

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of East Stroudsburg University of Pennsylvania of the State System of Higher Education (the University), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our 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, 2022 and 2021, 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.

We did not audit the financial statements of the discretely presented component units, which statements reflect total assets, net position, and revenues constituting 100 percent, 100 percent, and 100 percent, respectively, of the 2022 and 2021 assets, net position, and revenues of the discretely presented component units for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No.87 – for the year ended June 30, 2022, which represent changes in accounting principle. The University's June 30, 2021 statement of net position and statement of revenues, expenses, and changes in net position were restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1. Our opinions are not modified with respect to this matter.

The financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units that are attributable to the transactions of the University. The University is one of fourteen universities and the System Office of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 4, 2022

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of East Stroudsburg University of Pennsylvania of the State System of Higher Education (the University) for the years ended June 30, 2022 and 2021 and the University's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow.

East Stroudsburg University is a public university of the Commonwealth of Pennsylvania (Commonwealth) and a member of the Pennsylvania State System of Higher Education (State System). As such, the University is charged with providing high-quality education at the lowest possible cost to its students. The University enrolled 5,136 students for Fall 2021 and the campus encompasses more than 258 acres and 59 physical plant structures.

The University functions independently, but being part of the State System enables it to share resources and benefit from economies of scale. The following is an overview of the University's financial activities for the years ended June 30, 2022 and 2021.

COVID-19

On January 31, 2020, the United States Department of Health and Human Services declared a public health emergency for the United States to aid the nation's health care community in responding to the novel coronavirus ("COVID-19"). On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020, the President of the United States declared a national state of emergency.

On March 6, 2020, Governor Wolf declared a disaster emergency in the Commonwealth of Pennsylvania. On April 1, 2020, he issued a stay-at-home order for all counties in the Commonwealth for all activities, except as needed to access, support, or provide life sustaining business, emergency, or government services.

Beginning in March 2020, the University followed state recommendations and restrictions that require remote working and remote education. The University continued remote education through the Summer of 2020 and began the Fall 2020 semester with primarily remote offerings. The University began offering a mix of live, hybrid, and remote classes in Fall 2021 and returned to normal modes of delivery in Fall 2022.

When the pandemic began, universities were implementing multi-year plans focused on cost control, increasing efficiencies, and aggressive management of their workforce. These efforts have intensified in response to the pandemic. The System is supporting its universities in these efforts through expanding shared services and offering retirement incentive programs. The System's financial and operational planning is fluid at this time. As a result of the COVID-19 relief funding awarded to the System, the associated costs incurred during fiscal year 2019/20 through and including fiscal year 2021/22 as a result of the coronavirus pandemic have had a minimal impact on the System's, and University's overall financial performance. However, the future financial impact will be dependent upon enrollment impacts, ongoing response efforts to mitigate COVID-19, and any potential resurgence of the virus.

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

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

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

In addition, in February 2021, \$5 million of the Governor's Education Emergency Relief Funds (GEERF II) were designated to be distributed to the State System to support ongoing functionality of its member institutions, as directed by the chancellor. Minority Serving Higher Education Institutions were allocated distinct funding through this Act; State System universities were awarded approximately \$3.8 million.

The ARPA is a \$1.9 trillion plan that was enacted on March 11, 2021 to help speed recovery from the effects of the COVID-19 pandemic. \$40 billion in Higher Education Emergency Relief Funds (HEERF III) were allocated to higher education to help defray expenses related to COVID-19, "implement evidence-based practices to monitor and suppress the Coronavirus, in accordance with public health guidelines, and conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances." - American Rescue Plan Act of 2021

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Below is a summary of COVID-19 relief funds awarded to the University through fiscal year 2021/22.

<i>(millions)</i>			
	CARES Act	CRRSAA Act	ARP Act
Emergency Aid for Students ¹	\$3.2	\$3.2	\$9.0
Institutional Share ¹	3.2	7.0	\$9.0
Strengthening Institutions Program ¹	0.3	0.5	0.8
County of Monroe CARES Act ¹	1.2	-	-
Appropriated Coronavirus Relief Funds ²	1.9	-	-
Governor's Education Emergency Relief ³	0.3	0.4	-
Total Funds Available	\$10.1	\$11.1	\$18.8
For University Use (less Emergency Aid)	\$6.9	\$7.9	\$10.0

¹-HEERF, US Department of Education

²-Title V, Assistance for State, Local and Tribal Governments, US Department of the Treasury

³-GEERF, US Department of Education, as distributed by Pennsylvania Department of Education

In addition to the COVID-19 relief funds, the University may submit expenses associated with COVID-19 mitigation to the Pennsylvania Emergency Management Agency (PEMA) for reimbursement from the Federal Emergency Management Agency (FEMA) and PEMA. To date, the University has submitted requests for and has received awards totaling \$396 thousand. The University is identifying additional costs and will be managing the reimbursement process for those costs in fiscal year 2022/23.

With regard to the current impact of COVID-19, the University continues to experience revenue losses due to the impact on enrollment and auxiliary functions. Regarding the current impact of COVID-19 on student housing, most residential facilities were closed during the Fall 2020 semester with a limited amount of students living at the residential facilities during the Spring 2021 semester. During Fall 2021 and Fall 2022 semesters, the University and its affiliate, University Properties, Inc. ("UPI"), had an overall occupancy of approximately 63% and 82%, respectively.

The System and the University continue to monitor and assess the effects of the COVID-19 pandemic and its impact on their operations and financial position. It is not possible, at present, to project the total impact on the System's or University's revenues, expenditures or financial position.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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Financial Highlights

The University adopted a new accounting standard issued by the Governmental Accounting Standards board (GASB) relating to leases in fiscal year 2021/22. GASB issued Statement No. 87, *Leases*, in June of 2017. GASB 87 is effective for reporting periods beginning after June 15, 2021. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 requires a lessee to recognize a lease liability and an intangible right-to-use lease asset and requires a lessor to recognize a lease receivable and deferred inflow of resources. The adoption of this statement resulted in the recognition of lease right-of-use assets, liabilities, and deferred inflows of resources. The financial statements for the fiscal year ended June 30, 2021, were restated to account for this change. The net effect of the restatement on fiscal year 2020/21 was a \$5.08 million increase in total assets, a \$5.02 million increase in total liabilities and a \$62 thousand increase in net position.

The total **Commonwealth appropriation** to the State System for operations in fiscal year 2021/22 was \$477.5 million, which was at the same level as fiscal year 2020/21.

The University's share of the **base appropriation** was \$29.6 million which represents an increase of \$561 thousand or 1.2% over fiscal year 2020/21 and included \$40 thousand to fund the debt service related to the Academic Facilities Renovation Program (AFRP). In addition to base appropriation, the University received \$226 thousand to fund Targeted University Incentives and \$294 thousand to fund debt service related to the Chincoteague Bay Field Station.

Act 50 of 1993 established the **Keystone Recreation, Park and Conservation fund** (Keystone Fund). The Keystone Fund is funded through a dedicated portion of the realty transfer tax paid by the seller and buyer during a real estate transaction. The Keystone Fund Enabling act requires 15% of the state's realty transfer tax receipts be put into the Keystone Fund for distribution to four state agencies (PA Department of Conservation & Natural Resources, PA Historic & Museum Commission, PA Department of Education, and the State System). The University received a \$1.9 million allocation from the Keystone Fund in fiscal year 2021/22 which was a 36.9% increase (\$506 thousand) from fiscal year 2020/21. With the exception of fiscal years 2009/10 and 2010/11, when no funding was received, Key '93 funds have provided a consistent revenue stream for University deferred maintenance projects since 1993.

The State System was allocated \$70 million in **Commonwealth capital funding** for fiscal year 2021/22, primarily for the renovation, replacement, and demolition of existing educational and general (E&G) buildings, all of which is completed under the direction and project management of the Commonwealth. This is consistent with the prior three years except for 2019/20 when there was a slight increase to \$73 million. In addition, it is a \$5 million increase over the \$65 million in capital funding that has been allocated to the State System annually since fiscal year 2000/01, with the exception of fiscal years 2009/10 and 2010/11, when \$130 million was allocated.

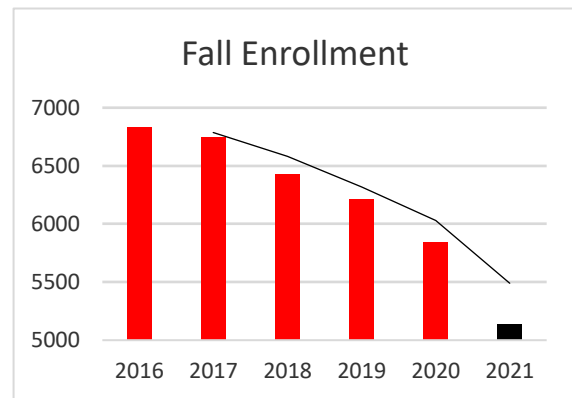
In recent years, the University received funds from this pool to help fund construction of the Hoeffner Science and Technology building and for renovation of Monroe Hall. Funds have also been earmarked from this pool for the University's future construction of new University Center. Except for associated furnishings and equipment, the University does not record the value of Commonwealth-funded capital projects as revenue, since the Commonwealth retains title to any part of a capital project for which they directly provide funding.

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On January 15, 2020, an additional \$45 million of Commonwealth Public Improvement Project Capital Funding (PIP) was allocated to the State System, over and above the annual PIP funding for fiscal years 2019/20, 2020/21 and 2021/22. The State System received \$17 million of these funds on a reimbursement basis in fiscal year 2019/20, \$13 million in fiscal year 2020/21, and \$15 million in 2021/22.

Fall 2021 student headcount was 5,136, a decrease of 706 students, or (12.1%), from fall 2020. This is the fifth year in a row that the University has experienced an enrollment decline following one year of growth.

