State System's Board of Governors approved a tuition freeze for a second year for undergraduate resident students for fiscal year 2020/21. Locally, Mansfield University's Council of Trustees chose to increase the mandatory student fees by $32. Tuition remained at a flat-rate model. The meal plans were increased by approximately .6% with the same $250 of dining flex spending. University housing offered the same options for fiscal year 2020/21 that were offered in fiscal year 2019/20. The tuition freeze and minimal mandatory fee increase resulted in combined tuition and fee revenue (before discounts) of $15,273,275, a decrease of $223,201 or 1.44% from fiscal year 2019/20. Combined tuition and fee revenue (before discounts) was $15,496,476 for fiscal year 2019/20, a decrease of $2,282,502 or a 12.8 % from fiscal year 2018/19.

- During fiscal year 20/21 and 19/20, the University made scheduled principal payments of $3,308,561 and $2,871,701, respectively, resulting in total bond debt outstanding of $76,339,798 at June 30, 2021 as compared to $79,648,359 at June 30, 2020 and to $82,520,061 at June 30, 2019. This bond debt is allocated to:

E&G	$ 3,351,120
Residence Life	72,988,678

- Mansfield University purchased $944,336 in capital assets in fiscal year 2020/21. The amount spent on buildings and improvements to buildings and grounds totaled $659,512 while equipment and furnishings totaled $279,700 and $5,124 for library books. In fiscal year 2019/2020, the university purchased $3,438,295 in capital assets. 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. The remaining $2,000,000 was drawn on May 25, 2021. On May 13, 2021, The Board of Governors approved an additional $7,000,000 Promissory Note between Mansfield University and PASSHE of which $4,000,000 was drawn on May 25,2021. Both loans 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. Assets include cash; investments reported at fair value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation. Deferred outflows 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 $7,122,096 in fiscal year 2020/21, as compared to a decrease of $9,715,771 in fiscal year 2019/20 and an increase of $872,154 in fiscal year 2018/19. The net position decrease in fiscal year 2020/21 was the result of enrollment levels not adequate to generate sufficient revenue to cover expenses.

Following is a summary of the balance sheet at June 30, 2021, 2020, and 2019:

	2021	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and Cash Equivalents	$ 1,565,356	$ 4,445,791	$ 10,796,026
Capital Assets, Net	85,957,584	90,024,787	92,153,779
Other Assets	4,018,423	3,984,809	5,310,245
Deferred Outflows of Resources	13,237,054	5,286,259	7,280,159
Total Assets and Deferred Outflows of Resources	$ 104,778,417	$ 103,741,646	$ 115,540,209
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Postretirement Benefits Liability	$ 52,484,328	$ 46,005,877	$ 53,197,289
Compensated Absences Liability	4,397,477	3,696,289	3,180,271
Due to State System, AFRP	173,423	247,470	411,597
Due to State System, Sustainability Loan	10,000,000	4,000,000	-
Net Pension Liability	18,700,283	19,436,358	21,912,954
Bonds Payable	83,288,474	87,195,679	90,393,114
Other Liabilities	7,031,116	7,328,662	6,787,171
Deferred Inflows of Resources	21,491,333	21,497,232	15,607,963
Total Liabilities and Deferred Inflows of Resources	197,566,434	189,407,567	191,490,359
NET POSITION			
Net Investment in Capital Assets	2,349,615	2,380,969	1,644,990
Restricted	3,732,966	3,155,696	3,537,282
Unrestricted	(98,870,598)	(91,202,586)	(81,132,422)
Total Net Position	(92,788,017)	(85,665,921)	(75,950,150)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 104,778,417	$ 103,741,646	$ 115,540,209

- *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.

NET POSITION (CONTINUED)

- *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.

- *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 increased $6,478,451, to $52,484,328 for the year ending June 30, 2021 and decreased by $7,191,412 to $46,005,877 for the year ended June 30, 2020. 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 2020/21 and 2019/20 was $1,100,261 and $1,507,441, respectively.

  - The liability for compensated absences increased by $701,188 to a total of $4,397,477 for the year ending June 30, 2021 and by $516,018 to a total of $3,696,289 for the year ended June 30, 2020. 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 2020/21 totaled $1,535,437 an increase of $763,508 over the prior year and for 2019/20 totaled $771,929, an increase of $444,804 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 2020/21 was $11,184,611, a decrease of $920,372 from the previous year, and for the fiscal year 2019/20 it was $12,104,983, an increase of $3,730,142 from previous year. The primary decrease for fiscal year 2020/21 was due to the decrease in tuition and fee waivers and E&G institutional scholarships of $587,041. The aid was disbursed as follows:

REVENUES AND EXPENSES (CONTINUED)

	2021	2020
Federal Pell Grants	$ 3,755,431	$ 3,978,631
Other Federal Aid	171,240	129,962
State Aid (including PHEAA)	2,864,125	2,892,292
Endowments and Restricted Aid	135,884	121,857
E & G Scholarships	107,813	172,565
Tuition and Fee Waivers	3,971,707	4,558,748
Housing and Dining Waivers	178,411	250,928
	$ 11,184,611	$ 12,104,983

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 year 2020/21 and 2019/20 was $77,729 and $242,354, a decrease of $164,625 and $284,885 from the prior year, respectively. The investment rate for June 2021 was 1.14% compared to the June 2020 rate of 1.61%.

- Salaries and benefits totaled $30,626,029 for the fiscal year 2020/21 and $32,124,403 for fiscal year 2019/20. Salaries decreased by $442,843 for fiscal year 2020/21 and increased by $297,061 for fiscal year 2019/20. Benefits decreased by $1,055,531 for fiscal year 2020/21 and increased by $4,267,846 for fiscal year 2019/20. There was an overall decrease of $1,498,374 or 4.66% over fiscal year 2019/20 and an overall increase of $4,564,907 or 16.56% over fiscal year 2018/19. Benefits as a percentage of salaries were 36.02% and 39.92%, respectively.

- Mansfield University's employer health & welfare and hospitalization benefit costs for 2020/21 and 2019/20 totaled $3,349,426 and $3,447,919, a decrease of $98,493 or 2.86% and an increase of $110,868 or 3.32%, respectively.

- GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions)* was implemented during the fiscal year ending 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 2020/21 required contribution of $1,100,261 toward annuitant health care expense was $407,180 or 27.01% less than the prior year. The required contribution of $1,507,441 for fiscal year 2019/20 was $218,550 or 12.66% less than the prior year. Annuitant health care for fiscal years 2020/21 and 2019/20 was 24.73% and $30.42% of the total pay-as-you-go healthcare costs for the University, respectively.

- Fall 2021 permanent salaried complement totaled 288, compared to 292 for fall 2019 and 278 for fall 2018.

REVENUES AND EXPENSES (CONTINUED)

- 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. The new contract which covers the period of September 1, 2020 through August 31, 2022 includes a projected compounded fiscal impact of 11.6% for the three year period of FY 2020/21 through FY 2022/23.

  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%.

Lastly, for those employees not represented by a union, the PASSHE Board of Governors approved a 2.5% merit pool effective July 1, 2020. The last merit-based pay increases for eligible nonrepresented employees prior to the July 1, 2020 merit pool were 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.

