WEST CHESTER UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2021 AND 2020

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OF THE STATE SYSTEM OF HIGHER EDUCATION
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INDEPENDENT AUDITORS' REPORT

Council of Trustees
West Chester University of Pennsylvania
of the State System of Higher Education
West Chester, 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 West Chester 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 collectively 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 financial statements based on our audits. We did not audit the financial statements of the discretely presented component units, West Chester University Student Services, Inc. (Student Services), West Chester University Foundation and Subsidiary (the Foundation), and West Chester University Alumni Association (the Association), which represent 100%, 100%, and 100%, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 the management's discussion and analysis on pages 3-23 and the various schedules of Proportionate Share of Net Pension Liability, OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions on pages 89-92 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 10, 2021

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of West Chester University of Pennsylvania of the State System of Higher Education (the University) for the years ended June 30, 2021 and 2020. The University's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow.

West Chester University is a public university of the Commonwealth of Pennsylvania (Commonwealth) and a member of the Pennsylvania State System of Higher Education (State System or PASSHE). As such, the University is charged with providing high-quality education at the lowest possible cost to its students. With over 17,000 students enrolled, the University is the largest of the State System universities.

COVID-19 IMPACTS AND RELIEF FUNDS

Following the March 13, 2020, declaration of a national state of emergency due to COVID-19, the University followed state recommendations and restrictions that required remote working and remote education. The University continued remote education through the summer of 2020. The University began fall 2020 with mostly remote instruction and continued these measures for the spring and summer 2021 semesters. The University modified its learning and living environments and addressed requirements for health monitoring and social distancing. The University has proceeded with a return of normal campus operations and instruction for the start of the Fall 2021 semester.

Regarding the current impact of COVID-19, the most significant components to date have been the refunds of housing, dining, and other fees that universities provided to students in spring 2020, and the loss of similar auxiliary revenue in fiscal year 2020-21 due to low student occupancy on campus as a result of social distancing measures and the shift to more online instruction. In addition, the University has incurred costs for remote learning, remote working, pandemic mitigation, and student testing.

The most recent estimates of the financial impact from COVID-19 for fiscal year 2020-21 are estimated at $63 million, prior to considering the aid packages awarded to the University. The most substantial impacts of COVID-19 in the current fiscal year included lower revenue in auxiliary operations due to reduced occupancy, estimated at approximately $31 million; reduced fees due to refunds and rate reductions at approximately $23 million, and other revenue losses of approximately $2 million; in total reduced revenue of approximately $56 million. Direct COVID-19 expenses were approximately $7 million for items such as direct compensation, incremental distance education payments to faculty, testing, technology, additional student financial aid, and other operating expenses. The resulting net effect of these COVID-19 impacts was a net $63 million for the current year.

The University was awarded several rounds of COVID-19 relief funds to assist with these losses and expenses, as described in the following section.

COVID-19 Relief Funds

The University has received funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA), and the American Rescue Plan Act of 2021 (ARPA), in response to costs and revenue losses associated with the impacts of COVID-19.

COVID-19 IMPACTS AND RELIEF FUNDS (CONTINUED)

COVID-19 Relief Funds (Continued)

The CARES Act, enacted on March 27, 2020, allocated $2.2 trillion in support to individuals and businesses affected by the COVID-19 pandemic and related economic downturn. State System universities have been awarded grants from the education component of the Act, administered through the U.S. Department of Education's (ED) Higher Education Emergency Relief Fund (HEERF). Additionally, the Commonwealth was appropriated funds from the state and local governments section, administered through the U.S. Treasury's Coronavirus Relief Fund (CRF), of which a portion was appropriated by the state to the State System. In August 2020, the Pennsylvania Department of Education also awarded a portion of the Governor's Education Emergency Relief Fund (GEERF) to State System universities to assist with fall 2020 reopening efforts.

The CRRSAA, enacted on December 27, 2020, authorizes $81.88 billion in support for education to ensure learning continues for students during the COVID-19 pandemic. Of those funds, $22.7 billion was issued to universities of higher education under the Higher Education Emergency Relief Funds (HEERF II). State System universities received approximately $125 million in HEERF II funding, inclusive of emergency student aid allocations. The allowable uses of the funds were expanded to encompass items such as lost revenue, excluding any reduction in funding from the Commonwealth.

In addition, in February 2021, $5 million of the Governor's Education Emergency Relief Funds (GEERF II) were designated to be distributed to the State System to support ongoing functionality of its member institutions, as directed by the Chancellor.

The ARPA is a $1.9 trillion plan that was enacted on March 11, 2021 to help speed up recovery from the effects of the COVID-19 pandemic and the ongoing recession. $40 billion in Higher Education Emergency Relief Funds (HEERF III) funding was allocated to higher education to help defray expenses related to COVID-19, implement evidence-based practices to monitor and suppress the Coronavirus, in accordance with public health guidelines, and conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances. State System universities received approximately $220 million in HEERF III funding, inclusive of emergency student aid allocations, and the allowable uses of funds reflect similar expanded uses as described in the CRRSAA section above.

COVID-19 IMPACTS AND RELIEF FUNDS (CONTINUED)

COVID-19 Relief Funds (Continued)

Below is a summary of funds awarded to the University in Fiscal Years 2020 and 2021 through the CARES, CRRSA, and ARP Acts.

Federal Stimulus Funds Available to the University

	($ in millions)		
	CARES Act	**CRRSA Act**	**ARP Act**
Emergency Aid for Students[1]	$ 6.0	$ 6.0	$ 16.4
Institutional Share[1]	6.0	12.6	16.4
Strengthening Institutions Program[1]	-	-	-
State Appropriated Coronavirus Relief Funds[2]	5.8	-	-
Governor's Education Emergency Relief[3]	0.4	0.7	-
Total Funds Available	$ 18.2	$ 19.3	$ 32.8
Funds Available for University Use (less Emergency Aid)	$ 12.2	$ 13.3	$ 16.4

[1] *Higher Education Emergency Relief Funds, US Department of Education*
[2] *Title V, Assistance for State, Local and Tribal Governments, US Department of the Treasury*
[3] *GEERF, US Department of Education, as distributed by Pennsylvania Department of Education*

In addition to the funds listed above, the University may submit expenses associated with COVID-19 mitigation to the Pennsylvania Emergency Management Agency (PEMA) for reimbursement from the Federal Emergency Management Agency (FEMA) and PEMA. Reimbursements of $27,806 were approved in 2020-21; the University is identifying additional costs and managing the reimbursement process in fiscal years 2020-21 and 2021-22.

FINANCIAL HIGHLIGHTS

The University functions independently but being part of the State System enables the University to share resources and benefit from economies of scale. Following is an overview of the University's financial activities for the year ended June 30, 2021, as compared to the year ended June 30, 2020, as well as related future economic factors.

Tuition and Fees

In response to COVID-19 and to continue its efforts to address affordability, in April 2021, the Board voted to freeze basic in-state tuition for the 2021-22 academic year. This action resulted in an unprecedented three consecutive years in which tuition was frozen, even while confronting financial challenges brought on in part by the coronavirus pandemic. In addition, the Board set a tentative tuition rate for the 2022-23 academic year that also was frozen. These actions provide assurances and financial relief to current and potential students and ensure that the State System will maintain its place as the affordable higher education option for students of the Commonwealth.

FINANCIAL HIGHLIGHTS (CONTINUED)

Tuition and Fees (Continued)

The base tuition rate for most full-time Pennsylvania residents will remain at $3,858 per term, or $7,716 for the full 2021-22 academic year. Nonresident, undergraduate tuition also was frozen, at $9,645 per term, or $19,290 for the full 2021-22 academic year. The basic resident graduate tuition rate remained at $516 per credit, while the typical nonresident, graduate tuition rate remained at $774 per credit.

- The annual technology tuition fee remains at $478 for full-time in-state students and $728 for full-time out-of-state students. All funds raised by the technology tuition fee are used directly to benefit student learning. The University has used the funds to install multimedia classrooms, design online instructional materials, increase university capacity for connectivity for students, and provide hardware, software, and support for students and faculty.

- Mandatory fees for all undergraduate students set by the University increased by 2.2% in fiscal year 2020-21 and by 0.4% in fiscal year 2019-20. Mandatory fees for graduate students increased by 2.0% in fiscal year 2020-21 and by 0.4% in fiscal year 2019-20. Room rates (North and South Campus) both increased by 3.0%; this compares to a 2.0% increase in fiscal year 2019-20.

- For fiscal year 2021-22 mandatory student fees set by the University will remain unchanged for both undergraduate and graduate students. Room rates (North Campus and South Campus) will also remain unchanged. West Chester University as part of the State System of Universities will remain among the lowest cost option of all four-year colleges and universities in the Commonwealth.

- Tuition and fee revenue (net of discounts including COVID-19 credits) for fiscal year 2020-21 decreased to $149.7 million from $163.4 million for fiscal year 2019-20, a decrease of $13.7 million. In addition, revenue from auxiliary enterprises (net of discounts including COVID-19 credits) were down dramatically to $8.2 million in fiscal year 2020-21. This represents a decrease of $23.9 million from the $32.1 million in fiscal year 2019-20. Auxiliary enterprise revenues are generated primarily from room and food service charges and this year they fell due to the campus being at a very reduced capacity for the entire academic year.

Enrollment

- The enrollment demand at the University remained strong in fiscal year 2020-21, with 16,093 freshmen applications for 2,796 openings for the fall of 2020.

- Enrollment demand remained steady with 14,584 freshman applications for 2,628 openings for fall 2021 which will benefit fiscal year 2021-22.

FINANCIAL HIGHLIGHTS (CONTINUED)

Appropriations

As part of the System Redesign strategy affirmed by the Board of Governors in January 2019, the State System will be developing a new methodology for distributing resources. In anticipation of changes to the allocation formula and to provide universities with greater stability and predictability of funding in the upcoming fiscal year, the Board suspended the use of the current allocation formula for fiscal years 2019-20 and 2020-21 and used a modified form of it in fiscal year 2021-22. For fiscal 2020-21 the Commonwealth appropriated $477.5 million which was the at the same level as fiscal 2019-20.

The University's share of the total general fund appropriation, through the allocation formula, remained unchanged at $58.2 million in fiscal year 2020-21. In fiscal year 2021-22 the University received $62.3 million.

Capital appropriations, which include appropriations for furnishings and equipment for Commonwealth-funded construction, increased by $0.3 million to $2.4 million in fiscal year 2020-21. This represents an increase of 15.4% from fiscal year 2019-20. The University's Key '93 appropriation for fiscal year 2021-22 is $2.1 million.

Capital Investment and Debt

The University purchased $63.3 million in capital assets in fiscal year 2020-21, as compared to $44.2 million in fiscal year 2019-20. Major projects in progress or completed during the fiscal year included the continued construction of the SECC (The Sciences & Engineering Center and The Commons) project, the Farrell Stadium track replacement, Goshen Hall curtain wall replacement and renovations to the baseball stadium.

The University generally utilizes the State System to facilitate the issuance of bonds to raise capital for major projects. Given the efficiencies of the State System acting on behalf of fourteen universities, the University achieves low interest rates and administrative cost savings.

- In July 2020, Series AX tax-exempt revenue bonds were issued in the amount of $94,985,000. The University participated in the issuance, receiving net proceeds of $1,263,000 used to current refund Series AL bonds. The refunding resulted in an accounting gain of $78,000 and was performed to reduce debt service by approximately $343,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately $314,000. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

- In October 2020, Series AY taxable revenue bonds were issued in the amount of $78,925,000. The University participated in the issuance, receiving net proceeds of $12,588,000 used to partially advance refund Series AM bonds. The refunding resulted in an accounting loss of $218,000 and was performed to reduce debt service by approximately $2,170,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately $1,928,000. The accounting loss, or deferred loss on refunding, is reported as a deferred outflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

FINANCIAL HIGHLIGHTS (CONTINUED)

Capital Investment and Debt (Continued)

- In June 2021, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3, stable outlook. In June 2021, Fitch Ratings affirmed the State System's rating of A+ with stable outlook. Moody's ratings were reaffirmed August 4, 2021, resulting from its update on its higher education rating methodology. Both rating agencies acknowledged the coronavirus pandemic and related mitigation measures have created an uncertain environment for the U.S. public higher education sector, constraining enrollment and revenue and contracting operating performance.

Component Units

The West Chester University Foundation (the Foundation), previously known as the Fund for West Chester University, was established in 2001 with the specific purpose of performing fundraising for the educational, charitable and scientific interests of the University. The Foundation, a component unit of the University that is reflected in the audited financial statements, includes a wholly owned subsidiary, University Student Housing, LLC (USH).

- The Foundation and West Chester University Alumni Association jointly own real estate at 202 Carter Drive, West Chester, PA. The property serves as the administrative offices of the Foundation and the Alumni Association, Inc. The loan payable on the property at June 30, 2021 was $2,443,673.

- USH was established to develop, design, finance, construct, and operate new housing for the students of the University. USH operates six campus communities on land leased from the University under four ground leases. The ground leases expire when the bonds and loans incurred to construct and renovate the properties are fully paid (See Note 17). Total bonds payable, net of deferred financing costs, on the USH properties at June 30, 2021 are $192,631,940.

- The student housing facilities built and managed by USH are:

Building	Initial Project Year	Current Bond Series	Outstanding at June 30, 2021
University Hall and The Village	2003	Series 2013 and 2020	$ 37,774,425
Allegheny and Brandywine	2008	Series 2008 A-1 and A-2	86,063,684
East Village	2012	Series 2012	16,829,311
Commonwealth	2013	Series 2013 A and 2016 C-2	51,964,520
		TOTAL	$ 192,631,940

- As a result of the COVID-19 pandemic, as of March 16, 2020, West Chester University moved to a fully remote learning environment and all USH campus housing was closed until the Fall of 2021. As a result, USH did not meet debt service coverage ratios or occupancy levels for the June 30, 2021 and 2020 covenant periods. USH has been in contact with lenders and has received waivers.