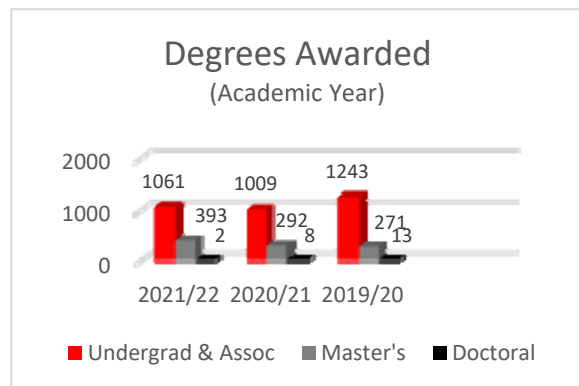
Year	Fall Enrollment	Change from Prior Year
2021	5,136	(706)
2020	5,842	(372)
2019	6,214	(211)
2018	6,425	(317)
2017	6,742	(88)
2016	6,830	2



In academic year 2021/22, the University awarded 1,456 **degrees**, a 5.2% increase from academic year 2020/21. In the prior year, 1,310 degrees were awarded, a 14.2% decrease from the 1,527 degrees awarded in academic year 2019/20. Additionally, the University awarded 67 certificates in 2021/22.

Degrees Awarded (Academic Year)			
	2021/22	2020/21	2019/20
Associates*	-	-	-
Undergraduate	1,061	1,009	1,243
Master's	393	292	271
Doctoral	2	8	13
Total	1,456	1,310	1,527

* Represents teach-outs



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There was a 0% **tuition rate** increase in 2021/22 for both **in-state and out-of-state undergraduate students**. The State System's Board of Governors (the Board) also voted to freeze basic in-state **tuition** for the 2022/23 academic year. This action resulted in an unprecedented four consecutive years in which tuition was frozen, even while confronting financial challenges brought on in part by the coronavirus pandemic.

Graduate students' tuition rates remained at \$516 per credit, while the typical nonresident, graduate tuition rate remained at \$774 per credit.

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

Mandatory fees set by the University did not increase in 2021/22 for undergraduate students and graduate students, respectively, as compared with 2020/21. **Room rates** for the most common room type, suites housing, did not increase in fiscal year 2021/22. **Food service rates** for the 19-meal plan, the most common plan, did not increase in fiscal year 2021/22.

Tuition and fee revenue (net of discounts) was \$41.9 million for fiscal year 2021/22 and \$46.6 million for fiscal year 2020/21. Revenue from auxiliary enterprises (net of discounts) was \$17.9 million in fiscal year 2021/22 and \$1.8 million in fiscal year 2020/21. Auxiliary enterprise revenues are generated primarily from room and food service charges. This increase in auxiliary revenues is directly related to the impact of COVID-19 and the return of students to campus for 2021/22.

The University acquired \$5.5 million in **capital assets** in fiscal year 2021/22, as compared to \$53 million in fiscal year 2020/21. Major projects in progress or completed during fiscal year 2021/22 include \$837 thousand for the Koehler Fieldhouse Locker Rooms, \$651 thousand toward elevator replacements in the Moore Biology, Reibman and Koehler Fieldhouse buildings, \$595 thousand for replacement of the roof & windows in Zimbar Hall, \$558 thousand for renovation of the official campus residence, \$270 thousand on replacement of the roof on Moore Biology Hall, \$198 thousand for the Kemp Library air purification system, \$143 thousand for replacement of fence around Eiler-Martin Stadium, \$140 thousand for work on the chiller & hot water systems in Stroud Hall, \$131 thousand for replacement of the ceiling tiles in Dansbury dining hall, and \$90 thousand for structural work to Lenape Residence Hall, among others.

The University generally utilizes the State System to facilitate the issuance of **bonds** to raise capital for major projects. Given the efficiencies of the State System acting on behalf of fourteen universities, the University achieves low interest rates and administrative cost savings. There were no new bond issuances in fiscal year 2021/22. The State System also refunds bonds when it is determined that savings will result for the entire State System and the universities. There were no bond refundings during fiscal year 2021/22 for the University.

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In March 2022, Fitch Ratings reviewed the State System's rating of A+ with stable outlook and no rating change was made. In June 2022, Moody's Investors Service, Inc., maintained the State System's bond rating of Aa3, but revised the outlook from stable to negative. The negative outlook reflects Moody's expectations of ongoing student demand difficulties leading to a continued trend of thin operating performance and weakening debt service coverage through fiscal year 2022. Also in June 2022, Moody's published an updated Environmental, Social, and Governance (ESG) methodology which introduces ESG Issuer Profile Scores (IPS) and Credit Impact Scores (CIS) for rated entities. The new scores are incorporated in the credit ratings of ESG issues. The State System has been assigned a CIS-4, reflecting Moody's assessment that the State System has high exposure to social risks, primarily demographics, with neutral to low environmental and governance risks.

The University was awarded its second grant from the **National Science Foundation** in fiscal year 2021/2022. The **Clear Path 2 grant**, a 5-year grant, is a \$5 million award to help transfer students complete their education. The grant provides scholarships for approximately 120 students who start their education at community colleges and transfer to a university for bachelor's degrees in science fields such as biochemistry, physics, computer science and mathematics.

In addition, the University was also awarded another 5-year, nearly \$2.5 million, Upward Bound grant from **the Commonwealth of Pennsylvania Department of Education**. The grant provides fundamental support (summer camp, academic year tutoring, etc.) to roughly 100 high school participants from low income families, for their preparation for college entrance. The goal of Upward Bound is to increase the rate which participants complete their secondary education, enroll in, and graduate from institutions of postsecondary education.

In January 2022, the Foundation received a \$750 thousand **grant from the Commonwealth of Pennsylvania Department of Health and Human Services** to maintain the tick testing lab at East Stroudsburg University of Pennsylvania for testing and data analytics as part of The Dr. Jane Huffman Wildlife Genetics Institute.

The Foundation also received **other grants in support of the University**. These funds enabled the University to purchase new projector equipment for the Schisler Museum and McMunn Planetarium, and also to purchase equipment for a new upgraded SIM Lab for our College of Health Sciences.

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

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The Financial Statements

The *Statement of Net Position* reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year.

- *Assets* include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings, equipment, and right-to-use assets reported at cost, less accumulated depreciation and amortization.
- *Deferred Outflows of Resources*, defined as consumption of net position that applies to future periods, reports the deferred loss on bond defeasance and certain items associated with the pension and other postemployment benefits liabilities.
- *Liabilities* include payments due to vendors, employees, and students; revenues received but not yet earned; the balance of bonds payable; and amounts estimated to be due for items such as workers' compensation (the State System and the University are self-insured), compensated absences (the value of sick and annual leave earned by employees), pension benefits, and other postemployment benefits (health and tuition benefits expected to be paid to certain current and future retirees).
- *Deferred Inflows of Resources*, defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance and certain items associated with the pension and other postemployment benefits liabilities.
- *Net Position* is the sum of Assets plus Deferred Outflows of Resources less Liabilities less Deferred Inflows of Resources.

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position.

In accordance with GASB requirements, the University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations are nonoperating revenues. In addition, GASB requires classification of gifts, Pell grants, HEERF grants, investment income and expenses, unrealized gains and losses on investments, interest expense, and gains and losses on disposals and acquisitions of assets as nonoperating. The University classifies all remaining activities as operating.

Statement of Cash Flows

The *Statement of Cash Flows* provides information about the University's cash receipts and cash payments. It can be used to determine the University's ability to generate future net cash flows and meet its obligations as they come due and its need for external financing.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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Net Position

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

Unrestricted net position includes **three liabilities that the University does not fund**. Because these liabilities will be realized gradually over future years, and because of their size, the University is expected to fund these liabilities only on a "pay-as-you-go" basis; i.e., as they become due.

- The liability for **compensated absences** represents the dollar value of annual and sick leave that employees have earned and could potentially receive in the form of cash payouts upon retirement or other termination. The dollar value is based on an employee's current salary. All full-time employees are eligible to be paid, upon termination, for the dollar value of the number of days of unused annual, personal, and holiday leave that they have accumulated, with a maximum annual leave accumulation of 45 days. The liability for annual leave is the dollar value of the total number of days that employees have accumulated at June 30. Sick leave payouts, however, are subject to vesting requirements, and the dollar value of accumulated unused sick leave is paid only to those employees who meet certain service and/or age requirements and is capped at various levels depending upon the number of days accumulated. The associated liability is estimated based on a calculation of historical leave payouts for terminated employees compared to the dollar value of sick days that the terminated employees had accumulated, applied to employees' current leave balances.

As employees earn and accumulate leave, the compensated absences liability is increased; as employees use leave, and as terminated employees receive payouts, the liability is decreased. The compensated absences liability decreased by \$107 thousand to \$9.35 million for the year ended June 30, 2022, compared to a \$1.25 million increase from the prior year for the year ended June 30, 2021. The University funds this liability only as cash payouts are made to employees for annual and vested sick leave balances upon termination or retirement.

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- The **net pension liability** is the University's allocated share of the difference between the Commonwealth's defined benefit pension obligations and the funding set aside by the Commonwealth in a qualified trust to pay the future benefits that are promised to current employees, retirees, and their beneficiaries. The annual increase in the liability is the amount that current employees earn each fiscal year as a pension benefit, actuarially calculated based on years of service, age, and estimates of future service and employee longevity. The liability decreases when funding of the qualified trust increases and when employees or retirees leave the pension plans. The liability decreased by \$9.8 million to \$28.4 million for the year ended June 30, 2022, compared to a decrease of \$1.6 million for the prior year ended June 30, 2021.
- The liability for **other postemployment benefits, or OPEB**, represents the estimated future healthcare costs for current and future retirees. The annual increase in the liability is the amount that current employees earn each fiscal year as a retiree healthcare benefit, actuarially calculated based on years of service, age, and estimates of future service and employee longevity. The liability also increases as healthcare costs increase. The liability decreases when required contributions by retirees are increased, when the number of eligible employees decreases, and when retirees leave the plan. The liability decreased by \$12.9 million to \$103 million for the year ended June 30, 2022, compared to an increase of \$15.85 million for the year ended June 30, 2021.