REVENUES AND EXPENSES (CONTINUED)

Following is a summary of revenues and expenses for the years ended June 30, 2021, 2020 and 2019:

	Percent of Total	2021	Percent of Total	2020	Percent of Total	2019
OPERATING REVENUES						
Tuition and Fees, Net	15.78 %	$ 7,068,352	11.60 %	$ 5,090,494	22.59 %	$ 11,118,768
Grants and Contracts	8.10	3,630,531	8.26	3,624,052	6.27	3,086,516
Auxiliary Enterprises, Net	12.43	5,569,311	20.90	9,176,781	21.66	10,660,557
Other	1.29	579,055	1.30	572,342	1.75	861,104
Total Operating Revenues	37.60	16,847,249	42.06	18,463,669	52.27	25,726,945
OTHER REVENUES						
State Appropriations (including ARRA Funds)	42.61	19,090,242	43.30	19,008,147	37.79	18,602,123
Investment Income, Net	0.41	183,534	0.65	284,967	1.15	565,902
Pell Grants	8.39	3,755,431	9.06	3,978,631	7.49	3,689,319
Gifts, Grants, and Other	10.99	4,924,360	4.93	2,163,906	1.30	641,379
Total Other Revenues	62.40	27,953,567	57.94	25,435,651	47.73	23,498,723
Total Revenues	100.01	44,800,816	100.00	43,899,320	100.00 %	49,225,668
OPERATING EXPENSES						
Instruction	28.73	14,917,489	27.56	14,776,586	27.44	13,270,490
Public Service	0.19	94,471	0.38	197,333	0.44	215,068
Academic Support	6.24	3,239,602	7.12	3,818,382	5.44	2,628,913
Student Services	11.47	5,955,388	13.01	6,977,929	11.33	5,478,288
Institutional Support	14.01	7,274,901	15.18	8,136,733	12.05	5,827,895
Operation/Maintenance of Plant	7.30	3,791,423	9.03	4,842,552	5.54	2,677,717
Depreciation	9.65	5,011,542	9.82	5,266,478	11.49	5,554,936
Student Aid	8.10	4,206,019	4.43	2,375,190	2.20	1,063,541
Auxiliary Enterprises	9.34	4,850,233	7.85	4,210,333	17.60	8,507,912
Total Operating Expenses	95.03	49,341,068	94.38	50,601,516	93.53	45,224,760
OTHER EXPENSES						
Interest Expense	4.98	2,586,344	5.15	2,762,898	6.23	3,011,949
Loss on Disposal of Assets of Assets	(0.01)	(4,500)	0.47	250,677	0.24	116,805
Total Other Expenses	4.97	2,581,844	5.62	3,013,575	6.47	3,128,754
Total Expenses	100.00 %	51,922,912	100.00 %	53,615,091	100.00 %	48,353,514
CHANGE IN NET POSITION		$ (7,122,096)		$ (9,715,771)		$ 872,154

FUTURE ECONOMIC FACTORS

University Integrations

On July 14, 2021, the Board approved the university integrations in accordance with Act 50 which was signed into law on July 1, 2020. This action by the board authorized the integration of the existing Bloomsburg University, Lock Haven University, and Mansfield University into a single Northeast Integrated University, and the existing California University, Edinboro University, and Clarion University into a single Western Integrated University. These integrations have been designed to leverage the strength of these universities to position them to better serve students and to improve financial sustainability.

Each campus will continue to provide a residential university experience including face-to-face classes and engagement with faculty and staff, participation on athletic teams, in co-curricular activities, and in student clubs and organizations. The integrated universities will also provide opportunities for working students and others seeking online and hybrid learning modalities. Students at the integrated universities will also benefit from enhanced support services that lead to improved educational outcomes. Each integrated university will have the following:

- a single president and leadership team with one reporting relationship to the Board of Governors through the Chancellor;
- a unified faculty providing instruction in a single academic program array that leverages program, faculty, and facilities strengths at the three partner campuses and in which the majority of credentials, majors, minors, and areas of concentration are available to all students at each of the partner campuses through a combination of face-to-face and remote instruction—with general education courses available on each campus through face-to-face instruction;
- an integrated enrollment management strategy and student-facing supports and services;
- a robust student recruitment process with an expanding array of high schools, community colleges, and other education providers, including robust dual enrollment and transfer articulation agreements and associated student supports;
- significantly expanded opportunities for adult students seeking to re-skill and up-skill through nondegree credentialing courses;
- and continued use of each campus's historic name and brand identity as part of its respective integrated university.

The integration plans assume the integrated universities will begin operations in fiscal year 2022/23 and will phase in changes over a multiyear timeline with mission critical changes phased in first. The process for implementing these plans will be collaborative and transparent, requiring the sustained engagement of students, faculty, staff, university and system leaders, elected officials, community leaders and others across the State System. Quarterly updates will be provided to the Board of Governors and General Assembly according to Act 50 and to ensure alignment with board-approved metrics so that adjustments can be made as needed.

Overall, the parallel tracks of the university financial sustainability policy and integrations is intended to improve long-term financial sustainability, ultimately providing a better future for the students served across the Commonwealth and the communities in which System universities reside.

FUTURE ECONOMIC FACTORS (CONTINUED)

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

- Enrollment issues continue to be the primary focus at Mansfield University. The University continues to partner with EAB Global, Inc. 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. Mansfield University's enrollment increased approximately 2% in fall 2019 and 7.8% in fall 2020 and ended 2021 with flat enrollment year-over-year despite the pandemic.

- 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 has been taking action to reduce personnel expenses by reducing the E&G faculty complement and nonfaculty complement by fiscal year 2023. Total personnel expenditures were $31.5M in 2021 and are estimated to decrease to $31.1M for FY2021/22 and $31.1M for FY2022/23 despite salary and benefits increases related to collective bargaining agreements.

FUTURE ECONOMIC FACTORS (CONTINUED)

- The greatest risks to Mansfield University continue to be enrollment concerns, the uncertainty about the State System's financial health, a change in the appropriation allocation method which will have a negative impact on Mansfield, and the Commonwealth's investment in higher education. However, integration with Lock Haven and Bloomsburg Universities should strengthen the financial state of all three institutions. See Note 17 for further details.

For further information about these financial statements, contact Mansfield University, Controller's Office (570) 662-4898, 31 South Academy Street, Mansfield, PA 16933

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,565,356	$ 4,445,791
Accounts Receivable:		
Governmental Grants and Contracts	83,836	300,968
Students, Net of Allowance for Doubtful Accounts of Accounts of $534,696 in 2021 and $321,246 in 2020	1,084,952	964,588
Gifts and Other	528,020	63,755
Interest Income Receivable	15,221	39,971
Inventories	77,128	78,518
Prepaid Expenses and Other Current Assets	308,986	298,595
Loans Receivable	135,052	210,941
Total Current Assets	3,798,551	6,403,127
NONCURRENT ASSETS		
Investments	1,132,634	1,063,647
Loans Receivable, Net	644,622	952,093
Capital Assets, Net	85,957,584	90,024,787
Other Assets	7,972	11,733
Total Noncurrent Assets	87,742,812	92,052,260
Total Assets	91,541,363	98,455,387
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	2,510	8,259
Pension Related	3,563,810	2,438,986
Other Postretirement Benefits Related	9,670,734	2,839,014
Total Deferred Outflows of Resources	13,237,054	5,286,259
Total Assets and Deferred Outflows of Resources	$ 104,778,417	$ 103,741,646

