

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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 Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of West Chester University of Pennsylvania of the State System of Higher Education (the University), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets, net assets, and revenues of the discretely presented component units as of June 30, 2024. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

#### ***Basis for Opinions***

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

***Emphasis of Matter***

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 ten universities and the System Office of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.


Council of Trustees  
West Chester University of Pennsylvania  
of the State System of Higher Education

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

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

***Required Supplementary Information***

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



**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
November 19, 2024

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

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 year ended June 30, 2024. 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.

## **FINANCIAL HIGHLIGHTS**

Following is an overview of the University's financial activities for the year ended June 30, 2024, as compared to the year ended June 30, 2023, as well as future economic factors.

### **Tuition and Fees**

In its continued efforts to address affordability, in July 2024, the State System's Board of Governors (Board) voted to freeze basic in-state tuition for the 2024-25 academic year. This action resulted in an unprecedented six consecutive years in which tuition was frozen. The Board also tentatively froze the rate for the 2025-26 academic year. 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. The State System will continue to monitor its funding sufficiency and propose a tuition rate for 2025-26 for the Board's consideration in 2025.

The base tuition rate for most full-time Pennsylvania residents will remain at \$3,858 per term, or \$7,716 for the full 2024-25 academic year. Nonresident undergraduate tuition was also frozen, at \$9,645 per term, or \$19,290 for the full 2024-25 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 technology tuition fee for 2024-25 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 to directly 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. Beginning in academic year 2025-26, rate-approving authority for the technology tuition fee will be delegated to the university's Council of Trustees.

Mandatory fees for all undergraduate students set by the University increased by 4.7% in fiscal year 2023-24 after an increase of 4.6% in fiscal year 2022-23 compared to fiscal year 2021-22. Mandatory fees for graduate students increased by 4.2% in fiscal year 2023-24 compared to an increase of 2.4% in fiscal year 2022-23 when compared to fiscal year 2021-22. Room rates (North and South Campus) both increased by 6% in fiscal year 2023-24, after remaining unchanged for the prior two years.

For fiscal year 2024-2025 mandatory student fees set by the University will increase by 3.5% for undergraduate students and 3.2% for graduate students. Room rates (North Campus and South Campus) will increase 8.2%. 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.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Enrollment**

The enrollment demand at the University remained strong in fiscal year 2023-24, with 16,965 first-year applications for 3,087 openings for the fall 2023.

The enrollment demand increased for fiscal year 2024-25, with 17,989 first-year applications, a 6% increase over prior year applications, for 3,022 openings for fall 2024.

**Appropriations**

For fiscal year 2023-24, the State System received General Fund appropriations of \$585.6 million from the Commonwealth, an increase of 6.0% over the \$552.5 million received in fiscal year 2022-23. In fiscal year 2023-24, these appropriations represented approximately 35% of total revenues and gains.

In fiscal year 2024-25, the State System will receive \$620.8 million in General Fund appropriations, an increase of \$35.2 million, or 6.0%, over the prior fiscal year.

The University's share of the total general fund appropriation increased by 10.3% in fiscal year 2023-24 to \$89.8 million. In fiscal year 2024-25, the University is scheduled to receive \$97.7 million, an increase of 8.8%.

Pennsylvania ranked 40th in the nation in public higher education appropriations per FTE student, based on the 2023 State Higher Education Finance Report produced by the State Higher Education Executive Officers Association. This is an improvement over the 46th ranking in the 2022 report. State support is a main determinant influencing the State System's overall financial condition and directly impacts the ability of the State System to maintain affordable tuition rates. The appropriation increases in recent years have been instrumental in the ability to freeze tuition, provide important services for our students, and support our financial health.

The University received a \$2.5 million Realty Transfer Tax allocation in fiscal year 2023-24 from the Commonwealth's Key '93 (Keystone Recreation, Park and Conservation) Fund. The University's Key '93 appropriation for fiscal year 2024-25 is \$2.3 million. 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.

**Capital Investment and Debt**

The University purchased \$36.8 million in capital assets in fiscal year 2023-24, as compared to \$16.5 million in fiscal year 2022-23. A major project completed during the fiscal year included the new "OneSIS" student information system implementation. Ongoing projects cover a diverse range of areas, from building renovations to infrastructure enhancements, all with the overarching goal of enhancing and upgrading the campus environment to better support student success. The University 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 ten universities, the University achieves low interest rates and administrative cost savings.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Capital Investment and Debt (Continued)**

During fiscal year 2023-24, there were no new bond issuances by the University or State System.

In December 2023, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3, but revised the outlook from negative to stable. The stable outlook reflects Moody's expectations that leadership will continue to successfully execute the system redesign initiative leading to the maintenance of break-even operations and expectations of continued strong liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's revised the State System's Environmental, Social, and Governance (ESG) and Credit Impact Scores (CIS) from CIS-4 to CIS-3, reflecting an improvement in that measure. CIS-3 reflects the State System's elevated exposure to social risks, including weak demographics and highly competitive market conditions, while strong financial management partly mitigates its exposure to ESG risks. In March 2024, Fitch Ratings affirmed the State System's rating of A+ with stable outlook.

**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 (the 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. The loan payable on the property at June 30, 2024 was \$1.8 million.
- 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. Total bonds payable, net of deferred financing costs, on the USH properties at June 30, 2024, are \$175.5 million.
- The student housing facilities built and managed by USH are:

Building	Initial Project Year	Current Bond Series	Outstanding at June 30, 2024
University Hall and The Village	2003	Series 2013 and 2020	\$ 31,441,886
Allegheny and Brandywine	2008	Series 2008 A-1 and A-2	79,013,520
East Village	2012	Series 2012	15,276,789
Commonwealth	2013	Series 2013 A and 2016 C-2	49,776,206
		TOTAL	<u>\$ 175,508,401</u>



**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS**

**Statement of Net Position**

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 market value; the value of outstanding receivables due from students and other parties; land, buildings, and equipment reported at cost, less accumulated depreciation; and right of use and subscription assets less accumulated amortization.
- 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, employees, and students; revenues received but not yet earned; the balance of bonds payable; and amounts estimated to be due for items such as workers' compensation (the State System is self-insured), compensated absences (the value of sick and annual leave earned by employees), pension benefits, OPEB, and lease and subscription liabilities.
- 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, certain items associated with the pension and OPEB, and deferred income associated with lessor leases.
- Net Position, informally referred to as Net Assets or Fund Balance (as it was previously called), is the sum of Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

**Statement of Net Position (Continued)**

Following is a summary of the University's statement of net position at June 30 (in millions):

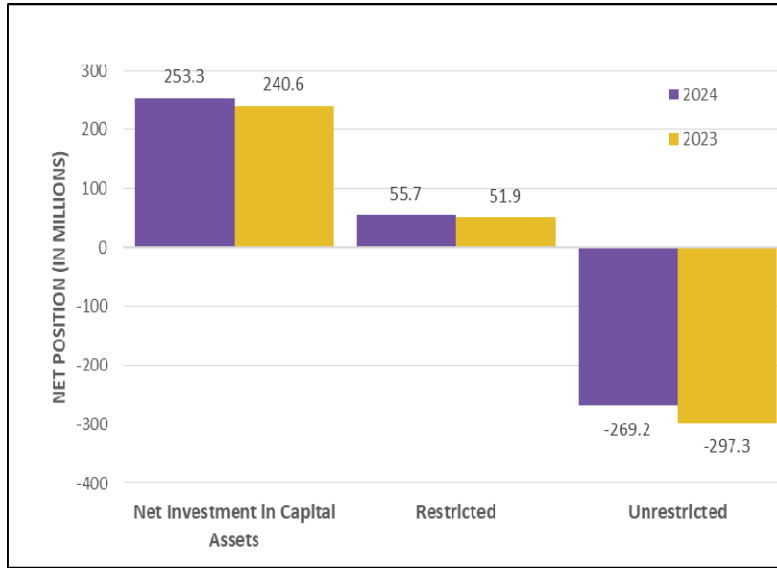
	<u>2024</u>	<u>2023</u>	<u>2020</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Capital Assets, Net	\$ 354.0	\$ 342.9	\$ 259.1
Other Assets and Deferred Outflows of Resources	<u>292.6</u>	<u>304.5</u>	<u>336.3</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 646.6</u>	<u>\$ 647.4</u>	<u>\$ 595.4</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Workers' Compensation, Compensated Absences, and Postemployment Obligations	\$ 222.4	\$ 226.7	\$ 284.3
Net Pension Liability	112.3	119.8	105.7
Bonds Payable	90.7	95.2	111.8
Other Liabilities and Deferred Inflows of Resources	<u>181.4</u>	<u>210.5</u>	<u>154.7</u>
Total Liabilities and Deferred Inflows of Resources	606.8	652.2	656.5
<b>NET POSITION</b>			
Net Investment in Capital Assets	253.3	240.6	199.8
Restricted	55.7	51.9	45.9
Unrestricted	<u>(269.2)</u>	<u>(297.3)</u>	<u>(306.8)</u>
Total Net Position	<u>39.8</u>	<u>(4.8)</u>	<u>(61.1)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 646.6</u>	<u>\$ 647.4</u>	<u>\$ 595.4</u>

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

**Statement of Net Position (Continued)**

**Net Position (in millions)**



**Net Position**

Overall, net position increased by \$44.6 million in fiscal year 2023-24 over fiscal year 2022-23. This compares to an increase of \$46.2 million in fiscal year 2022-23 over fiscal year 2021-22.

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

- Net investment in capital assets, informally referred to as NIP (from its former name, Net Investment in Plant), is the cost of land, buildings, improvements, equipment, furnishings, library books, and right of use leases and subscription assets, net of accumulated depreciation and amortization, less any associated debt (primarily bonds payable). This balance is not available for the University's use in ongoing operations since the underlying assets would have to be sold to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling University land and buildings without its prior approval.
- Restricted net position represents the portion of balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. Nonexpendable restricted net position represents the corpus of endowments and similar arrangements in which only the associated investment income can be spent. Expendable restricted net position represents the portion of restricted funds that is available for expenditure as long as any external purpose and time restrictions are met.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

**Statement of Net Position (Continued)**

**Net Position (Continued)**

- Unrestricted net position includes funds that the Board, chancellor, or university presidents have designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets.

Unrestricted net position includes three liabilities that the State System does not fund, along with the respective deferred outflows and deferred inflows of resources. Because these liabilities will be realized gradually over future years, and because of their size, the universities are expected to fund these liabilities only on a “pay-as-you-go” basis, i.e., as they become due.