FINANCIAL HIGHLIGHTS (CONTINUED)

Cheyney University

On July 15, 2016, the University entered into a letter of understanding agreement (LOU) with Cheyney University to provide administrative services at cost in the areas of: financial services, procurement, facilities planning, construction management, facilities operations, and human resources. This agreement ended on June 30, 2019. As of June 30, 2021, Cheyney University owed West Chester University $1.8 million. Through an agreement reached with the State System, the University received full payment of the Cheyney loan receivable in fiscal year 2021-22.

THE FINANCIAL STATEMENTS

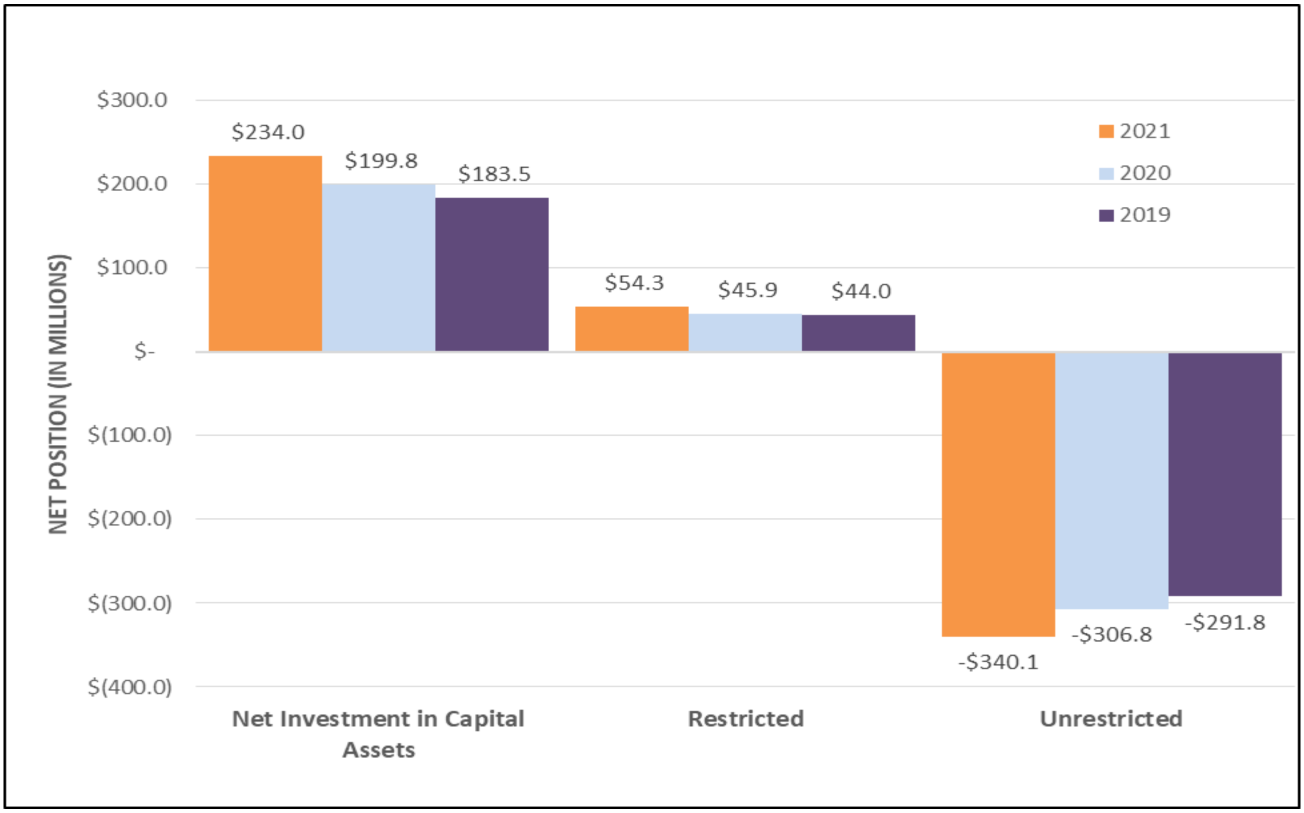
Balance Sheet

This statement reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the 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 of Resources, defined as a consumption of net position that applies to future periods, reports the deferred loss on bond defeasance and certain items associated with the pension and other postemployment benefits, or OPEB, liabilities (health and tuition benefits expected to be paid to eligible current and future retirees).Liabilities include payments due to vendors and students; the balance of bonds payable; and liabilities such as workers' compensation (the System 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 of Resources, defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance, the fair value of irrevocable split-interest agreements, and certain items associated with the pension and OPEB. The difference between the assets, deferred outflows of resources and liabilities, deferred inflows of resources is reported as net position.

THE FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet (Continued)

Net Position (in millions)



THE FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet (Continued)

Following is a summary of the balance sheet at June 30 (in millions):

	2021	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Capital Assets, Net	$ 305.2	$ 259.1	$ 232.2
Other Assets and Deferred Outflows of Resources	339.9	336.3	361.2
Total Assets and Deferred Outflows of Resources	$ 645.1	$ 595.4	$ 593.4
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Workers' Compensation, Compensated Absences, and Postretirement Obligations	$ 327.6	$ 284.3	$ 308.1
Net Pension Liability	99.5	105.7	117.2
Bonds Payable	106.0	111.8	110.2
Other Liabilities and Deferred Inflows of Resources	163.8	154.7	122.2
Total Liabilities and Deferred Inflows of Resources	696.9	656.5	657.7
NET POSITION			
Net Investment in Capital Assets	234.0	199.8	183.5
Restricted	54.3	45.9	44.0
Unrestricted	(340.1)	(306.8)	(291.8)
Total Net Position	(51.8)	(61.1)	(64.3)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 645.1	$ 595.4	$ 593.4

Amounts were rounded; consequently some totals may appear not to add exactly.

THE FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet (Continued)

Net Position

Overall net position increased by $9.3 million in fiscal year 2020-21. This compares to an increase of $3.2 million in fiscal year 2019-20, and an increase of $0.6 million in fiscal year 2018-19.

In accordance with GASB requirements, the University reports three components of net position:

- Net investments in capital assets is the cost of land, buildings, improvements, equipment, furnishings, and library books, net of accumulated depreciation and less any associated debt such as bonds payable. This balance is not available for the University's use in ongoing operations, since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling University land and buildings without prior approval.

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

- Unrestricted net position includes all other funds not appropriately classified as restricted or invested in capital assets.

  Unrestricted net position includes three unfunded liabilities:

  1. The liability for other postretirement benefits (OPEB) increased by $38.2 million to $302.1 million at June 30, 2021. Like the pension liability, the University funds OPEB liabilities on a "pay-as-you-go" basis.

  2. The liability for compensated absences increased by $4.9 million to $24.3 million at June 30, 2021. Cash payouts to employees upon termination or retirement for annual and sick leave balances are realized gradually over time, and because of its size, the University funds it only as it becomes due.

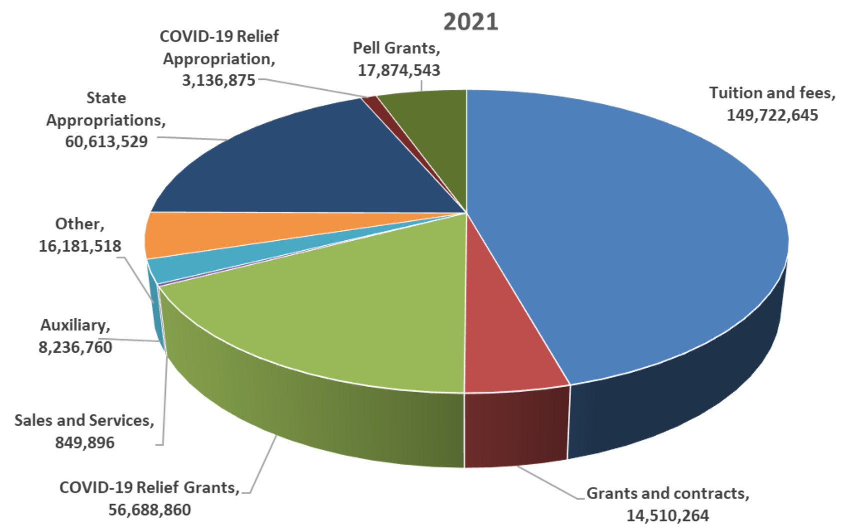
  3. The combined pension liability for fiscal year 2020-21 was $99.5 million comprised of $84.7 million for the State Employee Retirement System (SERS) and $14.8 million for the Public School Employees' Retirement System (PSERS). This is a decrease of $6.2 million from fiscal year 2019-20.

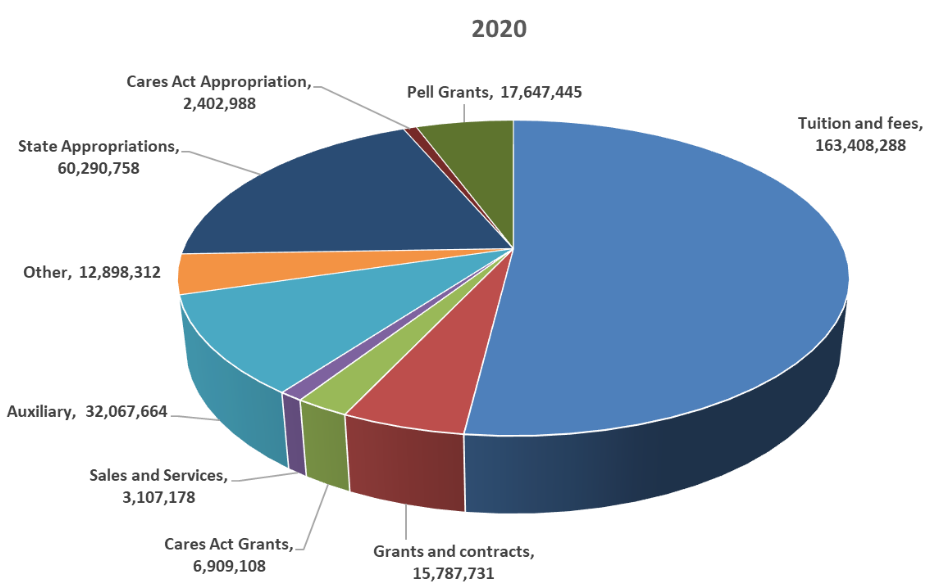
THE FINANCIAL STATEMENTS (CONTINUED)

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 GASB requirements, the University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations and grants and appropriations received as a result of COVID-19 relief funds are nonoperating revenues. In addition, GASB requires classification of Pell grants, gifts, investment income and expenses, and losses on disposals of assets as nonoperating; the University classifies all its remaining activities as operating.

Operating and Nonoperating Revenues

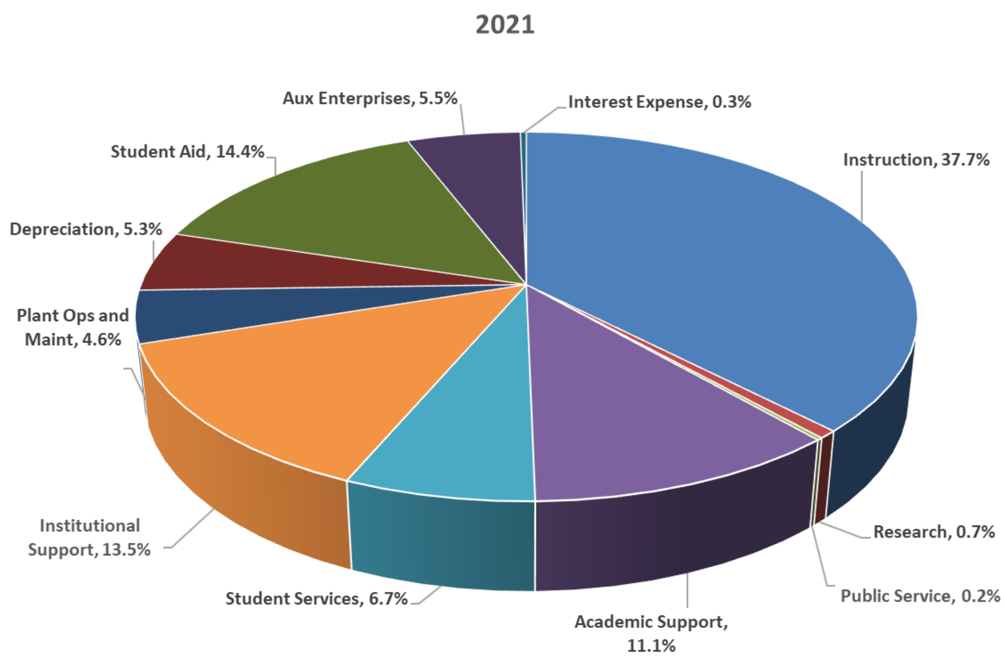


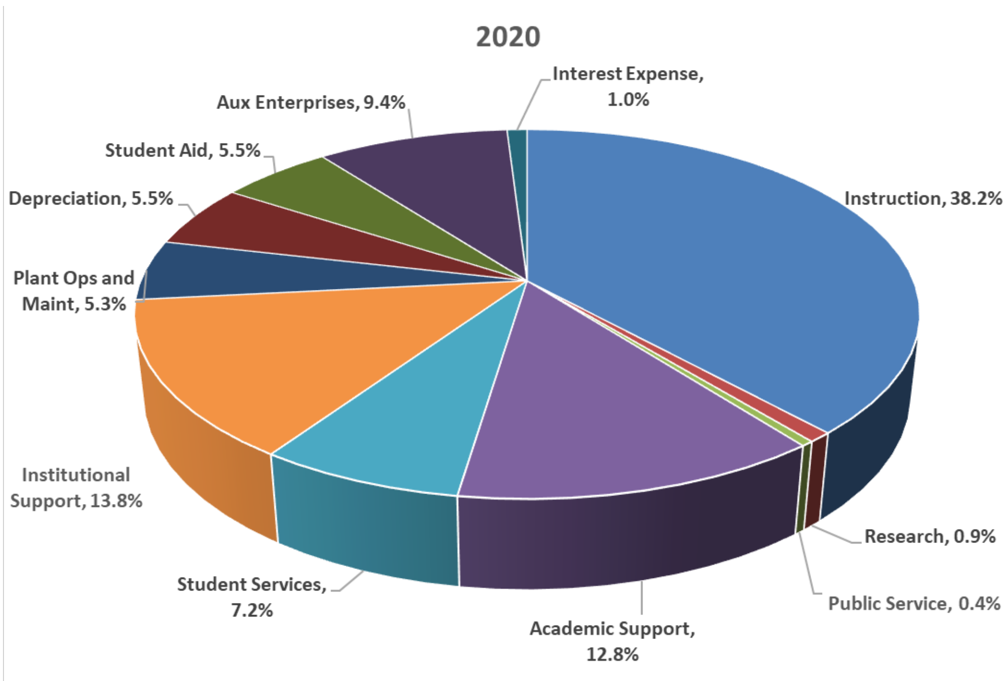


THE FINANCIAL STATEMENTS (CONTINUED)