See accompanying Notes to Financial Statements

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2021 AND 2020

	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 5,207,636	$ 4,210,788
Unearned Revenue	470,317	1,195,329
Students' Deposits	56,525	59,600
Workers' Compensation	114,152	123,333
Compensated Absences	442,794	363,545
Other Postretirement Benefit	1,100,261	1,507,441
Capitalized Lease Obligations	67,270	60,110
Current Portion of Bonds Payable	4,069,913	3,881,611
Due to System, Academic Facilities Renovation Bond Program (AFRP)	31,744	74,047
Other Current Liabilities	267,856	286,120
Total Current Liabilities	11,828,468	11,761,924
NONCURRENT LIABILITIES		
Workers' Compensation	233,176	239,507
Compensated Absences	3,954,683	3,332,744
Other Postretirement Benefit	51,384,067	44,498,436
Net Pension Liability	18,700,283	19,436,358
Capitalized Lease Obligations	-	70,749
Bonds Payable	79,218,561	83,314,068
Due to System, AFRP	141,679	173,423
Unearned Revenue	21,268	28,357
Due to System, Sustainability Loan	10,000,000	4,000,000
Other Noncurrent Liabilities	592,916	1,054,769
Total Noncurrent Liabilities	164,246,633	156,148,411
Total Liabilities	176,075,101	167,910,335
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding	81,313	78,069
Pension Related	3,717,116	1,954,383
Other Postretirement Benefits Related	17,692,904	19,464,780
Total Deferred Inflows of Resources	21,491,333	21,497,232
Total Liabilities and Deferred Inflows of Resources	197,566,434	189,407,567
NET POSITION		
Net Investment in Capital Assets	2,349,615	2,380,969
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	640,208	586,806
Other	452,222	446,925
Expendable:		
Scholarships and Fellowships	518,624	532,329
Research	119,395	44,629
Capital Projects	1,559,357	1,285,470
Other	443,160	259,537
Unrestricted Net Position	(98,870,598)	(91,202,586)
Total Net Position	(92,788,017)	(85,665,921)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 104,778,417	$ 103,741,646

See accompanying Notes to Financial Statements

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, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Tuition and Fees	$ 15,273,275	$ 15,496,476
Less: Scholarship Discounts and Allowances	8,204,923	10,405,982
Net Tuition and Fees	7,068,352	5,090,494
Governmental Grants and Contracts:		
Federal	465,834	533,342
State	2,900,497	3,008,807
Local	110,000	50,000
Nongovernmental Grants and Contracts	154,200	31,903
Sales and Services of Educational Departments	209,751	352,289
Auxiliary Enterprises	5,569,311	9,176,781
Other Revenues	369,304	220,053
Total Operating Revenues	16,847,249	18,463,669
OPERATING EXPENSES		
Instruction	14,917,489	14,776,586
Public Service	94,471	197,333
Academic Support	3,239,602	3,818,382
Student Services	5,955,388	6,977,929
Institutional Support	7,274,901	8,136,733
Operations and Maintenance of Plant	3,791,423	4,842,552
Depreciation	5,011,542	5,266,478
Student Aid	4,206,019	2,375,190
Auxiliary Enterprises	4,850,233	4,210,333
Total Operating Expenses	49,341,068	50,601,516
NET OPERATING LOSS	(32,493,819)	(32,137,847)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	18,074,506	18,074,506
Federal Grants - CARES Act Covid Relief	4,568,484	1,473,619
Commonwealth on-behalf contributions to PSERS	197,086	224,216
Pell Grants	3,755,431	3,978,631
Investment Income, Net of Related Investment Expense of $1,105 in 2021 and $1,775 in 2020	76,623	240,579
Unrealized Gain on Investments	106,911	44,388
Gifts and Contributions for Other than Capital Purposes	293,106	483,586
Interest Expense on Capital Asset-Related Debt	(2,586,344)	(2,762,898)
Gain (Loss) on Disposal of Assets	4,500	(250,677)
Other Nonoperating Revenue	53,822	153,705
Nonoperating Revenues, Net	24,544,125	21,659,655
LOSS BEFORE OTHER REVENUES	(7,949,694)	(10,478,192)
OTHER REVENUES		
State Appropriations, Capital	818,650	709,425
Capital Gifts and Grants	8,948	51,574
Additional Permanent Endowments	-	1,422
Total Other Revenues	827,598	762,421
DECREASE IN NET POSITION	(7,122,096)	(9,715,771)
Net Position - Beginning of Year	(85,665,921)	(75,950,150)
NET POSITION - END OF YEAR	$ (92,788,017)	$ (85,665,921)

See accompanying Notes to Financial Statements

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Tuition and Fees	$ 6,937,947	$ 5,471,675
Grants and Contracts	3,542,606	4,203,693
Payments to Suppliers for Goods and Services	(9,275,025)	(10,810,453)
Payments to Employees	(30,981,069)	(33,004,282)
Loans Collected from Students	383,360	378,360
Student Aid	(4,253,594)	(2,411,477)
Auxiliary Enterprise Charges	5,522,667	9,453,044
Sales and Services of Educational Departments	221,033	401,542
Other Receipts (Payments), Net	(657,188)	(185,129)
Net Cash Used by Operating Activities	(28,559,263)	(26,503,027)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	18,074,506	18,601,531
Gifts and Nonoperating Grants for Other than Capital Purposes	8,167,508	5,859,178
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	10,032,861	13,661,510
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(10,032,861)	(13,661,510)
Agency Transactions, Net	(15,096)	(11,335)
Other	53,822	153,705
Net Cash Provided by Noncapital Financing Activities	26,280,740	24,603,079
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	6,623,121	7,683,323
Capital Appropriations	818,650	709,425
Capital Grants and Gifts Received	8,948	51,574
Proceeds from Sales of Capital Assets	4,500	50,129
Purchases of Capital Assets	(944,336)	(3,426,890)
Principal Paid on Capital Debt and Leases	(3,970,562)	(6,355,939)
Interest Paid on Capital Debt and Leases	(3,281,529)	(3,448,847)
Net Cash Used by Capital Financing Activities	(741,208)	(4,737,225)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	36,681	43,149
Interest on Investments, Net of Fees	101,373	258,829
Purchases of Investments	1,242	(15,040)
Net Cash Provided by Investing Activities	139,296	286,938
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,880,435)	(6,350,235)
Cash and Cash Equivalents - Beginning of Year	4,445,791	10,796,026
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,565,356	$ 4,445,791

See accompanying Notes to Financial Statements

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	$ (32,493,819)	$ (32,137,847)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	5,011,542	5,266,478
Expenses Paid by Commonwealth or Donor	197,086	224,216
Effect of Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Receivables, Net	(30,090)	1,145,054
Inventories	1,390	(102)
Other Assets	(472,175)	94,077
Accounts Payable	1,131,965	75,243
Unearned Revenue	(282,794)	107,454
Student Deposits	(3,075)	825
Compensated Absences	701,188	516,018
Loans to Students and Employees	383,360	378,360
Postretirement Benefits Liability (OPEB)	6,478,451	(7,191,414)
Defined Benefit Pensions	(736,075)	(2,476,596)
Other Liabilities	(480,532)	(318,996)
Deferred Outflows of Resources Related to Pensions and OPEB	(7,956,544)	1,988,151
Deferred Inflows of Resources Related to Pensions and OPEB	(9,141)	5,826,052
Net Cash Used by Operating Activities	$ (28,559,263)	$ (26,503,027)
SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION		
Commonwealth On-Behalf Contributions to PSERS	$ 197,086	$ 224,216
Capital Assets Acquired by Gift or Appropriation	$ -	$ 11,405

See accompanying Notes to Financial Statements

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2021 AND 2020

	2021	*(Restated)* 2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 398,756	$ 441,192
Accounts Receivable	97	3,695
Inventories	168,196	241,932
Total Current Assets	567,049	686,819
NONCURRENT ASSETS		
Investments	2,704,241	2,633,009
Capital Assets, Net	88,199	86,646
Other Assets	4,119	4,232
Total Noncurrent Assets	2,796,559	2,723,887
Total Assets	$ 3,363,608	$ 3,410,706
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 103,057	$ 73,882
Other Liabilities	259,212	267,287
Total Current Liabilities	362,269	341,169
NET ASSETS		
Without Donor Restriction	3,001,339	3,069,537
Total Net Assets	3,001,339	3,069,537
Total Liabilities and Net Assets	$ 3,363,608	$ 3,410,706