1. The liability for OPEB decreased by \$5.1 million to \$201.6 million at June 30, 2024, over June 30, 2023.
2. The liability for compensated absences increased from \$18.7 million at June 20, 2023, to \$19.9 million at June 30, 2024, or \$1.2 million. This compares to a \$6.5 million decrease at June 30, 2023, over June 30, 2022. The University funds this liability only as cash payouts are made to employees upon termination.
3. The combined pension liability for fiscal year 2023-24 was \$112.3 million, comprised of \$97.9 million for the State Employee Retirement System (SERS) and \$14.4 million for the Public School Employees' Retirement System (PSERS). This is a decrease of \$7.5 million from fiscal year 2022-23.

**Statement of Revenues, Expenses, and Changes in Net Position**

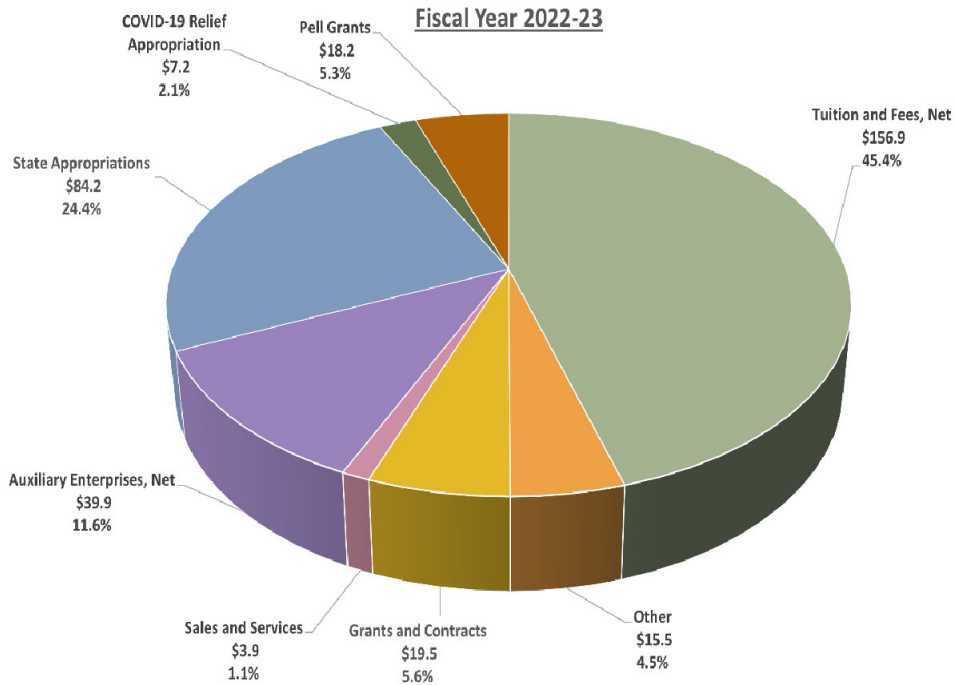
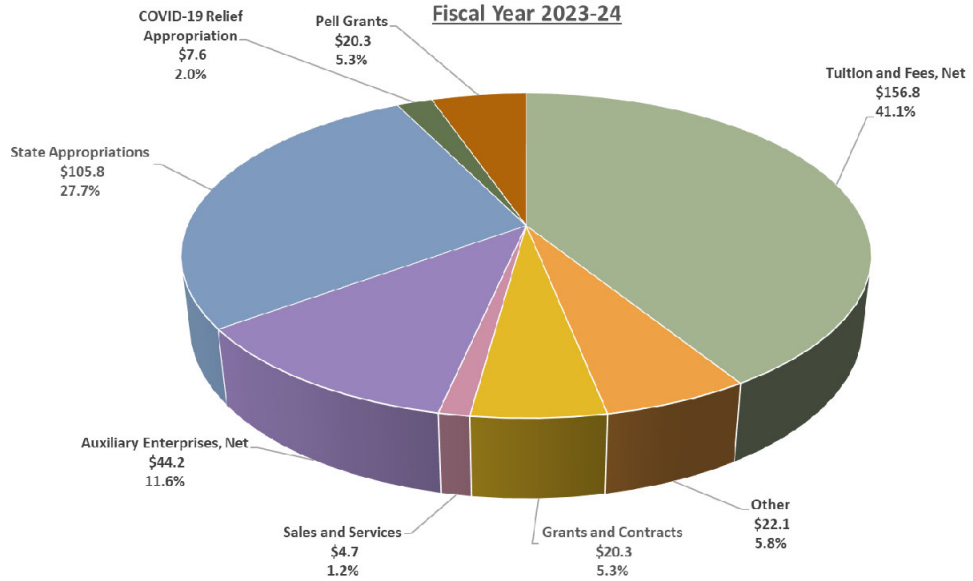
This statement reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, the University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations and grants and appropriations received as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA), and the American Rescue Plan Act of 2021 (ARPA) are nonoperating revenues. In addition, GASB requires classification of Pell grants, gifts, investment income and expenses, unrealized gains and losses on investments, interest expense, and losses on disposals and acquisitions of assets as nonoperating. The University classifies all its remaining activities as operating.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

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

**Operating and Nonoperating Revenues (in millions)**

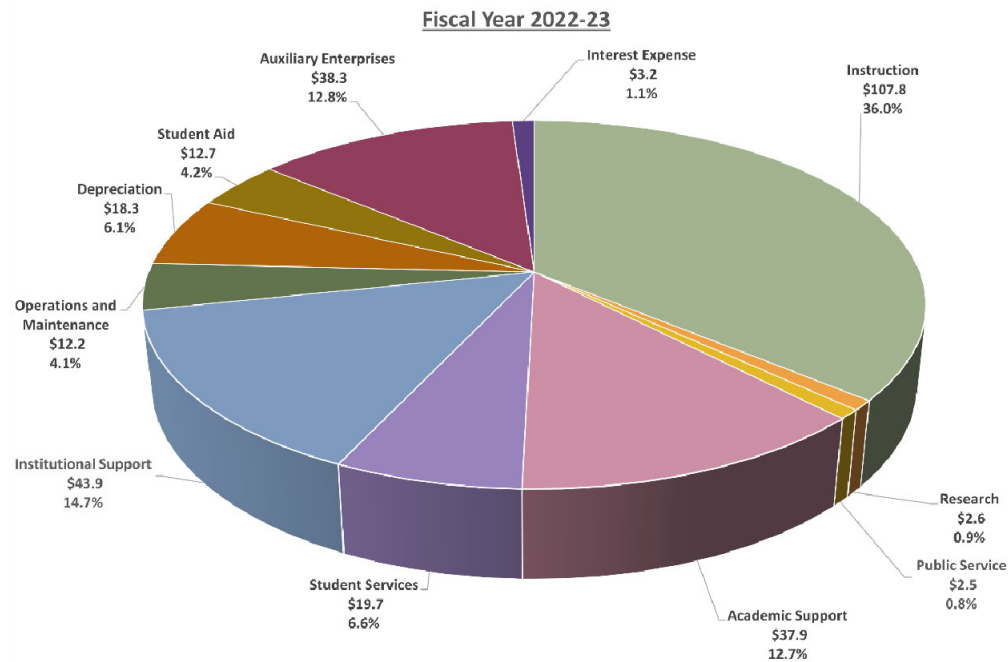
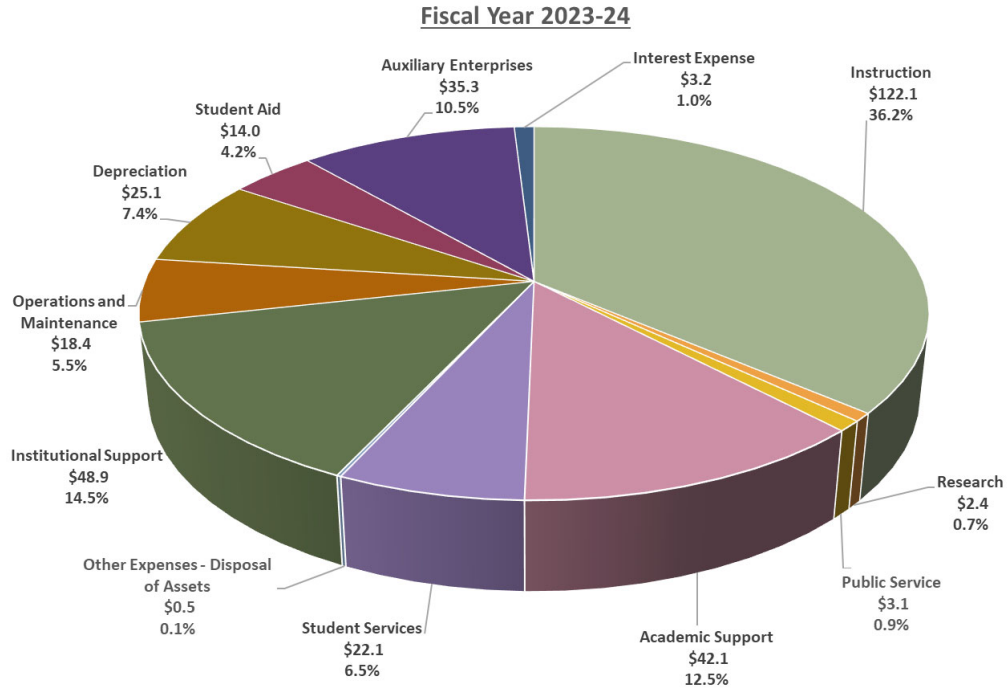


**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

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

**Operating Expenditures by Function (in millions)**



**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (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):

	2024	2023	2020
<b>OPERATING REVENUES</b>			
Tuition and Fees, Net	\$ 156.8	\$ 156.9	\$ 163.4
Grants and Contracts	20.3	19.4	15.6
Auxiliary Enterprises, Net	44.2	39.9	32.1
Other	6.3	5.1	4.6
Total Operating Revenues	<u>227.6</u>	<u>221.3</u>	<u>215.7</u>
<b>OTHER REVENUES</b>			
State Appropriations	105.8	84.2	60.3
Federal Appropriations - COVID-19 Relief Funds	7.6	7.2	2.4
Investment Income, Net (Includes Unrealized Gains and Losses)	13.7	9.3	6.6
Gifts, Grants, and Other	27.1	23.3	22.6
Total Other Revenues	<u>154.2</u>	<u>124.0</u>	<u>98.8</u>
Total Revenues	381.8	345.3	314.5
<b>OPERATING EXPENSES</b>			
Personnel Compensation:			
Salaries	159.5	142.6	140.2
Benefits	39.9	38.4	35.6
Pension Expense	22.2	23.4	28.2
Other Postemployment Benefits Expense	(14.2)	(17.2)	0.4
Student Wages	5.7	4.3	4.4
Total Personnel Compensation	<u>213.1</u>	<u>191.5</u>	<u>208.8</u>
Telecommunications Charges	0.4	0.4	0.6
Travel and Transportation	2.1	2.0	1.8
Computing and Data Processing	7.8	7.7	4.2
Professional and Contracted Services	19.7	14.8	13.9
Utilities	6.6	6.0	4.2
Food Supplies	16.4	14.3	10.8
Depreciation	25.1	18.3	17.2
Student Aid Expense	14.0	12.8	17.1
Supplies and Other Current Charges	28.3	28.1	29.8
Total Operating Expenses	<u>333.5</u>	<u>295.9</u>	<u>308.4</u>
<b>OTHER EXPENSES</b>			
Interest Expense	3.2	3.2	3.0
Loss on Disposal of Assets	0.5	-	-
Total Expenses	<u>337.2</u>	<u>299.1</u>	<u>311.4</u>
<b>INCREASE IN NET POSITION</b>	44.6	46.2	3.1
Net Position - Beginning of Year	<u>(4.8)</u>	<u>(51.0)</u>	<u>(64.2)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 39.8</u>	<u>\$ (4.8)</u>	<u>\$ (61.1)</u>

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

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

Overall, fiscal year 2023-24 operating revenues increased by 2.85% from the prior fiscal year due to an increase in auxiliary revenue. Nonoperating revenues increased by 24.35% primarily due to an increase in state appropriation funds received in fiscal year 2023-24. The overall increase in total revenues was 10.57%.