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

Total Operating Expenditures by Function





WEST CHESTER UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020 (UNAUDITED)

THE FINANCIAL STATEMENTS (CONTINUED)

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

Following is a summary of revenues, expenses, and changes in net position for the years ended June 30 (in millions):

	2021	2020	2019
Operating Revenues:			
Tuition and Fees, Net	$ 149.7	$ 163.4	$ 163.4
Grants and Contracts	14.5	15.6	16.2
Auxiliary Enterprises, Net	8.2	32.1	41.0
Other	3.0	4.6	9.5
Total Operating Revenues	175.4	215.7	230.1
Other Revenues:			
State Appropriations	60.6	60.3	59.1
Federal Appropriations - COVID-19 Relief Funds	3.1	2.4	-
Investment Income, Net (Includes Unrealized Gains and Losses)	10.2	6.6	9.1
Federal Grants - COVID-19 Relief Funds	56.7	6.9	-
Gifts, Grants, and Other	21.7	22.6	24.0
Total Other Revenues	152.3	98.8	92.2
Total Revenues	327.7	314.5	322.3
Operating Expenses:			
Personnel Compensation:			
Salaries	148.6	140.2	137.9
Benefits	35.0	35.6	34.5
Pension Expense	18.5	28.2	30.6
Other Post Retirement Benefits Expense	(0.1)	0.4	14.2
Student Wages	2.7	4.4	4.7
Total Personnel Compensation	204.7	208.8	221.9
Telecommunications Charges	0.7	0.6	0.4
Travel and Transportation	0.4	1.8	2.9
Computing and Data Processing	6.0	4.2	2.5
Professional and Contracted Services	12.8	13.9	12.8
Utilities	3.8	4.2	4.9
Food Supplies	2.4	10.8	13.9
Depreciation	16.8	17.2	16.9
Student Aid Expense	46.0	17.1	10.8
Supplies and Other Current Charges	23.9	29.8	31.4
Total Operating Expenses	317.5	308.4	318.4
Other Expenses:			
Interest Expense	0.9	3.0	3.2
Total Expenses	318.4	311.4	321.6
Increase (Decrease) in Net Position	9.3	3.1	0.7
Net Position - Beginning of Year	(61.1)	(64.2)	(64.9)
Net Position - End of Year	$ (51.8)	$ (61.1)	$ (64.2)

Amounts were rounded; consequently some totals may appear not to add exactly.

THE FINANCIAL STATEMENTS (CONTINUED)

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

In addition to the changes to the appropriation, tuition revenue, and federal appropriations and grants received for COVID-19 relief funds discussed in the Financial Highlights section of this analysis, following are the more significant revenue and expense items:

- Overall, fiscal year 2020-21 operating revenues decreased by 18.68% from the prior fiscal year due to campus closures as a result of the coronavirus pandemic. Nonoperating revenues increased by 54.15% primarily due to the COVID-19 relief funds received. The overall increase in revenues was 4.2%.

- Financial aid to students in the form of waivers and scholarships was $18.9 million, a decrease of $6.5 million or 25.5% from fiscal year 2019-20. Waivers of tuition and fees are shown as a reduction of student tuition and fee revenues.

- Net investment income (including unrealized gains) for fiscal year 2020-21 was $10.3 million, an increase of $3.7 million from the prior year. This was due in part from unrealized increase in fair market values.

- The University spent $148.6 million, or 46.8% of its operating expenses, on salaries in fiscal year 2020-21 as compared to $140.2 million, or 45.5% of its operating expenses, in fiscal year 2019-20. Benefits, pension, and student wages were down significantly compared to fiscal year 2019-20. Pension expense decreased $9.7 million compared to FY2019-20. Postretirement expenses continue to remain low in fiscal year 2020-21 due to changes in the actuarial expected versus actual experience based on a significant decrease in per capita claims costs. The claims cost decrease was driven by rebidding the medical and prescription drug plans for certain medical benefit participant groups. In total, the University spent $204.7 million on salaries, benefits, postretirement expense, and student wages, or 64.5% of operating expenditures, in fiscal 2020-21, and $208.8 million, or 67.7% of operating expenditures, in fiscal 2019-20.

Statement of Cash Flows

This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of the 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, as well as its possible need for external financing.

FUTURE AND OTHER ECONOMIC FACTORS

West Chester University has demonstrated that it is fiscally strong, with a steady enrollment and prudent management of financial resources. However, several conditions could impact the University's financial flexibility in fiscal year 2021-22 and beyond:

1. COVID-19 Pandemic – Prior to COVID-19, the University was implementing multi-year plans focused on cost control, increasing efficiencies, and aggressive management of their workforce. These efforts have intensified in response to the pandemic. The State System is supporting these efforts through expanding shared services and offering retirement incentive programs. The most substantial impacts of COVID-19 include lower revenue in auxiliary operations, reduced fees due to refunds and other revenue losses, along with additional costs for remote learning, remote working, pandemic mitigation and student testing. COVID-19 relief funds partially assisted with these losses and expenses. The University has proceeded with a return of normal campus operations and instruction for the start of the Fall 2021 semester. The future financial impact will be dependent upon enrollment impacts, the continuing need for social distancing, ongoing response efforts to mitigate COVID-19, and any potential resurgence of the virus. The University will continue seeking additional COVID-19 grant funding as it becomes available from the federal or state government. The University will also continue to incur costs for remote learning, remote working and pandemic mitigation.

2. State System Redesign – In 2016 the State System undertook a strategic review of all operations, with the goal of identifying the changes that are necessary to help ensure its long-term success. As a result of that review, the Board of Governors (Board) established three priorities:

   - Ensuring student success.
   - Leveraging other University strengths.
   - Transforming the governance/leadership structure.

   In January 2019, the Board adopted the framework for System Redesign and endorsed the scope of measures for student and university success. System Redesign seeks long-range financial sustainability by leveraging the State System's operating scale and strengthening governance and accountability in a manner that drives to measurable outcomes with respect to universities' financial performance, operational efficiencies, and students' success. Small, tactical groups have been utilized to support the three strategic priorities.

   In support of the System Redesign priorities, on July 1, 2020, the Governor of Pennsylvania signed into law Act 50 of 2020—legislation that passed the General Assembly with overwhelming bipartisan support. It requires the State System's Board of Governors to develop policies and procedures by which the Board may create, expand, consolidate, transfer or affiliate an institution or college; provides that before such may occur, the Board must call upon the Chancellor to conduct a review and analysis of the relevant institutions using certain metrics, including consultation with stakeholders and public hearings; makes changes to the appointment process of students to the Board and councils of trustees and to the powers and duties of institution presidents, among other things. By updating and modernizing Act 188 of 1982, Act 50 enables the State System to better manage and optimize the System, address affordability for students and financial sustainability for its universities, as well as be flexible and responsive to the changing landscape of higher education.

FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)

2. State System Redesign (Continued)

Act 50 outlined the phases of integration as outlined below:

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

On July 16, 2020, the Board authorized the chancellor to engage in a detailed, transparent, and broadly consultative review process of the financial impacts of integrating operations at selected System universities. For the purposes of this review process, the System used an approach that could identify combinations of certain universities that would honor the local identity of the original institutions but when integrated, would operate under a unified leadership team reporting through the chancellor to the Board of Governors and have a single faculty and staff, a single academic program array, a unified enrollment strategy, and a single budget.

In October 2020, the Board approved moving forward into the implementation planning phase with proposed implementation plans for the Northeast Integrated University and West Integrated University presented to the Board in April 2021. The Board approved the proposed plans, which resulted in the public comment period and several Board hearings.

The integration process has been conducted in partnership with many stakeholders, including the General Assembly, through quarterly check-ins with House and Senate Education and Appropriations Committees, consistent with the requirements of Act 50. As part of the System Redesign process, the chancellor has conducted several legislative hearings regarding the integrations, an extensive public comment process, as well as a series of communication opportunities at the integrating universities.

On July 14, 2021, the Board approved the final university integrations which integrate 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.

FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)

2. State System Redesign (Continued)

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.

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.

The financial impact of the redesign on the University is not known at this time but it is expected that it may reduce costs for certain shared services.

FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)

3. Increased Costs for Salaries and Benefits Mandated by Collective Bargaining Agreements – Approximately 85% of the University's FTE 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 contract remain in effect until a successor agreement is ratified.

   In May 2019, the board approved a Voluntary Phased Retirement Program in anticipation of full retirement for employee members of APSCUF. The program allows eligible faculty members to reduce their work commitment over a period of one to three years. During fall 2019, the State System and faculty union successfully negotiated a second retirement incentive: The Enhanced Sick Leave Program (ESLP), which provided for increased accrued sick leave reimbursement for faculty who would retire prior to the start of the fall 2020 semester. Due to the success of this program, it was expanded to all employee groups, resulting in over 400 participants in the State System including 53 participants from West Chester University. In spring 2021, another ESLP program was approved by the Board of Governors for all employee groups. This program provides two windows of retirement, on or before June 30, 2021, or June 30, 2022, with those retiring on or before June 30, 2021 receiving a slightly higher incentive.

4. Necessary Facilities Upgrades – In 2020-21 and prior years, the University has relied on reserves for many facilities' upgrades and renovations. Due to the negative COVID-19 financial impact, the University is strategically analyzing its future capital projects and determining optimal funding sources. In fiscal year 2021-22, the University will complete construction of the Sciences and Engineering Center and The Commons (SECC), a combined academic building and dining facility, and the North Campus Drive Parking Structure that are partially financed via debt ($77.5 million), reserves ($66.9 million), and interest and gifts ($6.6 million). Planned projects for fiscal year 2022 and beyond include the Presidential Walk and Fountain, athletics baseball/softball stadiums, Peoples building renovations and auxiliary projects consisting of several on-campus dining options, including Chickie and Pete's, Twisted Taco and Einstein Bagel.

5. Pension and OPEB Liabilities – The State System's liabilities related to unfunded future pension and retiree healthcare costs total $3.16 billion when combined with the respective deferred inflows of resources and deferred outflows of resources. The State System has virtually no control over $1.4 billion of this amount, which represents its share of the plans administered by the Commonwealth, since the Commonwealth determines the associated benefits as well as the employer and retiree contribution rates for these plans.

FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)

5. Pension and OPEB Liabilities (Continued)

   The Commonwealth's combined net pension and OPEB liabilities totaled $80.9 billion at June 30, 2021, compared to $85.6 billion at June 30, 2020. Credit rating agencies consistently site these liabilities as significant challenges for both the State System and the Commonwealth and as factors that have contributed to credit rating downgrades. Recently enacted Commonwealth pension legislation will modify the pension benefits for new hires, slowing the rate of growth of the pension liability, but it will not aid in reducing the existing liability. No legislation has been enacted or proposed to either reduce or slow the growth of the OPEB liabilities administered by the Commonwealth, in which the AFSCME employees participate. The State System, however, closed the State System OPEB plan to new employees—except for employees represented by APSCUF—hired after January 2016. Although this will not reduce the existing liability, the new hires bring no additional OPEB liability, now or in the future.

6. Increases in Employer Retirement Contributions – Employer contributions to SERS, a defined benefits pension plan, were 36.84% of a participating employee's salary in fiscal year 2020-21 and are expected increase in the near future, but at a lesser rate than recent historical experience. This rate has been steadily and significantly increasing since fiscal year 2010-11, when the rate was 4.11% of an employee's salary.

7. Healthcare Costs –The State System has implemented design changes in their healthcare plans, which increased employees' share of expenses through higher employee premium contributions, copays, deductibles, and coinsurance, and limited spousal participation in an effort to reduce healthcare costs. Because of these changes, the employer share of employee healthcare contributions decreased by $131,371 in fiscal year 2020-21. This follows an increase of $949,552 in fiscal year 2019-20, or 5.6%, from fiscal year 2018-19.

8. Energy Cost Management – The University's average annual overall energy costs from FY 2018 through FY 2021 are greater than $4.2 million; and with additional energy demands of new buildings, extended hours and increased use of aging facilities, these operational costs threaten to significantly increase. To minimize these potential increases, the University has incorporated: commodity bidding; utility rated data acquisition strategies; building automation strategies; and advanced technologies. By engaging each of these categories the University expects to yield a recurring reduction of energy costs equal to or greater than 15% annually, which will result in a significant savings in the next five years. Energy savings technologies and data driven decision making will provide a solid basis of continued reductions in costs. Additionally, the University is actively participating with engineered sustainability features such as green roof systems, rainwater collection and reuse, daylight harvesting, CO2 and occupancy sensors for environmentally controlled spaces and sequenced variable drives for high load rotating equipment. The utility services of electricity, natural gas, water, sewer and fuel will continually be evaluated to determine the most cost effective, cost reducing, strategy to be used to maintain or improve operations without any increases in operational cost.

FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)

9. Appropriations – As part of the System Redesign strategy affirmed by the Board of Governors in January 2019, the System has begun developing a new methodology for distributing resources. In anticipation of changes to the allocation formula and to provide universities with greater stability and predictability of funding in the upcoming fiscal year, the board suspended the use of the current allocation formula for fiscal years 2019-20 and 2020-21 and used a modified form of it in fiscal year 2021-22.