See accompanying Notes to Financial Statements

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	*(Restated)* 2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER ADDITIONS		
Student Activity Fees	$ 478,436	$ 1,025,910
Sales and Services	204,201	463,698
Investment Income	523,472	16,295
Other Revenues	38,823	57,225
Total Revenues and Other Additions	1,244,932	1,563,128
EXPENSES AND OTHER DEDUCTIONS		
Scholarships and Grants	150,000	70,000
Student Activities and Programs	530,638	1,019,081
University Stores	404,944	607,189
Housing	-	15,000
Other Program Expenses	21,062	3,435
Management and General	206,486	174,174
Total Expenses and Other Deductions	1,313,130	1,888,879
Total Changes in Net Assets Without Donor Restrictions	(68,198)	(325,751)
CHANGE IN TOTAL NET ASSETS	(68,198)	(325,751)
Net Assets - Beginning of Year	3,069,537	23,941,542
Restatement for Change in Reporting Entity	-	(20,546,254)
Net Assets - Beginning of Year, Restated	3,069,537	3,395,288
NET ASSETS - END OF YEAR	$ 3,001,339	$ 3,069,537

See accompanying Notes to Financial Statements

MANSFIELD UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMPONENT UNITS EXPENSES BY NATURE AND FUNCTION
YEARS ENDED JUNE 30, 2021 AND 2020

FY 2020/21	Program Activities						Supporting Activities		
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Total Supporting	**Total Expenses**
Salaries and Benefits	$ -	$ -	$ 168,988	$ -	$ -	$ 168,988	$ 58,254	$ 58,254	$ 227,242
Gifts and Grants	150,000	-	-	-	2,000	152,000	70,750	70,750	222,750
Supplies and Travel	-	517,438	-	-	-	517,438	-	-	517,438
Services and Professional Fees	-	-	70	-	16,240	16,310	68,746	68,746	85,056
Office and Occupancy	-	-	48,053	-	-	48,053	3,483	3,483	51,536
Depreciation	-	13,200	692	-	-	13,892	187	187	14,079
Interest	-	-	-	-	-	-	-	-	-
Other	-	-	187,141	-	2,822	189,963	5,066	5,066	195,029
Total Expenses	**$ 150,000**	**$ 530,638**	**$ 404,944**	**$ -**	**$ 21,062**	**$ 1,106,644**	**$ 206,486**	**$ 206,486**	**$ 1,313,130**

FY 2019/20 (Restated)	Program Activities						Supporting Activities		
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Total Supporting	**Total Expenses**
Salaries and Benefits	$ -	$ -	$ 163,919	$ -	$ -	$ 163,919	$ 72,936	$ 72,936	$ 236,855
Gifts and Grants	70,000	-	-	15,000	1,950	86,950	18,000	18,000	104,950
Supplies and Travel	-	1,005,812	-	-	-	1,005,812	-	-	1,005,812
Services and Professional Fees	-	-	-	-	-	-	71,770	71,770	71,770
Office and Occupancy	-	-	48,909	-	-	48,909	3,953	3,953	52,862
Depreciation	-	13,269	-	-	-	13,269	127	127	13,396
Interest	-	-	-	-	-	-	-	-	-
Other	-	-	394,361	-	1,485	395,846	7,388	7,388	403,234
Total Expenses	**$ 70,000**	**$ 1,019,081**	**$ 607,189**	**$ 15,000**	**$ 3,435**	**$ 1,714,705**	**$ 174,174**	**$ 174,174**	**$ 1,888,879**

See accompanying Notes to Financial Statements

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) and Mansfield Auxiliary Corporation (MAC) 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 and MAC 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 and MAC 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, 2021 and 2020.

During the years ended June 30, 2021 and 2020, CCSI paid either directly to the University or on behalf of the University, scholarships, salaries and other administrative expenses, and capital additions totaling $212,467 and $230,323, 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, 2021 and 2020.

During fiscal year 2020/2021, Mansfield University of Pennsylvania disaffiliated the Mansfield University Foundation, Inc., a former component unit. The combined component unit financial statements for fiscal year 2019/2020 have been restated accordingly and result in a reduction of $20,823,108 component unit assets, and a reduction of $246,529 of component unit liabilities, which, when combined with the fiscal year 2019/2020 respective change in net assets of $30,325, result in a restatement of beginning net assets of $20,546,254.

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

The 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 – The category of net position includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted – The category of net position 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 – Unrestricted net position includes 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

Buildings, equipment, and furnishings acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation, calculated using the straight-line method. All assets with a purchase cost, or acquisition fair value if acquired by gift, in excess of $5,000 with an estimated useful life of two years or greater are capitalized. All library books are capitalized on a composite basis in the year of purchase. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. Buildings and improvements are depreciated over the useful lives ranging from 20 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under capital leases is included in depreciation expense. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong useful life.

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

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required in 2021 or 2020.

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

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 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 is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 87 are effective for reporting periods beginning after June 15, 2021.

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.

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

New Accounting Standards (Continued)

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, 2021 and 2020, respectively:

	2021		
	CCSI	MAC	Total
Capital Assets, Net	$ 19,094	$ 69,105	$ 88,199
Cash and Cash Equivalents	138,266	260,490	398,756
Inventories	165,267	2,929	168,196
Investments	-	2,704,241	2,704,241
Other Assets	4,216	-	4,216
Total Assets	$ 326,843	$ 3,036,765	$ 3,363,608
Other Liabilities	$ 357,910	$ 4,359	$ 362,269
Total Liabilities	357,910	4,359	362,269
Net Assets:			
Without Donor Restrictions	(31,067)	3,032,406	3,001,339
Total Net Assets	(31,067)	3,032,406	3,001,339
Total Liabilities and Net Assets	$ 326,843	$ 3,036,765	$ 3,363,608

	2020 (Restated)		
	CCSI	MAC	Total
Capital Assets, Net	$ 17,541	$ 69,105	$ 86,646
Cash and Cash Equivalents	350,726	90,466	441,192
Inventories	237,051	4,881	241,932
Investments	-	2,633,009	2,633,009
Other Assets	7,927	-	7,927
Total Assets	$ 613,245	$ 2,797,461	$ 3,410,706
Other Liabilities	$ 336,715	$ 4,454	$ 341,169
Total Liabilities	336,715	4,454	341,169
Net Assets:			
Without Donor Restrictions	276,530	2,793,007	3,069,537
Total Net Assets	276,530	2,793,007	3,069,537
Total Liabilities and Net Assets	$ 613,245	$ 2,797,461	$ 3,410,706

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2021:

	CCSI	MAC	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenues and Other Additions:			
Student Activity Fees	$ 478,436	$ -	$ 478,436
Sales and Services	204,201	-	204,201
Investment Income	2,014	521,458	523,472
Other Revenues	38,823	-	38,823
Total Revenues and Other Additions	723,474	521,458	1,244,932
Expenses and Other Deductions:			
Scholarships and Grants	-	150,000	150,000
Student Activities and Programs	530,638	-	530,638
University Stores	404,944	-	404,944
Program Expenses	2,000	19,062	21,062
Management and General	93,489	112,997	206,486
Total Expenses and Other Deductions	1,031,071	282,059	1,313,130
Total Change in Net Assets Without Donor Restrictions	(307,597)	239,399	(68,198)
CHANGE IN TOTAL NET ASSETS	(307,597)	239,399	(68,198)
Net Assets - Beginning of Year	276,530	2,793,007	3,069,537
NET ASSETS - END OF YEAR	$ (31,067)	$ 3,032,406	$ 3,001,339

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	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
Investment Income	5,580	10,715	16,295
Other Revenues	57,225	-	57,225
Total Revenues and Other Additions	1,552,413	10,715	1,563,128
Expenses and Other Deductions:			
Scholarships and Grants	-	70,000	70,000
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	3,435
Management and General	109,743	64,431	174,174
Total Expenses and Other Deductions	1,737,963	150,916	1,888,879
Total Change in Net Assets Without Donor Restrictions	(185,550)	(140,201)	(325,751)
CHANGE IN TOTAL NET ASSETS	(185,550)	(140,201)	(325,751)
Net Assets - Beginning of Year	462,080	2,933,208	3,395,288
NET ASSETS - END OF YEAR	$ 276,530	$ 2,793,007	$ 3,069,537

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 $1,297,796 and $4,070,606 at June 30, 2021 and 2020, 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 five years.