Tuition and fee revenue is shown net of discounts and allowances and bad debt expense. Discounts and allowances represent financial aid to students in the form of grants, scholarships, and waivers. Tuition was frozen again in fiscal year 2023-24 and enrollment increased slightly. In addition, there was an overall increase in discounts and allowances of \$2.9 million. These items resulted in an overall decrease in net tuition and fee revenue of \$0.1 million, or 0.1%, for fiscal year 2023-24 from fiscal year 2022-23.

Financial aid to students in the form of waivers and scholarships was \$36.7 million, an increase of \$2.9 million from fiscal year 2022-23. Student aid expense (excluding COVID-19 related student aid) was \$10.0 million, a decrease of \$1.8 million from fiscal year 2022-23. COVID-19 related student aid was \$4.0 million in fiscal year 2023-24 as compared to \$0.9 million in fiscal year 2022-23, an increase of \$3.1 million. Overall, total financial aid to students (excluding COVID-19 related student aid) was \$46.8 million in fiscal year 2023-24, an increase of \$1.1 million from fiscal year 2022-23.

Auxiliary enterprises revenue, which includes food service sales, housing fees, and fees for the operation, maintenance, debt service, and renewal of student union and recreation centers, increased by \$4.3 million to \$44.2 million, or 10.8%, in fiscal year 2023-24 over fiscal year 2022-23.

State appropriations include cash as well as capital appropriations that are received in the form of noncash furnishings and equipment for the Commonwealth-funded construction projects. The fiscal year 2023-24 appropriation was \$92.3 million, an \$8.1 million increase over fiscal year 2022-23. Additional capital appropriations of \$13.5 million were recorded in fiscal year 2023-24 for geothermal projects funded by the Commonwealth in prior years.

Net investment income (including unrealized gains and losses) for fiscal year 2023-24 was \$13.7 million, an increase of \$4.4 million from fiscal year 2022-23. Net investment income increase was driven by higher interest rates and unrealized gains in the endowment market value during fiscal year 2023-24. Non-operating revenue includes the University's portion of the Commonwealth's American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds (CSFRF) totaling \$7.6 million in 2023-24 and \$7.2 million in 2022-23. These one-time funds are being used to support key priority areas within the University, in accordance with regulations outlined in the CSFRF Final Rule guidelines. A significant portion of these funds will be dedicated to financial aid initiatives aimed at assisting needy students, ensuring that they have access to quality education. Additionally, a portion of the funds was allocated for the implementation of OneSIS. This system will improve the efficiency and effectiveness of the University's administrative and academic processes while also contributing to the overall support of student success.



**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**THE FINANCIAL STATEMENTS (CONTINUED)**

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

Overall, fiscal year 2023-24 operating expenses increased by \$37.6 million, or 12.7%, from fiscal year 2022-23 and are mainly attributable to higher salary, wages and benefit costs and depreciation expense. The University spent \$159.5 million, or 47.8%, of its operating expenses on salaries and wages in fiscal year 2023-24 as compared to \$142.6 million in fiscal year 2022-23, or 48.2% of its operating expenses. The increase is the result of salary and wage increases granted as part of the new collective bargaining agreements. In total, the University spent \$213.1 million, or 63.9% of operating expenditures, on salaries, benefits, OPEB expense, and student wages in fiscal year 2023-24, and \$191.5 million, or 64.7% of operating expenditures, in fiscal year 2022-23.

Interest expense on capital asset-related debt was \$3.2 million, resulting in no change from fiscal year 2022-23. Interest expense is flat due to passage of time with no additional debt instruments issued during the fiscal year.

**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 2024-25 and beyond:

1. 150Forward: The Campaign for West Chester University – Coinciding with West Chester University's 150th anniversary celebration, the University completed the largest campaign in the University's history on June 30, 2024. The goals of this \$65 million comprehensive campaign entitled, 150Forward: The Campaign for West Chester University, were:
  - 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 \$70.5 million was raised in support of these priorities, exceeding the campaign's overall goal by more than \$5.5 million.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)**

2. New President – Dr. R. Lorraine (Laurie) Bernotsky was unanimously named the 16th president of West Chester University by the Board of Governors of Pennsylvania's State System of Higher Education (PASSHE), effective July 1, 2024. A longstanding champion for public education and State System students, Dr. Bernotsky is a first-generation college graduate who leads the largest R2 institution within Pennsylvania's State System of Higher Education. Prior to being named president, Dr. Bernotsky held the position of interim president of Pennsylvania Western University (PennWest) as a loaned executive from West Chester University. Known for being a transformative leader in higher education, Dr. Bernotsky is prepared to help West Chester University chart its path toward the next 150 years.
3. New Interim PASSHE Chancellor – In July 2024, PASSHE Chancellor Dan Greenstein announced his resignation effective October 11, 2024. Former West Chester University President Christopher M. Fiorentino will serve as the interim chancellor of the Board of Governors of Pennsylvania's State System of Higher Education.
4. Moon Shot for Equity – Moon Shot for Equity is an initiative to close equity gaps in higher education by 2030. In September 2021, the 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 are working 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 is providing research, technology, and advisory services to the schools.

5. Appropriations – On July 11, 2024, Governor Josh Shapiro signed a fiscal year 2024-25 Commonwealth General Fund budget of \$47.6 billion that provides for increased funding of higher education. The spending plan appropriated to the State System was \$620.8 million in General Funds, as well as an additional \$85.0 million for various debt relief efforts.

Commonwealth appropriations are a significant source of revenues to the State System. The State System's continued operational viability is substantially dependent on a consistent and proportionate level of ongoing support. Commonwealth support also directly impacts the ability of the State System to maintain affordable tuition rates. The State System further depends on the Commonwealth to provide appropriations in support of its capital program.

6. Increased Costs for Salaries and Benefits Mandated by Collective Bargaining Agreements – Approximately 84% of PASSHE's full-time equivalent (FTE) employees are represented by eight unions under nine collective bargaining agreements. During 2023-24, seven new collective bargaining agreements were established that represent various State System employees. These seven new agreements are effective July 1, 2023 through June 30, 2027, with one agreement awaiting ratification. Agreements with the other two represented groups are effective from September 1, 2022 through August 31, 2025.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)**

7. Necessary Facilities Upgrades and Campus Master Plan – Planned projects for fiscal year 2025 and beyond include the residence halls renovations, landscape master plan improvements, and various building renovations and infrastructure upgrades. In addition, the University has partnered with Ewing Cole, a nationally recognized, fully integrated architecture, engineering, interior design, and planning firm, to develop a comprehensive master campus plan. The plan will align with the University's Strategic Plan; match facility resources to WCU's vision, goals, and needs; seek to leverage external community engagement and partnerships; guide near and long-term development; establish criteria for evaluating potential programs and projects; and provide a framework for implementation of projects and goals.
8. Pension and OPEB Liabilities – The State System's liabilities related to unfunded future pension and retiree healthcare costs total \$2.52 billion when combined with the respective deferred inflows of resources (DOR) and deferred outflows of resources (DOR). The State System has virtually no control over \$1.2 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.

The Commonwealth's combined net pension and OPEB liabilities totaled \$73.4 billion at June 30, 2024, compared to \$77.2 billion at June 30, 2023. Credit rating agencies consistently cite these liabilities as significant challenges for both the State System and the Commonwealth and as factors that have contributed to credit rating downgrades. Commonwealth pension legislation enacted in 2017 modified the pension benefits for new hires beginning January 1, 2019 or July 1, 2019 depending on the underlying plan, 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 have participated since 2019. 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.

9. Increases in Employer Retirement Contributions – Employer contributions to SERS, a defined benefits pension plan, were 41.09% of a participating employee's salary in fiscal year 2023-24, versus 38.82% in fiscal year 2022-23. This rate is expected to 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. At December 31, 2023, 65.30% of the SERS liability was funded.
10. Healthcare Costs – The University's share of employee healthcare contributions increased by \$0.91 million, or 4.4%, in fiscal year 2023-24. This follows an increase of \$1.8 million, or 9.6%, in fiscal year 2022-23.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**FUTURE AND OTHER ECONOMIC FACTORS (CONTINUED)**

11. Energy Cost Management – The University's average annual energy cost of approximately \$5.1 million, between FY 2020 and FY 2024, is being challenged by projections of significantly higher costs into the foreseeable future. These challenges are multi-faceted - costs of the commodity, building usages with extended hours of operations during peak times, additional high demand loads in newly opened buildings, additional loads in existing buildings, and greater occupant requirements for cleaner air quality. The University incorporates enhanced building automation systems and control strategies to mitigate the challenges while maintaining the ideal learning environment. These systems will be continually enhanced by investigating and assessing High-Performance Sequences of Operations for HVAC systems aimed at reducing energy consumption and system downtime. The University will continue to identify, evaluate, and implement energy savings strategies designed to reduce energy usage and associated costs in campus buildings. 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 oil will continually be evaluated to determine the most cost-effective procurement, load managed utilization strategies, and time-of-use cost profiles to be incorporated into daily operations without compromising the living and learning environments.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 (UNAUDITED)**

**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**

(Ms.) Deb Cornelius  
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  
202 Carter Drive  
West Chester, PA 19382