   In fiscal year 2021-22, the State System will receive $477.5 million in General Fund appropriations, equal to fiscal years 2019-20 and 2020-21. Also, the Board of Governors took steps to address differences between the frozen appropriation allocation and the existing appropriation formula calculation. The availability of one-time funds provides the opportunity to address this disparity by restoring 50% of the variances from the frozen allocations compared to the formula; therefore, no university lost funding due to this adjustment, and five universities saw their allocation increase compared to prior years. This adjustment serves as a transitional measure to address the growing disparity since the last usage of the allocation formula in 2018, while a new appropriation allocation formula policy recommendation and implementation plan is created during fiscal year 2021-22.

   Over the previous six years, the Commonwealth had restored about $65 million of the nearly $90 million in funding that was cut from the State System's annual appropriation at the beginning of the 2008 recession that severely impacted both the state and national economies and led to several years of funding cuts to the State System. Even so, the current year's appropriation is just slightly higher than what the State System received in fiscal year 2008-09. Pennsylvania ranks 48th in the nation in public higher education appropriations per FTE student.

   The State System received a $20.3 million Realty Transfer Tax allocation in fiscal year 2020-21 from the Commonwealth's Key '93 (Keystone Recreation, Park and Conservation) Fund, an increase of $2.7 million, or 15.4%, from fiscal year 2019-20. With the exception of fiscal years 2009-10 and 2010-11, when no funding was received, Key '93 funds have provided a consistent revenue stream for university deferred maintenance projects since 1993.

10. Moon Shot for Equity – Moon Shot for Equity is an initiative to close equity gaps in higher education by 2030. In September 2021 West Chester University and Delaware County Community College announced they have joined Moon Shot for Equity, a national student-success initiative led by Washington, D.C.-based education firm EAB. Together they have established a Southeastern Pennsylvania Moon Shot region, and will work together, and with EAB, to help more students of color, and those from other historically underserved populations in the Southeastern Pennsylvania region, graduate from college.

    Through this innovative partnership, each school has committed to implementing more than a dozen research-based best practices proven to remove systemic barriers to student success. These commitments range from updating academic policies, to working together to establish common academic pathways, to providing equity-mindedness training to university and college leaders. EAB will provide research, technology, and advisory services to the schools.

FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)

11. 150Forward: The Campaign for West Chester University – Coinciding with West Chester University's150th anniversary celebration, the University launched the largest campaign in the University's history. The goals of this $65 million comprehensive campaign entitled, 150Forward: The Campaign for West Chester University, are:

    - Investing in our Students. Breaking down barriers to education and foster accessibility through scholarships.
    - Creating Opportunity. Provide opportunities for academic, civic and professional growth, inside and outside of the classroom, across our campus, and in our communities.
    - Leading with Technology. Build a connected campus that features the technological advancements to meet the needs of an ever-changing world.

    More than $42 million dollars has been raised in support of these priorities.

REQUESTS FOR INFORMATION

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

(Mr.) Todd E. Murphy
Vice President for Finance & Administration
201 Carter Drive, Suite 200
West Chester University
West Chester, PA 19383

Complete financial statements of the individual component units can be requested from their respective administrative offices, as follows:

The West Chester University Foundation

(Mr.) Christopher Mominey
Chief Executive Director
West Chester University Foundation
202 Carter Drive
West Chester, PA 19382

Student Services, Inc.

(Ms.) Donna Snyder
Executive Director
Student Services, Inc.
Sykes Student Union, Room 259
West Chester University
West Chester, PA 19383

The West Chester University Alumni Association

(Ms.) Jenna Birch
Director of Alumni Relations
West Chester University Alumni Association
West Chester University
West Chester, PA 19383

WEST CHESTER 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	$ 195,499,022	$ 218,326,784
Cash Whose Use is Restricted	11,744,887	38,650,894
Accounts Receivable:		
Governmental Grants and Contracts	6,345,395	6,652,239
Students, Net	2,718,031	2,892,011
Other	5,631,934	2,131,068
Inventory	150,569	138,874
Prepaid Expenses	1,966,783	1,393,892
Investment Income Receivable	187,520	387,900
Loans Receivable, Net	880,819	878,788
Total Current Assets	225,124,960	271,452,450
NONCURRENT ASSETS		
Endowment Investments	32,976,116	26,795,558
Beneficial Interests	5,304,936	4,403,348
Loans Receivable, Net	1,021,671	4,187,486
Capital Assets, Net	305,223,619	259,110,544
Other Assets	75,151	2,120,047
Total Noncurrent Assets	344,601,493	296,616,983
Total Assets	569,726,453	568,069,433
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding of Debt	270,238	120,256
Other Postretirement Benefits Related	55,549,612	13,695,542
Pension Related	19,509,007	13,554,178
Total Deferred Outflow of Resources	75,328,857	27,369,976
Total Assets and Deferred Outflows of Resources	$ 645,055,310	$ 595,439,409

See accompanying Notes to Financial Statements.

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 45,418,857	$ 32,732,987
Unearned Revenue	5,802,657	11,391,376
Students' Deposits	1,730,929	608,259
Workers' Compensation	680,774	574,692
Compensated Absences	4,907,235	2,300,959
Bonds Payable, Net	5,767,366	6,098,033
Capital Lease Obligation	66,308	71,097
OPEB Liability	6,468,715	8,332,852
Other Current Liabilities	702,621	739,434
Total Current Liabilities	71,545,462	62,849,689
NONCURRENT LIABILITIES		
Workers' Compensation	374,617	465,252
Compensated Absences	19,436,233	17,135,273
Postretirement Benefit Obligations	295,671,525	255,517,887
Bonds Payable, Net	100,222,380	105,647,935
Capital Lease Obligation	156,093	120,579
Unearned Revenue	50,789	67,718
Net Pension Liability	99,503,883	105,682,046
Other Noncurrent Liabilities	256,279	4,958,930
Total Noncurrent Liabilities	515,671,799	489,595,620
Total Liabilities	587,217,261	552,445,309
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding of Debt	141,452	89,617
Split-Interest Agreement Deferred Inflows	8,944	9,387
Other Postretirement Benefits Related	90,566,216	93,621,024
Pension Related	18,900,235	10,390,278
Total Deferred Inflows of Resources	109,616,847	104,110,306
Total Liabilities and Deferred Inflows of Resources	696,834,108	656,555,615
NET POSITION		
Net Investment in Capital Assets	234,002,643	199,821,758
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	38,408,938	31,195,784
Other	2,057,286	2,057,286
Expendable:		
Scholarships and Fellowships	4,713,636	5,195,746
Capital Projects	5,921,553	3,247,001
Other	3,224,070	4,160,375
Unrestricted	(340,106,924)	(306,794,156)
Total Net Position	(51,778,798)	(61,116,206)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 645,055,310	$ 595,439,409

See accompanying Notes to Financial Statements.

WEST CHESTER 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	$ 168,641,388	$ 188,810,860
Less: Scholarship Discounts and Allowances	(18,918,743)	(25,402,572)
Net Tuition and Fees	149,722,645	163,408,288
Governmental Grants and Contracts:		
Federal	2,166,671	3,777,908
State	11,987,713	11,412,010
Local	10,156	14,247
Nongovernmental Grants and Contracts	331,986	399,231
Sales and Services of Educational Departments	849,896	3,107,178
Auxiliary Enterprises	8,236,760	32,067,664
Other Revenues	2,104,909	1,541,354
Total Operating Revenues	175,410,736	215,727,880
OPERATING EXPENSES		
Instruction	120,078,076	119,319,337
Research	2,141,917	2,674,525
Public Service	661,346	1,380,922
Academic Support	35,232,805	39,917,797
Student Services	21,277,802	22,272,429
Institutional Support	43,219,926	42,956,485
Operations and Maintenance of Plant	14,612,764	16,422,932
Depreciation	16,770,713	17,175,082
Student Aid	45,982,839	17,033,087
Auxiliary Enterprises	17,576,571	29,190,858
Total Operating Expenses	317,554,759	308,343,454
NET OPERATING LOSS	(142,144,023)	(92,615,574)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	58,194,345	58,194,345
Federal Appropriations - COVID-19 Relief Funds	3,136,875	2,402,988
Federal Grants - COVID-19 Relief Funds	56,688,860	6,909,108
Commonwealth On-Behalf Contributions to PSERS	1,572,212	1,671,769
Pell Grants	17,874,543	17,647,445
Investment Income, Net of Investment Expense of $31,382 in 2021 and $29,709 in 2020	2,524,408	5,975,710
Unrealized Gain on Investments	7,730,806	636,745
Gifts for Other than Capital Purposes	2,602,661	3,029,079
Interest Expense	(922,723)	(3,045,320)
Loss on Disposal of Assets	(403,771)	(35,747)
Other Nonoperating Revenue	50,293	79,402
Nonoperating Revenues, Net	149,048,509	93,465,524
INCOME (LOSS) BEFORE OTHER REVENUES	6,904,486	849,950
OTHER REVENUES		
State Appropriations, Capital	2,419,184	2,096,413
Capital Gifts and Grants	13,738	184,335
Total Other Revenues	2,432,922	2,280,748
INCREASE IN NET POSITION	9,337,408	3,130,698
Net Position - Beginning of Year	(61,116,206)	(64,246,904)
NET POSITION - END OF YEAR	$ (51,778,798)	$ (61,116,206)

See accompanying Notes to Financial Statements.

WEST CHESTER 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	$ 148,806,666	$ 163,458,878
Grants and Contracts	12,788,009	12,902,406
Payments to Suppliers for Goods and Services	(66,100,108)	(72,336,420)
Payments to Employees	(200,764,149)	(206,528,351)
Loans Collected from Students	3,163,784	1,233,271
Student Aid	(46,007,100)	(17,059,164)
Auxiliary Enterprise Charges	8,199,439	32,099,254
Sales and Services of Educational Departments	856,181	3,171,616
Other Operating Receipts	2,922,407	2,721,941
Net Cash Used by Operating Activities	(136,134,871)	(80,336,569)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	58,235,892	63,734,208
Gifts and Nonoperating Grants for Other than Capital Purposes	77,166,063	27,585,633
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)	97,427,777	136,537,283
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)	(97,427,777)	(136,537,283)
Agency Transactions, Net	1,408,031	353,013
Other	50,300	79,402
Net Cash Provided by Noncapital Financing Activities	136,860,286	91,752,256
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Appropriations	2,419,184	2,096,413
Capital Grants and Gifts Received	13,738	184,335
Proceeds from Capital Debt and Leases	14,134,305	15,778,594
Purchases of Capital Assets	(49,386,189)	(36,300,176)
Principal Paid on Debt	(18,921,567)	(13,296,881)
Interest Paid on Debt	(2,091,659)	(3,939,019)
Net Cash Used by Capital Financing Activities	(53,832,188)	(35,476,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	838,902	809,079
Interest on Investments	2,724,788	6,237,458
Purchases of Investments	(190,686)	(170,400)
Net Cash Provided by Investing Activities	3,373,004	6,876,137
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,733,769)	(17,184,910)
Cash and Cash Equivalents - Beginning of Year	256,977,678	274,162,588
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 207,243,909	$ 256,977,678

See accompanying Notes to Financial Statements.

WEST CHESTER 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 OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (142,144,023)	$ (92,615,574)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	16,770,713	17,175,082
Expenses Paid by Commonwealth or Donor	(12,220,395)	(6,014,540)
Changes in Assets and Liabilities:		
Receivables, Net	491,158	(5,684,011)
Inventories	(11,694)	(42,439)
Other Assets	(2,039,195)	1,456,376
Accounts Payable	12,625,239	4,442,604
Unearned Revenue	(2,510,320)	2,412,392
Students' Deposits	(285,360)	(101,474)
Compensated Absences	4,907,235	2,300,959
Loans to Students, Net	3,163,784	1,233,271
Postretirement Benefits Liability (OPEB)	38,289,501	(25,885,148)
Defined Benefit Pensions	(6,178,163)	(11,512,307)
Other Liabilities	(4,639,601)	(3,359,646)
Deferred Outflows of Resources Related to Pensions	(5,954,829)	10,451,386
Deferred Outflows of Resources Related to OPEB	(41,854,070)	(44,306)
Deferred Inflows of Resources Related to Pensions	8,509,957	7,541,542
Deferred Inflows of Resources Related to OPEB	(3,054,808)	17,909,264
Net Cash Used by Operating Activities	$ (136,134,871)	$ (80,336,569)
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL FINANCING ACTIVITIES		
Equipment Acquired Via Capital Lease	$ 112,805	$ 165,466
Capital Assets Included in Payables	$ 13,792,607	$ 7,686,309
Commonwealth On-Behalf Contributions to PSERS	$ 1,572,212	$ 1,671,769
Like-kind Exchanges	$ 8,011	$ -

See accompanying Notes to Financial Statements.

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

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 13,708,956	$ 19,688,043
Accounts Receivable	1,137,888	1,280,416
Pledges Receivable, Net	3,587,129	3,207,573
Inventory	610,977	800,382
Due from the University	272,720	186,134
Prepaid Expenses	126,551	131,822
Total Current Assets	19,444,221	25,294,370
NONCURRENT ASSETS		
Restricted Cash	20,867,741	30,829,722
Capital Assets, Net	144,172,205	146,914,994
Investments	44,506,727	33,394,439
Other Assets	4,641,327	2,530,758
Total Noncurrent Assets	214,188,000	213,669,913
Total Assets	$ 233,632,221	$ 238,964,283
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 5,779,122	$ 8,844,073
Current Portion of Bonds and Loans Payable	6,011,286	5,832,297
Other Deposit Liabilities	309,424	333,806
Due to the University	1,805,818	1,492,688
Total Current Liabilities	13,905,650	16,502,864
BONDS AND LOANS PAYABLE	186,921,824	190,509,274
OTHER LIABILITIES	33,657,647	39,353,033
Total Liabilities	234,485,121	246,365,171
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(44,125,624)	(39,897,245)
With Donor Restrictions	43,272,724	32,496,357
Total Net Assets (Deficit)	(852,900)	(7,400,888)
Total Liabilities and Net Assets (Deficit)	$ 233,632,221	$ 238,964,283

See accompanying Notes to Financial Statements.

