EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2015 AND 2014

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Council of Trustees
East Stroudsburg University of Pennsylvania
of the State System of Higher Education

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the aggregate discretely presented component units of East Stroudsburg University of Pennsylvania of the State System of Higher Education ("University"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component units, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and the aggregate discretely presented component units of the University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note (1) to the financial statements, the State System implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note (1). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress for the System Plan and REHP (OPEB) on page 51, schedules of proportionate share of SERS/PSERS Net Pension Liability and SERS/PSERS schedules of contributions on pages 52 - 53 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 30, 2015

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 60,302,557	$ 51,454,969
Short-Term Investments	14,315	23,089
Accounts Receivable:		
Governmental Grants and Contracts	1,364,767	727,184
Students, Net of Allowance for Doubtful Accounts of $3,241,800 in 2015 and $3,297,755 in 2014	2,482,722	2,872,541
Other	976,934	1,085,859
Inventories	181,162	224,635
Prepaid Expenses	249,283	514,494
Due from Component Units	6,749,428	5,380,688
Loans Receivable	451,175	443,860
Investment Income Receivable	78,482	53,387
Other Current Assets	92,079	89,049
Total Current Assets	72,942,904	62,869,755
NONCURRENT ASSETS		
Loans Receivable	1,778,938	1,749,677
Capital Assets, Net	93,921,445	98,410,812
Other Assets	2,547,501	2,296,485
Total Noncurrent Assets	98,247,884	102,456,974
Total Assets	171,190,788	165,326,729
DEFERRED OUTFLOWS OF RESOURCES	3,284,185	170,246
Total Assets and Deferred Outflows of Resources	$ 174,474,973	$ 165,496,975

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 9,089,707	$ 7,934,646
Unearned Revenue	3,159,424	2,909,208
Students' Deposits	575,177	773,648
Workers' Compensation	390,400	370,719
Compensated Absences	678,509	623,361
Bonds Payable	3,472,219	3,615,938
Due to System, AFRP	248,818	239,012
Due to Component Units	634,594	554,204
Other Current Liabilities	126,263	165,211
Total Current Liabilities	18,375,111	17,185,947
NONCURRENT LIABILITIES		
Workers' Compensation	353,930	330,402
Compensated Absences	5,846,432	6,084,042
Postretirement Benefits	60,625,496	57,621,445
Bonds Payable, Net	44,522,458	47,701,356
Due to System, AFRP	1,604,449	1,855,168
Net Pension Liability	36,670,219	-
Other Noncurrent Liabilities	4,138,450	3,609,000
Total Noncurrent Liabilities	153,761,434	117,201,413
Total Liabilities	172,136,545	134,387,360
DEFERRED INFLOWS OF RESOURCES	697,732	18,154
NET POSITION		
Net Investment Capital Assets	48,632,023	49,428,432
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	392,995	394,052
Other	10,000	10,000
Expendable:		
Scholarships and Fellowships	502,542	70,725
Research	1,226	1,226
Student Loans	23,158	23,158
Capital Projects	1,708,077	2,170,583
Other	360	34,976
Unrestricted Net Position	(49,629,685)	(21,041,691)
Total Net Position	1,640,696	31,091,461
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 174,474,973	$ 165,496,975

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Tuition and Fees	$ 71,984,518	$ 70,611,769
Less: Scholarship Discounts and Allowances	14,909,331	15,168,964
Net Tuition and Fees	57,075,187	55,442,805
Governmental Grants and Contracts:		
Federal	1,597,363	1,482,012
State	5,674,798	5,422,699
Local	-	565
Nongovernment Grants and Contracts	54,914	108,672
Sales and Services of Educational Departments	2,035,111	1,844,698
Auxiliary Enterprises (Net of Scholarship Discounts and Allowances of $389,100 in 2015 and $163,742 in 2014)	20,634,157	20,354,814
Other Revenues	232,166	599,645
Total Operating Revenues	87,303,696	85,255,910
OPERATING EXPENSES		
Instruction	38,207,815	39,087,169
Research	240,803	277,744
Public Service	2,167,586	1,732,694
Academic Support	14,135,897	14,389,742
Student Services	9,389,522	9,398,098
Institutional Support	17,185,837	17,537,644
Operations and Maintenance of Plant	7,741,691	7,238,321
Depreciation	7,147,497	7,541,883
Student Aid	3,945,705	4,460,647
Auxiliary Enterprises	15,577,774	16,040,134
Total Operating Expenses	115,740,127	117,704,076
NET OPERATING LOSS	(28,436,431)	(32,448,166)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	22,114,652	21,160,935
Pell Grants	9,488,164	8,628,809
Investment Income, Net of Related Investment Expense of $10,110 in 2015 and $9,425 in 2014	601,445	473,015
Gifts for Other than Capital Purposes	779,233	2,869,061
Interest Expense on Capital Asset-Related Debt	(1,881,061)	(2,155,117)
Loss on Disposal of Assets	-	(478)
Other Nonoperating Revenue	142,852	163,420
Net Nonoperating Revenues	31,245,285	31,139,645
INCOME (LOSS) BEFORE OTHER REVENUES	2,808,854	(1,308,521)
OTHER REVENUES		
State Appropriations, Capital	839,794	829,113
Capital Gifts and Grants	27,380	29,449
Total Other Revenues	867,174	858,562
INCREASE (DECREASE) IN NET POSITION	3,676,028	(449,959)
Net Position - Beginning of Year	31,091,461	31,541,420
Restatement for July 1, 2014, Pension Liability and Related Expense	(33,126,793)	-
Net Position - Beginning of Year, as Restated	(2,035,332)	31,541,420
NET POSITION - END OF YEAR	$ 1,640,696	$ 31,091,461

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 57,315,226	$ 57,541,513
Grants and Contracts	6,752,722	7,069,138
Payments to Suppliers for Goods and Services	(25,594,492)	(29,388,810)
Payments to Employees	(73,755,384)	(73,650,100)
Loans Issued to Students	(406,613)	(352,650)
Loans Collected from Students	370,037	357,269
Student Aid	(3,998,935)	(4,460,647)
Auxiliary Enterprise Charges	20,759,521	20,367,544
Sales and Services of Educational Departments	1,938,023	1,888,215
Other Receipts (Payments)	(225,576)	629,133
Net Cash Used by Operating Activities	(16,845,471)	(19,999,395)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	22,114,652	21,160,935
Gifts and Nonoperating Grants for Other Than Capital Purposes	10,267,397	11,497,870
PLUS, Stafford, and Other Loan Receipts (Non-Perkins)	43,551,492	40,841,156
PLUS, Stafford, and Other Loan Disbursements (Non-Perkins)	(43,551,492)	(40,841,156)
Agency Transactions, Net	19,342	2,174
Other	142,852	163,420
Net Cash Provided by Noncapital Financing Activities	32,544,243	32,824,399
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	6,009,158	490,100
Capital Appropriations	839,794	829,113
Capital Grants and Gifts Received	27,380	29,449
Proceeds from Sales of Capital Assets	127,654	4,708
Purchases of Capital Assets	(2,785,797)	(3,153,754)
Principal Paid on Capital and Other Debt	(9,071,518)	(3,547,054)
Interest Paid on Capital Debt	(2,582,979)	(2,476,585)
Net Cash Used by Capital Financing Activities	(7,436,308)	(7,824,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Endowment Investments	8,774	(12)
Interest on Investments	576,350	473,603
Net Cash Provided by Investing Activities	585,124	473,591
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,847,588	5,474,572
Cash and Cash Equivalents - Beginning of Year	51,454,969	45,980,397
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 60,302,557	$ 51,454,969