CMO Risk

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

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, 2021, 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	$ 272,989	24.10 %
Commonfund	High Quality Bond Fund	859,645	75.90

At June 30, 2021 and 2020, the carrying amount of the University's cash on hand was $3,178 and $3,178, respectively. The carrying amount of the University's demand and time deposits was $264,382 and $372,007 as of June 30, 2021 and 2020, respectively, compared to the bank balances of $264,383 and $331,783, respectively. The difference is caused primarily by items in transit. Of the bank balances, $19,100 and $63,303, respectively, were covered by federal government depository insurance, $245,283 and $268,480, 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, 2021 and 2020, 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, 2021 and 2020 is as follows:

	Fair Value Hierarchy Level	2021	2020
Deposits:			
Demand and Time Deposits	N/A	$ 264,382	$ 372,007
Investments:			
Fixed Income Mutual Funds	NAV	859,645	854,525
Equity/Balanced Mutual Funds	NAV	272,989	209,122
Total		$ 1,397,016	$ 1,435,654

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, 2020	Additions	Retirements	Reclassifications	Ending Balance June 30, 2021
Capital Assets Not Being Depreciated:						
Land		$ 540,129	$ -	$ -	$ -	$ 540,129
Construction in Progress		1,660,653	659,514	-	(1,336,888)	983,279
Total Capital Assets Not Being Depreciated		2,200,782	659,514	-	(1,336,888)	1,523,408
Capital Assets Being Depreciated:						
Buildings, Including Improvements	10 to 40	130,860,336	-	-	1,336,888	132,197,224
Other Improvements	20	13,315,333	-	-	-	13,315,333
Furnishings and Equipment (Including Cost of Capital Leases)	3 to 10	12,999,797	279,700	(57,343)	-	13,222,154
Library Books	10	2,823,860	5,124	(10,355)	-	2,818,629
Total Capital Assets Being Depreciated		159,999,326	284,824	(67,698)	1,336,888	161,553,340
Less Accumulated Depreciation:						
Buildings, Including Improvements		(50,564,492)	(3,872,224)	-	-	(54,436,716)
Other Improvements		(8,347,662)	(457,893)	-	-	(8,805,555)
Furnishings and Equipment		(10,528,682)	(659,693)	57,343	-	(11,131,032)
Library Books		(2,734,485)	(21,732)	10,355	-	(2,745,862)
Total Accumulated Depreciation		(72,175,321)	(5,011,542)	67,698	-	(77,119,165)
Total Capital Assets Being Depreciated, Net		87,824,005	(4,726,717)	-	1,336,888	84,434,176
Capital Assets, Net		$ 90,024,787	$ (4,067,203)	$ -	$ -	$ 85,957,584

NOTE 4 CAPITAL ASSETS (CONTINUED)

	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 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2021	2020
Employees	$ 4,030,959	$ 3,043,567
Suppliers and Services	978,639	924,985
Other	69,629	107,052
Interest	128,409	135,184
Total	$ 5,207,636	$ 4,210,788

NOTE 6 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	2021	2020
Current:		
Student Tuition and Fees-Summer Sessions	$ 352,964	$ 277,668
Other	73,940	136,206
Grants and Gifts	43,413	781,455
Unearned Revenue, Current	470,317	1,195,329
Noncurrent:		
Other	21,268	28,357
Total Unearned Revenue	$ 491,585	$ 1,223,686

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, 2021 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2020	Bonds Issued	Bonds Redeemed	Balance June 30, 2021
Series AJ Issued in 2009 for Building Renovations	4.85 %	$ -	$ -	$ -	$ -
Series AL Issued in 2010 for Capital Project	5.00	612,578	-	612,578	-
Series AN Issued in 2012 for Building Renovations	5.00	850,249	-	353,247	497,002
Series AO Issued in 2013 for Capital Project	4.65	325,000	-	100,000	225,000
Series AP Issued in 2014 for Note Financing	5.40	833,403	-	194,775	638,628
Series AT Issued in 2016 for Housing Acquisition	4.06	73,615,000	-	1,800,000	71,815,000
Series AV Issued in 2018 for Note Financing	4.29	152,130	-	47,434	104,696
Series AW Issued in 2019 for Note Financing	4.90	3,260,000	-	585,000	2,675,000
Series AV Issued in 2020 for Note Financing	4.29	-	524,365	139,894	384,471
Total Bonds Payable		$ 79,648,360	$ 524,365	$ 3,832,928	76,339,797
Plus: Unamortized Bond Premiums, Net					6,948,677
Outstanding - End of Year					$ 83,288,474

NOTE 7 BONDS PAYABLE (CONTINUED)

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

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

Series		2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	2042-2046	2043-2051	2052-2056	Total
AL	Principal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Interest	-	-	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-	-	-
AN	Principal	369,150	127,852	-	-	-	-	-	-	-	-	-	497,002
	Interest	6,193	635	-	-	-	-	-	-	-	-	-	6,828
	Total	375,343	128,487	-	-	-	-	-	-	-	-	-	503,830
AO	Principal	110,000	115,000	-	-	-	-	-	-	-	-	-	225,000
	Interest	11,250	5,750	-	-	-	-	-	-	-	-	-	17,000
	Total	121,250	120,750	-	-	-	-	-	-	-	-	-	242,000
AP	Principal	202,739	212,876	223,013	-	-	-	-	-	-	-	-	638,628
	Interest	31,931	21,794	11,152	-	-	-	-	-	-	-	-	64,877
	Total	234,670	234,670	234,165	-	-	-	-	-	-	-	-	703,505
AT	Principal	1,885,000	1,980,000	2,075,000	2,180,000	2,290,000	13,300,000	16,655,000	15,570,000	9,905,000	3,180,000	2,795,000	71,815,000
	Interest	2,925,600	2,831,350	2,732,350	2,628,600	2,519,600	10,761,000	7,420,100	4,393,450	2,202,850	1,191,250	331,250	39,937,400
	Total	4,810,600	4,811,350	4,807,350	4,808,600	4,809,600	24,061,000	24,075,100	19,963,450	12,107,850	4,371,250	3,126,250	48,108,500
AV	Principal	49,467	55,229	-	-	-	-	-	-	-	-	-	104,696
	Interest	5,235	2,761	-	-	-	-	-	-	-	-	-	7,996
	Total	54,702	57,990	-	-	-	-	-	-	-	-	-	112,692
AW	Principal	810,000	885,000	980,000	-	-	-	-	-	-	-	-	2,675,000
	Interest	133,750	93,250	49,000	-	-	-	-	-	-	-	-	276,000
	Total	943,750	978,250	1,029,000	-	-	-	-	-	-	-	-	2,951,000
AV	Principal	34,914	36,596	38,447	40,382	42,317	191,815						384,471
	Interest	19,224	17,478	15,648	13,726	11,707	24,562						102,345
	Total	54,138	54,074	54,095	54,108	54,024	216,377	-	-	-	-	-	486,816
Total	Principal	3,461,270	3,412,553	3,316,460	2,220,382	2,332,317	13,491,815	16,655,000	15,570,000	9,905,000	3,180,000	2,795,000	76,339,797
	Interest	3,133,183	2,973,018	2,808,150	2,642,326	2,531,307	10,785,562	7,420,100	4,393,450	2,202,850	1,191,250	331,250	40,412,446
	Total	$ 6,594,453	$ 6,385,571	$ 6,124,610	$ 4,862,708	$ 4,863,624	$ 24,277,377	$ 24,075,100	$ 19,963,450	$ 12,107,850	$ 4,371,250	$ 3,126,250	$ 113,625,993