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

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Gains		
Contributions	$ 554,988	$ 593,563
Sales and Services	1,349,997	1,468,909
Student Fees	2,216,035	3,442,116
Grants and Contracts	1,616,648	1,769,638
Rental Income	3,937,123	23,654,379
Investment Return, Net	2,183,505	643,423
Other Revenues and Gains	2,116,782	2,861,895
Change in Interest Rate Swap Agreement	9,200,275	(11,336,020)
Net Assets Released from Restriction	3,043,997	3,658,076
Total Revenues and Other Additions	26,219,350	26,755,979
Expenses and Other Deductions		
Program Expenses:		
Scholarship and Grants	1,261,921	2,270,019
Student Activities and Programs	1,132,520	2,383,118
University Stores	915,200	1,043,690
Housing	17,651,550	23,572,959
Other Programs	4,098,046	5,839,628
Management and General	3,885,408	4,412,934
Fundraising	1,503,084	1,952,324
Total Expenses and Other Deductions	30,447,729	41,474,672
Change in Net Assets Without Donor Restrictions	(4,228,379)	(14,718,693)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and Gains		
Contributions	7,727,873	4,574,753
Investment Return, Net	5,893,744	1,030,698
Other Revenue and Gains	198,747	73,604
Net Assets Released from Restrictions	(3,043,997)	(3,658,076)
Total Revenues and Other Additions	10,776,367	2,020,979
Expenses and Other Deductions		
Distributions to University	-	(6,555)
Total Expenses and Other Deductions	-	(6,555)
Change in Net Assets With Donor Restrictions	10,776,367	2,027,534
CHANGE IN TOTAL NET ASSETS (DEFICIT)	6,547,988	(12,691,159)
Net Assets (Deficit) - Beginning of Year	(7,400,888)	5,290,271
NET ASSETS (DEFICIT)- END OF YEAR	$ (852,900)	$ (7,400,888)

See accompanying Notes to Financial Statements.

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

2021

	Program Activities						Supporting Activities			
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	$ -	$ 892,839	$ 633,557	$ 1,388,968	$ 569,915	$ 3,485,279	$ 2,338,269	$ 1,294,257	$ 3,632,526	$ 7,117,805
Gifts and Grants	1,261,921	-	-	-	2,098,417	3,360,338	429,818	-	429,818	3,790,156
Supplies and Travel	-	169,809	25,980	1,117	148,431	345,337	127,747	188,001	315,748	661,085
Services and Professional Fees	-	49,568	182,305	195,701	720,302	1,147,876	315,607	-	315,607	1,463,483
Office and Occupancy	-	1,695	41,782	3,376,682	475,558	3,895,717	127,433	3,951	131,384	4,027,101
Depreciation	-	-	15,781	5,766,583	28,861	5,811,225	297,481	-	297,481	6,108,706
Interest	-	-	-	6,904,063	-	6,904,063	107,301	-	107,301	7,011,364
Other	-	18,609	15,795	18,436	56,562	109,402	141,752	16,875	158,627	268,029
Total Expenses	$ 1,261,921	$ 1,132,520	$ 915,200	$ 17,651,550	$ 4,098,046	$ 25,059,237	$ 3,885,408	$ 1,503,084	$ 5,388,492	$ 30,447,729

2020

	Program Activities						Supporting Activities			
Natural Expense	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	$ -	$ 1,390,950	$ 730,890	$ 1,758,059	$ 1,240,341	$ 5,120,240	$ 2,047,004	$ 1,485,190	$ 3,532,194	$ 8,652,434
Gifts and Grants	2,270,019	-	516	93,860	2,264,590	4,628,985	803,764	8,789	812,553	5,441,538
Supplies and Travel	-	607,276	30,615	559,127	909,607	2,106,625	243,277	248,760	492,037	2,598,662
Services and Professional Fees	-	287,207	146,385	121,779	550,463	1,105,834	401,748	-	401,748	1,507,582
Office and Occupancy	-	41,078	80,000	7,964,876	632,792	8,718,746	201,150	209,585	410,735	9,129,481
Depreciation	-	-	1,392	5,668,940	47,423	5,717,755	287,025	-	287,025	6,004,780
Interest	-	-	-	6,997,860	8,974	7,006,834	115,612	-	115,612	7,122,446
Other	-	56,607	53,892	408,458	185,438	704,395	313,354	-	313,354	1,017,749
Total Expenses	$ 2,270,019	$ 2,383,118	$ 1,043,690	$ 23,572,959	$ 5,839,628	$ 35,109,414	$ 4,412,934	$ 1,952,324	$ 6,365,258	$ 41,474,672

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

West Chester University of Pennsylvania of the State System of Higher Education (the University), a public four-year institution located in West Chester, Pennsylvania, was founded in 1871. The University is one of fourteen universities of the Pennsylvania State System of Higher Education (State System). The State System was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

Reporting Entity

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

The University has determined that Student Services, Inc. (SSI), the West Chester University Foundation and Subsidiary (the Foundation), and West Chester University Alumni Association (the Association) are separate legal entities for which the University has oversight responsibility and should be included in the University's financial statements as aggregate, discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

SSI operates the campus bookstore and manages various student activities. The Foundation promotes the charitable, scientific, and educational interests of the University by soliciting funds and other property. The Foundation also includes the operations of University Student Housing, LLC, which was formed to construct, operate, and manage student housing facilities for the benefit of the University. The Association was formed to promote the interests of the University in all areas of academic, cultural, and social needs and to increase alumni awareness of the University's needs.

Complete financial statements for SSI, the Foundation, and the Association may be obtained at the University's administrative office.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment of FASB Codification Topic 958, *Not-for-Profit-Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information presented herein.

Operating Revenues and Expenses

The University records tuition, all academic, instructional, and other student fees, student financial aid, auxiliary activity, and corporate partnerships as operating revenue. 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 and extraordinary expenses, are recorded as operating expenses. Appropriations, gifts, investment income, parking and library fines, capital grants, gains and losses on investments, gains and losses on the acquisition and disposal of assets, 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.

Deferred Outflows and Deferred Inflows of Resources

The balance sheet reports separate sections for *Deferred Outflows of Resources* and *Deferred Inflows of Resources*.

Deferred Outflow 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 refundings, 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.

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities to the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and University pension and OPEB contributions subsequent to the respective pension or OPEB plan valuation measurement date.

Net Position

Net position is the residual of Assets, plus Deferred Outflows of Resources, less Liabilities, less Deferred Inflows of Resources. The University maintains the following classifications of net position.

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

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

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

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

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

Cash Equivalents and Investments

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

Accounts and Loans Receivable

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

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

Accounts and Loans Receivable (Continued)

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

Accounts receivable are reported net of an allowance for doubtful accounts of approximately $1,003,000 in 2021 and $500,000 in 2020. Loans receivable are reported net of an allowance for doubtful accounts of approximately $13,000 in both 2021 and 2020.

Inventory

Inventory consists mainly of supplies and is stated at the lower of cost or market, with cost determined principally on the weighted average method.

Capital Assets

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

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

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

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

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. In fiscal year ended June 30, 2021, during the COVID-19 pandemic, management strategically canceled two capital projects to control costs resulting in losses on disposal of assets totaling $400,545. No write down of capital assets was required for fiscal year ended June 30, 2020.

Unearned Revenue

Unearned revenue includes amounts received 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.

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.

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

Scholarships and Waivers

In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), the University allocates the cost of scholarships, waivers and other student financial aid between 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.

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

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 UNITS INFORMATION

The following represents combined condensed statement of financial position information for the discretely presented component units as of June 30:

	2021			
	SSI	The Foundation	The Association	Total
Due from University	$ 106,993	$ 165,727	$ -	$ 272,720
Capital Assets, Net	444,028	143,300,570	427,607	144,172,205
Other Assets	14,442,035	71,959,550	2,785,711	89,187,296
Total Assets	$ 14,993,056	$ 215,425,847	$ 3,213,318	$ 233,632,221
Due to University	$ 2,298	$ 1,803,520	$ -	$ 1,805,818
Long-Term Debt	301,170	192,631,940	-	192,933,110
Other Liabilities	2,103,854	37,597,067	45,272	39,746,193
Total Liabilities	2,407,322	232,032,527	45,272	234,485,121
Net Assets (Deficit):				
Without Donor Restrictions	12,585,734	(59,879,194)	3,167,836	(44,125,624)
With Donor Restrictions	-	43,272,514	210	43,272,724
Total Net Assets (Deficit)	12,585,734	(16,606,680)	3,168,046	(852,900)
Total Liabilities and Net Assets (Deficit)	$ 14,993,056	$ 215,425,847	$ 3,213,318	$ 233,632,221

	2020			
	SSI	The Foundation	The Association	Total
Due from University	$ 42,982	$ 143,152	$ -	$ 186,134
Capital Assets, Net	350,828	146,123,975	440,191	146,914,994
Other Assets	12,772,324	76,937,684	2,153,147	91,863,155
Total Assets	$ 13,166,134	$ 223,204,811	$ 2,593,338	$ 238,964,283
Due to University	$ -	$ 1,492,688	$ -	$ 1,492,688
Long-Term Debt	405,465	195,936,106	-	196,341,571
Other Liabilities	2,354,633	46,101,192	75,087	48,530,912
Total Liabilities	2,760,098	243,529,986	75,087	246,365,171
Net Assets (Deficit):				
Without Donor Restrictions	10,406,036	(52,821,322)	2,518,041	(39,897,245)
With Donor Restrictions	-	32,496,147	210	32,496,357
Total Net Assets (Deficit)	10,406,036	(20,325,175)	2,518,251	(7,400,888)
Total Liabilities and Net Assets (Deficit)	$ 13,166,134	$ 223,204,811	$ 2,593,338	$ 238,964,283

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

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

	SSI	The Foundation	The Association	Total
Changes in Net Assets Without Donor Restrictions:				
Revenues and Other Additions:				
Contributions	$ -	$ 217,790	$ 337,198	$ 554,988
Investment Income	1,653,462	23,623	506,420	2,183,505
University Store	1,346,227	-	3,770	1,349,997
Student Activity Fees	2,216,035	-	-	2,216,035
Rental Income	-	3,915,623	21,500	3,937,123
Other Revenues	1,104,685	2,362,317	266,428	3,733,430
Change in Interest Rate Swap Agreement	-	9,200,275	-	9,200,275
Net Assets Released from Restrictions	-	3,043,997	-	3,043,997
Total Revenues and Other Additions	6,320,409	18,763,625	1,135,316	26,219,350
Expenses and Other Deductions:				
Program Expenses	1,418,775	19,809,656	341,269	21,569,700
University Store	915,200	-	-	915,200
Management and General	1,406,736	2,334,420	144,252	3,885,408
Fundraising	-	1,503,084	-	1,503,084
Distributions to University	400,000	2,174,337	-	2,574,337
Total Expenses and Other Deductions	4,140,711	25,821,497	485,521	30,447,729
Change in Net Assets Without Donor Restrictions	2,179,698	(7,057,872)	649,795	(4,228,379)
Changes in Net Assets With Donor Restrictions:				
Revenues and Other Additions:				
Contributions	-	7,727,873	-	7,727,873
Investment Gains	-	5,893,744	-	5,893,744
Other Revenue	-	60,023	-	60,023
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	-	(3,043,997)	-	(3,043,997)
Change in Split-Interest Agreements	-	138,724	-	138,724
Total Revenues and Other Additions	-	10,776,367	-	10,776,367
Change in Net Assets With Donor Restrictions	-	10,776,367	-	10,776,367
CHANGE IN NET ASSETS (DEFICIT)	2,179,698	3,718,495	649,795	6,547,988
Net Assets (Deficit) - Beginning of Year	10,406,036	(20,325,175)	2,518,251	(7,400,888)
NET ASSETS (DEFICIT) - END OF YEAR	$ 12,585,734	$ (16,606,680)	$ 3,168,046	$ (852,900)

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

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

	SSI	The Foundation	The Association	Total
Changes in Net Assets Without Donor Restrictions:				
Revenues and Other Additions:				
Contributions	$ -	$ 145,310	$ 448,253	$ 593,563
Investment Income	125,179	411,189	107,055	643,423
University Store	1,446,801	-	22,108	1,468,909
Student Activity Fees	3,442,116	-	-	3,442,116
Rental Income	-	23,632,879	21,500	23,654,379
Other Revenues	1,529,047	2,934,748	167,738	4,631,533
Change in Interest Rate Swap Agreement	-	(11,336,020)	-	(11,336,020)
Net Assets Released from Restrictions	-	3,639,990	18,086	3,658,076
Total Revenues and Other Additions	6,543,143	19,428,096	784,740	26,755,979
Expenses and Other Deductions:				
Program Expenses	3,165,436	27,187,656	456,673	30,809,765
University Store	1,043,690	-	-	1,043,690
Management and General	1,941,900	2,277,506	193,528	4,412,934
Fundraising	-	1,952,324	-	1,952,324
Distributions to University	750,000	2,505,959	-	3,255,959
Total Expenses and Other Deductions	6,901,026	33,923,445	650,201	41,474,672
Change In Net Assets Without Donor Restrictions	(357,883)	(14,495,349)	134,539	(14,718,693)
Changes in Net Assets With Donor Restrictions:				
Revenues and Other Additions:				
Contributions	-	4,574,753	-	4,574,753
Investment Gains	-	1,030,698	-	1,030,698
Other Revenue	-	60,307	-	60,307
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	-	(3,639,990)	(18,086)	(3,658,076)
Change in Split-Interest Agreements	-	13,297	-	13,297
Total Revenues and Other Additions	-	2,039,065	(18,086)	2,020,979
Expenses and Other Deductions				
Distributions to University	-	(6,555)	-	(6,555)
Total Expenses and Other Deductions		(6,555)	-	(6,555)
Change in Net Assets With Donor Restrictions	-	2,045,620	(18,086)	2,027,534
CHANGE IN NET ASSETS (DEFICIT)	(357,883)	(12,449,729)	116,453	(12,691,159)
Net Assets (Deficit) - Beginning of Year	10,763,919	(7,875,446)	2,401,798	5,290,271
NET ASSETS (DEFICIT) - END OF YEAR	$ 10,406,036	$ (20,325,175)	$ 2,518,251	$ (7,400,888)

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 was $206,943,945 at June 30, 2021 and $256,683,895 at June 30, 2020.