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	$ (28,436,431)	$ (32,448,166)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	7,147,497	7,541,883
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(255,548)	383,365
Inventories	43,473	(548)
Other Assets	(1,240,866)	(785,615)
Accounts Payable and Accrued Expenses	1,155,072	(33,045)
Unearned Revenue	250,216	(275,311)
Students' Deposits	(198,471)	129,484
Compensated Absences	(182,462)	176,037
Loans Receivable	(36,576)	4,618
Other Liabilities	4,908,625	5,307,903
Net Cash Used by Operating Activities	$ (16,845,471)	$ (19,999,395)

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 23,831,002	$ 25,293,553
Accounts Receivable	113,189	88,571
Pledges Receivable	337	185,569
Due from University	556,967	564,270
Other Current Assets	34,755	178,262
Total Current Assets	24,536,250	26,310,225
NONCURRENT ASSETS		
Capital Assets, Net	78,545,604	81,068,543
Investments	24,721,331	20,675,797
Pledges Receivable	672,375	505,515
Other Assets	2,670,971	2,660,168
Total Noncurrent Assets	106,610,281	104,910,023
Total Assets	$ 131,146,531	$ 131,220,248
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 4,954,470	$ 5,683,358
Annuity Liabilities	244,113	255,419
Due to University	6,848,793	5,401,522
Deposit Liabilities	2,949	2,949
Current Portion of Long-Term Debt	1,485,000	1,310,000
Other Liabilities	56,617	78,830
Total Current Liabilities	13,591,942	12,732,078
LONG-TERM DEBT	93,513,601	95,023,176
Total Liabilities	107,105,543	107,755,254
NET ASSETS		
Unrestricted	7,354,668	5,723,242
Temporarily Restricted	5,599,401	8,755,459
Permanently Restricted	11,086,919	8,986,293
Total Net Assets	24,040,988	23,464,994
Total Liabilities and Net Assets	$ 131,146,531	$ 131,220,248

See accompanying Notes to Financial Statements.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND OTHER ADDITIONS		
Contributions	$ 257,155	$ 319,697
Sales and Services	294,382	315,727
Student Fees	2,454,944	2,458,864
Grants and Contracts	33,527	29,994
Rental Income	11,341,930	11,059,022
Investment Income	441,962	922,503
Service Fee Income - University	617,000	1,266,667
Other Revenues and Gains	1,546,668	1,598,744
Net Assets Released from Restrictions	1,192,947	2,273,964
Total Revenues and Other Additions	18,180,515	20,245,182
EXPENSES AND OTHER DEDUCTIONS		
Program Expenses:		
Scholarships and Grants	662,376	578,918
Student Activities and Programs	1,555,096	1,609,105
Housing	11,815,962	12,614,069
Other University Support	1,040,984	2,180,225
Other Programs	370,500	990,112
Management and General	2,602,938	3,137,427
Fundraising	169,637	391,466
Reclassification of Net Assets	(1,668,404)	1,216,307
Total Expenses and Other Deductions	16,549,089	22,717,629
Increase (Decrease) in Unrestricted Net Assets	1,631,426	(2,472,447)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,139,637	826,623
Investment Income	253,837	1,879,939
Other Expenses and Losses	(361,000)	(293,064)
Net Assets Released from Restrictions	(1,192,947)	(2,273,964)
Reclassification of Net Assets	(2,995,585)	(967,924)
Decrease in Temporarily Restricted Net Assets	(3,156,058)	(828,390)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	773,445	1,241,136
Reclassification of Net Assets	1,327,181	2,184,231
Increase in Permanently Restricted Net Assets	2,100,626	3,425,367
INCREASE IN NET ASSETS	575,994	124,530
Net Assets - Beginning of Year	23,464,994	23,340,464
NET ASSETS - END OF YEAR	$ 24,040,988	$ 23,464,994

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Reporting Entity

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

The University has determined that the East Stroudsburg University Student Activity Association, Inc. (Association), the East Stroudsburg University Foundation (Foundation), The Rose Mekeel Child Care Center ("Mekeel"), the East Stroudsburg University Center for Research and Economic Development, Inc. (CFRED) and University Properties, Inc. (UPI) should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

The Association is a legally separate, tax-exempt entity, which is responsible for the operations of the Student Activity Association, whose primary function is acting as a liaison between students, faculty and alumni, the University Store and Stony Acres, Inc., a recreation site and field campus for faculty and students. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of and for the years ended May 31, 2015 and 2014.

The Foundation is a legally separate, tax-exempt entity, which acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to activities of the University by the donors. Since these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Foundation is presented as of and for the years ended June 30, 2015 and 2014.

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

Reporting Entity (Continued)

Mekeel is a legally separate, tax-exempt entity, which operates a childcare center for the children of students, faculty and staff enrolled and/or employed at the University. It also assists various departments of the University with educational programs. Although the University does not control the resources of Mekeel, the activities of Mekeel are solely for the benefit of the University and its students. Mekeel is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of Mekeel is presented as of and for the years ended May 31, 2015 and 2014.

CFRED is a legally separate, tax-exempt entity, whose primary function is acting as the principal economic development and research extension of the University, through research and workforce training. CFRED and the University have entered into a memorandum of understanding, which recognizes CFRED as an affiliated organization of the University. CFRED is considered a component unit of the University and is discretely presented in the University’s financial statements. The financial activity of CFRED is presented as of and for the years ended June 30, 2015 and 2014.

UPI is a legally separate, tax-exempt entity, whose primary function is the operation and maintenance of certain housing for University students. Although the University does not control the resources of UPI, the activities of UPI are solely for the benefit of the University and its students. UPI is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of UPI is presented as of and for the years ended June 30, 2015 and 2014.

At June 30, 2015 and 2014, the University owed amounts to and was due amounts from its component units. Such balances are incurred as a normal part of doing business and are expected to be liquidated within the next fiscal year.

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

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

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

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences 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 loss on the disposal of assets, are recorded as operating expenses. Appropriations, Pell grants, investment income, gifts for other than capital purposes, and parking and library fines are reported as nonoperating revenue.

Deferred Outflows and Deferred Inflows of Resources

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

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

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

The University is required to report the following as *Deferred Outflows of Resources* or *Deferred Inflows of Resources*.

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

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

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

Net Position

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

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

Restricted – nonexpendable: Net position subject to externally imposed conditions requiring that they be maintained by the University in perpetuity.

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

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

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

Cash Equivalents and Investments

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

Accounts and Loans Receivable

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

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

Accounts and Loans Receivable (Continued)

Accounts and loans receivable are reported at net realizable value. Accounts 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.