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, $3,888,247 and $5,548,427 was outstanding as of June 30, 2021 and 2020. 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:

	2021	2020
Balance - July 1	$ 247,470	$ 411,596
Repayments	(74,047)	(164,126)
Balance - June 30	$ 173,423	$ 247,470

NOTE 8 NOTE PAYABLE

In May 2020, the State System approved a ten-year Sustainability Loan to the University in the amount of $6 million of which $4 million was drawn in May 2020. The loan interest is 0.64% per annum. The remaining $2 million was drawn during the current fiscal year. In May 2021, the State System approved an additional $7 million promissory note of which $4 million was drawn in May 2021. The loan interest is 1.69% per annum. As of June 30, 2021, the University has $3 million remaining of the $7 million promissory note. Both of these loans 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. These amounts are reported as a long-term payable due to State System on the University's balance sheet.

The University agrees to meet the sustainability plans regarding the student faculty ratio requirements as outlined in the objectives in the Comprehensive Planning Process. If these objectives are not achieved and/or is not approved by the chancellor, the chancellor or designee, as directed by the Board, may temporarily or indefinitely suspend some or all operations in accordance with Board of Governors' Policy 2019-01: *University Financial Sustainability*.

NOTE 9 DEBT REFUNDING

In July 2020, $38 million of the net proceeds from the Series AX tax-exempt revenue bonds were used to current refund Series AH, Series AJ, and Series AL. The refunding resulted in an accounting gain of approximately $1.8 million and was performed to reduce the debt service by approximately $10 million and an economic gain (difference between the present values of the old and new debt service payments) of approximately $9 million. 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 9 DEBT REFUNDING (CONTINUED)

In October 2020, the net proceeds from the Series AY taxable revenue bonds were used to purchase US Government Securities that were deposited irrevocably in trust with an escrow agent to advance refund a portion of the Series AM revenue bonds. The bonds were paid off on June 15, 2021. Although it resulted in an accounting loss of $924,000, the refunding was performed to reduce debt service by approximately $11.2 million and an economic gain (difference between the present values of the old and new debt service payments) of approximately $10.2 million. The accounting loss, or deferred loss on refunding, is reported as a deferred outflow of resources.

NOTE 10 RATING ACTIONS

In June 2021, Moody's Investors Service, Inc., maintained the State System's bond rating of Aa3 with an outlook of stable. This rating was affirmed again by Moody's in August 2021. In June 2021, 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:

	2021	2020
Balance at July 1	$ 130,859	$ 190,968
Additions	-	-
Repayments	(63,589)	(60,109)
Balance at June 30	$ 67,270	$ 130,859

At June 30, 2021 and 2020, capital assets include equipment under capital lease of $301,501, which is reported net of accumulated depreciation of $241,200 and $180,904, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2022	$ 71,164
Total	71,164
Less: Amount Representing Interest	-
Net Present Value of Minimum Lease Payments	71,164
Less: Current Maturities	67,270
Long-Term Capital Lease Obligations	$ 3,894

NOTE 12 COMPENSATED ABSENCES

Changes in compensated absences are as follows:

	2021	2020
Balance - July 1	$ 3,696,289	$ 3,180,271
Current Changes in Estimate	1,535,437	771,929
Payouts	(834,249)	(255,911)
Balance - June 30	$ 4,397,477	$ 3,696,289

NOTE 13 OTHER POSTEMPLOYMENT 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, 2021, and 2020.

	System Plan		REHP		Premium Assistance		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net OPEB Liabilities	$ 36,028,103	$ 31,713,810	$ 16,375,110	$ 14,212,550	$ 81,115	$ 79,517	$ 52,484,328	$ 46,005,877
Deferred Outflows of Resources:								
Net Difference between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	5,844	-	142	139	5,986	139
Difference Between Expected and Actual Experience	-	-	14,240	-	750	454	14,990	454
Changes in Proportion	-	-	632,110	866,636	2,148	2,557	634,258	869,193
Changes in Assumptions	5,783,044	-	2,124,426	454,711	3,304	2,617	7,910,774	457,328
Contributions after the Measurement Date	767,888	899,063	332,373	608,378	4,465	4,459	1,104,726	1,511,900
Total Deferred Outflows of Resources	6,550,932	899,063	3,108,993	1,929,725	10,809	10,226	9,670,734	2,839,014
Deferred Inflows of Resources:								
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	-	25,171	-	-	-	25,171
Difference Between Expected and Actual Experience	5,161,024	2,905,836	7,857,010	10,570,461	-	-	13,018,034	13,476,297
Changes in Assumptions	2,462,551	3,384,618	1,268,947	1,968,591	1,784	2,359	3,733,282	5,355,568
Changes in Proportion	-	-	939,926	607,207	1,662	537	941,588	607,744
Total Deferred Inflows of Resources	7,623,575	6,290,454	10,065,883	13,171,430	3,446	2,896	17,692,904	19,464,780
OPEB Expense	763,436	(863,106)	(1,789,888)	(476,259)	10,289	14,711	(1,016,163)	(1,324,654)
Contributions Recognized by OPEB Plans	$ 767,888	$ 899,063	$ 332,373	$ 608,378	$ 4,465	$ 4,459	$ 1,104,726	$ 1,511,900

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $767,888 for the System Plan, $332,373 for the REHP plan, and $4,465 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, 2022	$ (949,725)	$ 2,614,319	$ 405
June 30, 2023	(949,725)	2,461,748	385
June 30, 2024	(357,783)	1,796,462	365
June 30, 2025	416,702	619,362	1,074
June 30, 2026	-	(202,360)	628
Thereafter	-	-	41

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

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, 2021.

- 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, 2021 is based is dated July 1, 2020, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 5.5% in 2020 through 2023, with rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.

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-2020 to reflect mortality improvement.
- The discount rate decrease from 3.36% to 1.86%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July, 1 2020.
- Participant data is based on census information as of July 1, 2020.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active and including those not represented when active, who meet years of service and/or age criteria.

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

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

	1% Decrease (4.5% Decreasing to 3.0%)	Healthcare Cost (5.5% Decreasing to 4.0%)	1% Increase (6.5% Decreasing to 5.0%)
2021	$ 29,628,018	$ 36,028,103	$ 44,414,692

The following presents the University'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 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%)
2020	$ 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, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (0.86%) or one percentage point higher (2.86%) than the current discount rate (1.86%).

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

	1% Decrease 0.86%	Current Rate 1.86%	1% Increase 2.86%
2021	$ 42,803,168	$ 36,028,103	$ 30,684,507

The following presents the University's net OPEB liability was at June 30, 2020, as well as what the liability would have been if it had been calculated using a discount rate that was one percentage point lower (2.36%) or one percentage point higher (4.36%) than the current discount rate (3.36%).

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

	1% Decrease 2.36%	Current Rate 3.36%	1% Increase 4.36%
2020	$ 39,196,833	$ 33,396,338	$ 28,794,819

System Plan OPEB Liability

The System Plan's total OPEB liability of as of June 30, 2021 of $36,028,103 was measured and determined by an actuarial valuation as of July 1, 2020.