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 corporate equities and approved pooled common funds. For purposes of convenience and expedience, the University uses local financial institutions for activities such as deposits of cash. In addition, the University 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The State System's operating funds are invested and reinvested in the following types of instruments with qualifications as provided. (See Board of Governors *Policy 1986-02-A, Investment,* for a complete list of and more details on permissible investments and associated qualifications.)

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

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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 Net Asset Value (NAV), meaning NAV per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

Commonfund investments are valued based upon the unit NAV of the funds held by the University at year-end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the University has invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice.

At June 30, 2021 and 2020, the carrying amount of the University's demand and time deposits held at local financial institutions was $299,964 and $293,783, respectively, as compared to bank balances of $296,922 and $290,768, respectively. The difference is caused primarily by items in-transit and outstanding checks. Of the bank balances at June 30, 2021 and 2020, $296,922 and $290,768, respectively, were covered by federal government depository insurance. All bank balances were covered by federal depository insurance or were collateralized by a pledge of U.S. Treasury obligations held by Federal Reserve Banks in the name of the banking institutions, or uninsured but covered under the collateralization provisions of the Commonwealth's Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization requirements 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The carrying value (fair value) of investments for the University's investments including split interest agreements at June 30 is presented below:

	2021			
	Fair Value Hierarchy Level	Moody's Rating (if Applicable)	Modified Duration (Range) (if Applicable)	Fair Value
Deposits:				
Demand and Time Deposits				$ 207,243,909
Investments:				
U.S. Government and Agency Obligations	2		5.8	45,135
Bond Mutual Funds	NAV		6.4	8,044,428
Bond Mutual Funds	2		5.8	923,748
Equity/Balanced Mutual Funds	NAV			22,023,963
Equity/Balanced Mutual Funds	2			1,295,503
Common Stock	1			643,339
Total Investments				32,976,116
Total Deposits and Investments				$ 240,220,025

	2020			
	Fair Value Hierarchy Level	Moody's Rating (If Applicable)	Modified Duration (Range) (If Applicable)	Fair Value
Deposits:				
Demand and Time Deposits				$ 256,977,678
Investments:				
U.S. Government and Agency Obligations	2		1.50	15,089
Bond Mutual Funds	NAV		4.90	7,737,811
Debt Securities	2	Aaa	7.34	98,436
	2	Aaa	7.34	175,825
	2	Aaa	7.34	117,118
	2	Aaa	7.06	17,451
	2	Aaa	6.22	22,343
	2	Aa1	6.33	22,220
	2	Aa1	1.55	20,830
	2	Aa3	4.46	16,265
	2	Aa2	5.45	17,142
Equity/Balanced Mutual Funds	NAV			16,635,577
	2			1,587,291
Common Stock	1			312,160
Total Investments				26,795,558
Total Deposits and Investments				$ 283,773,236

The University has no exposure to foreign currency risk.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Multi-Strategy Bond Fund [1]	$ 8,044,428	$ -	Monthly	5 days
Commonfund Multi-Strategy Equity Fund [2]	22,023,963	-	Monthly	5 days
	$ 30,068,391	$ -		

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Multi-Strategy Bond Fund [1]	$ 7,737,811	$ -	Monthly	5 days
Commonfund Multi-Strategy Equity Fund [2]	16,635,577	-	Monthly	5 days
	$ 24,373,388	$ -		

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

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

NOTE 4 BENEFICIAL INTERESTS

At June 30, 2021, the fair value of beneficial interest totaled $5,304,936, compared to $4,403,348 at June 30, 2020. Of these amounts, $5,303,089 at June 30 2021 and $4,399,792 at June 30 2020 represent gifts that donors placed in trust in perpetuity with third-parties, with the University receiving a restricted revenue stream in accordance with the donors' wishes; and $1,847 at June 30, 2021, and $3,556 at June 30, 2020, represent a split-interest agreement that a donor placed in trust with a third-party, and to which the University will take title upon the death of the donor.

NOTE 5 CAPITAL ASSETS

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

	Estimated Lives in Years	Beginning Balance June 30, 2020	Additions	Retirements	Reclassifications	Ending Balance June 30, 2021
Capital Assets Not Being Deprecated:						
Construction in Progress		$ 56,256,742	$ 61,320,003	$ (400,545)	$ (2,723,058)	$ 114,453,142
Land		6,886,162	-	-	-	6,886,162
Total Capital Assets Not Depreciated		63,142,904	61,320,003	(400,545)	(2,723,058)	121,339,304
Capital Assets Being Depreciated, Cost:						
Buildings and Improvements	10-40	334,248,483	-	-	2,528,051	336,776,534
Furnishings and Equipment	3-40	110,665,470	1,961,498	(433,579)	195,007	112,388,396
Library Books	10	7,477,528	18,111	(16,110)	-	7,479,529
Total Capital Assets Being Depreciated		452,391,481	1,979,609	(449,689)	2,723,058	456,644,459
Less: Accumulated Depreciation:						
Buildings and Improvements		(157,070,676)	(11,629,153)	-	-	(168,699,829)
Furnishings and Equipment		(92,584,547)	(4,974,447)	418,300	-	(97,140,694)
Library Books		(6,768,618)	(167,113)	16,110	-	(6,919,621)
Total Accumulated Depreciation		(256,423,841)	(16,770,713)	434,410	-	(272,760,144)
Total Capital Assets Being Depreciated, Net		195,967,640	(14,791,104)	(15,279)	2,723,058	183,884,315
Capital Assets, Net		$ 259,110,544	$ 46,528,899	$ (415,824)	$ -	$ 305,223,619

	Estimated Lives in Years	Beginning Balance June 30, 2019	Additions	Retirements	Reclassifications	Ending Balance June 30, 2020
Capital Assets Not Being Deprecated:						
Construction in Progress		$ 21,111,152	$ 42,012,619	$ -	$ (6,867,029)	$ 56,256,742
Land		6,285,282	-	-	600,880	6,886,162
Total Capital Assets Not Depreciated		27,396,434	42,012,619	-	(6,266,149)	63,142,904
Capital Assets Being Depreciated, Cost:						
Buildings and Improvements	10-40	329,283,227	98,990	-	4,866,266	334,248,483
Furnishings and Equipment	3-40	107,989,184	1,987,305	(710,902)	1,399,883	110,665,470
Library Books	10	7,468,248	53,030	(43,750)	-	7,477,528
Total Capital Assets Being Depreciated		444,740,659	2,139,325	(754,652)	6,266,149	452,391,481
Less: Accumulated Depreciation:						
Buildings and Improvements		(145,167,830)	(11,902,846)	-	-	(157,070,676)
Furnishings and Equipment		(88,178,476)	(5,081,225)	675,154	-	(92,584,547)
Library Books		(6,621,357)	(191,011)	43,750	-	(6,768,618)
Total Accumulated Depreciation		(239,967,663)	(17,175,082)	718,904	-	(256,423,841)
Total Capital Assets Being Depreciated, Net		204,772,996	(15,035,757)	(35,748)	6,266,149	195,967,640
Capital Assets, Net		$ 232,169,430	$ 26,976,862	$ (35,748)	$ -	$ 259,110,544

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2021	2020
Employees	$ 25,073,628	$ 17,403,018
Suppliers and Services	3,971,325	5,606,244
Other	16,217,061	9,543,092
Interest	156,843	180,633
Total	$ 45,418,857	$ 32,732,987

NOTE 7 BONDS PAYABLE

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

NOTE 7 BONDS PAYABLE (CONTINUED)

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 AL used to Current Refund Series T and New Financing of Purchasing College Arms, and Building Parking Garage and Recreation Center	5.00 %	$ 1,520,640	$ -	$ (1,520,640)	$ -
Series AM used to Build a Recreation Center	4.61	12,398,593	-	(12,398,593)	-
Series AN used to Current Refund Series U, W, X (Lawrence Dining Renovation, LAN, Residence Halls, and Sykes Union)	5.00	1,331,223	-	(425,706)	905,517
Series AQ used to current refund Series AC, AE (Lawrence Dining, ESCO)	4.56	1,159,751	-	(1,043,320)	116,431
Series AS used to current refund Series AF (ESCO, Rec Center)	4.13	2,239,702	-	(742,940)	1,496,762
Series AU used to build a parking structure on North Campus Drive (Commons Parking Garage)	3.52	8,075,000	-	(230,000)	7,845,000
Series AV used to build a parking structure on North Campus Drive (Commons Parking Garage), to build a mixed-use dining and academic facility (SECC), and refund Series AI (Sprinkler)	4.22	65,575,410	-	(2,092,793)	63,482,617
Series AW used to purchase three parking structures from the Borough of West Chester (Sharpless, Matlack, New Street); also to refund Series AJ (Rec Center)	3.11	13,825,000	-	(280,000)	13,545,000
Series AX used to current refund Series AL (College Arms, Parking Garage, Recreation Center)	3.85	-	1,262,951	(109,537)	1,153,414
Series AY used to partially advance refund Series AM (Recreation Center)	1.48	-	12,587,895	-	12,587,895
Total Bonds Payable		$ 106,125,319	$ 13,850,846	$ (18,843,529)	101,132,636
Plus Unamortized Bond Premium Costs, Net					4,857,110
Outstanding - End of Year					$ 105,989,746

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 used to Build a Recreation Center	4.85 %	$ 2,745,000	$ -	$ (2,745,000)	$ -
Series AK used to Current Refund Series S (Harvey Green and Philips)	4.00	161,712	-	(161,712)	-
Series AL used to Current Refund Series T and New Financing of Purchasing College Arms, and Building Parking Garage and Recreation Center	5.00	6,775,071	-	(5,254,431)	1,520,640
Series AM used to Build a Recreation Center	4.81	12,911,248	-	(512,655)	12,398,593
Series AN used to Current Refund Series U, W, X (Lawrence Dining Renovation, LAN, Residence Halls, and Sykes Union)	5.00	1,740,572	-	(409,349)	1,331,223
Series AQ used to current refund Series AC, AE (Lawrence Dining, ESCO)	4.56	2,151,445	-	(991,694)	1,159,751
Series AS used to current refund Series AF (ESCO, Rec Center)	4.13	2,968,008	-	(728,306)	2,239,702
Series AU used to build a parking structure on North Campus Drive (Commons Parking Garage)	3.52	8,295,000	-	(220,000)	8,075,000
Series AV used to build a parking structure on North Campus Drive (Commons Parking Garage), to build a mixed-use dining and academic facility (SECC), and refund Series AI (Sprinkler)	4.22	67,565,410	-	(1,990,000)	65,575,410
Series AW used to purchase three parking structures from the Borough of West Chester (Sharpless, Matlack, New Street also to refund Series AJ (Rec Center)	3.11	-	14,035,000	(210,000)	13,825,000
Total Bonds Payable		$ 105,313,466	$ 14,035,000	$ (13,223,147)	106,125,319
Plus Unamortized Bond Premium Costs, Net					5,620,649
Outstanding - End of Year					$ 111,745,968

NOTE 7 BONDS PAYABLE (CONTINUED)

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

Series		2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	2042-2046	Total
AN	Principal	443,741	461,776	-	-	-	-	-	-	-	905,517
	Interest	13,641	2,443	-	-	-	-	-	-	-	16,084
	Total	457,382	464,219	-	-	-	-	-	-	-	921,601
AQ	Principal	26,987	28,367	29,798	31,279	-	-	-	-	-	116,431
	Interest	5,822	4,472	3,054	1,564	-	-	-	-	-	14,912
	Total	32,809	32,839	32,852	32,843	-	-	-	-	-	131,343
AS	Principal	758,314	133,624	140,287	147,320	154,722	162,495	-	-	-	1,496,762
	Interest	74,838	36,922	30,241	23,227	15,861	8,125	-	-	-	189,214
	Total	833,152	170,546	170,528	170,547	170,583	170,620	-	-	-	1,685,976
AU	Principal	240,000	255,000	265,000	280,000	295,000	1,685,000	1,995,000	2,320,000	510,000	7,845,000
	Interest	282,525	270,525	257,775	244,525	230,525	937,075	628,675	304,750	16,575	3,172,950
	Total	522,525	525,525	522,775	524,525	525,525	2,622,075	2,623,675	2,624,750	526,575	11,017,950
AV	Principal	2,366,799	2,213,637	2,224,198	2,177,983	2,065,000	11,970,000	14,700,000	17,695,000	8,070,000	63,482,617
	Interest	2,644,675	2,526,335	2,415,653	2,304,443	2,195,544	9,345,569	6,609,694	3,617,238	456,750	32,115,901
	Total	5,011,474	4,739,972	4,639,851	4,482,426	4,260,544	21,315,569	21,309,694	21,312,238	8,526,750	95,598,518
AW	Principal	530,000	560,000	585,000	620,000	650,000	3,045,000	2,575,000	2,970,000	2,010,000	13,545,000
	Interest	526,200	499,700	471,700	442,450	411,450	1,553,750	967,063	571,250	121,800	5,565,363
	Total	1,056,200	1,059,700	1,056,700	1,062,450	1,061,450	4,598,750	3,542,063	3,541,250	2,131,800	19,110,363
AX	Principal	104,741	109,789	115,341	121,146	126,951	575,446	-	-	-	1,153,414
	Interest	57,671	52,434	46,944	41,177	35,120	73,685	-	-	-	307,031
	Total	162,412	162,223	162,285	162,323	162,071	649,131	-	-	-	1,460,445
AY	Principal	761,110	768,997	776,885	780,828	788,715	4,132,868	4,578,492	-	-	12,587,895
	Interest	221,590	216,833	211,065	204,267	195,483	789,908	341,060	-	-	2,180,206
	Total	982,700	985,830	987,950	985,095	984,198	4,922,776	4,919,552	-	-	14,768,101
Total	Principal	5,231,692	4,531,190	4,136,509	4,158,556	4,080,388	21,570,809	23,848,492	22,985,000	10,590,000	101,132,636
	Interest	3,826,962	3,609,664	3,436,432	3,261,653	3,083,983	12,708,112	8,546,492	4,493,238	595,125	43,561,661
	Total	$ 9,058,654	$ 8,140,854	$ 7,572,941	$ 7,420,209	$ 7,164,371	$ 34,278,921	$ 32,394,984	$ 27,478,238	$ 11,185,125	$ 144,694,297

NOTE 8 CAPITAL LEASE OBLIGATION

The University has various equipment under capital leases consisting primarily of copier machines. Changes in capital lease obligations are as follows:

	2021	2020
Balance - July 1	$ 191,676	$ 99,945
Increases	112,805	165,465
Repayments	(82,080)	(73,734)
Balance - June 30	$ 222,401	$ 191,676

Capital assets include equipment under capital lease of $321,335 at June 30, 2021 and $205,417 at June 30, 2020 which are reported net of accumulated depreciation of $229,258 at June 30, 2021 and $190,301 at June 30, 2020.