Inventories

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

Capital Assets

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

All assets with 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 by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation. Equipment and furnishings are stated at cost less accumulated depreciation. All library books are capitalized and depreciated. Assets purchased under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

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

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write downs due to impairment are charged to operations at the time the impairment is identified. No write down of capital assets was required for the years ended June 30, 2015 and 2014.

Unearned Revenue

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

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

Compensated Absences

Employees' right to receive annual leave and sick leave payments upon termination or retirement for services already rendered is recorded as a liability.

Pension Plans

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

Scholarships and Waivers

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

New Accounting Standards

The University has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the University to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS). The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the *2015 Net position—beginning of year*. SERS and PSERS were not able to provide sufficient information to restate the June 30, 2014, financial statements.

	2015
Net Position - Beginning of Year, as Previously Stated	$ 31,091,461
July 1, 2014, Balance of the Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(33,126,793)
Net Position - Beginning of Year, Restated	$ (2,035,332)

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and is effective for financial statements for reporting periods beginning after June 15, 2015. The University has determined that Statement No. 72 will have no effect on its financial statements other than to change the disclosure information for its investments.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined contribution pensions and defined benefit pensions that are not within the scope of Statement No. 68 and amends certain provisions of Statements No. 67 and 68. Statement No. 73 is effective for fiscal years beginning after June 15, 2016. The University has determined that Statement No. 73 will have no effect on its financial statements.

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

New Accounting Standards (Continued)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These statements establish new accounting and financial reporting requirements for governments whose employees are provided with OPEB (other postemployment benefits), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. These statements will require the University to record its postretirement health care liability in its entirety: at June 30, 2015, the University's accrued postretirement health care liability, as calculated by the actuaries, was $70,074,982, but under current GASB requirements, the amount recorded on the balance sheet as a liability was $60,625,496. The University expects that the amount recorded on the balance sheet as a postretirement health care liability will increase when Statement No. 75 is implemented, but the amount cannot be calculated until a new actuarial valuation is performed under the new standards.

Furthermore, Statement No. 75 will require that the University record the liability for its employees who participate in the Commonwealth's Retired Employees Health Plan (REHP). Under current GASB standards, the University does not report a share of the REHP's unfunded liability since the REHP is a multiple-employer cost-sharing plan administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). The amount that the University will have to record as its share of the liability when Statement No. 75 becomes effective is unknown; however, the Commonwealth has advised the State System that its share of the liability at June 30, 2015, is $73,032,000. The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016; the provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Statement No. 76 modifies the GAAP hierarchy, which are the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP. The provisions in Statement No. 76 are effective for reporting periods beginning after June 15, 2015. The University has determined that Statement No. 76 will have no effect on its financial statements.

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The University has determined that Statement No. 77 will have no effect on its financial statements.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2015:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Capital Assets	$ 18,424	$ 652,347	$ 77,874,833	$ -	$ -	$ 78,545,604
Investments	17,575,501	7,028,069	-	-	117,761	24,721,331
Due from University	-	-	556,967	-	-	556,967
Other Assets	1,478,888	5,760,201	19,643,396	372,357	67,787	27,322,629
Total Assets	$ 19,072,813	$ 13,440,617	$ 98,075,196	$ 372,357	$ 185,548	$ 131,146,531
Due to University	$ 1,463,261	$ 115,669	$ 5,269,054	$ 809	$ -	$ 6,848,793
Long-Term Debt	-	-	94,998,601	-	-	94,998,601
Other Liabilities	301,181	596,046	4,344,728	1,914	14,280	5,258,149
Total Liabilities	1,764,442	711,715	104,612,383	2,723	14,280	107,105,543
Net Assets:						
Unrestricted	708,051	12,642,902	(6,537,187)	369,634	171,268	7,354,668
Temporarily Restricted	5,599,401	-	-	-	-	5,599,401
Permanently Restricted	11,000,919	86,000	-	-	-	11,086,919
Total Net Assets	17,308,371	12,728,902	(6,537,187)	369,634	171,268	24,040,988
Total Liabilities and Net Assets	$ 19,072,813	$ 13,440,617	$ 98,075,196	$ 372,357	$ 185,548	$ 131,146,531

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining condensed statement of financial position information for the component units as of June 30, 2014:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Capital Assets	$ 28,257	$ 682,023	$ 80,358,263	$ -	$ -	$ 81,068,543
Investments	16,812,627	3,745,525	-	-	117,645	20,675,797
Due from University	-	28,328	535,942	-	-	564,270
Other Assets	1,060,337	8,171,561	19,179,719	413,301	86,720	28,911,638
Total Assets	$ 17,901,221	$ 12,627,437	$ 100,073,924	$ 413,301	$ 204,365	$ 131,220,248
Due to University	$ 1,279,756	$ -	$ 4,120,167	$ 1,599	$ -	$ 5,401,522
Long-Term Debt	-	-	96,333,176	-	-	96,333,176
Other Liabilities	277,458	578,149	5,144,422	5,312	15,215	6,020,556
Total Liabilities	1,557,214	578,149	105,597,765	6,911	15,215	107,755,254
Net Assets:						
Unrestricted	(1,311,745)	11,963,288	(5,523,841)	406,390	189,150	5,723,242
Temporarily Restricted	8,755,459	-	-	-	-	8,755,459
Permanently Restricted	8,900,293	86,000	-	-	-	8,986,293
Total Net Assets	16,344,007	12,049,288	(5,523,841)	406,390	189,150	23,464,994
Total Liabilities and Net Assets	$ 17,901,221	$ 12,627,437	$ 100,073,924	$ 413,301	$ 204,365	$ 131,220,248

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2015:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Changes in Unrestricted Net Assets						
Revenues and Other Additions:						
Contributions	$ 199,739	$ -	$ -	$ 57,416	$ -	$ 257,155
Sales and Services	-	-	-	337	294,045	294,382
Student Fees	-	2,454,944	-	-	-	2,454,944
Grants and Contracts	-	-	-	5,132	28,395	33,527
Rental Income	-	-	11,341,930	-	-	11,341,930
Investment Income	76,030	325,732	39,164	920	116	441,962
Service Fees Income	617,000	-	-	-	-	617,000
Other Revenues and Gains	361,000	1,125,353	54,498	5,817	-	1,546,668
Net Assets Released from Restrictions	1,192,947	-	-	-	-	1,192,947
Total Revenues and Other Additions	2,446,716	3,906,029	11,435,592	69,622	322,556	18,180,515
Expenses and Other Deductions:						
Program Expenses:						
Scholarships and Grants	662,376	-	-	-	-	662,376
Student Activities and Programs	-	1,555,096	-	-	-	1,555,096
Housing	-	-	11,815,962	-	-	11,815,962
Other University Support	590,984	-	450,000	-	-	1,040,984
Other Programs	12,936	-	-	62,599	294,965	370,500
Management and General	660,990	1,671,319	182,976	43,779	43,874	2,602,938
Fundraising	168,038	-	-	-	1,599	169,637
Reclassification of Net Assets	(1,668,404)	-	-	-	-	(1,668,404)
Total Expenses and Other Deductions	426,920	3,226,415	12,448,938	106,378	340,438	16,549,089
Change in Unrestricted Net Assets	2,019,796	679,614	(1,013,346)	(36,756)	(17,882)	1,631,426
Changes in Temporarily Restricted Net Assets						
Contributions	1,139,637	-	-	-	-	1,139,637
Investment Income	253,837	-	-	-	-	253,837
Other Expenses and Losses	(361,000)	-	-	-	-	(361,000)
Net Assets Released from Restrictions	(1,192,947)	-	-	-	-	(1,192,947)
Reclassification of Net Assets	(2,995,585)	-	-	-	-	(2,995,585)
Change in Temporarily Restricted Net Assets	(3,156,058)	-	-	-	-	(3,156,058)
Changes in Permanently Restricted Net Assets						
Contributions	773,445	-	-	-	-	773,445
Reclassification of Net Assets	1,327,181	-	-	-	-	1,327,181
Change in Permanently Restricted Net Assets	2,100,626	-	-	-	-	2,100,626
CHANGE IN NET ASSETS	964,364	679,614	(1,013,346)	(36,756)	(17,882)	575,994
Net Assets - Beginning of Year	16,344,007	12,049,288	(5,523,841)	406,390	189,150	23,464,994
NET ASSETS - END OF YEAR	$ 17,308,371	$ 12,728,902	$ (6,537,187)	$ 369,634	$ 171,268	$ 24,040,988