Like the pension liability, the University funds these liabilities on a "pay-as-you-go" basis: For the State System plan, the University makes biweekly contributions to fund the actual claims incurred by retirees during the year; for the REHP and PSERS OPEB plans, the University makes contractually required contributions as determined by the Commonwealth.

The State System's liabilities related to **unfunded future pension and retiree healthcare costs** total \$2.97 billion when combined with the respective deferred inflows of resources and deferred outflows of resources. The System has virtually no control over \$1.1 billion of this amount, which represents its share of the plans administered by the Commonwealth, since the Commonwealth determines the associated benefits as well as the employer and employee contribution rates for these plans.

The **Commonwealth's combined net pension and OPEB liabilities** totaled \$66.4 billion at June 30, 2022, compared to \$80.9 billion at June 30, 2021, and \$85.6 billion at June 30, 2020. Credit rating agencies consistently site these liabilities as significant challenges for both the State System and the Commonwealth and as factors that have contributed to credit rating downgrades. Commonwealth pension legislation enacted in 2017, modified the pension benefits for new hires beginning January 1, 2019, slowing the rate of growth of the pension liability, but it will not aid in reducing the existing liability. No legislation has been enacted or proposed to either reduce or slow the growth of the OPEB liabilities administered by the Commonwealth, in which the AFSCME employees participate. The State System, however, closed the State System OPEB plan to new employees- except for employees represented by APSCUF-hired after January 2016. Although this will not reduce the existing liability, these new hires bring no additional liability, now or in the future.

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Following is a summary of the University's statement of net position at June 30, 2022, 2021, and 2020.

(thousands)

Statement of Net Position

	June 30, 2022	Change From Prior Year	(Restated) June 30, 2021	Change From Prior Year	June 30, 2020	Change From Prior Year
Assets						
Cash and investments	\$98,861	16.1%	\$85,168	3.6%	\$82,180	2.2%
Capital assets, net	144,415	(2.9%)	148,765	44.4%	103,041	(1.6%)
Other assets and deferred outflows	39,424	(15.5%)	46,659	79.4%	26,008	(10.1%)
Total assets and deferred outflows	<u>\$282,700</u>	0.8%	<u>\$280,592</u>	32.8%	<u>\$211,229</u>	(1.4%)
Liabilities						
Workers' compensation	\$744	(10.1%)	\$828	19.5%	\$693	13.8%
Compensated absences	9,353	(1.1%)	9,460	15.3%	8,205	15.2%
Net pension liability	28,418	(25.6%)	38,180	(4.1%)	39,813	(18.5%)
Net OPEB liability	103,104	(11.1%)	115,986	15.8%	100,133	(13.8%)
Bonds & notes payable	81,987	(7.6%)	88,742	200.5%	29,531	(13.7%)
Other liabilities and deferred inflows	71,439	9.3%	65,364	-0.1%	65,459	19.1%
Total liabilities and deferred inflows	<u>295,045</u>	(7.4%)	<u>318,560</u>	30.6%	<u>243,834</u>	(6.9%)
Net Position						
Net investment in capital assets	64,094	3.6%	61,862	(19.2%)	76,544	3.3%
Restricted	3,947	5.5%	3,740	24.0%	3,015	12.5%
Unrestricted	<u>(80,386)</u>	(22.4%)	<u>(103,570)</u>	(7.7%)	<u>(112,164)</u>	(10.0%)
Total net position	<u>(12,345)</u>	(67.5%)	<u>(37,968)</u>	16.4%	<u>(32,605)</u>	(31.9%)
Total liabilities, deferred inflows, and Net position	<u>\$282,700</u>	0.8%	<u>\$280,592</u>	32.8%	<u>\$211,229</u>	(1.4%)

Overall, **net position increased by \$25.6 million** in fiscal year 2021/22. This compares to a decrease of \$5.3 million in fiscal year 2020/21 when compared to fiscal year 2019/20.

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Following is a summary of the effect of the three unfunded liabilities, including the related deferred outflows of resources (DOR) and deferred inflow of resources (DIR), on the University's net position.

(millions)

Effect of the Unfunded Liabilities, including the respective Deferred Outflows of Resources and Deferred Inflows of Resources, on Unrestricted Net Position			
	June 30, 2022	(Restated) June 30, 2021	June 30, 2020
Unrestricted Net Position when the effect of the unfunded liabilities is included	(\$80,386)	(\$103,570)	(\$112,164)
Pension Liabilities, including DOR and DIR			
SERS Pension	\$30,753	\$34,643	\$34,863
PSERS Pension	3,697	3,788	3,875
Alternative Retirement Plan	-	-	-
Total Pension Liabilities	34,450	38,431	38,738
OPEB Liabilities, including DOR and DIR			
SSHE OPEB Plan	83,447	87,544	86,563
REHP OPEB Plan	38,515	44,029	46,409
PSERS OPEB Plan	176	171	179
Total OPEB Liabilities	122,138	131,744	133,151
Compensated Absences Liability	9,353	9,460	8,205
Total Unfunded Liabilities, including DOR and DIR	165,941	179,635	180,094
Unrestricted Net Position when the effect of the unfunded liabilities is excluded	\$85,555	\$76,065	\$67,930

When the unfunded liabilities and related DOR and DIR are excluded, unrestricted net position increased by \$9.5 million, or 12.5%, from fiscal year 2020/21 to 2021/22, as compared to an increase of \$8.1 million, or 11.9% increase, from fiscal year 2019/20 to 2020/21.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, the University has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations and appropriations and grants received as a result of the COVID-19 relief funds are nonoperating revenues. In addition, GASB requires classification of gifts, Pell grants, investment income and expenses, unrealized gains and losses on investments, interest expense, and gains and losses on disposals and acquisitions of assets as nonoperating. The University classifies all of its remaining activities as operating.

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Revenues and Gains

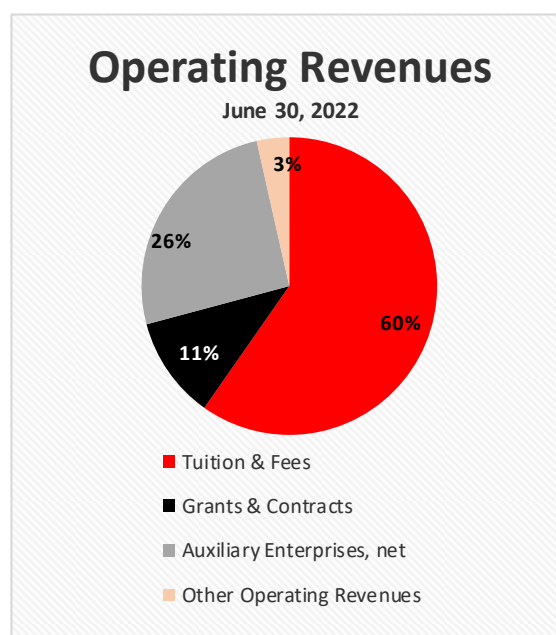
Following is a summary of revenues and gains for the years ending June 30, 2022, 2021, 2020.

(thousands)

Revenues and Gains

	June 30, 2022	Change From Prior Year	(Restated) June 30, 2021	Change From Prior Year	June 30, 2020	Change From Prior Year
Operating Revenues						
Tuition and fees, net	\$41,900	-10.06%	\$46,587	-9.62%	\$51,543	(0.3%)
Grants and contracts	7,788	-2.09%	7,954	-5.98%	8,460	(2.2%)
Auxiliary enterprises, net	17,944	900.78%	1,793	-86.84%	13,623	(27.5%)
Other	2,492	-5.25%	2,630	-33.03%	3,927	3.6%
Total operating revenues	71,124	20.62%	58,964	-24.97%	77,553	(6.5%)
Nonoperating revenues and gains						
State appropriations	31,481	3.51%	30,414	0.41%	30,290	1.9%
Federal appropriations-COVID relief	2,119	66.33%	1,274	89.58%	672	0.00%
Federal grants-COVID-19 relief funds	21,180	54.72%	13,689	464.73%	2,424	0.00%
Investment income, net	679	-19.74%	846	-40.00%	1,410	-
						21.40%
Gifts, nonoperating grants, and other	11,997	-0.46%	12,052	-6.48%	12,887	-
						12.40%
Total nonoperating revenues and gains	67,456	15.75%	58,275	22.21%	47,683	3.15%
Total revenues and gains	<u>\$138,580</u>	18.20%	<u>\$117,239</u>	-6.39%	<u>\$125,236</u>	-3.02%

For fiscal year 2021/22, **total operating revenues** increased by 21% even though tuition and fee revenues decreased 10%. The increase from the prior fiscal year was mainly a result of students returning to campus and the increase in housing and meal plan revenues as things began to slowly return to more of a pre-Covid state. Since auxiliary revenues were most impacted by the move to remote instruction, as a percent of total operating revenues, auxiliary revenues increased from 3% to 26% between the prior and current year. Correspondingly, the mix of revenue changed with tuition and fees comprising 60% of operating revenues in fiscal year 2021/22 whereas it was 79% of operating revenues in the prior year. **Nonoperating revenues** increased by 16% mainly due to the COVID-19 relief funding. Overall, the University experienced an increase in revenues and gains of 18%.



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Tuition and fees are shown net of scholarship discounts and allowances and bad debt expense. 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 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. **Bad debt expense** is an estimate of the amount owed by students that will not be collected.

With the decline in enrollment, overall net tuition and fee revenue decreased by \$4.69 million, or 10%, from fiscal year 2020/21 to fiscal year 2021/22, compared to a decrease of \$4.96 million, or 9.6%, in fiscal year 2020/21 when compared to fiscal year 2019/20. The fiscal year 2021/22 and 2020/21 decreases were attributed to the drop in enrollment.