**The West Chester University Alumni Association**

(Ms.) Jenna Birch  
Director of Alumni Relations  
West Chester University Alumni Association  
202 Carter Drive  
West Chester, PA 19382

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF NET POSITION  
PRIMARY INSTITUTION  
JUNE 30, 2024**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 185,848,939
Accounts Receivable:	
Governmental Grants and Contracts	1,624,512
Students, Net	3,856,261
Other	5,313,375
Inventory	107,467
Prepaid Expenses	2,179,054
Investment Income Receivable	764,417
Loans Receivable, Net	284,833
Leases Receivable	469,119
Due From Component Units - Lease Receivable	64,906
Total Current Assets	200,512,883

**NONCURRENT ASSETS**

Endowment Investments	34,803,032
Beneficial Interests	5,013,421
Loans Receivable, Net	59,724
Leases Receivable	1,099,252
Due From Component Units - Lease Receivable	2,213,749
Capital Assets, Net	354,014,354
Other Assets	234,206
Total Noncurrent Assets	397,437,738
Total Assets	597,950,621

**DEFERRED OUTFLOWS OF RESOURCES**

Unamortized Loss on Refunding of Debt	185,902
Other Postemployment Benefits Related	23,919,828
Pension Related	24,550,977
Total Deferred Outflow of Resources	48,656,707
Total Assets and Deferred Outflows of Resources	\$ 646,607,328

See accompanying Notes to Financial Statements.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF NET POSITION (CONTINUED)  
PRIMARY INSTITUTION  
JUNE 30, 2024**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 31,928,267
Unearned Revenue	16,362,480
Students' Deposits	2,447,033
Workers' Compensation	580,557
Compensated Absences	1,834,536
Bonds Payable, Net	4,539,735
Lease and Subscription Liabilities	2,904,544
Postemployment Benefit Obligations	8,207,406
Other Current Liabilities	309,811
Total Current Liabilities	<u>69,114,369</u>

**NONCURRENT LIABILITIES**

Workers' Compensation	507,430
Compensated Absences	18,011,665
Postemployment Benefit Obligations	193,339,549
Bonds Payable, Net	86,128,422
Lease and Subscription Liabilities	4,070,036
Net Pension Liability	112,329,137
Other Noncurrent Liabilities	(18,779)
Total Noncurrent Liabilities	<u>414,367,460</u>

Total Liabilities 483,481,829

**DEFERRED INFLOWS OF RESOURCES**

Unamortized Gain on Refunding of Debt	74,685
Split-Interest Agreement Deferred Inflows	7,675
Other Postemployment Benefits Related	113,243,893
Pension Related	6,366,356
Lease Receivable	3,661,339
Total Deferred Inflows of Resources	<u>123,353,948</u>

Total Liabilities and Deferred Inflows of Resources 606,835,777

**NET POSITION**

Net Investment in Capital Assets	253,275,396
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	39,731,663
Expendable:	
Scholarships and Fellowships	7,528,725
Capital Projects	3,431,265
Other	4,981,485
Unrestricted	(269,176,983)
Total Net Position	<u>39,771,551</u>

Total Liabilities, Deferred Inflows of Resources,  
and Net Position \$ 646,607,328

See accompanying Notes to Financial Statements.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PRIMARY INSTITUTION  
YEAR ENDED JUNE 30, 2024**

**OPERATING REVENUES**

Tuition and Fees	\$ 194,046,124
Less: Scholarship Discounts and Allowances	(37,227,145)
Net Tuition and Fees	156,818,979
Governmental Grants and Contracts:	
Federal	5,335,227
State	14,434,269
Local	122,445
Nongovernmental Grants and Contracts	382,502
Sales and Services of Educational Departments	4,662,680
Auxiliary Enterprises	44,177,688
Other Revenues	1,612,306
Total Operating Revenues	227,546,096

**OPERATING EXPENSES**

Instruction	122,146,703
Research	2,408,781
Public Service	3,073,300
Academic Support	42,139,175
Student Services	22,070,558
Institutional Support	48,897,773
Operations and Maintenance of Plant	18,422,618
Depreciation and Amortization	25,127,349
Student Aid	13,960,378
Auxiliary Enterprises	35,291,516
Total Operating Expenses	333,538,151

**NET OPERATING LOSS**

(105,992,055)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations, General and Restricted	89,800,850
Federal Appropriations - COVID-19 Relief Funds	7,603,752
Commonwealth On-Behalf Contributions to PSERS	1,249,327
Pell Grants	20,272,491
Investment Income, Net of Investment Expense of \$111,308 in 2024	10,382,092
Unrealized Gain on Investments	3,288,268
Gifts for Other than Capital Purposes	5,472,425
Interest Expense	(3,241,280)
Loss on Disposal of Assets	(493,696)
Other Nonoperating Revenue	108,392
Nonoperating Revenues, Net	134,442,621

**INCOME BEFORE OTHER REVENUES**

28,450,566

**OTHER REVENUES**

State Appropriations, Capital	16,038,736
Capital Gifts and Grants	31,400
Total Other Revenues	16,070,136

**INCREASE IN NET POSITION**

44,520,702

Net Position - Beginning of Year

(4,749,151)

**NET POSITION - END OF YEAR**

\$ 39,771,551

See accompanying Notes to Financial Statements.



**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF CASH FLOWS  
PRIMARY INSTITUTION  
YEAR ENDED JUNE 30, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Tuition and Fees	\$ 156,478,329
Grants and Contracts	19,997,174
Payments to Suppliers for Goods and Services	(80,112,839)
Payments to Employees	(234,357,649)
Loans Collected from Students	317,595
Student Aid	(13,997,000)
Auxiliary Enterprise Charges	44,132,514
Sales and Services of Educational Departments	4,492,723
PLUS, Stafford, and Other Loans Receipts	130,870,506
PLUS, Stafford, and Other Loans Disbursements	(130,870,506)
Other Operating Receipts (Disbursements)	<u>117,015</u>
Net Cash Used by Operating Activities	<u>(102,932,138)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	89,800,850
Gifts and Nonoperating Grants for Other than Capital Purposes	25,744,916
Agency Transactions, Net	136,201
Other	<u>108,390</u>
Net Cash Provided by Noncapital Financing Activities	<u>115,790,357</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital Appropriations	2,515,786
Capital Grants and Gifts Received	31,400
Purchases of Capital Assets	(13,738,288)
Principal Paid on Debt	(7,804,718)
Interest Paid on Debt	<u>(3,657,651)</u>
Net Cash Used by Capital Financing Activities	<u>(22,653,471)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	1,088,354
Interest on Investments	10,244,237
Purchases of Investments	<u>(2,297,189)</u>
Net Cash Provided by Investing Activities	<u>9,035,402</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

(759,850)

Cash and Cash Equivalents - Beginning of Year

186,608,789

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 185,848,939

See accompanying Notes to Financial Statements.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF CASH FLOWS (CONTINUED)  
PRIMARY INSTITUTION  
YEAR ENDED JUNE 30, 2024**

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$(105,992,055)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	25,127,349
Expenses Paid by Commonwealth or Donor	1,249,327
Changes in Assets and Liabilities:	
Receivables, Net	(1,044,113)
Lease Receivable	128,132
Inventories	(37,956)
Other Assets	(923,427)
Accounts Payable	1,178,070
Unearned Revenue	653,391
Students' Deposits	(139,432)
Compensated Absences	1,130,731
Loans Collected from Students	317,595
Postemployment Benefits Liability (OPEB)	(5,143,422)
Defined Benefit Pensions	(7,480,830)
Other Liabilities	312,547
Deferred Outflows of Resources Related to Pensions	7,254,686
Deferred Outflows of Resources Related to OPEB	10,129,133
Deferred Inflows of Resources Related to Pensions	(2,007,665)
Deferred Inflows of Resources Related to OPEB	(27,435,026)
Deferred Inflows of Resources Related to Lease Receivable	(209,173)
Net Cash Used by Operating Activities	<u><u>\$(102,932,138)</u></u>

**SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES**

Capital Assets Included in Payables	<u><u>\$ 3,333,152</u></u>
Capital Assets Acquired by New Subscription Agreements	<u><u>\$ 6,163,455</u></u>
Capital Assets Acquired by Gift or Appropriation	<u><u>\$ 13,522,950</u></u>

See accompanying Notes to Financial Statements.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
COMBINED STATEMENT OF FINANCIAL POSITION  
COMPONENT UNITS  
JUNE 30, 2024**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 56,871,751
Accounts Receivable	757,257
Pledges Receivable, Net	2,691,744
Inventory	1,219,473
Due from the University	368,668
Prepaid Expenses	98,605
Total Current Assets	62,007,498

**NONCURRENT ASSETS**

Capital Assets, Net	132,802,698
Investments	48,139,233
Right-of-Use Assets, Net	2,106,858
Other Assets	10,858,495
Total Noncurrent Assets	193,907,284

Total Assets	\$ 255,914,782
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 5,950,506
Other Deposit Liabilities	320,632
Due to the University	3,262,591
Total Current Liabilities	9,533,729

<b>BONDS AND LOANS PAYABLE</b>	177,309,742
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<b>OTHER LIABILITIES</b>	8,109,677
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Total Liabilities	194,953,148
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**NET ASSETS**

Without Donor Restrictions	3,871,752
With Donor Restrictions	57,089,882
Total Net Assets	60,961,634

Total Liabilities and Net Assets	\$ 255,914,782
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See accompanying Notes to Financial Statements.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
COMBINED STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
YEAR ENDED JUNE 30, 2024**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

Revenues and Gains:	
Contributions	\$ 141,596
Sales and Services	1,754,190
Student Fees	4,719,419
Grants and Contracts	3,892,530
Rental Income	32,702,208
Investment Return, Net	3,344,692
Other Revenues and Gains	6,204,235
Net Assets Released from Restriction	7,386,938
Total Revenues and Other Additions	<u>60,145,808</u>
Expenses and Other Deductions:	
Program Expenses:	
Scholarship and Grants	1,870,259
Student Activities and Programs	4,439,246
University Stores	1,234,127
Housing	24,734,229
Other Programs	8,720,153
Management and General	4,512,728
Fundraising	1,860,264
Total Expenses and Other Deductions	<u>47,371,006</u>
Change in Net Assets Without Donor Restrictions	12,774,802

**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Revenues and Gains:	
Contributions	11,688,152
Investment Return, Net	3,695,193
Other Revenue and Gains	1,837,446
Other Expense and Losses	15,501
Net Assets Released from Restrictions	(7,386,938)
Total Revenues and Other Additions	<u>9,849,354</u>
Change in Net Assets With Donor Restrictions	<u>9,849,354</u>