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2014:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Changes in Unrestricted Net Assets						
Revenues and Other Additions:						
Contributions	$ 276,697	$ -	$ -	$ 43,000	$ -	$ 319,697
Sales and Services	-	-	-	-	315,727	315,727
Student Fees	-	2,458,864	-	-	-	2,458,864
Grants and Contracts	-	-	-	1,599	28,395	29,994
Rental Income	-	-	11,059,022	-	-	11,059,022
Investment Income (Loss)	492,000	339,756	89,816	776	155	922,503
Service Fees Income	1,266,667	-	-	-	-	1,266,667
Other Revenues and Gains	293,064	1,227,205	78,350	125	-	1,598,744
Net Assets Released from Restrictions	2,255,360	-	-	18,604	-	2,273,964
Total Revenues and Other Additions	4,583,788	4,025,825	11,227,188	64,104	344,277	20,245,182
Expenses and Other Deductions:						
Program Expenses:						
Scholarships and Grants	578,918	-	-		-	578,918
Student Activities and Programs	-	1,609,105	-		-	1,609,105
University Store	-	-	-		-	-
Housing	-	-	12,614,069		-	12,614,069
Other University Support	1,730,225	-	450,000		-	2,180,225
Other Programs	609,676	-	-	99,029	281,407	990,112
Management and General	1,215,504	1,659,690	177,648	49,884	34,701	3,137,427
Fundraising	390,093	-	-	-	1,373	391,466
Reclassification of Net Assets	1,216,307	-	-	-	-	1,216,307
Total Expenses and Other Deductions	5,740,723	3,268,795	13,241,717	148,913	317,481	22,717,629
Change in Unrestricted Net Assets	(1,156,935)	757,030	(2,014,529)	(84,809)	26,796	(2,472,447)
Changes in Temporarily Restricted Net Assets						
Contributions	826,623	-	-	-	-	826,623
Investment Income	1,879,939	-	-	-	-	1,879,939
Other Expenses and Losses	(293,064)	-	-	-	-	(293,064)
Net Assets Released from Restrictions	(2,255,360)	-	-	(18,604)	-	(2,273,964)
Reclassification of Net Assets	(967,924)	-	-	-	-	(967,924)
Change in Temporarily Restricted Net Assets	(809,786)	-	-	(18,604)	-	(828,390)
Changes in Permanently Restricted Net Assets						
Contributions	1,241,136	-	-	-	-	1,241,136
Reclassification of Net Assets	2,184,231	-	-	-	-	2,184,231
Change in Permanently Restricted Net Assets	3,425,367	-	-	-	-	3,425,367
CHANGE IN NET ASSETS	1,458,646	757,030	(2,014,529)	(103,413)	26,796	124,530
Net Assets - Beginning of Year	14,885,361	11,292,258	(3,509,312)	509,803	162,354	23,340,464
NET ASSETS - END OF YEAR	$ 16,344,007	$ 12,049,288	$ (5,523,841)	$ 406,390	$ 189,150	$ 23,464,994

NOTE 3 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of $1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals $57,448,533 and $48,435,503 at June 30, 2015 and 2014, respectively.

Board Policy 1986-02-A, *Investment*, authorizes the State System to invest in U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, bankers acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the board or university trustees may be invested in the investments described above, as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, the universities use local financial institutions for activities such as cash deposits. In addition, the universities may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, the State System recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be in U.S. dollar-denominated debt of high quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained and guidelines are followed.

Safety of principal and liquidity are the top priorities for the investment of the State System's operating funds. Within those guidelines, income optimization is pursued. Speculative investment activity is not allowed; this includes investing in asset classes such as commodities, futures, short-sales, equities, real or personal property, options, venture capital investments, private placements, letter stocks, and unlisted securities.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

At June 30, 2015 and 2014, the carrying amount of the University's demand and time deposits were $2,854,024 and $3,019,466, respectively, as compared to bank balances of $2,659,353 and $2,865,851, respectively. The differences are primarily caused by items in-transit and outstanding checks. All bank balances were covered by federal government depository insurance or were collateralized by a pledge of United States Treasury obligations held by Federal Reserve banks in the name of the banking institutions, or uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2015 and 2014, none of the University's demand and time deposits is exposed to foreign currency risk.

Short-term investments at June 30, 2015 and 2014 consist of certificates of deposit carried at cost, which approximates fair value.

NOTE 4 CAPITAL ASSETS

Capital assets and the changes therein are summarized as follows:

	Estimated Lives (in Years)	Beginning Balance July 1, 2014	Additions	Retirements	Reclassifications	Ending Balance June 30, 2015
Capital Assets Not Being Depreciated:						
Land		$ 6,259,241	$ -	$ -	$ -	$ 6,259,241
Construction in Progress		1,203,655	24,088	(127,654)	(334,044)	766,045
Total Capital Assets Not being Depreciated		7,462,896	24,088	(127,654)	(334,044)	7,025,286
Capital Assets Being Depreciated:						
Buildings, including Improvements	10-40	118,218,267	2,120,819	-	265,886	120,604,972
Improvements Other than Buildings	20	23,555,670	199,615	-	68,158	23,823,443
Furnishings and Equipment	Varies	23,656,658	399,100	-	-	24,055,758
Library Books	10	6,162,431	42,162	(2,184)	-	6,202,409
Total Capital Assets Being Depreciated		171,593,026	2,761,696	(2,184)	334,044	174,686,582
Less Accumulated Depreciation:						
Buildings, including Improvements		(58,260,199)	(5,522,214)	-	-	(63,782,413)
Furnishings and Equipment		(16,737,949)	(1,521,105)	-	-	(18,259,054)
Library Books		(5,646,962)	(104,178)	2,184	-	(5,748,956)
Total Accumulated Depreciation		(80,645,110)	(7,147,497)	2,184	-	(87,790,423)
Total Capital Assets Being Depreciated, Net		90,947,916	(4,385,801)	-	334,044	86,896,159
Capital Assets, Net		$ 98,410,812	$ (4,361,713)	$ (127,654)	$ -	$ 93,921,445