Auxiliary enterprises revenue, which includes food service sales, housing fees, and fees for the operation, maintenance, debt service, and renewal of the university center and recreation center, increased by \$16.2 million, or 900.8%, from fiscal year 2020/21. This compares to a decrease of \$11.8 million in fiscal year 2020/21 when compared to fiscal year 2019/20. The increase in revenue from fiscal year 2020/21 to 2021/22 is largely attributed to the increase in student fees as more students returned to campus after the pandemic began to stabilize.

State appropriations include cash as well as capital appropriations that are received in the form of noncash furnishings and equipment for Commonwealth-funded construction projects. The general cash appropriation was \$29 million for fiscal year 2021/22, an increase of \$381 thousand or 1.3% over the \$28.7 million received for fiscal year 2020/21. Capital appropriations were \$1.9 million for fiscal year 2021/22, a \$506 thousand increase over fiscal year 2020/21. In fiscal year 2021/22, the University also received special appropriations of \$79 thousand, \$226 thousand and \$294 thousand to fund debt service on the AFRP, Targeted University Incentives and the Chincoteague Bay Field Station, respectively.

Other Revenue includes COVID-19 relief funds that have been provided to the University for emergency aid to students whose lives have been disrupted by the pandemic, as well as funds that can be used by the University to help cover costs associated with providing a safe campus and work environment throughout the pandemic. An overview of these funds is provided under "COVID-19" at the beginning of this analysis. A total of \$40 million in COVID-19 relief funds have been awarded to the University to date, of which \$15 million and \$23.3 million were recorded as revenues in fiscal years 2020/21 and 2021/22, respectively. In addition, Other Revenue includes \$2.9 million in gifts, an increase of \$922 thousand from 2020/21.

Investment income (net of related investment expenses) for fiscal year 2021/22 was \$679 thousand. This represents a decrease of \$167 thousand from fiscal year 2020/21. The decrease is mainly due to declining interest rates during both fiscal years. Average rates moved from a high of 1.55% in July of 2020 to a low of .78% in October of 2021, averaging .90% and 1.22%, respectively in fiscal years 2021/22 and 2020/21.

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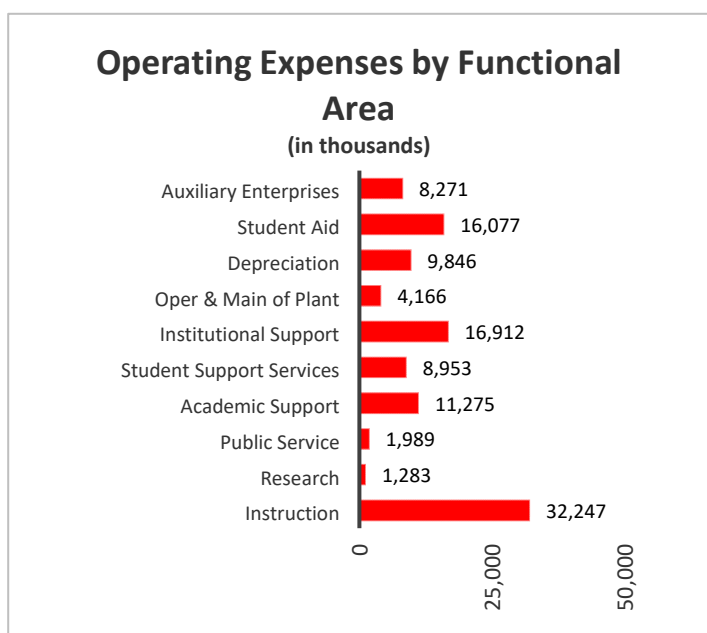
Expenses and Losses

Following is a summary of expenses and losses for the years ending June 30, 2022, 2021, and 2020.

<i>(thousands)</i>						
Expenses and Losses						
	June 30, 2022	Change From Prior Year	(Restated) June 30, 2021	Change From Prior Year	June 30, 2020	Change From Prior Year
Operating Expenses						
Instruction	\$32,247	(13.8%)	\$37,407	1.71%	\$36,777	(4.6%)
Research	1,283	21.38%	1,057	(11.99%)	1,201	31.4%
Public Service	1,989	36.14%	1,461	(27.60%)	2,018	2.1%
Academic Support	11,275	(7.05%)	12,130	(14.21%)	14,139	(2.4%)
Student Services	8,953	9.84%	8,151	(5.94%)	8,666	(6.3%)
Institutional Support	16,912	(12.35%)	19,294	11.31%	17,334	(4.0%)
Operations and maintenance of plant	4,166	(15.26%)	4,916	11.3%	4,417	(44.3%)
Depreciation	9,846	(3.28%)	10,180	25.93%	8,084	10.8%
Student aid	16,077	37.43%	11,698	80.27%	6,489	78.2%
Auxiliary enterprises	8,271	46.75%	5,636	(42.76%)	9,846	(31.1%)
Total operating expenses	<u>111,019</u>	(0.81%)	<u>111,930</u>	2.72%	<u>108,971</u>	(6.4%)
Other expenses and losses						
Interest expense on capital asset-related debt	1,939	8.02%	1,795	116.01%	831	(16.2%)
Loss on disposal/acquisition of assets	0	0%	8,875	5120.59%	170	-
Total other expenses and losses	<u>1,939</u>	(81.83%)	<u>10,670</u>	965.93%	<u>1,001</u>	0.9%
Total expenses and losses	<u><u>\$112,958</u></u>	(7.87%)	<u><u>\$122,600</u></u>	11.48%	<u><u>\$109,972</u></u>	(6.3%)

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The University spent \$32.2 million on **instruction**, in fiscal year 2021/22, a decrease of \$5.2 million from 2020/21. As a percentage of total operating expenses, instruction costs represented 29.1% in 2021/22 which is slightly less than the percentage of the prior year when instruction was 33.4% of total operating expenses. This decrease in instruction costs aligns with the overall decrease in total operating expenses between fiscal years 2021/22 vs 2020/21. The decrease in the percentage of instruction costs to total operating expenses stems from the large increase in student aid and auxiliary expenses in relation to total operating expenses.



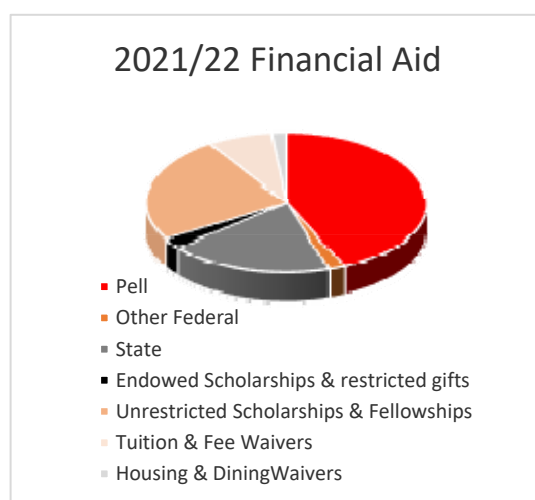
Financial aid to students in the form of grants, waivers, and scholarships was \$20.3 million in fiscal year 2021/22. In accordance with a formula prescribed by **the National Association of College and University Business Officers (NACUBO)**, in fiscal year 2021/22 the University reported \$13.7 million of financial aid as discounts, which are netted against tuition and fees, and \$6.6 million as student aid, which is reported as an expense. Of these amounts, \$213 thousand of discounts and \$103 thousand of student aid expense were reported in Auxiliary enterprises.

When including the financial aid that is recorded as a discount against tuition and fees, financial aid increased in fiscal year 2021/22 by \$1.6 million from the previous year. This is primarily because, **Unrestricted Scholarships** increased by \$1.9 million which helped offset the decreases of \$855 thousand in **Federal Pell grants** and \$365 thousand in **Pennsylvania Higher Education Assistance Agency (PHEAA) grants**, when compared to the prior fiscal year. **Tuition and fee waivers** remained flat. **Housing and dining waivers** increased by \$327 thousand compared to fiscal year 2020/21 in correlation with the return of students to campus.

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Following is a breakdown of financial aid.

<i>(thousands)</i>		
Student Financial Aid		
	2021/22	2020/21
Federal Pell grants	\$8,727	\$9,582
Other federal aid	380	233
State financial aid including PHEAA grants	3,864	4,229
Scholarships from endowments and restricted gifts and grants	491	837
Unrestricted scholarships and fellowships	4,927	3,029
Tuition and fee waivers	1,523	1,522
Housing and dining waivers	339	12
Total	\$20,250	\$19,444



Interest expense on capital asset-related debt was \$1.9 million, an increase of \$143 thousand from fiscal year 2020/21 due to incurring a full year of interest on the \$57 million in bonds issued in 2020 that were used to finance the acquisition of Hemlock & Hawthorn Suites. Fiscal year 2020/21 reports a loss on the acquisition of student housing in the amount of \$8.9 million. There were no gains or losses on acquisitions or disposals in fiscal year 2021/22.

Salaries and benefits totaled \$58.3 million in fiscal year 2021/22. **Salary and wage expenses** decreased by \$634 thousand, or (1.2%), and **benefit expenses** decreased by \$12.2 million, or 61.4%, from fiscal year 2020/21, for an overall decrease of \$12.9 million. The \$634 thousand decrease in salaries and wages in fiscal year 2021/22 is the result of employee separations, fewer faculty needed to support lower enrollment levels, and non-replacement of certain positions vacated because of COVID-19. These reductions were partially offset by salary increases associated with collective bargaining agreements.

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The **decrease in benefits expenses** is attributed to the University's share of a \$13.3 million decrease in the actuarially calculated pension and OPEB expenses in excess of pay-as-you go contributions. Following is a summary of salaries, wages, and benefits expenses for the years ending June 30, 2022, 2021, and 2020.