**CHANGE IN TOTAL NET ASSETS**

	22,624,156
Net Assets - Beginning of Year	<u>38,337,478</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 60,961,634</u></u>

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  
YEAR ENDED JUNE 30, 2024**

Natural Expense	Program Activities						Supporting Activities			Total Expenses
	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Salaries and Benefits	\$ -	\$ 1,704,783	\$ 745,658	\$ 1,443,523	\$ 1,575,099	\$ 5,469,063	\$ 2,202,479	\$ 1,462,274	\$ 3,664,753	\$ 9,133,816
Gifts and Grants	1,870,259	263,687	-	1,209,964	2,996,221	6,340,131	992,500	-	992,500	7,332,631
Supplies and Travel	-	2,139,586	39,532	355,989	2,691,878	5,226,985	381,985	357,221	739,206	5,966,191
Services and Professional Fees	-	296,541	293,143	-	646,363	1,236,047	399,373	-	399,373	1,635,420
Office and Occupancy	-	34,649	85,319	8,711,010	329,905	9,160,883	195,394	40,769	236,163	9,397,046
Depreciation	-	-	70,475	6,293,928	-	6,364,403	266,155	-	266,155	6,630,558
Interest	-	-	-	6,407,380	-	6,407,380	74,307	-	74,307	6,481,687
Other	-	-	-	312,435	480,687	793,122	535	-	535	793,657
<b>Total Expenses</b>	<b>\$ 1,870,259</b>	<b>\$ 4,439,246</b>	<b>\$ 1,234,127</b>	<b>\$ 24,734,229</b>	<b>\$ 8,720,153</b>	<b>\$ 40,998,014</b>	<b>\$ 4,512,728</b>	<b>\$ 1,860,264</b>	<b>\$ 6,372,992</b>	<b>\$ 47,371,006</b>

See accompanying Notes to Financial Statements.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**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 ten 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), a separate legal organization for which the University has oversight responsibility, and the West Chester University Foundation and Subsidiary (the Foundation) and West Chester University Alumni Association (the Association), separate legal organizations for which the University does not have oversight responsibility, but which are closely related, 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.

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**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 (ASU No. 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment of FASB *Accounting Standards Codification (ASC 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 statement of net position 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.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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**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.
- For lessor accounting: a deferred inflow of resources associated with leases where the University is a lessor, recognized as income ratably over the term of the lease.

**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/amortization and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

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

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

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

When both restricted and unrestricted 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.



**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**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.

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 \$620,000 in 2024. Loans receivable are reported net of an allowance for doubtful accounts of approximately \$13,000 in 2024.

**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 purchased under financed leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Assets under right to use leases are recorded at the present value of the minimum lease payments plus any other amounts that must be included per the GASB standards. 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. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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JUNE 30, 2024**

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

**Capital Assets (Continued)**

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

**Impairment of Capital Assets**

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write down of capital assets was required for fiscal year ending June 30, 2024.

**Leases and Subscription-Based Information Technology Arrangements**

The University routinely engages in lease or subscription-based information technology arrangements (SBITA) to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease or SBITA contract. For all other contracts that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the University recognized a lease or subscription liability and an intangible right to use asset based on the present value of the future lease or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right to use assets are reported with capital assets, and lease and subscription liabilities are reported as current or long-term debt in the statement of net position. The right to use lease and subscription assets are amortized over the term of the agreement, as the University is not expected to have the right to use the assets beyond the underlying asset's useful life. The University also serves as a lessor for certain real estate. For those agreements deemed to be subject to GASB 87, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

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

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

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**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.

**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.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

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

**Income Taxes**

The University, as a member of the State System, is tax exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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**

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, effective for reporting periods beginning after June 15, 2023. Statement No. 100 defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The adoption of this statement had no impact on previously reported beginning net position at June 30, 2023.

**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, 2024:

	SSI	The Foundation	The Association	Total
Due from University	\$ 285,114	\$ 83,554	\$ -	\$ 368,668
Capital Assets, Net	362,602	134,156,276	390,678	134,909,556
Other Assets	13,323,541	104,709,243	2,603,774	120,636,558
Total Assets	<u>\$ 13,971,257</u>	<u>\$ 238,949,073</u>	<u>\$ 2,994,452</u>	<u>\$ 255,914,782</u>
Due to University	\$ 93,385	\$ 3,169,206	\$ -	\$ 3,262,591
Long-Term Debt	-	177,309,742	-	177,309,742
Other Liabilities	1,739,483	12,641,332	-	14,380,815
Total Liabilities	<u>1,832,868</u>	<u>193,120,280</u>	<u>-</u>	<u>194,953,148</u>
Net Assets:				
Without Donor Restrictions	12,138,389	(11,261,089)	2,994,452	3,871,752
With Donor Restrictions	-	57,089,882	-	57,089,882
Total Net Assets	<u>12,138,389</u>	<u>45,828,793</u>	<u>2,994,452</u>	<u>60,961,634</u>
Total Liabilities and Net Assets	<u>\$ 13,971,257</u>	<u>\$ 238,949,073</u>	<u>\$ 2,994,452</u>	<u>\$ 255,914,782</u>

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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**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, 2024:

	<u>SSI</u>	<u>The Foundation</u>	<u>The Association</u>	<u>Total</u>
Changes in Net Assets Without Donor Restrictions:				
Revenues and Other Additions:				
Contributions	\$ -	\$ 141,596	\$ -	\$ 141,596
Investment Income	1,543,048	1,526,071	275,573	3,344,692
Rental Income	-	32,702,208	-	32,702,208
Other Revenues	8,749,005	7,809,348	12,021	16,570,374
Net Assets Released from Restrictions	-	7,386,938	-	7,386,938
Total Revenues and Other Additions	<u>10,292,053</u>	<u>49,566,161</u>	<u>287,594</u>	<u>60,145,808</u>
Expenses and Other Deductions:				
Program Expenses	6,521,005	33,172,609	70,273	39,763,887
University Store	1,234,127	-	-	1,234,127
Management and General	2,268,218	2,224,799	19,711	4,512,728
Fundraising	-	1,860,264	-	1,860,264
Total Expenses and Other Deductions	<u>10,023,350</u>	<u>37,257,672</u>	<u>89,984</u>	<u>47,371,006</u>
Change in Net Assets Without Donor Restrictions	268,703	12,308,489	197,610	12,774,802
Changes in Net Assets With Donor Restrictions:				
Revenues and Other Additions:				
Contributions	-	11,688,152	-	11,688,152
Investment Gains	-	3,695,193	-	3,695,193
Other Revenue	-	1,837,446	-	1,837,446
Other Expense	-	15,501	-	15,501
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	-	(7,386,938)	-	(7,386,938)
Total Revenues and Other Additions	<u>-</u>	<u>9,849,354</u>	<u>-</u>	<u>9,849,354</u>
Change in Net Assets With Donor Restrictions	<u>-</u>	<u>9,849,354</u>	<u>-</u>	<u>9,849,354</u>
<b>CHANGE IN NET ASSETS</b>	268,703	22,157,843	197,610	22,624,156
Net Assets - Beginning of Year	<u>11,869,686</u>	<u>23,670,950</u>	<u>2,796,842</u>	<u>38,337,478</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,138,389</u>	<u>\$ 45,828,793</u>	<u>\$ 2,994,452</u>	<u>\$ 60,961,634</u>

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**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 \$185,650,416 at June 30, 2024.

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.

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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**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.)

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

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

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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JUNE 30, 2024**

**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.



**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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**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 NAV, meaning Net Asset Value 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.

At June 30, 2024, the carrying amount of the University's demand and time deposits held at local financial institutions was \$197,308, as compared to bank balances of \$197,308. Any differences would be caused primarily by items in-transit and outstanding checks. 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.

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**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, 2024 is presented below:

	Fair Value Hierarchy Level	Moody's Rating (if Applicable)	Modified Duration (Range) (if Applicable)	Fair Value
Deposits:				
Demand and Time Deposits				\$ 185,848,939
Investments:				
U.S. Government and Agency Obligations	2	N/A	5.0 to 5.8	6,924,554
Fixed Income Securities	2	A1	5.0	597,614
Fixed Income Securities	2	A2	5.0	327,773
Fixed Income Securities	2	A3	5.0	468,355
Fixed Income Securities	2	Aa2	5.0	117,516
Fixed Income Securities	2	Aa3	5.0	169,678
Fixed Income Securities	2	Aaa	5.0	95,181
Fixed Income Securities	2	Baa1	5.0	110,285
Fixed Income Securities	2	NR	5.0	9,784
Bond Mutual Funds	2	N/A	2.2	500,643
Bond Mutual Funds	2	N/A	2.8	955,993
Equity/Balanced Mutual Funds	2	N/A	N/A	24,525,656
Total Investments				<u>34,803,032</u>
Total Deposits and Investments				<u>\$ 220,651,971</u>

The University has no exposure to foreign currency risk.

**NOTE 4 BENEFICIAL INTERESTS**

At June 30, 2024, the fair value of beneficial interest totaled \$5,013,421. Of this amount, \$5,012,387 at June 30, 2024, 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 \$1,034 at June 30, 2024, 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.

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**NOTE 5 LEASE RECEIVABLES**

The University routinely leases various land or facilities to third parties. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur.

The lease revenue and interest income consist of the following for the fiscal year ended June 30, 2024:

	<u>Third Parties</u>	<u>Component Units</u>
Lease Revenue	\$ 469,893	\$ 123,927
Interest Income	31,385	87,335
Total	<u>\$ 501,278</u>	<u>\$ 211,262</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Lease Receivables</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 534,025	\$ 115,312
2026	528,513	101,358
2027	557,290	86,846
2028	194,939	80,054
2029	153,364	73,489
Thereafter	1,878,895	807,212
Total	<u>\$ 3,847,026</u>	<u>\$ 1,264,271</u>

The following summary provides aggregated information reported for June 30, 2024, lease receivables including additions and reductions for the years then ended.