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Estimated Lives (in Years)	Beginning Balance July 1, 2013	Additions	Retirements	Reclassifications	Ending Balance June 30, 2014
Capital Assets Not Being Depreciated:						
Land		$ 6,259,241	$ -	$ -	$ -	$ 6,259,241
Construction in Progress		1,467,580	427,455	(5,187)	(686,193)	1,203,655
Total Capital Assets Not being Depreciated		7,726,821	427,455	(5,187)	(686,193)	7,462,896
Capital Assets Being Depreciated:						
Buildings, including Improvements	10-40	116,637,038	1,429,740	-	151,489	118,218,267
Improvements Other than Buildings	20	22,634,447	386,519	-	534,704	23,555,670
Furnishings and Equipment	Varies	22,800,188	856,470	-	-	23,656,658
Library Books	10	6,110,939	53,570	(2,078)	-	6,162,431
Total Capital Assets Being Depreciated		168,182,612	2,726,299	(2,078)	686,193	171,593,026
Less Accumulated Depreciation:						
Buildings, including Improvements		(52,507,517)	(5,752,682)	-	-	(58,260,199)
Furnishings and Equipment		(15,059,288)	(1,678,661)	-	-	(16,737,949)
Library Books		(5,538,501)	(110,540)	2,079	-	(5,646,962)
Total Accumulated Depreciation		(73,105,306)	(7,541,883)	2,079	-	(80,645,110)
Total Capital Assets Being Depreciated, Net		95,077,306	(4,815,584)	1	686,193	90,947,916
Capital Assets, Net		$ 102,804,127	$ (4,388,129)	$ (5,186)	$ -	$ 98,410,812

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2015	2014
Employees	$ 6,533,886	$ 5,639,275
Suppliers and Services	1,225,322	1,355,974
Other	1,330,499	939,397
Total	$ 9,089,707	$ 7,934,646

NOTE 6 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 Governor's 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 years ended June 30, 2015 and 2014 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2014	Bonds Issued	Bonds Redeemed	Balance June 30, 2015
Series AC	4.87%	$ 314,708	$ -	$ (314,708)	$ -
Series AE	4.95%	5,601,614	-	(5,601,614)	-
Series AF	5.00%	13,315,956	-	(1,044,468)	12,271,488
Series AH	4.67%	10,422,933	-	(455,803)	9,967,130
Series AI	4.19%	2,265,683	-	(195,603)	2,070,080
Series AJ	4.88%	3,172,071	-	(123,127)	3,048,944
Series AK	4.00%	88,382	-	(13,439)	74,943
Series AL	5.00%	3,641,601	-	(405,706)	3,235,895
Series AM	4.65%	7,922,450	-	(420,115)	7,502,335
Series AN	5.00%	2,345,594	-	(242,047)	2,103,547
Series AP	4.34%	167,712	-	(13,976)	153,736
Series AQ	4.71%	-	5,164,183	-	5,164,183
Total Bonds Payable		$ 49,258,704	$ 5,164,183	$ (8,830,606)	45,592,281
Plus: Unamortized Bond Premium					2,402,396
Outstanding at End of Year					$ 47,994,677

NOTE 6 BONDS PAYABLE (CONTINUED)

	Weighted Average Interest Rate	Balance July 1, 2013	Bonds Issued	Bonds Redeemed	Balance June 30, 2014
Series AA	4.65%	$ 196,639	$ -	$ (196,639)	$ -
Series AC	4.88%	335,813	-	(21,105)	314,708
Series AE	4.97%	5,933,760	-	(332,146)	5,601,614
Series AF	5.00%	14,309,769	-	(993,813)	13,315,956
Series AH	4.69%	10,855,109	-	(432,176)	10,422,933
Series AI	4.15%	2,454,999	-	(189,316)	2,265,683
Series AJ	4.89%	3,291,459	-	(119,388)	3,172,071
Series AK	3.88%	101,473	-	(13,091)	88,382
Series AL	5.00%	4,027,402	-	(385,801)	3,641,601
Series AM	4.67%	8,022,556	301,336	(401,442)	7,922,450
Series AN	5.00%	2,576,156	-	(230,562)	2,345,594
Series AP	4.20%	-	167,712	-	167,712
Total Bonds Payable		$ 52,105,135	$ 469,048	$ (3,315,479)	49,258,704
Plus: Unamortized Bond Premium					2,058,590
Outstanding at End of Year					$ 51,317,294

NOTE 6 BONDS PAYABLE (CONTINUED)

Principal and interest maturities for each of the next five years as of June 30, 2015 and in subsequent five-year periods ending June 30 are as follows:

Series		2016	2017	2018	2019	2020	2021-2025	2026-2030	2031-2035	Total
AF	Principal	$ 1,096,796	$ 1,150,798	$ 1,209,405	$ 1,270,944	$ 1,334,156	$ 4,774,823	$ 1,434,566	$ -	$ 12,271,488
	Interest	613,567	558,727	501,187	440,717	377,169	959,639	108,459	-	3,559,465
	Total	1,710,363	1,709,525	1,710,592	1,711,661	1,711,325	5,734,462	1,543,025	-	15,830,953
AH	Principal	478,228	501,300	527,524	551,895	579,416	3,286,255	2,990,011	1,052,501	9,967,130
	Interest	466,803	442,892	417,827	391,450	363,856	1,436,686	614,869	106,875	4,241,258
	Total	945,031	944,192	945,351	943,345	943,272	4,722,941	3,604,880	1,159,376	14,208,388
AI	Principal	202,432	211,067	219,703	228,338	237,097	971,443	-	-	2,070,080
	Interest	86,771	78,674	70,231	61,443	52,310	111,346	-	-	460,775
	Total	289,203	289,741	289,934	289,781	289,407	1,082,789	-	-	2,530,855
AJ	Principal	132,063	135,999	145,328	149,854	159,577	912,981	998,142	415,000	3,048,944
	Interest	147,560	140,957	134,157	126,891	119,398	470,351	234,601	53,500	1,427,415
	Total	279,623	276,956	279,485	276,745	278,975	1,383,332	1,232,743	468,500	4,476,359
AK	Principal	13,836	14,408	14,929	15,600	16,170	-	-	-	74,943
	Interest	2,998	2,444	1,868	1,271	647	-	-	-	9,228
	Total	16,834	16,852	16,797	16,871	16,817	-	-	-	84,171
AL	Principal	425,610	452,108	470,420	495,102	518,987	618,668	115,000	140,000	3,235,895
	Interest	161,795	140,514	117,909	94,388	69,633	104,433	53,000	21,750	763,422
	Total	587,405	592,622	588,329	589,490	588,620	723,101	168,000	161,750	3,999,317
AM	Principal	439,383	464,840	485,891	349,565	366,805	2,131,276	2,656,812	607,763	7,502,335
	Interest	350,076	328,107	304,865	285,429	267,951	1,042,326	517,295	27,341	3,123,390
	Total	789,459	792,947	790,756	634,994	634,756	3,173,602	3,174,107	635,104	10,625,725
AN	Principal	252,356	264,169	272,894	284,952	297,174	732,002	-	-	2,103,547
	Interest	94,762	81,897	68,167	53,816	38,533	27,516	-	-	364,691
	Total	347,118	346,066	341,061	338,768	335,707	759,518	-	-	2,468,238
AP	Principal	14,951	15,211	15,731	16,186	16,836	74,821	-	-	153,736
	Interest	6,114	5,815	5,359	4,887	4,240	9,391	-	-	35,806
	Total	21,065	21,026	21,090	21,073	21,076	84,212	-	-	189,542
AQ	Principal	18,750	407,403	433,119	454,491	477,261	2,770,476	602,683	-	5,164,183
	Interest	289,768	257,272	236,902	215,246	192,521	579,756	30,134	-	1,801,599
	Total	308,518	664,675	670,021	669,737	669,782	3,350,232	632,817	-	6,965,782
	Principal	3,074,405	3,617,303	3,794,944	3,816,927	4,003,479	16,272,745	8,797,214	2,215,264	45,592,281
	Interest	2,220,214	2,037,299	1,858,472	1,675,538	1,486,258	4,741,444	1,558,358	209,466	15,787,049
	Total	$ 5,294,619	$ 5,654,602	$ 5,653,416	$ 5,492,465	$ 5,489,737	$ 21,014,189	$ 10,355,572	$ 2,424,730	$ 61,379,330