<i>(thousands)</i>						
Salaries, Wages, and Benefits						
	June 30, 2022	Change From Prior Year	June 30, 2021	Change From Prior Year	June 30, 2020	Change From Prior Year
Salaries and wages	\$50,591	(\$634)	\$51,225	(\$3,619)	\$54,844	\$778
Benefits						
Employee healthcare	7,068	265	6,803	(118)	6,921	424
Pension benefits	3,526	(3,841)	7,367	730	6,637	(4,320)
Retiree healthcare	(7,466)	(8,390)	924	6,926	(6,002)	(4,412)
Other benefits	4,562	(266)	4,828	(869)	5,697	280
Total benefits	7,690	(12,232)	19,922	6,669	13,253	(8,028)
Total salaries, wages, and benefits	<u>\$58,281</u>	(12,866)	<u>\$71,147</u>	3,050	<u>\$68,097</u>	(7,250)

The **employer share of employee healthcare contributions** increased 3.9% in fiscal year 2021/22, for a total increase of \$265 thousand from the prior fiscal year. This follows a decrease of 1.7% (\$118 thousand) in fiscal year 2020/21, and an increase of 6.5% (\$424 thousand) in fiscal year 2019/20, when compared to the prior fiscal year. Changes in the plan design administered by the State System, which increased employees' share of expenses through higher employee premium contributions, copays, deductibles, and coinsurance, and limited spousal participation contributed to the decrease in fiscal year 2020/21.

<i>(thousands)</i>						
University Employer Contributions for Retiree Pension and Healthcare Benefits						
	June 30, 2022	Increase (Decrease) From Prior Year	June 30, 2021	Increase (Decrease) From Prior Year	June 30, 2020	Increase (Decrease) From Prior Year
Pension						
SERS	\$3,922	\$306	\$3,616	\$1,284	\$2,332	\$(4,357)
PSERS	404	(385)	789	(282)	1,071	(19)
ARP	2,975	12	2,963	(271)	3,234	56
Healthcare						
System Plan	1,589	(116)	1,705	(414)	2,119	(29)
REHP	530	(75)	605	(542)	1,147	(322)
PSERS Healthcare	10	-	10		10	(1)
Totals	<u>\$9,430</u>	\$(258)	<u>\$9,688</u>	\$(225)	<u>\$9,913</u>	\$(4,672)

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Employer contributions to SERS, a defined benefits pension plan, were 37.46% of a participating employee's salary for the vast majority of participants in fiscal year 2021/22, and this rate is expected to increase in the near future, but at a lesser rate than recent historical experience. This rate has been steadily and significantly increasing since fiscal year 2010/11, when the rate was 4.11% of an employee's salary. At December 31, 2021, 76.0% of the SERS liability was funded.

Employer contributions to PSERS, a defined benefits pension plan, were 17.47% of a participating employee's salary in fiscal year 2021/22. This rate is expected to increase in the near future, but at a lesser rate than recent historical experience. This rate also has been significantly increasing, with some fluctuation, since fiscal year 2010/11, when the rate was 2.82% of an employee's salary. The Commonwealth makes annual pension contributions to PSERS on behalf of State System employees at the same annual rate. At June 30, 2020, 63.7% of the PSERS liability was funded.

Employer contributions to the ARP, a defined contribution plan, were 9.29% of a participating employee's salary in fiscal year 2021/22, the same rate since the plan's inception, and is expected to remain at the same rate for the near future. Because it is a defined contribution plan, the ARP has no unfunded liability.

Employer contributions to the OPEB Plan, a defined benefits retiree healthcare plan administered by the State System are made to a third-party health insurance vendor based on claims estimates agreed to by the State System and the third-party vendor. The vendor charges an additional assessment or issues a cash refund in the following year to reconcile to the actual claims paid. Despite the increasing population of retirees and rising health care costs, the State System has seen flat or declining health care spending in this plan from retirees for the last several years. This can be attributed in part to design changes that increased retirees' share of expenses through higher employee premium contributions, copays, deductibles, and coinsurance. The employer rate for fiscal year 2021/22 was set at \$163 per pay period per active participating employee and will increase to \$178 in fiscal year 2022/23. Future year changes will depend upon actual claims experience. As of June 30, 2022, no funds have been placed in a trust to fund the future liability.

Employer contributions to the REHP, a defined benefits retiree healthcare plan administered by the PEBTF, were \$120 per pay period per active participating employee in fiscal year 2021/22. The contribution rate is set at the discretion of the Commonwealth and periodically fluctuates, ranging from \$200 in fiscal year 2010/11 to \$418 in fiscal year 2015/16. For fiscal year 2022/23, the rate will remain at \$120 per pay period. At June 30, 2021, only 6.12% of the REHP liability was funded.

Employer contributions to the PSERS Health Insurance Premium Assistance Program, a defined benefits retiree healthcare plan administered by PSERS, were 0.41% of a participating employee's salary in fiscal year 2021/22. The rate has been and is expected to remain at approximately the same amount. Any State System retiree who is a member of PSERS is eligible for this additional healthcare benefit, which offers up to \$100 per month of reimbursements for healthcare costs, including insurance premiums.

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The cost for **all other employee benefits**, such as Social Security and workers' compensation, decreased by \$266 thousand, or (5.5%), when compared to fiscal year 2020/21. Fiscal year 2020/21 saw a decrease of \$869 thousand, or 15.3%, when compared to fiscal year 2019/20. The change in benefits is attributed partially to the change in salaries and wages, since some of these benefits are based on a percentage of salaries and wages, and also to a decline in workers compensation expense.

Other Economic Factors

On July 8, 2022, Governor Tom Wolf signed a fiscal year 2022-23 Commonwealth General Fund budget of \$43 billion that provides for increased funding of higher education. The spending plan appropriated to the State System was \$552.5 million in General Funds and \$125 million in COVID relief funds from the State Fiscal Recovery Fund federal appropriations.

State Appropriations

On July 21, 2022, the Board of Governors approved a revised allocation formula for the distribution of the state appropriations. The detailed methodology and calculations to support these distributions can be found in Procedure/Standard 2022-55: Allocation Formula Methodology. This new formula will be fully implemented and used to allocate the state appropriation received in fiscal year 2022/23. This change in the allocation formula is favorable to the University and, excluding fiscal year 2021/22 one-time funding, results in an increase of \$10.5M in the state appropriation in fiscal year 2022/23.

Enrollment

Despite enrollment declines in recent years, which became more pronounced with the onset of the pandemic, East Stroudsburg University has demonstrated financial resiliency and has maintained financial stability. The University recognizes continued financial stability hinges on its ability to return enrollment and retention rates to pre-pandemic levels. Because of this reality, the University is deliberately investing one-time funds into strategic scholarships to rebuild enrollment and into addressing deferred maintenance and renewal of physical plant needs.

Cash Flow

The University has a **relatively strong cash balance**. E&G cash and investments and restricted cash increased by \$3.8 million and \$697 thousands, respectively, while auxiliary funds increased \$9.1 million during 2021/22. The \$13.7 million net increase in cash and investments in fiscal year 2021/22 is mainly attributed to the COVID-19 relief funding. In fiscal year 2020/21, E&G cash and investments and restricted cash increased by \$2.2 million and \$2.5 million, respectively, while auxiliary funds decreased \$1.6 million for a net increase in cash in the amount of \$3 million.

Compensation Costs

Approximately 86% of PASSHE's FTE employees are covered by nine collective bargaining agreements. Currently, agreements exist with all unions, except the Professional Doctors Association (PDA). The terms of the prior contract remain in effect until a successor agreement is ratified. With respect to employees who provide campus police and security services, the agreements with the PASSHE Officers Association (POA), and the Memorandum of Understanding with the International Union, Security, Police and Fire Professionals (SPFPA), for the first-level police and security supervisors, are both expiring on August 31, 2022. Efforts are underway to secure successor agreements with both of these groups.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

System Redesign

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

- Ensuring student success;
- Leveraging university strengths; and
- Transforming the governance/leadership structure

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

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

On July 16, 2020, the Board authorized the chancellor to engage in a detailed, transparent, and broadly consultative review process of the financial impacts of integrating operations at selected System Universities. For the purposes of this review proves, the System used an approach that could identify combinations of certain universities that would honor the local identity of the original institutions but when integrated, would operate under a unified leadership team reporting through the chancellor to the Board of Governors and have a single faculty and staff, a single academic program array, a unified enrollment strategy, and a single budget. East Stroudsburg University is not being considered for integration at this time.

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

On July 14, 2021, the Board approved the final university integrations which integrate the existing Bloomsburg University, Lock Haven University, and Mansfield University into a single northeast integrated university, subsequently named Commonwealth University of Pennsylvania, and the existing California University, Edinboro University, and Clarion University into a single western integrated university, subsequently names Pennsylvania Western University. These integrations have been designed to leverage the strength of these universities to position them to better serve students and to improve financial sustainability.