NOTE 8 CAPITAL LEASE OBLIGATION (CONTINUED)

The following is a summary of future minimum lease payments along with the present value of the net minimum lease payments as of June 30, 2021:

Year Ending June 30,	Amount
2022	$ 68,308
2023	66,220
2024	51,865
2025	30,170
2025	9,682
Total Minimum Lease Payments	226,245
Less: Amount Representing Interest	(3,844)
Net Present Value of Minimum Lease Payments	222,401
Less: Current Portion	66,308
Long-Term Capital Lease Obligations	$ 156,093

NOTE 9 UNEARNED REVENUE

Unearned revenue consists of the following components at June 30:

	2021		2020	
	Current	Noncurrent	Current	Noncurrent
Student Tuition and Fees	$ 4,509,685	$ -	$ 5,351,605	$ -
Grants	864,132	-	2,879,494	-
Sales and Services	2,423	-	6,472	-
Federal Appropriation	41,547	-	3,136,875	-
Other	384,870	50,789	16,930	67,718
Total	$ 5,802,657	$ 50,789	$ 11,391,376	$ 67,718

NOTE 10 COMPENSATED ABSENCES

Compensated absences are absences, such as vacation and sick leave, for which employees will be paid in cash at termination or retirement. Compensated absences consist of the following components at June 30:

	2021		2020	
	Current	Noncurrent	Current	Noncurrent
Compensated Absences	$ 4,907,235	$ 19,436,233	$ 2,300,959	$ 17,135,273

NOTE 10 COMPENSATED ABSENCES (CONTINUED)

The changes in compensated absences are as follows:

	2021	2020
Balance - July 1	$ 19,436,232	$ 17,135,273
Current Changes in Estimate	8,593,428	3,963,763
Payouts	(3,686,192)	(1,662,804)
Balance - June 30	$ 24,343,468	$ 19,436,232

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB)

Other postemployment benefits (OPEB) are benefits such as healthcare benefits that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave (See Note 10).

University employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), PASSHE Officers Association (POA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME), Pennsylvania Doctors Alliance (PDA), and Service Employees International Union (SEIU, Local 668), formerly 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 11 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.

	System Plan		REHP		Premium Assistance		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net OPEB Liabilities	$ 235,152,230	$ 206,416,046	$ 66,341,174	$ 56,817,940	$ 646,836	$ 616,753	$ 302,140,240	$ 263,850,739
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	-	-	57,693	-	5,980	3,537	63,673	3,537
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	N/A	N/A	23,682	-	1,131	1,076	24,813	1,076
Changes in Assumptions	37,745,412	-	8,606,775	1,817,811	26,345	20,297	46,378,532	1,838,108
Changes in Proportion	-	-	2,560,895	3,464,577	17,133	19,836	2,578,028	3,484,413
Contributions After the Measurement Date	5,112,513	5,868,104	1,356,201	2,464,747	35,852	35,557	6,504,566	8,368,408
Total Deferred Outflows of Resources	$ 42,857,925	$ 5,868,104	$ 12,605,246	$ 7,747,135	$ 86,441	$ 80,303	$ 55,549,612	$ 13,695,542
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	33,685,549	18,913,247	31,831,439	42,257,852	-	-	65,516,988	61,171,099
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	N/A	N/A	-	100,629	-	-	-	100,629
Changes in Assumptions	16,072,851	22,029,499	5,140,938	7,869,896	14,223	18,298	21,228,012	29,917,693
Changes in Proportion	N/A	N/A	3,807,962	2,427,451	13,254	4,152	3,821,216	2,431,603
Total Deferred Inflows of Resources	$ 49,758,400	$ 40,942,746	$ 40,780,339	$ 52,655,828	$ 27,477	$ 22,450	$ 90,566,216	$ 93,621,024
OPEB Expense	$ 5,674,530	$ 6,636,137	$ (5,854,165)	$ (6,327,306)	$ 98,767	$ 72,142	$ (80,868)	$ 380,973
Contributions Recognized by OPEB Plans	N/A	N/A	$ 1,356,201	$ 2,464,747	$ 35,852	$ 35,557	$ 1,392,053	$ 2,500,304

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling $5,112,513 for the System Plan, $1,356,201 for the REHP plan, and $35,852 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

	Amortization		
Year Ended June 30,	System Plan	REHP	Premium Assistance
2022	$ (6,198,772)	$ (10,591,500)	$ 3,233
2023	(6,198,772)	(9,973,384)	3,071
2024	(2,335,221)	(7,278,082)	2,909
2025	2,719,777	(2,509,249)	8,566
2026	-	820,921	5,010
Thereafter	-	-	323
Total	$ (12,012,988)	$ (29,531,294)	$ 23,112

NOTE 11 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. Non spouse dependents may be covered until age 19 or until age 25 if a certified full-time student. SCUPA, SPFPA, OPEIU, and nonrepresented employees whose retirement date is on or after January 1, 2016, and APSCUF employees whose retirement date is on or after July 1, 2017, receive the same pre-Medicare benefits as active employees, with benefits changing as active employee benefits change. All other pre-Medicare retirees continue to receive the same benefits to which they were entitled at retirement.

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

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.

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Plan Description (Continued)

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, 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 a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group’s overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under “Other Less Subsidized Health Coverage” is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.

NOTE 11 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 decreased 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 share of the System Plan'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%).

2021 Sensitivity of the University's Proportionate Share of the System Plan Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (4.5% Decreasing to 3.0%)	Healthcare Cost Trend Rates (5.5% Decreasing to 4.0%)	1% Increase (6.5% Decreasing to 5.0%)
$ 193,379,441	$ 235,152,230	$ 289,890,750

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

2020 Sensitivity of the University's Proportionate Share of the System Plan Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (4.5% Decreasing to 2.8%)	Healthcare Cost Trend Rates (5.5% Decreasing to 3.8%)	1% Increase (6.5% Decreasing to 4.8%)
$ 172,162,405	$ 206,416,046	$ 250,774,166

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the System Plan'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%).

2021		
Sensitivity of the University's Proportionate Share of the System Plan Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 0.86%	Current Rate 1.86%	1% Increase 2.86%
$ 279,372,480	$ 235,152,230	$ 200,275,051

The following presents the University's share of the System Plan's net OPEB liability 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 discount rate used (3.36%).

2020		
Sensitivity of the University's Proportionate Share of the System Plan Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 2.36%	Current Rate 3.36%	1% Increase 4.36%
$ 240,956,373	$ 206,416,046	$ 178,887,807

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

OPEB Liability

The University's proportionate share of the System Plan's total OPEB liability was $235,152,230 as of June 30, 2021, measured and determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the System Plan's OPEB liability was $206,416,046 as of June 30, 2020, measured as of July 1, 2019, and 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	$ 206,416,046	$ 207,081,792
Service Cost	5,346,017	5,609,676
Interest	6,985,210	6,231,752
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(24,240,129)	-
Changes in Assumptions	47,029,783	(10,818,130)
Benefit Payments	(6,384,697)	(1,689,044)
Net Changes	28,736,184	(665,746)
Balance - End of Year	$ 235,152,230	$ 206,416,046

REHP

Plan Description

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

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Plan Description (Continued)

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

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

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.

Actuarial Assumptions and Other Inputs

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

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The total OPEB liability in the June 30, 2020, and 2019, actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.60%.
- 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.
- Participant data based on census information as of December 31, 2019, for the June 30, 2020, measurement date; and as of December 31, 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.

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40.0 %	5.6 %
International Equity	27.0	5.8
Fixed Income	23.0	1.7
Real Estate	8.0	4.6
Cash and Cash Equivalents	1.5	0.9
Private Equity	0.5	10.4
Total	100.0 %	

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows at June 30, 2020:

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

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 4.275% for the measurement date of June 30, 2020, and 4.37% for the measurement date of June 30, 2019.

NOTE 11 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%).

2021		
Sensitivity of the University's Share of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (5.6% Decreasing to 3.1%)	Healthcare Cost Trend Rates (6.6% Decreasing to 4.1%)	1% Increase (7.6% Decreasing to 5.1%)
$ 56,386,055	$ 66,341,174	$ 78,781,105

The following presents the University's share of the REHP net OPEB liability at June 30, 2020, as well as what the liability would have been if it had been 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 healthcare cost trend rates used (6.0% decreasing to 4.1%).

2020		
Sensitivity of the University's Share of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (5.0% Decreasing to 3.1%)	Healthcare Cost Trend Rates (6.0% Decreasing to 4.1%)	1% Increase (7.0% Decreasing to 5.1%)
$ 49,356,802	$ 56,817,940	$ 65,995,636

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%).

2021		
Sensitivity of the University's Share of the REHP Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
$ 75,702,236	$ 66,341,174	$ 58,549,275

NOTE 11 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 have been if it had been calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the discount rate used (3.50%).

2020		
Sensitivity of the University's Share of the REHP Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
$ 64,463,107	$ 56,817,940	$ 50,418,648

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

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

NOTE 11 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 years 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 University, meaning that the amount that the University 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 11 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 payments; 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 benefit payments to measure the total OPEB liability.
- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2020.

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

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2019.

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

The net OPEB liability was measured as of June 30, 2020, 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. 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.

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%).

2021		
Sensitivity of the University's Share of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
Healthcare Cost Trend Rates (Between 4% and 6.50%)	Healthcare Cost Trend Rates (Between 5% and 7.50%)	Healthcare Cost Trend Rates (Between 6% and 8.50)%
$ 646,675	$ 646,836	$ 646,836

NOTE 11 OTHER POSTRETIREMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

2020 Sensitivity of the University's Share of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
Healthcare Cost Trend Rates (Between 4% and 6.50%)	Healthcare Cost Trend Rates (Between 5% and 7.50%)	Healthcare Cost Trend Rates (Between 6% and 8.50)%
$ 616,753	$ 616,753	$ 616,907

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

2021 Sensitivity of the University's Share 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%
$ 737,348	$ 646,836	$ 571,679

The following presents what the University's share of the Premium Assistance 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 (1.79%) or one percentage point higher (3.79%) than the discount rate used (2.79%).

2020 Sensitivity of the University's Share 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%
$ 702,708	$ 616,753	$ 545,560

NOTE 12 PENSION BENEFITS

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

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

	SERS		PSERS		ARP		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net Pension Liabilities	$ 84,727,824	$ 92,052,101	$ 14,776,059	$ 13,629,945	$ -	$ -	$ 99,503,883	$ 105,682,046
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	795,493	1,147,753	38,643	75,077	-	-	834,136	1,222,830
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	649,327	-	-	-	649,327	-
Changes in Assumptions	9,421,347	3,547,216	-	130,225	-	-	9,421,347	3,677,441
Difference Between Employer Contributions and Proportionate Share of Contributions	202,989	-	35,755	39,594	-	-	238,744	39,594
Changes in Proportion	349,147	952,888	238,162	363,797	-	-	587,309	1,316,685
Contributions After the Measurement Date	6,301,782	5,879,538	1,476,362	1,418,090	-	-	7,778,144	7,297,628
Total Deferred Outflows of Resources	$ 17,070,758	$ 11,527,395	$ 2,438,249	$ 2,026,783	$ -	$ -	$ 19,509,007	$ 13,554,178
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	$ 95,027	$ 623,485	$ 354,090	$ 451,695	$ -	$ -	$ 449,117	$ 1,075,180
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	10,840,481	6,565,051	-	39,083	-	-	10,840,481	6,604,134
Difference Between Employer Contributions and Proportionate Share of Contributions	281,095	481,322	-	-	-	-	281,095	481,322
Changes in Proportion	7,123,394	2,142,362	206,148	87,280	-	-	7,329,542	2,229,642
Total Deferred Inflows of Resources	$ 18,339,997	$ 9,812,220	$ 560,238	$ 578,058	$ -	$ -	$ 18,900,235	$ 10,390,278
Pension Expense	$ 5,931,093	$ 16,062,795	$ 3,731,462	$ 3,650,673	$ 8,807,967	$ 8,492,773	$ 18,470,522	$ 28,206,241
Contributions Recognized by Pension Plans	$ 10,270,958	$ 10,175,739	$ 1,476,362	$ 1,418,090	N/A	N/A	$ 11,747,320	$ 11,593,829

NOTE 12 PENSION BENEFITS (CONTINUED)

The University will recognize the $6,301,782 reported as 2021 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $1,476,362 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	
Fiscal Year Ending June 30,	SERS	PSERS
2022	$ (2,209,103)	$ (9,354)
2023	(553,950)	73,738
2024	(3,933,553)	141,205
2025	(987,734)	196,060
2026	113,319	-
Total	$ (7,571,021)	$ 401,649

SERS

Plan Description

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

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

Benefits Provided

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

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

Employees who were hired prior to January 1, 2011, and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members, but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

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

Contributions

The contribution rate for both active members and the 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 on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In fiscal year 2017/18, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 120.