NOTE 6 BONDS PAYABLE (CONTINUED)

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. The State System will issue bonds to provide a pool for funding for AFRP ($29,552,795 and $33,625,385 was outstanding at June 30, 2015 and 2014, respectively). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program. Changes in the balance under the AFRP pool of funding were as follows:

	2015	2014
Balance at July 1	$ 2,094,180	$ 2,325,754
Repayments	(240,913)	(231,574)
Balance at June 30	$ 1,853,267	$ 2,094,180

NOTE 7 DEBT REFUNDING

In May 2015, the net proceeds from the Series AQ revenue bonds, together with funds provided by the State System, were used to purchase U.S. Government Securities that were deposited irrevocably in trust with an escrow agent to current refund Series AC and advance refund Series AE revenue bonds. This refunding was performed to reduce debt service for the University by approximately $507,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately $495,000. The economic gain is reported as a deferred outflow of resources. As of June 30, 2015, $0 of Series AC and $71,565,000 of Series AE Revenue Bonds remained outstanding, and the fair market value of the escrow account was $74,877,000. The funds in escrow will be used to pay the December 15, 2015, interest payment and the June 30, 2016, principal and interest payment of Series AE. Neither the funds in escrow nor the outstanding balance of Series AE is reflected in the balance sheet.

NOTE 8 LEASES

The University has entered into noncancelable lease agreements which have been reported as operating leases in the accompanying financial statements. Future minimum payments at June 30, 2015 for leases with initial or remaining terms of one year or more are as follows:

Year Ending June 30,	Amount
2016	$ 695,092
2017	715,957
2018	605,988
2019	551,108
2020	579,210
Thereafter	35,452,970
Total	$ 38,600,325

NOTE 8 LEASES (CONTINUED)

Total rent expense for operating leases in 2015 and 2014 was $1,450,263 and $1,781,986, respectively.

NOTE 9 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	2015	2014
Student Tuition and Fees	$ 2,579,785	$ 2,405,728
Grants	317,743	247,504
Sales and Services and Other	261,896	255,976
Total	$ 3,159,424	$ 2,909,208

NOTE 10 COMPENSATED ABSENCES

Changes in the compensated absences liability were as follows:

	2015	2014
Balance at July 1	$ 6,707,403	$ 6,531,366
Current Changes in Estimate	603,140	548,226
Payouts	(785,602)	(372,189)
Balance at June 30	$ 6,524,941	$ 6,707,403

NOTE 11 POSTRETIREMENT BENEFITS

University employees who retire after meeting specified service and age requirements become eligible for participation in one of two defined healthcare benefit plans, referred to here as the *System Plan* and the *Retired Employees Health Program*. These plans include hospital, medical/surgical, and major medical coverage, and provide a Medicare Supplement for individuals over age 65.

System Plan

Plan Description

Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), Security Police and Fire Professionals of America (SPFPA), Pennsylvania Nurses Association (PNA), and unrepresented employees participate in a single-employer defined benefits healthcare plan administered by the State System (System Plan). The System Plan provides eligible retirees and their eligible dependents with healthcare benefits as well as tuition waivers at any of the 14 the State System universities. Act 188 empowers the Board to establish and amend benefits provisions. The System Plan has no assets and no financial report is prepared.

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Funding Policy

The contribution requirements of plan members and the State System are established and may be amended by the Board. The System Plan is funded on a pay-as-you-go basis, i.e., premiums are paid to an insurance company and various health maintenance organizations to fund the healthcare benefits provided to current retirees. Tuition waivers are provided by the retiree's sponsoring University as they are granted. The State System paid premiums of $36,869,000 and $44,201,000 for the fiscal years ended June 30, 2015 and 2014, respectively. 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 date of their retirement, the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of plan members as of June 30, 2015:

- Eligible plan members receiving benefits who retired prior to July 1, 2005, are not required to make contributions.
- Nonfaculty coaches who retired on or after July 1, 2005, pay a percentage of their final annual gross salary at the time of retirement.
- Other eligible annuitants who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65 pay 10% of the plan premium in effect on the day of retirement. When annuitants become eligible for Medicare, they pay 15% 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.
- Other eligible annuitants who retire on or after July 1, 2008, pay 15% of the plan premium in effect on their retirement date. Future adjustments will apply if contributions increase for active employees.

Total contributions made by plan members were $4,272,000 and $3,969,000, or approximately 10.4% and 8.2% of the total premiums, for the fiscal years ended June 30, 2015 and 2014, respectively.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid annually, is projected to cover normal cost plus the annual portion of the unfunded actuarial liability amortized over thirty years.

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the years ended June 30:

	2015	2014
Annual Required Contribution	$ 5,937,907	$ 7,577,000
Interest on Net OPEB Obligation	2,217,396	2,060,000
Adjustment to Annual Required Contribution	(2,914,358)	(2,599,000)
Annual OPEB Cost	5,240,945	7,038,000
Contributions Made	(2,236,894)	(2,236,773)
Increase in Net OPEB Obligation	3,004,051	4,801,227
Net OPEB Obligation - Beginning of Year	57,621,445	52,820,218
Net OPEB Obligation - End of Year	$ 60,625,496	$ 57,621,445

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 and the two preceding years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 5,240,945	42.7 %	$ 60,625,496
2014	7,038,000	31.8 %	57,621,445
2013	6,719,000	33.9 %	52,820,218

Funded Status and Funding Progress

The funded status of the University's portion of the System Plan as of July 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	$ 70,074,982
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 70,074,982
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	$ 33,257,078
UAAL as a Percentage of Covered Payroll	210.7%

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the projected unit credit method was used with a 4.25% investment rate of return, which is the rate expected to be earned on the State System's operating portfolio. The health care cost trend rate used was 6.5% in 2014, 6.0% in 2015, and 5.5% in 2016 through 2020, with rates gradually decreasing from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2014, was 21 years.