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

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

Detailed information on the progress of on the System Redesign can be found at:

<https://www.passhe.edu/SystemRedesign>

and on Integrations at:

<https://www.passhe.edu/SystemRedesign/Pages/integrations.aspx>.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Requests for information

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

(Ms.) Donna R. Bulzoni
Chief Financial Officer
Room 202, Rosenkrans West
East Stroudsburg University
East Stroudsburg PA 18301

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

East Stroudsburg University Foundation, Inc.
(Mr.) Richard Santoro
Henry A. Ahnert, Jr. Alumni Center
200 Prospect Street
East Stroudsburg, PA 18301-2999

University Properties, Inc.
(Mr.) Jeffrey Snyder
200 Prospect Street
East Stroudsburg, PA 18301

East Stroudsburg University Student Activities Association, Inc.
(Mr.) Joseph Akob
200 Prospect Street
University Center Room 223
East Stroudsburg, PA 18301

East Stroudsburg University Center for Research & Economic Development, Inc.
(Mr.) Frank Revitt
Innovation Center
562 Independence Road
East Stroudsburg, PA 18301

The Rose Mekeel Child Care Center
(Ms.) Michelle Hoffman
Center Street
East Stroudsburg, PA 18301

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2022 AND 2021**

	2022	(Restated) 2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 98,846,537	\$ 85,154,084
Short-Term Investments	14,353	14,349
Accounts Receivable:		
Governmental Grants and Contracts	2,914,921	3,029,271
Students, Net of Allowance for Doubtful Accounts of \$3,525,877 in 2022 and \$3,201,476 in 2021	1,459,494	997,968
Other	1,647,051	1,880,767
Inventories	253,247	243,907
Prepaid Expenses	431,144	629,846
Current Portion of Leases Receivable	83,513	81,119
Due from Component Units	4,678,880	4,319,529
Loans Receivable	152,916	258,185
Investment Income Receivable	15,327	42,598
Due from Component Units - Lease Receivable	22,050	10,086
Other Current Assets	128,446	127,553
Total Current Assets	<u>110,647,879</u>	<u>96,789,262</u>
NONCURRENT ASSETS		
Loans Receivable	942,172	1,014,637
Long-Term Portion of Leases Receivable	314,029	397,542
Due From Component Units - Lease Receivable	3,143,639	3,155,603
Capital Assets, Net	144,415,135	148,765,088
Other Assets	1,559,826	1,720,860
Total Noncurrent Assets	<u>150,374,801</u>	<u>155,053,730</u>
 Total Assets	 261,022,680	 251,842,992
DEFERRED OUTFLOWS OF RESOURCES	<u>21,677,027</u>	<u>28,748,896</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 282,699,707</u></u>	 <u><u>\$ 280,591,888</u></u>

See accompanying Notes to Financial Statements.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>(Restated) 2021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 12,686,130	\$ 11,567,766
Unearned Revenue	6,833,280	2,684,896
Students' Deposits	5,950	5,850
Workers' Compensation	376,079	408,738
Compensated Absences	1,412,693	1,331,113
Postemployment Benefits	2,119,358	2,310,558
Lease Liabilities	250,300	235,774
Bonds Payable	5,364,519	6,504,887
Due to System, AFRP	44,807	47,090
Due to Component Units	628,943	1,300,842
Other Current Liabilities	382,985	486,114
Total Current Liabilities	<u>30,105,044</u>	<u>26,883,628</u>
NONCURRENT LIABILITIES		
Unearned Revenue	20,594	30,891
Workers' Compensation	367,958	419,493
Compensated Absences	7,940,003	8,128,835
Postemployment Benefits	100,984,470	113,675,247
Bonds Payable, Net	74,949,421	80,313,939
Due to System, AFRP	165,369	210,175
Net Pension Liability	28,418,334	38,180,171
Long-Term Portion of Lease Liabilities	1,212,654	1,430,570
Other Noncurrent Liabilities	880,729	1,166,003
Total Noncurrent Liabilities	<u>214,939,532</u>	<u>243,555,324</u>
Total Liabilities	245,044,576	270,438,952
DEFERRED INFLOWS OF RESOURCES	49,999,892	48,120,300
NET POSITION		
Net Investment in Capital Assets	64,094,050	61,862,410
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	10,000	10,000
Student Loans	234,867	315,872
Expendable:		
Scholarships and Fellowships	1,090,947	796,041
Capital Projects	2,611,494	2,618,132
Unrestricted Net Position	<u>(80,386,119)</u>	<u>(103,569,819)</u>
Total Net Position	<u>(12,344,761)</u>	<u>(37,967,364)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 282,699,707</u>	<u>\$ 280,591,888</u>

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, 2022 AND 2021**

	2022	(Restated) 2021
OPERATING REVENUES		
Tuition and Fees	\$ 56,241,266	\$ 59,788,684
Less: Scholarship Discounts and Allowances	14,341,225	13,201,367
Net Tuition and Fees	41,900,041	46,587,317
Governmental Grants and Contracts:		
Federal	2,553,004	2,330,153
State	5,018,051	5,039,434
Nongovernment Grants and Contracts	217,209	584,727
Sales and Services of Educational Departments	3,101,377	2,037,133
Auxiliary Enterprises (Net of Scholarship Discounts and Allowances of \$648,582 in 2022 and \$43,188 in 2021)	17,944,191	1,793,263
Other Revenues	390,292	591,846
Total Operating Revenues	<u>71,124,165</u>	<u>58,963,873</u>
OPERATING EXPENSES		
Instruction	32,246,687	37,406,526
Research	1,282,789	1,057,195
Public Service	1,989,022	1,460,701
Academic Support	11,274,991	12,130,074
Student Services	8,952,631	8,150,811
Institutional Support	16,912,183	19,294,026
Operations and Maintenance of Plant	4,166,202	4,916,498
Depreciation	9,846,321	10,180,412
Student Aid	16,076,655	11,698,030
Auxiliary Enterprises	8,271,426	5,635,937
Total Operating Expenses	<u>111,018,907</u>	<u>111,930,210</u>
NET OPERATING LOSS	(39,894,742)	(52,966,337)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	29,604,435	29,043,833
Federal Appropriations, CARES Act COVID Relief	2,119,153	1,273,688
Federal and State Grants, CARES Act COVID Relief	21,180,030	13,689,160
Commonwealth on-behalf Contributions to PSERS	216,972	460,678
Pell Grants	8,727,291	9,582,064
Investment Income, Net of Related Investment Expense of \$5,998 in 2022 and \$11,842 in 2021	678,954	846,201
Gifts for Other than Capital Purposes	2,896,122	1,973,623
Interest Expense on Capital Asset-Related Debt	(1,938,736)	(1,795,315)
Gain (Loss) on Disposal of Assets	-	5,876
Loss on Acquisition of Assets	-	(8,875,099)
Other Nonoperating Revenue	157,001	29,359
Net Nonoperating Revenues	<u>63,641,222</u>	<u>46,234,068</u>
INCOME (LOSS) BEFORE OTHER REVENUES	23,746,480	(6,732,269)
OTHER REVENUES		
State Appropriations, Capital	1,876,123	1,370,168
Total Other Revenues	<u>1,876,123</u>	<u>1,370,168</u>
INCREASE (DECREASE) IN NET POSITION	25,622,603	(5,362,101)
Net Position - Beginning of Year	<u>(37,967,364)</u>	<u>(32,605,263)</u>
NET POSITION - END OF YEAR	<u>\$ (12,344,761)</u>	<u>\$ (37,967,364)</u>

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, 2022 AND 2021**

	2022	(Restated) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 41,349,988	\$ 46,830,556
Grants and Contracts	7,953,720	3,481,549
Payments to Suppliers for Goods and Services	(26,724,204)	(16,914,378)
Payments to Employees	(70,841,984)	(70,580,168)
Loans Collected from Students	177,734	323,883
Student Aid	(16,179,389)	(11,719,556)
PLUS, Stafford, and Other Loan Receipts (Non-Perkins)	35,919,071	33,948,557
PLUS, Stafford, and Other Loan Disbursements (Non-Perkins)	(35,919,071)	(33,948,557)
Auxiliary Enterprise Charges	17,772,778	1,863,682
Sales and Services of Educational Departments	3,222,209	1,987,702
Other Receipts	3,824,548	3,508,383
Net Cash Used by Operating Activities	(39,444,600)	(41,218,347)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	31,723,587	29,043,833
Gifts and Nonoperating Grants for Other than Capital Purposes	32,803,441	25,244,847
Agency Transactions, Net	9,131	(2,770)
Other	157,003	29,359
Net Cash Provided by Noncapital Financing Activities	64,693,162	54,315,269
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt and Leases	-	11,152,610
Capital Appropriations	1,876,123	1,370,168
Proceeds from Sales of Capital Assets	-	5,876
Purchases of Capital Assets	(5,466,338)	(5,735,684)
Principal Paid on Capital and Other Debt	(5,905,776)	(14,883,752)
Interest Paid on Capital Debt	(2,766,339)	(2,887,092)
Net Cash Used by Capital Financing Activities	(12,262,330)	(10,977,874)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Endowment Investments	14,349	14,342
Interest on Investments	706,225	868,906
Purchase of Investments	(14,353)	(14,349)
Net Cash Provided by Investing Activities	706,221	868,899
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,692,453	2,987,947
Cash and Cash Equivalents - Beginning of Year	85,154,084	82,166,137
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 98,846,537</u>	<u>\$ 85,154,084</u>

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, 2022 AND 2021**

	2022	(Restated) 2021
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	\$ (39,894,742)	\$ (52,966,337)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	9,846,321	10,180,412
Expenses paid by Commonwealth or Donor	216,972	1,261,732
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(347,175)	(1,993,599)
Lease rental receivable (3rd Party & Comp Units)	81,119	88,285
Inventories	(9,340)	(75,361)
Other Assets	233,207	2,311,741
Accounts Payable and Accrued Expenses	1,118,366	1,941,425
Unearned Revenue	4,138,088	(2,073,334)
Students' Deposits	100	(126,679)
Compensated Absences	(107,252)	1,254,812
Loans Receivable	177,734	323,883
Other Liabilities	(1,147,337)	531,636
Postretirement benefits liability (OPEB)	(12,881,977)	15,852,549
Defined benefit pensions	(9,761,837)	(1,632,367)
Deferred outflows of resources related to pensions	1,550,802	(2,198,413)
Deferred outflows of resources related to OPEB	5,450,987	(15,500,249)
Deferred inflows of resources related to pensions	4,230,070	3,523,464
Deferred inflows of resources related to OPEB	(2,175,221)	(1,758,462)
Deferred inflow of resources related to lease receivable	(163,485)	(163,485)
Net Cash Used by Operating Activities	<u>\$ (39,444,600)</u>	<u>\$ (41,218,347)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Capital Assets Acquired by Debt Assumption	\$ -	\$ 48,445,801
Capital Assets Acquired by Right-to-Use Lease	30,031	36,652
Commonwealth On-Behalf Contributions to PSERS	216,972	460,678
Total	<u>\$ 247,003</u>	<u>\$ 48,943,131</u>