	<u>Balance as of June 30, 2023</u>	<u>2023-24 Additions</u>	<u>2023-24 Reductions</u>	<u>Balance as of June 30, 2024</u>
Lease Receivable	\$ 1,638,195	\$ 384,647	\$ (454,471)	\$ 1,568,371
Lease Receivable Component Units	2,336,964	-	(58,309)	2,278,655
Total	<u>\$ 3,975,159</u>	<u>\$ 384,647</u>	<u>\$ (512,780)</u>	<u>\$ 3,847,026</u>

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**NOTE 6 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 July 1, 2023	Additions	Retirements	Reclassifications	Ending Balance June 30, 2024
<b>Capital Assets Not Being</b>						
<b>Depreciated/Amortized:</b>						
Construction in Progress		\$ 25,626,354	\$ 12,602,665	\$ (493,696)	\$ (7,869,489)	\$ 29,865,834
Land		6,886,161	-	-	-	6,886,161
Total Capital Assets Not Depreciated/Amortized		32,512,515	12,602,665	(493,696)	(7,869,489)	36,751,995
<b>Capital Assets Being</b>						
<b>Depreciated/Amortized, Cost:</b>						
Buildings and Improvements	10-40	483,130,814	15,759,812	-	2,989,095	501,879,721
Furnishings and Equipment	3-40	115,216,514	2,192,318	(1,379,516)	-	116,029,316
Right-to-Use Assets - Buildings	3-10	5,175,998	-	-	-	5,175,998
Right-to-Use Assets - Equipment	3-10	373,969	-	-	-	373,969
Subscription Assets	3-10	1,234,839	6,163,455	-	4,880,394	12,278,688
Library Books	10	7,359,396	39,595	-	-	7,398,991
Total Capital Assets Being Depreciated/Amortized		612,491,530	24,155,180	(1,379,516)	7,869,489	643,136,683
<b>Less: Accumulated Depreciation/Amortization:</b>						
Buildings and Improvements		(192,319,240)	(16,021,776)	-	-	(208,341,016)
Furnishings and Equipment		(100,567,603)	(4,669,030)	1,379,516	-	(103,857,117)
Right-to-Use Assets - Buildings		(1,634,526)	(817,263)	-	-	(2,451,789)
Right-to-Use Assets - Equipment		(232,751)	(66,856)	-	-	(299,607)
Subscription Assets		(379,489)	(3,449,996)	-	-	(3,829,485)
Library Books		(6,992,882)	(102,428)	-	-	(7,095,310)
Total Accumulated Depreciation/Amortization		(302,126,491)	(25,127,349)	1,379,516	-	(325,874,324)
Total Capital Assets Being Depreciated/Amortized, Net		310,365,039	(972,169)	-	7,869,489	317,262,359
Capital Assets, Net		<u>\$ 342,877,554</u>	<u>\$ 11,630,496</u>	<u>\$ (493,696)</u>	<u>\$ -</u>	<u>\$ 354,014,354</u>

**NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consisted of the following as of June 30, 2024:

Employees	\$ 18,632,007
Suppliers and Services	5,219,769
Other	7,554,148
Interest	133,674
Component Units	388,669
Total	<u>\$ 31,928,267</u>

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**NOTE 8 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.

The various bond series allocated to the University for the year ended June 30, 2024 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2023	Bonds Issued	Bonds Redeemed	Balance June 30, 2024
Series AQ used to current refund Series AC, AE (Lawrence Dining, ESCO)	4.06%	\$ 61,078	\$ -	\$ (29,798)	\$ 31,280
Series AS used to current refund Series AF (ESCO, Rec Center)	4.07	604,824	-	(140,287)	464,537
Series AU used to build a parking structure on North Campus Drive (Commons Parking Garage)	3.42	7,350,000	-	(265,000)	7,085,000
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)	4.10	58,902,181	-	(2,224,198)	56,677,983
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)	4.44	12,455,000	-	(585,000)	11,870,000
Series AX used to current refund Series AL (College Arms, Parking Garage, Recreation Center)	3.58	938,885	-	(115,341)	823,544
Series AY used to partially advance refund Series AM (Recreation Center)	1.72	11,057,788	-	(776,885)	10,280,903
Total Bonds Payable		<u>\$ 91,369,756</u>	<u>\$ -</u>	<u>\$ (4,136,509)</u>	87,233,247
Plus Unamortized Bond Premium Costs, Net Outstanding - End of Year					<u>3,434,910</u> <u>\$ 90,668,157</u>

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**NOTE 8 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		2025	2026	2027	2028	2029	2030-2034	2035-2039	2040-2044	Total
AQ	Principal	\$ 31,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,280
	Interest	1,564	-	-	-	-	-	-	-	1,564
	Total	32,844	-	-	-	-	-	-	-	32,844
AS	Principal	147,320	154,723	162,494	-	-	-	-	-	464,537
	Interest	23,227	15,861	8,125	-	-	-	-	-	47,213
	Total	170,547	170,584	170,619	-	-	-	-	-	511,750
AU	Principal	280,000	295,000	310,000	325,000	335,000	1,875,000	2,185,000	1,480,000	7,085,000
	Interest	244,525	230,525	215,775	200,275	187,275	746,475	441,925	95,350	2,362,125
	Total	524,525	525,525	525,775	525,275	522,275	2,621,475	2,626,925	1,575,350	9,447,125
AV	Principal	2,177,983	2,065,000	2,170,000	2,280,000	2,395,000	13,605,000	16,430,000	15,555,000	56,677,983
	Interest	2,304,443	2,195,544	2,092,294	1,983,794	1,869,794	7,704,619	4,883,825	1,494,925	24,529,238
	Total	4,482,426	4,260,544	4,262,294	4,263,794	4,264,794	21,309,619	21,313,825	17,049,925	81,207,221
AW	Principal	620,000	650,000	685,000	715,000	750,000	2,385,000	2,815,000	3,250,000	11,870,000
	Interest	442,450	411,450	378,950	344,700	308,950	1,156,850	725,913	298,500	4,067,763
	Total	1,062,450	1,061,450	1,063,950	1,059,700	1,058,950	3,541,850	3,540,913	3,548,500	15,937,763
AX	Principal	121,146	126,951	133,513	140,076	147,395	154,463	-	-	823,544
	Interest	41,177	35,120	28,772	22,097	15,093	7,723	-	-	149,982
	Total	162,323	162,071	162,285	162,173	162,488	162,186	-	-	973,526
AY	Principal	780,828	788,715	800,546	812,377	824,207	4,377,370	1,896,860	-	10,280,903
	Interest	204,267	195,483	184,638	172,630	159,429	542,794	71,477	-	1,530,718
	Total	985,095	984,198	985,184	985,007	983,636	4,920,164	1,968,337	-	11,811,621
Total	Principal	4,158,557	4,080,389	4,261,553	4,272,453	4,451,602	22,396,833	23,326,860	20,285,000	87,233,247
	Interest	3,261,653	3,083,983	2,908,554	2,723,496	2,540,541	10,158,461	6,123,140	1,888,775	32,688,603
Total		<u>\$ 7,420,210</u>	<u>\$ 7,164,372</u>	<u>\$ 7,170,107</u>	<u>\$ 6,995,949</u>	<u>\$ 6,992,143</u>	<u>\$ 32,555,294</u>	<u>\$ 29,450,000</u>	<u>\$ 22,173,775</u>	<u>\$ 119,921,850</u>

**NOTE 9 LEASE AND SUBSCRIPTION OBLIGATIONS**

The University routinely leases various facilities and equipment instead of purchasing the assets. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2024. Interest expense on these leases and subscription liabilities for the fiscal year ended June 30, 2024 totaled approximately \$221,000.

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**NOTE 9 LEASE AND SUBSCRIPTION OBLIGATIONS (CONTINUED)**

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

<u>Fiscal Year Ending June 30.</u>	<u>Lease Obligations</u>		<u>Subscription Agreements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 865,827	\$ 36,902	\$ 2,038,717	\$ 98,628
2026	876,426	23,838	1,960,138	33,697
2027	889,359	10,636	21,061	1,259
2028	300,494	563	22,558	432
Total	<u>\$ 2,932,106</u>	<u>\$ 71,939</u>	<u>\$ 4,042,474</u>	<u>\$ 134,016</u>

The following summary provides aggregated information for June 30, 2024, for right of use lease and subscription liabilities, including additions, reductions and reported liabilities for the year then ended.

	<u>Balance as of July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2024</u>
Leases, Third Parties	\$ 3,790,549	\$ -	\$ (858,443)	\$ 2,932,106
Subscription Liabilities	688,785	6,163,455	(2,809,766)	4,042,474
Total	<u>\$ 4,479,334</u>	<u>\$ 6,163,455</u>	<u>\$ (3,668,209)</u>	<u>\$ 6,974,580</u>

**NOTE 10 UNEARNED REVENUE**

Unearned revenue consists of the following components as of June 30, 2024:

	<u>Current</u>
Student Tuition and Fees	\$ 5,181,722
Grants	632,329
Sales and Services	226,599
Federal Appropriation	9,097,585
Other	1,224,245
Total	<u>\$ 16,362,480</u>

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**NOTE 11 COMPENSATED ABSENCES**

Compensated absences are absences, such as vacation and sick leave, for which employees will be paid in cash at termination or retirement. The changes in compensated absences are as follows:

Balance - July 1, 2023	\$ 18,715,471
Current Changes in Estimate	2,337,623
Payouts	<u>(1,206,893)</u>
Balance - June 30, 2024	<u><u>\$ 19,846,201</u></u>

**NOTE 12 OTHER POSTEMPLOYMENT 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 11).

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 10 State System universities.



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**NOTE 12 OTHER POSTEMPLOYMENT 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, 2024.

	System Plan	REHP	Premium Assistance	Total
Net OPEB Liabilities	<u>\$ 168,228,927</u>	<u>\$ 32,736,577</u>	<u>\$ 581,451</u>	<u>\$ 201,546,955</u>
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	\$ -	\$ 1,249,264	\$ 3,882	\$ 1,253,146
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	32,104	1,235	33,339
Changes in Assumptions	12,039,638	2,282,696	50,292	14,372,626
Changes in Proportion	-	-	21,529	21,529
Contributions After the Measurement Date	<u>5,632,381</u>	<u>2,575,025</u>	<u>31,782</u>	<u>8,239,188</u>
Total Deferred Outflows of Resources	<u>\$ 17,672,019</u>	<u>\$ 6,139,089</u>	<u>\$ 108,720</u>	<u>\$ 23,919,828</u>
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	\$ 30,426,941	\$ 9,908,640	\$ 5,823	\$ 40,341,404
Changes in Assumptions	45,277,922	8,647,980	109,938	54,035,840
Changes in Proportion	-	18,843,885	22,764	18,866,649
Total Deferred Inflows of Resources	<u>\$ 75,704,863</u>	<u>\$ 37,400,505</u>	<u>\$ 138,525</u>	<u>\$ 113,243,893</u>
OPEB Expense	<u>\$ (4,738,746)</u>	<u>\$ (9,531,242)</u>	<u>\$ 76,625</u>	<u>\$ (14,193,363)</u>
Contributions Recognized by OPEB Plans	<u>\$ 5,632,381</u>	<u>\$ 2,575,025</u>	<u>\$ 31,782</u>	<u>\$ 8,239,188</u>

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$5,632,381 for the System Plan, \$2,575,025 for the REHP plan, and \$31,782 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Year Ended June 30,	Amortization		
	System Plan	REHP	Premium Assistance
2025	\$ (15,375,578)	\$ (10,503,600)	\$ (10,058)
2026	(18,390,898)	(7,744,630)	(13,941)
2027	(15,107,164)	(7,561,875)	(19,235)
2028	(15,107,163)	(5,270,701)	(19,764)
2029	315,578	(2,755,635)	1,411
Total	<u>\$ (63,665,225)</u>	<u>\$ (33,836,441)</u>	<u>\$ (61,587)</u>

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**System Plan**

Plan Description

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

The System Plan provides eligible retirees and their eligible dependents with healthcare benefits, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the benefits in effect when they retired, and benefits may continue for the retiree's lifetime. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. 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 11,307 individuals are covered by the benefit terms (down from 11,872 in the prior actuarial valuation), including 5,817 active employees that may be entitled to receive benefit payments upon retirement, 314 retired participants entitled to but not yet receiving benefits, and 5,176 retired participants receiving benefits.