Retired Employees Health Program

Plan Description

Employee members of the American Federation of State, County and Municipal Employees (AFSCME); Pennsylvania Doctors Alliance (PDA); and Pennsylvania Social Services Union (PSSU) participate in the Retired Employees Health Program (REHP), which is sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). The REHP provides eligible retirees and their eligible dependents with health care benefits. Benefit provisions are established and may be amended under pertinent statutory authority. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity.

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

Retired Employees Health Program (Continued)

Funding Policy

The contribution requirements of plan members covered under collective bargaining agreements are established by the collective bargaining agreements. The contribution requirements of nonrepresented plan members and contributing entities are established and may be amended by the Commonwealth's Office of Administration and the Governor's Budget Office. Plan members who enrolled prior to July 1, 2005, are not required to make contributions. Plan members who enrolled after July 1, 2005, contribute a percentage of their final salary, the rate of which varies based on the plan member's enrollment date. Agency member (employer) contributions are established primarily on a pay-as-you-go basis. In fiscal year 2014/15, the State System contributed $334 for each current active employee per biweekly pay period. The State System made contributions of $30,765,000, $28,584,000, and $25,638,000 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively, which equaled the required contributions for the year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 12 PENSION BENEFITS

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

Following is the total of the University's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and the pension expense and expenditures for the fiscal year ended June 30, 2015.

	SERS	PSERS	ARP	Total
Net Pension Liabilities	$33,009,461	$ 3,660,758	N/A	$36,670,219
Deferred Outflows of Resources	2,541,419	368,742	N/A	2,910,161
Deferred Inflows of Resources	410,241	261,719	N/A	671,960
Pension Expense	3,755,867	345,249	2,977,980	7,079,096
Contributions Made (Pay-as-You-Go)	2,529,147	267,507	2,977,980	5,774,634
Contributions Recognized by Pension Plans	2,511,820	267,507	N/A	2,779,327

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS

Plan Description

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

Benefits Provided

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

Employees who were hired prior to January 1, 2011, and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The new vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees and 55 for members of the General Assembly and certain employees classified in hazardous duty positions.

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. Most members of SERS, and all state employees hired after June 30, 2001, and prior to January 1, 2011 (except state police officers and certain members of the judiciary and legislators), are Class AA members. The multiplier for Class AA is 1.25, which translates into an annual benefit of 2.5% of the member's highest three-year average salary multiplied by years of service. The general annual benefit for Class A members is 2% of the member's highest three-year average salary multiplied by years of service. Act 120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary multiplied by years of service, while the Class A-4 benefit accrual rate is 2.5%. State police, judges, Magisterial District Judges, and legislators are in separate classes with varying benefits.

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

Contributions

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 120, however, imposed rate increase collars (limits on annual rate increases) on employer contributions. The collar for fiscal year 2013/14 was 4.5% and will remain at that rate until no longer needed.

The University contributed at actuarially determined rates of between 13.77% and 19.92% of active members' annual covered payroll at June 30, 2015. The University's contributions to SERS for the years ended June 30, 2015, 2014, and 2013, were $2,529,147, $1,974,349, and $1,401,312, respectively, equal to the required contractual contribution.

Contribution rates for most active members are between 5.0% and 6.25% of their qualifying compensation. New members hired after January 1, 2011, have a one-time election to choose a 9.3% contribution rate.

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Assumptions

The total SERS pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2014 and 2013, using the following actuarial assumptions, applied to all periods included in the measurement.

- Entry age actuarial cost method.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.75%.
- Investment return of 7.50%, net of expenses and including inflation.
- Salary increases based on an effective average of 6.1%, with a range of 4.30% to 11.05%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected RP-2000 Mortality Tables, adjusted for actual plan experience and future improvement.
- Ad hoc cost of living adjustments (COLAs).

Some of the methods and assumptions mentioned above are based on the *17th Investigation of Actuarial Experience*, which was published in January 2011 and analyzed experience from 2006 through 2010. The actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis. The next experience study will cover the years 2011 through 2015 and is expected to be released in early 2016.

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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2014, are summarized below:

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	15.0%	8.5%
Global Public Equity	40.0%	5.4%
Real Assets	17.0%	5.0%
Diversifying Assets	10.0%	5.0%
Fixed Income	15.0%	1.5%
Liquidity Reserve	3.0%	0.0%
	100.0%	

The discount rate used to measure the total SERS pension liability was 7.50%. 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. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current and nonactive SERS members. Therefore, the long-term expected rate of return on SERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the SERS net pension liability calculated using the discount rate of 7.50%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

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

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
2014	$ 42,251	$ 33,009	$ 25,063
2013	$ 39,892	$ 30,735	$ 22,865

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Fiduciary Net Position

The fiduciary net positions of SERS, as well as additions to and deductions from SERS fiduciary net positions, have been determined on the same basis as they are reported in the SERS financial statements, which can be found at www.sers.state.pa.us. The plan schedules of SERS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the SERS financial statements. Management of SERS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the amount recognized as the University's proportionate share of the SERS net pension liability was $33,009,461. SERS measured the net pension liability as of December 31, 2014.

The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the 2014 amounts, this methodology applies the most recently calculated contribution rates for Commonwealth fiscal year 2015/16 from the December 31, 2014, funding valuation to the expected funding payroll. For the allocation of the 2013 amounts, this methodology applies the contribution rates for fiscal year 2014/15 from the December 31, 2013, funding valuation to the expected funding payroll. At December 31, 2014, the State System's proportion was 4.901%, a decrease of .061% from its proportion calculated as of December 31, 2013.

For the year ended June 30, 2015, the University recognized SERS pension expense of $3,755,867. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the SERS pension are as follows:

NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 179,198	$ -
Net Difference Between Projected and Actual Investment Earnings	953,751	-
Changes in Proportions	-	311,312
Difference Between Employer Contributions and Proportionate Share of Total Contributions	-	98,929
Contributions After the Measurement Date	1,408,470	-
	$ 2,541,419	$ 410,241

The University will recognize the $1,408,470 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the SERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in SERS pension expense as follows:

Fiscal Year Ended	Amortization
June 30, 2016	$ 188,211
June 30, 2017	188,211
June 30, 2018	188,211
June 30, 2019	188,211
June 30, 2020	(30,136)

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–9102) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established and may be amended. The Code requires contributions by active members, the employer (State System), and the Commonwealth of Pennsylvania. PSERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the PSERS website at www.psers.state.pa.us.

Benefits Provided

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

Depending upon membership class, benefits are generally 2% or 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service.

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

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided (Continued)

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

Member Contributions

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

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2015 was 20.5% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 10.25% of covered payroll. The University's contribution to PSERS for the year ending June 30, 2015 was $267,505. The University's contributions to PSERS for the years ended June 30, 2014 and 2013 were $204,171 and $148,956, respectively, equal to the required contractual contribution.

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions

The total PSERS pension liability as of June 30, 2014, was determined by rolling forward PSERS' total pension liability as of the June 30, 2013, actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method is entry age normal, level percent of pay.
- Inflation of 3%.
- Investment return of 7.50%, including inflation.
- Salary increases based on an effective average of 5.5%, which reflects an allowance for inflation, real wage growth of 1.0%, and merit or seniority increases of 1.05%.
- Mortality rates based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females; for disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Trustees at its March 11, 2011 meeting and were effective beginning with the June 30, 2011 actuarial valuation.