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,613,435	\$ 10,897,105
Accounts Receivable	319,193	76,872
Pledges Receivable	487,421	513,556
Due from University	624,760	1,342,669
Assets Held for Sale	2,853,864	3,682,202
Other Current Assets	<u>221,534</u>	<u>169,393</u>
Total Current Assets	18,120,207	16,681,797
NONCURRENT ASSETS		
Capital Assets, Net	47,737,259	49,793,768
Investments	39,154,424	42,474,187
Pledges Receivable	<u>1,776,112</u>	<u>2,380,434</u>
Total Noncurrent Assets	<u>88,667,795</u>	<u>94,648,389</u>
Total Assets	<u><u>\$ 106,788,002</u></u>	<u><u>\$ 111,330,186</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,499,123	\$ 1,114,806
Annuity Liabilities	220,625	254,784
Due to University	4,589,631	4,246,055
Deposit Liabilities	7,856	6,056
Deferred Revenue	65,045	-
Current Portion of Long-Term Debt	419,955	833,635
Other Liabilities	<u>21,467</u>	<u>28,878</u>
Total Current Liabilities	7,823,702	6,484,214
LONG-TERM DEBT	<u>58,958,737</u>	<u>59,513,838</u>
Total Liabilities	66,782,439	65,998,052
NET ASSETS		
Without Donor Restrictions	12,368,942	14,899,079
With Donor Restrictions	<u>27,636,621</u>	<u>30,433,055</u>
Total Net Assets	<u>40,005,563</u>	<u>45,332,134</u>
Total Liabilities and Net Assets	<u><u>\$ 106,788,002</u></u>	<u><u>\$ 111,330,186</u></u>

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER ADDITIONS		
Contributions	\$ 618,525	\$ 1,018,724
Sales and Services	247,291	215,368
Student Fees	1,925,353	53,107
Grants and Contracts	240,023	280,400
Rental Income	5,907,429	1,006,828
Investment Income (Loss)	(1,564,223)	3,619,026
Service Fee Income - University	1,170,000	1,125,000
Other Revenues and Gains	1,256,136	11,426,077
Net Assets Released from Restrictions	<u>2,803,840</u>	<u>2,278,692</u>
Total Revenues and Other Additions	12,604,374	21,023,222
EXPENSES AND OTHER DEDUCTIONS		
Program Expenses:		
Scholarships and Grants	1,046,533	1,037,729
Student Activities and Programs	2,735,628	2,159,521
Housing	7,161,089	6,638,557
Other University Support	257,142	124,902
Other Programs	293,442	337,066
Management and General	2,789,092	2,919,788
Fundraising	<u>851,585</u>	<u>906,636</u>
Total Expenses and Other Deductions	<u>15,134,511</u>	<u>14,124,199</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(2,530,137)	6,899,023
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	3,014,135	2,778,210
Investment Income (Loss)	(2,532,230)	5,353,651
Losses	(474,499)	(463,798)
Net Assets Released from Restrictions	<u>(2,803,840)</u>	<u>(2,278,692)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(2,796,434)</u>	<u>5,389,371</u>
CHANGE IN TOTAL NET ASSETS	(5,326,571)	12,288,394
Net Assets - Beginning of Year	<u>45,332,134</u>	<u>33,043,740</u>
NET ASSETS - END OF YEAR	<u><u>\$ 40,005,563</u></u>	<u><u>\$ 45,332,134</u></u>

See accompanying Notes to Financial Statements.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF EXPENSES BY NATURE AND FUNCTION – COMPONENT UNITS
YEARS ENDED JUNE 30, 2022 AND 2021**

2022									
Natural Expense	Program Activities					Supporting Activities			
	Scholarship and Grants	Student Activities and Programs	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	\$ -	\$ 533,034	\$ 748,078	\$ 325,828	\$ 1,606,940	\$ 1,887,520	\$ 53,894	\$ 1,941,414	\$ 3,548,354
Gifts and Grants	-	306,116	587,803	-	893,919	1,715	53,894	55,609	949,528
Supplies and Travel	-	25,135	60	16,403	41,598	69,822	21,213	91,035	132,633
Services and Professional Fees	-	181,672	798,054	28,002	1,007,728	199,229	124,037	323,266	1,330,994
Office and Occupancy	-	9,588	1,149,749	79,189	1,238,526	50,919	-	50,919	1,289,445
Depreciation	-	53,007	2,050,059	-	2,103,066	12,590	-	12,590	2,115,656
Interest	-	-	1,709,229	-	1,709,229	12,589	-	12,589	1,721,818
Other	1,046,533	1,627,076	118,057	101,162	2,892,828	554,708	598,547	1,153,255	4,046,083
Total Expenses	\$ 1,046,533	\$ 2,735,628	\$ 7,161,089	\$ 550,584	\$ 11,493,834	\$ 2,789,092	\$ 851,585	\$ 3,640,677	\$ 15,134,511

2021									
Natural Expense	Program Activities					Supporting Activities			
	Scholarship and Grants	Student Activities and Programs	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	Total Expenses
Salaries and Benefits	\$ -	\$ 242,277	\$ 556,581	\$ 252,047	\$ 1,050,905	\$ 1,256,400	\$ -	\$ 1,256,400	\$ 2,307,305
Gifts and Grants	-	314,620	458,190	-	772,810	452,426	26,085	478,511	1,251,321
Supplies and Travel	-	130,935	812	9,129	140,876	32,539	7,179	39,718	180,594
Services and Professional Fees	-	67,116	505,760	18,215	591,091	155,340	81,337	236,677	827,768
Office and Occupancy	-	-	74,268	77,639	151,907	47,893	-	47,893	199,800
Depreciation	-	57,066	2,153,784	-	2,210,850	12,638	-	12,638	2,223,488
Interest	-	-	2,115,727	-	2,115,727	-	-	-	2,115,727
Other	1,037,729	1,347,507	773,435	104,938	3,263,609	962,552	792,035	1,754,587	5,018,196
Total Expenses	\$ 1,037,729	\$ 2,159,521	\$ 6,638,557	\$ 461,968	\$ 10,297,775	\$ 2,919,788	\$ 906,636	\$ 3,826,424	\$ 14,124,199

See accompanying Notes to Financial Statements.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

**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 14 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, 2022 and 2021.

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, 2022 and 2021.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

**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, 2022 and 2021.

East Stroudsburg University Center for Research & Economic Development, Inc. (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, 2022 and 2021.

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, 2022 and 2021.

At June 30, 2022 and 2021, 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 (U.S. GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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JUNE 30, 2022 AND 2021**

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

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

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment of FASB Codification Topic 958, *Not-for-Profit-Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications 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, gifts, investment income, capital grants, gains on investments, gains on the disposal of assets, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for *Deferred Outflows of Resources* and *Deferred Inflows of Resources*.

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

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

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

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Deferred Outflows and Deferred Inflows of Resources (Continued)

- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities to the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and University pension and OPEB contributions subsequent to the respective pension and OPEB plan valuation measurement date.
- For lessor accounting: a deferred inflow of resources associated with leases where the University is a lessor, recognized as income ratably over the term of the lease.

Net Position

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

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation 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 restricted funds will be used first.

Cash Equivalents and Investments

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

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JUNE 30, 2022 AND 2021**

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

Accounts and Loans Receivable

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

Accounts and loans receivable are reported at net realizable value. Accounts 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 acquisition 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 financed purchases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under right to use assets is included in depreciation expense. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

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

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

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write downs due to impairment are charged to operations at the time the impairment is identified. No write-down of capital assets was required for the years ended June 30, 2022 and 2021.

Leases

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

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

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

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.

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

Compensated Absences

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

Pension Plans and OPEB Plans

Eligible employees of the University enroll in one of three available retirement plans immediately upon employment. The University also offers healthcare and tuition benefits to eligible employees upon employment, which vary depending upon the employee's labor group.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) and additions to/deductions from SERS and PSERS fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Scholarships and Waivers

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Reclassifications

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

New Accounting Standards

GASB has issued several accounting standards that are required to be adopted by the University in the current or prior fiscal year, as discussed below.

In June 2017, GASB issued Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right of use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right of use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for all leases with lease terms greater than twelve months. The adoption of this statement resulted in the recognition of lease related assets, liabilities, and deferred inflows of resources. Notes 7 and 8 provide details on the balances reported. The financial statement for the fiscal year ended June 30, 2021 were restated as summarized below. There was no impact to previously reported beginning net position at June 30, 2020.

<u>Statement of Revenues and Expenses</u>	<u>2021</u>
Income (Loss), as previously reported	\$ (5,424,166)
Implementation of GASB 87	
Operating Revenues	20,585
Operating Expenses	8,131
Nonoperating Revenues (Expenses)	<u>33,349</u>
Income (Loss), as Restated	<u><u>\$ (5,362,101)</u></u>

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

New Accounting Standards (Continued)

<u>Balance Sheet at June 30, 2021</u>	Balance as Previously Reported	GASB 87 Changes	Balance as Restated
Total Current Assets	\$ 96,708,144	\$ 81,118	\$ 96,789,262
Total Noncurrent Assets	150,057,113	4,996,617	155,053,730
Deferred Outflow of Resources	28,748,896	-	28,748,896
Total Assets	275,514,153	5,077,735	280,591,888
Total Current Liabilities	26,647,854	235,774	26,883,628
Total Noncurrent Liabilities	242,334,493	1,220,831	243,555,324
Deferred Inflow of Resources	44,561,235	3,559,065	48,120,300
Net Position	(38,029,429)	62,065	(37,967,364)
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 275,514,153</u>	<u>\$ 5,077,735</u>	<u>\$ 280,591,888</u>