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

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**System Plan (Continued)**

Plan Description (Continued)

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2024.

- 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, 2024, is based is dated July 1, 2022, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 7.0% in 2023, with 0.5% decrease per year until 5.5% in 2026 to 4.1% 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. 2% of vested former members are assumed to return to coverage each year upon reaching age 45.

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**System Plan (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group’s overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under “Other Less Subsidized Health Coverage” is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- APSCUF mortality rates based on PubT-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. All other groups mortality rates based on the PubG-2010 above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. Both incorporate rates based on a generational projection using Scale MP-2021 to reflect mortality improvement.
- The discount rate increased from 4.06% to 4.13%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2023.
- Participant data is based on census information as of July 1, 2022.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 0.5% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the University’s share of the System Plan’s net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0% decreasing to 3.1%) or one percentage point higher (8.0% decreasing to 5.1%) than the current healthcare cost trend rates (7.0% decreasing to 4.1%).

Sensitivity of the University’s Proportionate Share of the System Plan Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (6.0% Decreasing to 3.1%)	Healthcare Cost Trend Rates (7.0% Decreasing to 4.1%)	1% Increase (8.0% Decreasing to 5.1%)
\$ 141,644,865	\$ 168,228,927	\$ 201,921,738

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**NOTE 12 OTHER POSTEMPLOYMENT 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, 2024, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current discount rate (4.13%).

Sensitivity of the University's Proportionate Share of the System Plan Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 3.13%	Current Rate 4.13%	1% Increase 5.13%
\$ 192,998,372	\$ 168,228,927	\$ 147,959,929

OPEB Liability

The University's proportionate share of the System Plan's total OPEB liability was \$168,228,927 as of June 30, 2024.

	Changes in the System Plan Total OPEB Liability Fiscal Year Ending June 30, 2024
Balance - Beginning of Year	\$ 157,605,491
Service Cost	4,432,166
Interest	6,434,955
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	1,843,380
Benefit Payments	<u>(2,087,065)</u>
Net Changes	<u>10,623,436</u>
Balance - End of Year	<u>\$ 168,228,927</u>

**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.

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**REHP (Continued)**

Plan Description (Continued)

The REHP is reported in the Commonwealth's Annual Comprehensive Financial Report (ACFR) 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 ACFR is an audited financial statement and is available at [www.budget.pa.gov](http://www.budget.pa.gov).

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

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2024.

- 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 \$275 per pay period for each current REHP eligible active employee during the period July 1, 2023, through June 30, 2024. The rate during the period July 1, 2022, through June 30, 2023, was \$120 per pay period.

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**REHP (Continued)**

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the June 30, 2023, 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 2.50%.
- Healthcare cost trend rate of 8.9%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2023\_1f.
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates for active employees based on PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.
- Participant data based on census information as of December 31, 2021, for the June 30, 2022, measurement date.

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

- Discount rate of 5.65% as of June 30, 2023.
- The discount rate was based on long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.65% based on the 20-year Bond Buyer GO Index as of the end of June 2023.

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**REHP (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	42.0 %	5.1 %
International Equity	22.0	5.5
Fixed Income	22.0	1.8
Public REITs	4.0	-
Infrastructure	4.0	5.0
Real Estate	4.0	4.8
Cash and Cash Equivalents	1.0	1.0
Private Equity	1.0	8.4
Total	100.0 %	

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 3.0292% and 3.6478% for the measurement dates of June 30, 2023 and 2022, respectively, a decrease of 0.6186%.

The following presents the University's share of the REHP net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.9% decreasing to 2.9%) or one percentage point higher (9.9% decreasing to 4.9%) than the current healthcare cost trend rates (8.9% decreasing to 3.9%).

Sensitivity of the University's Share of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (7.9% Decreasing to 2.9%)	Healthcare Cost Trend Rates (8.9% Decreasing to 3.9%)	1% Increase (9.9% Decreasing to 4.9%)
\$ 28,516,542	\$ 32,736,577	\$ 37,832,167



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**NOTE 12 OTHER POSTEMPLOYMENT 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, 2024, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (4.65%) or one percentage point higher (6.65%) than the current discount rate (5.65%).

Sensitivity of the University's Share of the REHP Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 4.65%	Current Rate 5.65%	1% Increase 6.65%
\$ 36,799,152	\$ 32,736,577	\$ 29,270,770

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 Annual Comprehensive Financial Report at [www.psers.pa.gov](http://www.psers.pa.gov).

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

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**NOTE 12 OTHER POSTEMPLOYMENT 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 0.75% of covered payroll for the fiscal year ended June 30, 2023, and 0.80% of covered payroll for the fiscal year ended June 30, 2022. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 0.375% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year-end. The total OPEB liability, as of the June 30, 2023 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2022, to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2022.
- Actuarial cost method was entry age normal, level percent of pay.
- Investment return of 4.13% based on the S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2021, determined the employer contribution rate for fiscal year 2023.

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**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Premium Assistance (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

- The discount rate used to measure the total OPEB liability was 4.13% at June 30, 2023, and 4.09% at June 30, 2022.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, 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.

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**NOTE 12 OTHER POSTEMPLOYMENT 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, 2023.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0 %	1.2 %
Total	100.0 %	

The net OPEB liability was measured as of June 30, 2023, 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, 2022, to June 30, 2023. 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 0.1821% and 0.1780% for the measurement dates of June 30, 2023 and 2022, respectively, an increase of 0.0041%.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 6.0%) or one percentage point higher (between 6.0% and 8.0%) than the current healthcare cost trend rates (between 5.0% and 7.0%).

Sensitivity of the University's Share of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
Healthcare Cost Trend Rates (Between 4.0% and 6.0%)	Healthcare Cost Trend Rates (Between 5.0% and 7.0%)	Healthcare Cost Trend Rates (Between 6.0% and 8.0%)
\$ 581,275	\$ 581,451	\$ 581,451

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2024, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current healthcare cost trend rates (4.13%).

Sensitivity of the University's Share of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 3.13%	Current Rate 4.13%	1% Increase 5.13%
\$ 657,331	\$ 581,451	\$ 517,747

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**NOTE 13 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 year ended June 30, 2024.

	SERS	PSERS	ARP	Total
Net Pension Liabilities	<u>\$ 97,880,526</u>	<u>\$ 14,448,611</u>	<u>\$ -</u>	<u>\$ 112,329,137</u>
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	\$ 2,763,541	\$ 3,188	\$ -	\$ 2,766,729
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	7,690,385	408,729	-	8,099,114
Changes in Assumptions	4,218,178	215,521	-	4,433,699
Difference Between Employer Contributions and Proportionate Share of Contributions	365,637	(14,570)	-	351,067
Changes in Proportion	-	315,224	-	315,224
Contributions After the Measurement Date	6,937,031	1,648,113	-	8,585,144
Total Deferred Outflows of Resources	<u>\$ 21,974,772</u>	<u>\$ 2,576,205</u>	<u>\$ -</u>	<u>\$ 24,550,977</u>
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	\$ 198,928	\$ 197,812	\$ -	\$ 396,740
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-
Difference Between Employer Contributions and Proportionate Share of Contributions	58,456	-	-	58,456
Changes in Proportion	5,742,745	168,415	-	5,911,160
Total Deferred Inflows of Resources	<u>\$ 6,000,129</u>	<u>\$ 366,227</u>	<u>\$ -</u>	<u>\$ 6,366,356</u>
Pension Expense	<u>\$ 8,802,709</u>	<u>\$ 3,256,923</u>	<u>\$ 10,061,107</u>	<u>\$ 22,120,739</u>
Contributions Recognized by Pension Plans	<u>\$ 11,412,765</u>	<u>\$ 1,648,113</u>	N/A	<u>\$ 13,060,878</u>

The University will recognize the \$6,937,031 reported as 2024 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$1,648,113 reported as 2024 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

<u>Fiscal Year Ending June 30,</u>	Amortization	
	SERS	PSERS
2025	\$ 1,423,205	\$ 91,977
2026	2,626,787	(170,934)
2027	6,498,727	514,124
2028	(1,522,965)	126,698
2029	11,858	-
Total	\$ 9,037,612	\$ 561,865

**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](http://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.

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

Plan Description (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. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other non-pension obligations.

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**NOTE 13 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 41.09% of active members' annual covered payroll at June 30, 2024, with less common rates ranging between 27.60% and 32.24%, 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 17.40% or 17.65% 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 16.10% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University's contributions to SERS for the year ended June 30, 2024, was approximately \$11,413,000, 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 5.0% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 3.25% or 3.5% of gross salary, depending upon what class of membership was elected. 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.

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, 2024, depending upon the plan chosen by the employee. The University recognized \$102,901 in SERS defined contribution pension expense for the year ended June 30, 2024. 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.



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**NOTE 13 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 June 2023 meeting, the SERS Board approved maintaining the assumed investment rate of return at 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2023, 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 6.875%, net of manager fees and including inflation.
- Salary increases based on an average of 4.55%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost of living adjustments.

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

Actuarial Methods and Assumptions

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

Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2023, are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private Equity	16.00 %	6.00 %
Real Estate	7.00	4.80
U.S. Equity	31.00	4.85
International Developed Equity	14.00	4.75
Emerging Markets Equity	5.00	4.95
Fixed Income	22.00	1.75
Inflation Protection (TIPS)	3.00	1.50
Cash	2.00	0.25
Total	<u>100.00 %</u>	

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

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

Actuarial Methods and Assumptions (Continued)

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2024, calculated using the discount rate of 6.875%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.875%) or one percentage point higher (7.875%) than the current rate.

Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Change in the Discount Rate		
1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
\$ 117,629,940	\$ 97,880,526	\$ 65,993,597

Proportionate Share

At June 30, 2024, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2023, was \$97,880,526.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2023 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2024/25, from the December 31, 2023, funding valuation, to the expected funding payroll. At the December 31, 2023, measurement date, the State System's proportion was 4.0628%, a decrease of 0.0876% from its proportion calculated as of the December 31, 2022 measurement date.

**PSERS**

Plan Description

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

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

Plan Description (Continued)

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

PSERS issues a comprehensive annual financial report that may be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

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

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

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

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

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, 2024, was 33.09% 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 16.545% of covered payroll. The University's contribution to PSERS for the year ending June 30, 2024 was approximately \$1,648,000, equal to the required contractual contribution.

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, 2023, measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2022, to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date - June 30, 2022
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

Actuarial Assumptions (Continued)

- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP2020 Improvement Scale.

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

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	30.0 %	5.2 %
Private Equity	12.0	7.9
Fixed Income	33.0	3.2
Commodities	7.5	2.7
Infrastructure/MLPs	10.0	5.4
Real Estate	11.0	5.7
Absolute Return	4.0	4.1
Cash	3.0	1.2
Leverage	(10.5)	1.2
Total	<u>100.0 %</u>	

The discount rate used to measure the total PSERS pension liability was 7.00%. 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.

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**NOTE 13 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

Actuarial Assumptions (Continued)

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2024, calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of the West Chester University's Proportionate Share of the PSERS Net Pension Liability to Change in the Discount Rate		
1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
\$ 18,729,465	\$ 14,448,611	\$ 10,836,990

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.

	2024	2023
Total PSERS Net Pension Liability Associated with the University	\$ 28,897,222	\$ 26,605,608
Commonwealth's Proportionate Share of the Pension Liability Associated with the University	(14,448,611)	(13,302,803)
University's Proportionate Share of the PSERS Net Pension Liability	\$ 14,448,611	\$ 13,302,805

PSERS measured the 2024 net pension liabilities as of June 30, 2023. 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, 2023, the State System's proportion was 0.1834%, an increase of 0.0046% from its proportion calculated as of June 30, 2022.

**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, 2024, was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2024, were \$10,061,107, from the University and \$5,415,020 from active members. No liability is recognized for the ARP.

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**NOTE 14 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 contributed \$102,488 to the Reserve Fund during the year ended June 30, 2024.

For the year ended June 30, 2024, the aggregate liability for claims under the self-insurance limit was \$1,087,987. Changes in the workers' compensation claims liability amount in fiscal year 2024 follow:

Balance - July 1	\$ 1,302,294
Current Year Claims and Changes in Estimates	(46,848)
Claim Payments	<u>(167,459)</u>
Balance - June 30	<u><u>\$ 1,087,987</u></u>

**NOTE 15 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 received support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funding in 2020-21 and 2021-22. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2024, 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.



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**NOTE 15 COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS (CONTINUED)**

**Insurance**

The University is self-insured for workers' compensation up to stated limits (Note 14). 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.

**Construction Commitments**

Authorized expenditures for ongoing construction projects at June 30, 2024, were approximately \$7,294,955.

**Labor Concentration**

Approximately 84% of PASSHE's full-time equivalent (FTE) employees are covered by nine collective bargaining agreements. During 2023-24, new collective bargaining agreements were established for the State System's clerical, administrative, technical, maintenance and trade employees with American Federation of State, County, and Municipal Employees (AFSCME); State System's social workers with Service Employees International Union (SEIU); Association of Pennsylvania State College and University Faculties (APSCUF); State College & University Professional Association (SCUPA); APSCUF Non-Faculty Athletic Coaches and Office of Professional Employees International Union Healthcare Pennsylvania (OPEIU) which covers nursing positions. The new agreement with the Pennsylvania Doctors Alliance (PDA) is awaiting ratification. All of these agreements are effective July 1, 2023 through June 30, 2027. During 2022-23, new collective bargaining agreements were established for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA) and PASSHE Officers Association (POA) through August 31, 2025.

**NOTE 16 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.

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**NOTE 16 GROUND LEASE (CONTINUED)**

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.

<u>Building</u>	<u>Agreement Date</u>	<u>Lease Expiration</u>	<u>Base Rent</u>
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, 2024, future minimum lease payments due under the ground leases are as follows:

<u>Year Ending June 30,</u>	<u>2003 Lease</u>	<u>2008 Lease</u>	<u>2012 Lease</u>	<u>2013 Lease</u>
2025	\$ 90,306	\$ 10,996	\$ 36,992	\$ 11,604
2026	93,015	11,326	38,102	11,952
2027	95,805	11,666	39,245	12,311
2028	98,679	12,016	40,423	12,680
2029	101,640	12,376	41,635	13,060
Thereafter	687,588	217,808	1,004,112	776,599
Total	<u>\$ 1,167,033</u>	<u>\$ 276,188</u>	<u>\$ 1,200,509</u>	<u>\$ 838,206</u>

USH subleases 27,740 square feet of ground floor space in Allegheny and Brandywine to the University for \$20 per year. The University reports gift-in-kind revenue, and the equivalent amount in rent expense, for the estimated fair value of the sublease, which was \$1,432,524 for the year ended June 30, 2024. 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 for the fiscal year ended June 30, 2024 were \$12,419.

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**NOTE 17 SUBSEQUENT EVENTS**

On October 31, 2024, University Student Housing, LLC issued Series 2024A tax-exempt bonds totaling \$82,920,000 and Series 2024B taxable bonds totaling \$2,180,000. This funding was used to refinance the 2008 Series bonds, which amounted to \$77,207,200, and to cover the termination fee for the interest rate swap, totaling \$6,309,500, as well as the termination fee for the Total Return swap, which came to \$424,735. Additionally, the refinancing included \$7,000,000 in new funds designated for capital projects and improvements. The new amortization schedule for the tax-exempt bonds extends through August 1, 2048, while the amortization for the taxable bonds runs through August 1, 2029.

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State System Plan OPEB Liability  
*Determined as of June 30 measurement dates*

	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	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	\$ 157,605,491	\$ 236,412,994	\$ 235,152,230	\$ 206,416,046	\$ 207,081,792	\$ 223,456,885	\$ 228,535,418
Service Cost	4,432,166	6,922,174	7,244,037	5,346,017	5,609,676	6,483,772	2,492,638
Interest	6,434,955	5,461,910	4,444,317	6,985,210	6,231,752	7,078,627	2,021,354
Changes of Benefit Terms	-	(1,394,221)	-	-	-	(155,864)	-
Differences Between Expected and Actual Experience	-	(35,486,437)	-	(24,240,129)	-	(26,908,772)	-
Changes of Assumptions	1,843,380	(51,959,758)	(14,809,418)	47,029,783	(10,818,130)	(1,766,501)	(7,339,152)
Benefit Payments	(2,087,065)	(2,351,170)	4,381,829	(6,384,697)	(1,689,044)	(1,106,355)	(2,253,373)
Net Changes	10,623,436	(78,807,502)	1,260,765	28,736,184	(665,746)	(16,375,093)	(5,078,533)
Total OPEB Liability-Ending Balance	\$ 168,228,927	\$ 157,605,492	\$ 236,412,995	\$ 235,152,230	\$ 206,416,046	\$ 207,081,792	\$ 223,456,885
Covered Employee Payroll	\$ 92,490,519	\$ 90,043,831	\$ 96,814,394	\$ 92,408,471	\$ 94,046,407	\$ 91,811,380	\$ 90,642,026
OPEB Liability as a Percent of Covered Payroll	181.89 %	175.03 %	244.19 %	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
2021/22	4.026	53,878,830	13,697,349	393.4	3.7
2022/23	3.650	48,544,949	13,614,868	356.6	5.9
2023/24	3.029	32,736,577	14,603,698	224.2	8.8

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
2021/22	1,238,304	1,238,304	-	17,081,103	7.25
2022/23	1,152,226	1,152,226	-	17,778,836	6.48
2023/24	2,575,025	2,575,025	-	18,698,507	13.77

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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	0.1811%	\$ 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
2021/22	0.1770%	696,008	696,008	1,392,016	8,325,563	8.36	5.69
2022/23	0.1780%	539,936	539,936	1,079,872	8,625,756	6.26	6.86
2023/24	0.1821%	581,451	581,451	1,162,902	9,846,899	5.90	7.22

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
2021/22	34,874	34,874	-	8,847,435	0.39
2022/23	36,012	36,012	-	9,737,017	0.37
2023/24	31,782	31,782	-	10,068,635	0.32

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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(UNAUDITED)  
(SEE INDEPENDENT AUDITORS' REPORT)**

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
2021/22	4.178	66,906,048	30,719,079	218	76.0
2022/23	4.150	106,507,162	31,852,760	334	61.5
2023/24	4.063	97,880,526	32,848,495	298	65.3

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
2021/22	10,255,298	10,255,298	-	34,408,109	29.8
2022/23	10,548,586	10,548,586	-	35,281,039	29.9
2023/24	11,412,765	11,412,765	-	36,839,029	31.0

**WEST CHESTER UNIVERSITY OF PENNSYLVANIA  
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REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024  
(UNAUDITED)  
(SEE INDEPENDENT AUDITORS' REPORT)**

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	0.1785 %	\$ 8,892,586	\$ 8,892,586	\$ 17,785,172	\$ 5,733,546	155.1 %	57.2 %
2015/16	0.1852	10,184,925	10,184,925	20,369,850	6,052,296	168.3	54.4
2016/17	0.1833	12,323,574	12,323,574	24,647,148	6,511,084	189.3	50.1
2017/18	0.1811	12,895,413	12,895,413	25,790,826	7,069,915	182.4	51.8
2018/19	0.1836	13,262,986	13,262,986	26,525,972	7,523,157	176.3	54.0
2019/20	0.1836	13,629,945	13,629,945	27,259,890	8,145,404	167.3	55.7
2020/21	0.1856	14,776,059	14,776,059	29,552,118	8,523,237	173.4	54.3
2021/22	0.1777	12,314,996	12,314,996	24,629,992	8,831,550	139.4	63.7
2022/23	0.1788	13,302,805	13,302,803	26,605,608	8,847,435	150.4	61.3
2023/24	0.1834	14,448,611	14,448,611	28,897,222	9,737,017	148.4	61.9

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	\$ -	\$ 6,052,296	11.0 %
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
2021/22	1,488,225	1,488,225	-	8,847,435	16.8
2022/23	1,654,350	1,654,350	-	9,737,017	17.0
2023/24	1,648,113	1,648,113	-	10,068,635	16.4



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