The System Plan's total OPEB liability as of June 30, 2020 of $31,713,810 was measured as of July 1 2019 and was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to July 1, 2019.

	Changes in the System Plan Total OPEB Liability	
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020
Balance Beginning of Year	$ 31,713,809	$ 33,396,338
Service Cost	821,363	904,679
Interest	1,073,208	1,005,001
Changes in Assumptions	7,225,667	(1,744,653)
Changes in Benefit Terms	-	-
Difference Between Expected and Actual Experience	(3,724,259)	-
Benefit Payments	(1,081,685)	(1,847,555)
Net Changes	4,314,294	(1,682,528)
Balance End of Year	$ 36,028,103	$ 31,713,810

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, 2021.

- 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 $230 per pay period for each current REHP eligible active employee during the period July 1, 2020 through January 15, 2021, and $-0- from January 16, 2021 through June 30, 2021. The rate during the period July 1, 2019, through June 30, 2020, was $230 per pay period.

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

The total OPEB liability in the June 30, 2020 and 2019 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 6.6%, with rates gradually decreasing to 4.1% in 2075 and later based on the SOA-Getzen trend rate model version 2020_b for the December 31, 2020 measurement date and 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.
- 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.

NOTE 13 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Participant data based on census information as of December 31, 2019, for the June 30, 2020, measurement date; and as of December 30, 2018, for the June 30, 2019, measurement date.

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

- Discount rate of 2.21% as of June 30, 2020, and 3.50% as of June 30, 2019.

- 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	40.0 %	5.6 %
International Equity	27.0	5.8
Fixed Income	23.0	1.7
Real Estate	8.0	4.6
Cash	1.5	0.9
Private equity	0.5	10.4
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 4.28% for the measurement date of June 30, 2020 and 4.37% for the measurement date of June 30, 2019.

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

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

	1% Decrease (5.6% Decreasing to 3.1%)	Healthcare Cost (6.6% Decreasing to 4.1%)	1% Increase (7.6% Decreasing to 5.1%)
2021	$ 13,917,870	$ 16,375,109	$ 19,445,679

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, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate (2.21%).

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

	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
2021	$ 18,685,717	$ 16,375,109	$ 14,451,821

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 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

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 0.84% of covered payroll for the fiscal year ended June 30, 2021 and 0.83% of covered payroll for the fiscal year ended June 30, 2020. 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 0.42% 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, 2020 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2019, to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2019
- 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, 2018, determined the employer contribution rate for fiscal year 2019/20.
- 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 2.66% at June 30, 2020, and 2.79% at June 30, 2019.
- 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 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, 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, 2020.

	2020		2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3 %	1.0 %	13.2 %	0.2 %
U.S. Core Fixed Income	46.5	0.1	83.1	1.0
Non-US Developed Fixed	3.2	0.1	3.7	-
Total	100.0 %		100.0 %	

The net OPEB liability was measured as of June 30, 2020 and 2019, 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, 2019, to June 30, 2020, and as of June 30, 2018, to June 30, 2019, 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 0.1852% and 0.1886% for the measurement dates of June 30, 2020 and 2019, 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, 2021, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4% and 6.50%) or one percentage point higher (between 6% and 8.50%) than the current healthcare cost trend rates (between 5% and 7.50%).

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

	1% Decrease (Between 4.0% and 6.5%)	Healthcare Cost (Between 5.0% and 7.5%)	1% Increase (Between 6.0% and 8.5%)
2021	$ 81,094	$ 81,115	$ 81,115

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 have been if it were calculated using healthcare cost trend rates that were one percentage point lower (between 4% and 6.5%) or one percentage point higher (between 6% and 8.5%) than the current healthcare cost trend rates (between 5% and 7.5%).

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	$ 69,664	$ 69,682	$ 69,700

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.79%) or one percentage point higher (3.79%) than the 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%
2021	$ 92,465	$ 81,115	$ 71,690

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	$ 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 Commonwealth of Pennsylvania State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), or the Alternative Retirement Plan (ARP).

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, 2021 and 2020.

	SERS		PSERS		Total	
	2021	2020	2021	2020	2021	2020
Net Pension Liabilities	$ 16,848,030	$ 17,606,910	$ 1,852,253	$ 1,829,448	$ 18,700,283	$ 19,436,358
Deferred Outflows of Resources:						
Difference Between Expected and Actual Experience	$ 158,183	$ 219,532	$ 4,844	$ 10,077	$ 163,027	$ 229,609
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	-	81,395	-	81,395	-
Changes in Assumptions	1,873,424	678,480	-	17,479	1,873,424	695,959
Difference Between Employer Contributions and Proportionate Share of Contributions	40,364	-	4,482	5,314	44,846	5,314
Changes in Proportion	69,427	182,260	29,855	48,830	99,282	231,090
Contributions After the Measurement Date	1,117,546	1,099,249	184,290	177,764	1,301,836	1,277,013
Total Deferred Outflows of Resources	$ 3,258,944	$ 2,179,521	$ 304,866	$ 259,464	$ 3,563,810	$ 2,438,985
Deferred Inflows of Resources:						
Difference Between Expected and Actual Experience	$ 18,896	$ 119,255	$ 44,387	$ 60,628	$ 63,283	$ 179,883
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	2,155,617	1,255,705	-	5,246	2,155,617	1,260,951
Difference Between Employer Contributions and Proportionate Share of Contributions	55,895	92,063	-	-	55,895	92,063
Changes in Proportion	1,416,479	409,772	25,842	11,715	1,442,321	421,487
Total Deferred Inflows of Resources	$ 3,646,887	$ 1,876,795	$ 70,229	$ 77,589	$ 3,717,116	$ 1,954,384
Contributions Recognized by Pension Plans	$ 1,930,434	$ 2,022,455	$ 184,290	$ 177,764	$ 2,114,724	$ 2,200,219
Pension Expense:						
SERS and PSERS	$ 1,862,226	$ 2,730,198	$ 347,162	$ 676,984	$ 2,209,388	$ 3,407,182
ARP					-	1,310,447
Total Pension Expense					$ 2,209,388	$ 4,717,629

NOTE 14 PENSION BENEFITS (CONTINUED)

The University will recognize the $1,117,546 reported as 2021 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $184,290 reported as 2021 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amortization	
Year Ending June 30,	SERS	PSERS
2022	$ (439,278)	$ (1,173)
2023	(110,152)	9,243
2024	(782,183)	17,701
2025	(196,410)	24,577
2026	22,534	-
Total	$ (1,505,489)	$ 50,348

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 three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011. 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 2017/2018, 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 36.84% of active members' annual covered payroll at June 30, 2021, with less common rates ranging between 25.47% and 29.48%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 17.59% or 17.34% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 16.06% 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, 2021 and 2020, were $1,930,434 and $2,022,455, 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, 2021, depending upon the plan chosen by the employee. The University recognized $1,862,226 in SERS defined contribution pension expense for the year ended June 30, 2021 and $2,730,198 for the year ended June 30, 2020.

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 19th Investigation of Actuarial Experience study for the period 2015–2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the 19th Investigation of Actuarial Experience at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its July 2020 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.125% to 7.00%. The next SERS actuarial experience review occurred in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2020, measurement date:

- Entry age actuarial cost method.
- Investments amortized on straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.50%.
- Investment return of 7.00%, net of manager fees and including inflation.
- Salary increases based on an average of 4.60%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

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, 2020 and 2019 summarized below:

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

	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
Hedge Funds	10.0	4.44
Fixed Income	11.0	1.26
Cash	3.0	-
Total	100.0 %	

NOTE 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total SERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.000%	Current Rate 7.000%	1% Increase 8.000%
2021	$ 21,062,523	$ 16,848,030	$ 11,466,297

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

NOTE 14 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Proportionate Share

At June 30, 2021, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2020 was $16,848,030. 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.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2020 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2021/22 from the December 31, 2020 funding valuation to the expected funding payroll. For the allocation of the December 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. At the December 31, 2020, measurement date, the State System's proportion was 4.419% a decrease of 0.354% from its proportion calculated as of December 31, 2019, measurement date.