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

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. The University's contributions to SERS for the years ended June 30, 2021, 2020, and 2019, were approximately $10,271,000, $10,176,000, and $10,340,000, 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 $27,744 in SERS defined contribution pension expense for the year ended June 30, 2021, and $13,930 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 12 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 will occur in summer 2025 and will be used for its 2025 annual valuation.

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

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

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

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2020, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	14.00 %	6.25 %
Private Credit	4.00	4.25
Real Estate	8.00	5.60
U.S. Equity	25.00	4.90
International Developed Markets Equity	13.00	4.75
Emerging Markets Equity	4.00	5.00
Fixed Income - Core	22.00	1.50
Fixed Income - Opportunistic	4.00	3.00
Inflation Protection (TIPS)	4.00	1.50
Cash	2.00	0.25
Total	100.00 %	

Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2019, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.00 %	7.25 %
Global Public Equity	48.00	5.15
Real Estate	12.00	5.26
Multi-Strategy	10.00	4.44
Fixed Income	11.00	1.26
Cash	3.00	-
Total	100.00 %	

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.

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

The following presents the State System'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.

2021		
Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Change in the Discount Rate		
1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
$ 105,922,276	$ 84,727,824	$ 57,663,379

The following presents what the State System's proportionate share of the SERS net pension liability was at June 30, 2020, calculated using the discount rate of 7.125%, as well as what the SERS net pension liability would have been if it had been calculated using a discount rate that was one percentage point lower (6.125%) or one percentage point higher (8.125%) than the rate used.

2020		
Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Change in the Discount Rate		
1% Decrease 6.125%	Current Rate 7.125%	1% Increase 8.125%
$ 116,967,267	$ 92,052,101	$ 70,721,775

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 $84,727,824. 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 $92,052,101.

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 the December 31, 2019 measurement date.

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS

Plan Description

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

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

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

Benefits Provided

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

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.

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided (Continued)

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

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

Member Contributions

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

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 16.755% of covered payroll. The University's contribution to PSERS for the years ended June 30, 2021, 2020, and 2019, was approximately $1,476,000, $1,418,000, and $1,323,000, respectively, equal to the required contractual contribution.

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions (Continued)

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

Actuarial Assumptions

The University records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year-end. The total PSERS pension liability, as of 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 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial 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.

	2020	
Asset Class	Target Allocation	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
Infrastructure/MLPs	6.0	5.7
Real Estate	10.0	5.5
Risk Parity	8.0	3.3
Cash	6.0	(1.0)
Financing (LIBOR)	(14.0)	(0.7)
Total	100.0 %	

Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

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

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2021 and 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.

2021		
Sensitivity of the West Chester University's Proportionate Share of the PSERS Net Pension Liability to Change in the Discount Rate		
1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
$ 18,281,064	$ 14,776,059	$ 11,806,716

2020		
Sensitivity of the West Chester University's Proportionate Share of the PSERS Net Pension Liability to Change in the Discount Rate		
1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
$ 16,977,648	$ 13,629,945	$ 10,795,265

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	$ 29,552,118	$ 27,259,890
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University	(14,776,059)	(13,629,945)
University's Proportionate Share of the PSERS Net Pension Liability	$ 14,776,059	$ 13,629,945

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Proportionate Share (Continued)

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 employers' one-year reported covered payroll. At June 30, 2020, the University's proportion was 0.1856%, a decrease of 0.0030% from its proportion calculated as of June 30, 2019.

ARP

The ARP is a defined contribution pension 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 University recognizes annual pension expenditures equal to its contractually required contribution to the plan. The University 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 $8,807,967 and $8,492,773, respectively, from the University and $4,740,563 and $4,570,922, respectively, from active members. No liability is recognized for the ARP.

NOTE 13 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring on or after July 1, 1995, the University must pay up to $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all universities of the State System contribute amounts as determined by an independent actuarial study. Based on updated actuarial studies, the University received refunds of $118,079 and $49,190 to the Reserve Fund in 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the aggregate liability for claims under the self-insurance limit was $1,055,391 and $1,039,944, respectively. Changes in the workers' compensation claims liability amount in fiscal years 2021 and 2020 follow:

	2021	2020
Balance - July 1	$ 1,039,944	$ 1,183,704
Current Year Claims and Changes in Estimates	546,041	(94,570)
Payments	(530,594)	(49,190)
Balance - June 30	$ 1,055,391	$ 1,039,944

NOTE 14 COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

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.

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funding in 2020-21. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2021, the University estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the accompanying financial statements.

COVID-19 Pandemic

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

Construction Commitments

Authorized expenditures for ongoing construction projects at June 30, 2021 and 2020 were approximately $36,571,411 and $75,348,534, respectively. The large balances in both fiscal year 2020-21 and fiscal year 2019-20 are due to the construction of The Sciences & Engineering Center and The Commons (SECC) project.

Insurance

The University is self-insured for workers' compensation up to stated limits (Note 13). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its risk management program. The University does not participate in any public entity risk pools and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's insurance coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

NOTE 14 COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS (CONTINUED)

Labor Negotiations

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 15 RATINGS 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 16 DEBT REFUNDING

In July 2020, Series AX tax-exempt revenue bonds were issued in the amount of $94,985,000. The University participated in the issuance, receiving net proceeds of $1,263,000, used to current refund Series AL bonds. The refunding was performed to reduce debt service by approximately $343,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately $314,000 and an accounting gain of $78,000. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

In October 2020, Series AY taxable revenue bonds were issued in the amount of $78,925,000. The University participated in the issuance, receiving net proceeds of $12,588,000, used to partially advance refund Series AM bonds. The refunding was performed to reduce debt service by approximately $2,170,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately $1,928,000 and an accounting loss of $218,000. The accounting loss, or deferred loss on refunding, is reported as a deferred outflow 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 17 GROUND LEASE

The University has ground lease agreements with University Student Housing, LLC (USH) for each of the student housing facilities constructed by USH. Payments due to the University by USH under the ground leases are 1) a base rent amount, 2) a Pennsylvania State System of Higher Education (PASSHE) system fee payment based on revenues, and 3) a rent payment due to the University based on a percentage of net available cash flow for each year.

The University has subordinated its rights to base and percentage rent payments to any payments due on the bonds. Any unpaid amounts accrue interest at prevailing prime rates.

Building	Agreement Date	Lease Expiration	Base Rent
University Hall and The Village	August 2003, amended February 2017	August 2045 or 2035 if Series 2013 bonds are satisfied at that time	$50,000 per year with annual 3% increases
Allegheny and Brandywine	March 2008	July 2053 or 2043 if Series 2003 bonds (now Series 2008 A-1 and A-2) are satisfied at that time	$7,058 per year with annual 3% increases
East Village	July 2012	June 2047 or earlier if the Series 2012 bonds are satisfied	$30,650 per year with annual 1% increases through 2019, 2% through 2023, and 3% thereafter
Commonwealth	February 2013	June 2063 or earlier if the Series 2013 bonds are satisfied	$10,000 per year with annual 1% increases through 2020, 2% through 2025, and 3% thereafter

At June 30, 2021, future minimum lease payments due under the ground leases are as follows:

Year Ending June 30,	2003 Lease	2008 Lease	2013 Lease	2014 Lease
2022	$ 82,644	$ 10,063	$ 34,185	$ 10,935
2023	85,116	10,365	34,869	11,153
2024	87,672	10,676	35,915	11,376
2025	90,300	10,996	36,992	11,604
2026	93,012	11,326	38,102	11,952
Thereafter	973,310	253,866	1,125,415	814,650

USH subleases 27,740 square feet of ground floor space in Allegheny and Brandywine to the University for $20 per year. The University reports fair value rent expense of $782,163 and $1,348,551 for the years ended June 30, 2021 and 2020, respectively. The University is responsible for leasehold improvements. The lease term is 29.5 years.

The University also subleases space in the clubhouse of the East Village apartments for dining services. Payments for this sublease were $11,365 and $11,034 in 2021 and 2020, respectively.

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.

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State System Plan OPEB Liability

Determined as of June 30 measurement dates

	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Changes in the System Plan Total OPEB Liability				
Total OPEB Liability-Beginning Balance	$ 206,416,046	$ 207,081,792	$ 223,456,885	$ 228,535,418
Service Cost	5,346,017	5,609,676	6,483,772	2,492,638
Interest	6,985,210	6,231,752	7,078,627	2,021,354
Changes of Benefit Terms	-	-	(155,864)	-
Differences Between Expected and Actual Experience	(24,240,129)	-	(26,908,772)	-
Changes of Assumptions	47,029,783	(10,818,130)	(1,766,501)	(7,339,152)
Benefit Payments	(6,384,697)	(1,689,044)	(1,106,355)	(2,253,373)
Net Changes	28,736,184	(665,746)	(16,375,093)	(5,078,533)
Total OPEB Liability-Ending Balance	$ 235,152,230	$ 206,416,046	$ 207,081,792	$ 223,456,885
Covered Employee Payroll	$ 92,408,471	$ 94,046,407	$ 91,811,380	$ 90,642,026
OPEB Liability as a Percent of Covered Payroll	254.47 %	219.48 %	225.55 %	246.53 %

Note to Schedule: 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.

Schedule of Proportionate Share of REHP Net OPEB Liability

Determined as of June 30 REHP measurement dates

Fiscal Year	University's Proportion	University's Proportionate Share	University's Covered-Employee Payroll	University's Proportionate Share of Net OPEB Liability as a Percentage of Covered-Employee Payroll	REHP's Fiduciary Net Position as a Percentage of Total OPEB Liability
2017/18	4.374 %	$ 103,701,326	$ 14,137,854	733.5 %	1.4 %
2018/19	4.483	82,072,127	14,638,503	560.7	2.2
2019/20	4.370	56,817,940	14,589,552	389.4	3.8
2020/21	4.275	66,341,174	14,626,958	453.6	3.7

REHP Schedule of Contributions

Determined as of June 30 fiscal year end dates

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017/18	$ 2,673,466	$ 2,673,466	$ -	$ 17,661,800	15.14 %
2018/19	3,219,492	3,219,492	-	18,083,629	17.80
2019/20	2,464,747	2,464,747	-	17,923,745	13.75
2020/21	1,356,201	1,356,201	-	17,044,331	7.96

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Schedule of Proportionate Share of PSERS Net OPEB Liability

Determined as of June 30 PSERS Measurement Date

Fiscal Year	University's Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total	University's Covered-Employee Payroll	University's Proportionate Share of Net OPEB Liability as a Percentage of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
2017/18	18.1100%	$ 532,630	$ 532,630	$ 1,065,260	$ 6,962,607	7.65 %	5.73 %
2018/19	0.1836%	581,968	581,968	1,163,936	7,515,805	7.74	5.56
2019/20	0.1886%	616,753	616,753	1,233,506	7,998,839	7.71	5.56
2020/21	0.1852%	646,836	646,836	1,293,672	8,403,712	7.70	5.69

PSERS OPEB Schedule of Contributions

Determined as of June 30 fiscal year end dates

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017/18	$ 31,010	$ 31,010	$ -	$ 7,523,157	0.41 %
2018/19	33,438	33,438	-	8,145,404	0.41
2019/20	35,559	35,559	-	8,523,237	0.42
2020/21	35,852	35,852	-	8,831,560	0.41

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

Fiscal Year	University's Proportion	University's Proportionate Share	University's Covered-Employee Payroll	University's Proportionate Share of NPL as a Percentage of Covered-Employee Payroll	SERS Fiduciary Net Position as a Percentage of Total Pension Liability
2014/15	4.901 %	$ 63,069,996	$ 25,724,299	245 %	64.8 %
2015/16	4.721	76,758,240	26,621,048	288	58.9
2016/17	4.837	85,901,891	27,736,138	310	57.8
2017/18	4.906	82,513,710	30,063,932	275	63.0
2018/19	4.897	103,931,367	32,449,328	320	56.4
2019/20	4.773	92,052,101	33,418,767	276	63.1
2020/21	4.420	84,727,824	31,214,031	271	67.0

SERS Schedule of Contributions
Determined as of the University's June 30 fiscal year end dates

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014/15	$ 5,065,638	$ 5,065,638	$ -	$ 25,724,299	19.7 %
2015/16	6,364,224	6,364,224	-	28,129,203	22.6
2016/17	8,146,695	8,146,695	-	31,108,146	26.2
2017/18	9,650,919	9,650,919	-	33,320,941	29.0
2018/19	10,340,482	10,340,482	-	35,545,740	29.1
2019/20	10,175,739	10,175,739	-	34,009,076	29.9
2020/21	10,270,958	10,270,958	-	34,134,368	30.1

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PSERS Schedule of Contributions
Determined as of the University's June 30 fiscal year end dates

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014/15	$ 664,810	$ 664,810	$ -	$ 2,866,773	23.0 %
2015/16	815,609	815,609	-	6,511,084	12.5
2016/17	1,024,730	1,024,730	-	7,069,915	14.5
2017/18	1,185,735	1,185,735	-	7,523,157	15.8
2018/19	1,323,062	1,323,062	-	8,145,404	16.2
2019/20	1,418,092	1,418,092	-	8,523,237	16.6
2020/21	1,476,362	1,476,362	-	8,831,550	16.7

Schedule of Proportionate Share of PSERS Net Pension Liability
Determined as of June 30 PSERS Measurement Date

Fiscal Year	University's Proportion	University's Proportionate Share	Commonwealth's Proportionate Share	Total	University's Covered-Employee Payroll	University's Proportionate Share of NPL as a Percentage of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total Pension Liability
2014/15	0.17850 %	$ 8,892,586	$ 8,892,586	$ 17,785,172	$ 5,733,546	310 %	57.2 %
2015/16	0.18520	10,184,925	10,184,925	20,369,850	6,052,296	200	54.4
2016/17	0.18330	12,323,574	12,323,574	24,647,148	6,442,137	200	50.1
2017/18	0.18110	12,895,413	12,895,413	25,790,826	6,954,508	200	51.8
2018/19	0.18360	13,262,986	13,262,986	26,525,972	7,439,287	200	54.0
2019/20	0.18360	13,629,945	13,629,945	27,259,890	8,035,934	200	55.7
2020/21	0.18560	14,776,059	14,776,059	29,552,118	8,403,712	1100	54.3