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, 2014.

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Markets Global Equity	19.0%	5.0%
Private Markets (Equity)	21.0%	6.5%
Private Real Estate	13.0%	4.7%
Global Fixed Income	8.0%	2.0%
U.S. Long Treasuries	3.0%	1.4%
TIPS	12.0%	1.2%
High-Yield Bonds	6.0%	1.7%
Cash	3.0%	0.9%
Absolute Return	10.0%	4.8%
Risk Parity	5.0%	3.9%
MLPs/Infrastructure	3.0%	5.3%
Commodities	6.0%	3.3%
Financing (LIBOR)	(9.0%)	1.1%
	100.0%	

The discount rate used to measure the total PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the PSERS net pension liability calculated using the discount rate of 7.50%, 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 (6.50%) or one percentage point higher (8.50%) than the current rate.

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

1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
$ 4,566	$ 3,661	$ 2,888

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, the fiduciary net position of PSERS and additions to or deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported in the PSERS's financial statements. 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. Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found at www.psers.state.pa.us.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the amount recognized as the State System's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows:

Total PSERS Net Pension Liability Associated with the University	$	7,321,516
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated with the University		3,660,758
University's Proportionate Share of the PSERS Net Pension Liability	$	3,660,758

PSERS measured the net pension liability as of June 30, 2014. The total PSERS pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability calculated as of June 30, 2013, to June 30, 2014. 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, 2014, the State System's proportion was .1785%, an increase of .0051% from its proportion calculated as of June 30, 2013.

For the year ended June 30, 2015, the University recognized PSERS' pension expense of $345,249. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the PSERS pension are as follows:

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings	$ -	$ 261,719
Change in Proportions	87,153	-
Difference Between Employer Contributions and Proportionate Share of Total Contributions	15,284	-
Contributions After the Measurement Date	266,305	-
	$ 368,742	$ 261,719

The University will recognize the $266,305 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as PSERS pension expense as follows.

Fiscal Year Ended	Amortization
June 30, 2016	$ (40,739)
June 30, 2017	(40,739)
June 30, 2018	(40,739)
June 30, 2019	(40,739)
June 30, 2020	3,674

NOTE 12 PENSION BENEFITS (CONTINUED)

ARP

The ARP is a defined contribution plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2015 and 2014 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2015 and 2014 were $2,978,000 and $3,001,000, respectively, from the University; and $1,566,000 and $1,504,000, respectively, from active members. No liability is recognized for the ARP.

NOTE 13 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims less than $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims less than $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which the University contributes in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed $118,275 and $145,502 to the Reserve Fund for the years ended June 30, 2015 and 2014, respectively.

The liability for claims under the self-insurance limit and changes therein were as follows:

Balance at July 1	$ 701,121	$ 920,794
Current Year Claims and Changes in Estimates	512,659	183,638
Payments	(469,450)	(403,311)
Balance at June 30	$ 744,330	$ 701,121

NOTE 14 COMMITMENTS AND CONTINGENCIES

Contingencies

The nature of the education industry is such that, from time to time, the universities of the State System are exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (Continued)

The University is self-insured for workers' compensation up to stated limits (see note 10). 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. Additionally, the University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will be immaterial.

Affordable Care Act Requirements

New regulations under the federal Affordable Care Act require the University to complete and submit various reports and forms to employees and the Internal Revenue Service (IRS) between January 31, 2016, and March 31, 2016, for the calendar year ending December 31, 2015. Failure to submit the required information accurately and on time could result in significant IRS penalties. The State System is in the process of implementing the Affordable Care Act requirements and expects to be in compliance by the applicable deadlines. No reporting or compliance penalties are anticipated as of June 30, 2015.

Construction Commitments

Authorized expenditures for construction projects unexpended were approximately $324,555 and $1,803,736 as of June 30, 2015 and 2014, respectively.

NOTE 15 RATINGS ACTIONS

The State System's outstanding bonds are assigned an Aa3 rating from Moody's Investors Service, Inc. In April 2015, Moody's reaffirmed the outlook for the rating as negative. In April 2015, Fitch Ratings downgraded the State System's rating from AA to AA- and revised the outlook from *negative* to *stable*.

NOTE 16 RECLASSIFICATION

During the year ended June 30, 2015 the Foundation identified certain net assets which had been historically recorded under an incorrect net asset classification based on the original donor's intent. Therefore, the Foundation reclassified $1,668,404 to unrestricted net assets, $2,995,585 from temporarily restricted net assets and $1,327,181 to permanently restricted net assets as of June 30, 2015.

During the year ended June 30, 2014 the Foundation identified certain net assets which had been historically recorded under an incorrect net asset classification based on the original donor's intent. Therefore, the Foundation reclassified $1,216,307 of unrestricted net assets and $967,924 of temporarily restricted net assets to permanently restricted net assets on June 30, 2015.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF FUNDING PROGRESS FOR THE SYSTEM PLAN AND REHP (OPEB)
JUNE 30, 2015 AND 2014
(UNAUDITED)

Schedule of Funding Progress for the System Plan (OPEB)
(in Thousands)

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2012	$ -	$ 84,182	$ 84,182	0%	$ 34,040	247.3%
July 1, 2013	$ -	$ 87,331	$ 87,331	0%	$ 35,061	249.1%
July 1, 2014	$ -	$ 70,075	$ 70,075	0%	$ 33,257	210.7%

Schedule of Funding Progress for the REHP (OPEB)
(in Thousands)

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2012	$ 71,630	$ 12,843,700	$ 12,772,070	0.56%	$ 4,130,000	309%
July 1, 2013	$ 82,060	$ 13,234,040	$ 13,151,980	0.62%	$ 4,264,000	308%
July 1, 2014	$ 144,744	$ 16,134,419	$ 15,989,675	0.90%	$ 4,289,099	373%

The information above relates to the Commonwealth's REHP as a whole; i.e., it is inclusive of all participating Commonwealth agencies and instrumentalities. Nearly all Commonwealth agencies and instrumentalities participate in the REHP.

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF PROPORTIONATE SHARE OF SERS/PSERS CONTRIBUTIONS
JUNE 30, 2015 AND 2014
(UNAUDITED)

SERS Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS in FY 2014/15	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	$ 2,512	$ 2,512	$ -	$ 13,464	18.7%

PSERS Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS in FY 2014/15	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	$ 267	$ 267	$ -	$ 1,180	22.6%

EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF PROPORTIONATE SHARE OF SERS/PSERS NET PENSION LIABILITY
JUNE 30, 2015 AND 2014
(UNAUDITED)

Schedule of Proportionate Share of SERS Net Pension Liability (NPL)
Determined as of December 31, 2014, SERS Measurement Date
(in Thousands)

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	4.9010%	$ 33,009	$ 13,464	245%	64.8%

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
Determined as of June 30, 2014, PSERS Measurement Date
(in Thousands)

	PSERS Net Pension Liability						
Fiscal Year	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
2014/15	0.1785%	$ 3,661	$ 3,661	$ 7,322	$ 1,180	310%	57.2%