PSERS

Plan Description

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

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

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

NOTE 14 PENSION BENEFITS (CONTINUED)

PERS (Continued)

Benefits Provided

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

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

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

Member Contributions

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

NOTE 14 PENSION BENEFITS (CONTINUED)

PERS (Continued)

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2021, was 16.9% 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 8.5% of covered payroll. The University's contributions to PSERS for the years ended June 30, 2021, June 30, 2020, and June 30, 2019 was $184,290, $177,764, and $177,586, respectively, equal to the required contractual contribution.

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, 2021, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the State System contributions for the year ended June 30, 2020 and June 30, 2021 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, 2020 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2019, to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2019
- 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, 2020 and 2019.

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

Asset Class	June 30, 2019 Target Allocation	June 30, 2019 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 %	

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, 2021, calculated using the discount rate of 7.25% as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

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

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2021	$ 2,291,624	$ 1,852,254	$ 1,480,032

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

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:

	2021	2020
Total PSERS Net Pension Liability Associated with the University	$ 3,704,506	$ 3,658,896
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Pension Liability	(1,852,253)	(1,829,448)
University's Proportionate Share of the PSERS Net Pension Liability	$ 1,852,253	$ 1,829,448

PSERS measured the 2021 and 2020 net pension liabilities as of June 30, 2020, and June 30, 2019 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, 2020, the University's proportion was 0.1856%, an increase of 0.003% from its proportion calculated as of June 30, 2019.

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, 2021 and 2020 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2021 and 2020, were $1,272,591 and $1,310,447, respectively, from the University; and $684,925 and $705,300, 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 $11,740, $52,812, and $23,682, to the Reserve Fund during the years ended June 30, 2021, 2020, and 2019, respectively.

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

	2021	2020	2019
Balance - July 1	$ 362,840	$ 354,622	$ 248,926
Current Year Claims and Changes in Estimated Payments	(15,512)	8,218	105,696
Balance - June 30	$ 347,328	$ 362,840	$ 354,622

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 2020/21. 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, 2021, 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, 2021 and 2020 were approximately $573,735 and $160,909, 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.

Labor Concentration

Approximately 85% of PASSHE's employees are covered by nine collective bargaining agreements. During 2020/21, a new collective bargaining agreement was established for police supervisors with the International Union, Security, Police, and Fire Professionals of America (SPFPA) through August 31, 2022. Currently, agreements exist with all unions, except the Professional Doctors Association (PDA). The terms of the prior contracts remain in effect until a successor agreement is achieved.

NOTE 17 GOING CONCERN CONSIDERATIONS

As shown in the accompanying financial statements for the years ended June 30, 2021 and 2020, the University has net loss of $(7,122) thousand and of $(9,716) thousand, respectively and negative cash flow of $(2.88) million and negative cash flow of $(6.35) million, respectively. The University also has a negative unrestricted net position of $(98.87) million and a negative total net position of $(92.78) million, as of June 30, 2021.

There was a decrease in cash flow during fiscal year 2020/21 and over the last six years, the University's Education & General (E&G) cash has decreased by $11.72 million, or 98%, from $11.9 million at June 30, 2015, to $0.18 million at June 30, 2021. Auxiliary cash has decreased by $15.4 million, or 183%, from $8.4 million at June 30, 2015, to $(7) million at June 30, 2021.

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 –
As outlined in Note 18, Subsequent Events, in July 2021, the Board approved the integration of the existing Bloomsburg University, Lock Haven University, and Mansfield University into a single Northeast integrated University. The integrated university will have a single president and leadership team as well as a unified program array. The financial projections for the integrated university incorporate savings associated with achieving these efficiencies and savings through unifying these areas. The integration plan is a key step in securing long term sustainability of the universities and the System.

Detailed information on the progress Integrations can be found at:
https://www.passhe.edu/systemredesign/Pages/integrations.aspx.

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%. Annualized FTE enrollment for FY 2020/21 ended flat year-over-year despite the global pandemic. 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.

NOTE 18 SUBSEQUENT EVENTS

On July 14, 2021, the Board approved the integration of the existing Bloomsburg University, Lock Haven University, and Mansfield University into a single Northeast integrated University, and the existing California University, Edinboro University, and Clarion University into a single Western Integrated University. These integrations have been designed to leverage the strength of these universities to position them to better serve students and to improve financial sustainability.

Each campus will continue to provide a residential university experience including face-to-face classes and engagement with faculty and staff, participation on athletic teams, in co-curricular activities, and in student clubs and organizations. The integrated universities will also provide opportunities for working students and others seeking online and hybrid learning modalities. Students at the integrated universities will also benefit from enhanced support services that lead to improved educational outcomes. Each integrated university will have a single president and leadership team with one reporting relationship to the Board of Governors through the Chancellor, a unified faculty providing instruction in a single academic program array, and an integrated enrollment management strategy and student-facing supports and services.

The integration plans assume the integrated universities will begin operations in fiscal year 2022/23 and will phase in changes over a multiyear timeline with mission critical changes phased in first.

MANSFIELD UNIVERSITY OF PENNSYLVANIA
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(SEE INDEPENDENT AUDITORS' REPORT)

Changes in the System Plan Total OPEB Liability	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Total OPEB Liability - Beginning Balance	$ 31,713,810	$ 33,396,338	$ 40,459,636	$ 47,007,588
Service Cost	821,363	904,679	1,173,967	3,213,857
Interest	1,073,208	1,005,001	1,281,672	2,606,212
Changes of Benefit Terms	(3,724,259)	(1,744,653)	(28,221)	-
Differences Between Expected and Actual Experience	-	-	(4,872,166)	-
Changes in Assumptions	7,225,667	-	(319,847)	(9,462,659)
Benefit Payments	(1,081,685)	(1,847,555)	(4,298,703)	(2,905,362)
Net Changes	4,314,294	(1,682,528)	(7,063,298)	(6,547,952)
Total OPEB Liability - Ending Balance	$ 36,028,104	$ 31,713,810	$ 33,396,338	$ 40,459,636
Covered Employee Payroll	$ 14,158,071	$ 14,449,312	$ 14,806,535	16,411,861
OPEB Liability as a Percent of Covered Payroll	254.47%	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 Percent of Covered-Employee Payroll	REHP's Fiduciary Net Position as a Percent 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%
2020/21	4.275%	16,375	3,610	454%	3.7%

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent 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%
2020/21	332	332	-	4,394	7.6%

Fiscal Year	State System's Proportion	PSERS Net OPEB Liability: University's Proportion Share	PSERS Net OPEB Liability: Commonwealth's Proportion Share	PSERS Net OPEB Liability: Total	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Percent of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percent 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%
2020/21	0.18520%	81	81	162	1,053	7.7%	5.7%

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent 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%
2020/21	4	4	-	1,093	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 Percent of Covered Employee Payroll	SERS Fiduciary Net Position as a Percent 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
2020/21	4.41960	16,848	6,206	271	67.0

SERS Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2014/15	$ 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
2020/21	1,930	1,930	-	5,729	33.7

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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	PSERS Fiduciary
Fiscal Year	State System's Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total	University's Covered-Employee Payroll	a Percent of Covered Employee Payroll	Net Position as a Percent of Total Pension Liability
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
2020/21	0.18560	1,852	1,852	3,704	175	1100	54.3

PSERS Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent 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
2020/21	184	184	-	1,093	16.9

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