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2022:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Capital Assets	\$ -	\$ 326,033	\$ 47,411,226	\$ -	\$ -	\$ 47,737,259
Investments	28,963,301	13,044,987	-	-	-	42,008,288
Due from University	-	-	620,773	3,987	-	624,760
Other Assets	3,363,924	2,175,972	10,492,900	41,733	343,166	16,417,695
Total Assets	<u>\$ 32,327,225</u>	<u>\$ 15,546,992</u>	<u>\$ 58,524,899</u>	<u>\$ 45,720</u>	<u>\$ 343,166</u>	<u>\$ 106,788,002</u>
Due to University	\$ 273,316	\$ 590,461	\$ 3,725,854	\$ -	\$ -	\$ 4,589,631
Long-Term Debt	-	-	59,378,692	-	-	59,378,692
Other Liabilities	306,045	276,574	2,202,174	-	29,323	2,814,116
Total Liabilities	579,361	867,035	65,306,720	-	29,323	66,782,439
Net Assets:						
Without Donor Restrictions	4,198,243	14,593,957	(6,781,821)	44,720	313,843	12,368,942
With Donor Restrictions	27,549,621	86,000	-	1,000	-	27,636,621
Total Net Assets	<u>31,747,864</u>	<u>14,679,957</u>	<u>(6,781,821)</u>	<u>45,720</u>	<u>313,843</u>	<u>40,005,563</u>
Total Liabilities and Net Assets	<u>\$ 32,327,225</u>	<u>\$ 15,546,992</u>	<u>\$ 58,524,899</u>	<u>\$ 45,720</u>	<u>\$ 343,166</u>	<u>\$ 106,788,002</u>

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, 2021:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Capital Assets	\$ -	\$ 358,125	\$ 49,435,643	\$ -	\$ -	\$ 49,793,768
Investments	32,430,691	13,725,698	-	-	-	46,156,389
Due from University	187,500	46,488	1,104,694	3,987	-	1,342,669
Other Assets	3,567,170	1,707,715	8,434,049	54,115	274,311	14,037,360
Total Assets	\$ 36,185,361	\$ 15,838,026	\$ 58,974,386	\$ 58,102	\$ 274,311	\$ 111,330,186
Due to University	\$ 373,472	\$ -	\$ 3,872,583	\$ -	\$ -	\$ 4,246,055
Long-Term Debt	235,135	133,500	59,924,338	-	54,500	60,347,473
Other Liabilities	365,986	278,080	725,168	1,320	33,970	1,404,524
Total Liabilities	974,593	411,580	64,522,089	1,320	88,470	65,998,052
Net Assets:						
Without Donor Restrictions	4,864,713	15,340,446	(5,547,703)	55,782	185,841	14,899,079
With Donor Restrictions	30,346,055	86,000	-	1,000	-	30,433,055
Total Net Assets	35,210,768	15,426,446	(5,547,703)	56,782	185,841	45,332,134
Total Liabilities and Net Assets	\$ 36,185,361	\$ 15,838,026	\$ 58,974,386	\$ 58,102	\$ 274,311	\$ 111,330,186

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2022:

	Foundation	Association	UPI	CFRED	Mekeel	Total
Changes in Net Assets Without Donor Restrictions						
Revenues and Other Additions:						
Contributions	\$ 563,367	\$ -	\$ 9	\$ 55,149	\$ -	\$ 618,525
Sales and Services	-	-	-	-	247,291	247,291
Student Fees	-	1,925,353	-	-	-	1,925,353
Grants and Contracts	-	133,500	-	-	106,523	240,023
Rental Income	-	-	5,907,429	-	-	5,907,429
Investment Income (Loss)	(967,650)	(616,300)	19,533	26	168	(1,564,223)
Service Fee Income - University	1,170,000	-	-	-	-	1,170,000
Other Revenues and Gains	727,987	397,895	-	-	130,254	1,256,136
Net Assets Released from Restrictions	2,803,840	-	-	-	-	2,803,840
Total Revenues and Other Additions	4,297,544	1,840,448	5,926,971	55,175	484,236	12,604,374
Expenses and Other Deductions:						
Program Expenses:						
Scholarships and Grants	1,046,533	-	-	-	-	1,046,533
Student Activities and Programs	1,703,331	1,032,297	-	-	-	2,735,628
Housing	-	-	7,161,089	-	-	7,161,089
Other University Support	-	-	-	-	-	-
Other Programs	257,142	-	-	20,278	273,164	550,584
Management and General	1,105,423	1,554,640	-	45,959	83,070	2,789,092
Fundraising	851,585	-	-	-	-	851,585
Total Expenses and Other Deductions	4,964,014	2,586,937	7,161,089	66,237	356,234	15,134,511
Change in Net Assets Without Donor Restrictions	(666,470)	(746,489)	(1,234,118)	(11,062)	128,002	(2,530,137)
Changes in Net Assets With Donor Restrictions						
Contributions	3,014,135	-	-	-	-	3,014,135
Investment Income	(2,532,230)	-	-	-	-	(2,532,230)
Other Gains	(474,499)	-	-	-	-	(474,499)
Net Assets Released from Restrictions	(2,803,840)	-	-	-	-	(2,803,840)
Change in Net Assets With Donor Restrictions	(2,796,434)	-	-	-	-	(2,796,434)
CHANGE IN NET ASSETS	(3,462,904)	(746,489)	(1,234,118)	(11,062)	128,002	(5,326,571)
Net Assets - Beginning of Year	35,210,768	15,426,446	(5,547,703)	56,782	185,841	45,332,134
NET ASSETS - END OF YEAR	\$ 31,747,864	\$ 14,679,957	\$ (6,781,821)	\$ 45,720	\$ 313,843	\$ 40,005,563

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTE 2 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

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

	Foundation	Association	UPI	CFRED	Mekeel	Total
Changes in Net Assets Without Donor Restrictions						
Revenues and Other Additions:						
Contributions	\$ 962,723	\$ -	\$ -	\$ 56,001	\$ -	\$ 1,018,724
Sales and Services	-	-	-	-	215,368	215,368
Student Fees	-	53,107	-	-	-	53,107
Grants and Contracts	-	200,000	-	-	80,400	280,400
Rental Income	-	-	1,006,828	-	-	1,006,828
Investment Income	1,542,142	2,066,618	9,687	72	507	3,619,026
Service Fees Income - University	1,125,000	-	-	-	-	1,125,000
Other Revenues and Gains	659,341	439,228	10,196,645	750	130,113	11,426,077
Net Assets Released from Restrictions	2,278,692	-	-	-	-	2,278,692
Total Revenues and Other Additions	6,567,898	2,758,953	11,213,160	56,823	426,388	21,023,222
Expenses and Other Deductions:						
Program Expenses:						
Scholarships and Grants	1,037,729	-	-	-	-	1,037,729
Student Activities and Programs	1,559,884	599,637	-	-	-	2,159,521
Housing	-	-	6,638,557	-	-	6,638,557
Other University Support	124,902	-	-	-	-	124,902
Other Programs	-	-	-	22,742	314,324	337,066
Management and General	1,124,181	1,570,703	110,040	44,212	70,652	2,919,788
Fundraising	906,636	-	-	-	-	906,636
Total Expenses and Other Deductions	4,753,332	2,170,340	6,748,597	66,954	384,976	14,124,199
Change in Net Assets Without Donor Restrictions	1,814,566	588,613	4,464,563	(10,131)	41,412	6,899,023
Changes in Net Assets With Donor Restrictions						
Contributions	2,778,210	-	-	-	-	2,778,210
Investment Income	5,353,651	-	-	-	-	5,353,651
Other Expenses and Losses	(463,798)	-	-	-	-	(463,798)
Net Assets Released from Restrictions	(2,278,692)	-	-	-	-	(2,278,692)
Change in Net Assets With Donor Restrictions	5,389,371	-	-	-	-	5,389,371
CHANGE IN NET ASSETS	7,203,937	588,613	4,464,563	(10,131)	41,412	12,288,394
Net Assets - Beginning of Year	28,006,831	14,837,833	(10,012,266)	66,913	144,429	33,043,740
NET ASSETS - END OF YEAR	<u>\$ 35,210,768</u>	<u>\$ 15,426,446</u>	<u>\$ (5,547,703)</u>	<u>\$ 56,782</u>	<u>\$ 185,841</u>	<u>\$ 45,332,134</u>

In 2018, UPI contributed \$10,000 to form UPI II, Inc., an entity which was created in order to facilitate the financing of capital projects intended to benefit the University. UPI II, Inc.'s activity since its inception was de minimis, and accordingly it is not included in the tables of condensed component unit information presented above.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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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 \$75,702,583 and \$70,561,798 at June 30, 2022 and 2021, respectively.

Board of Governors' Policy 1986-02-A, *Investment*, which authorizes the State System to invest in obligations of the 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 may be invested in the investments described above, as well as in corporate equities and approved pooled common funds. In addition, the University may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

CMO Risk: CMOs 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.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified at net asset value, meaning NAV per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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

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

Detailed information regarding the fair value of the State System pooled deposits and investment portfolio is available in the financial statements of the State System, which can be found at www.passhe.edu. The University had no local investments recorded at fair value as of June 30, 2022 and 2021.

University Local Deposits and Investments: At June 30, 2022 and 2021, the carrying amount of the University's demand and time deposits was \$23,127,576 and \$14,577,577, respectively, as compared to bank balances of \$22,941,669 and \$8,028,795, respectively. The differences are primarily caused by items in-transit and outstanding checks. Of the bank balances at June 30, 2022 and 2021, \$250,000 was 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; \$22,691,669 and \$7,778,795, respectively, were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2022 and 2021, none of the University's demand and time deposits were exposed to foreign currency risk. Short-term investments at June 30, 2022 and 2021 consist of certificates of deposit carried at cost, which approximates fair value.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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JUNE 30, 2022 AND 2021**

NOTE 4 CAPITAL ASSETS

Classifications of capital assets and related depreciation and amortization at June 30, 2022, 2021, 2020, follow:

	Balance June 30, 2020 (Restated)	2020-21 Additions (Restated)	2020-21 Retirements/ Adjustments (Restated)	2020-21 Reclassifications (Restated)	Balance June 30, 2021 (Restated)	2021-22 Additions	2021-22 Retirements/ Adjustments	2021-22 Reclassifications	Balance June 30, 2022
Land	\$ 6,442,488	\$ -	\$ -	\$ -	\$ 6,442,488	\$ -	\$ -	\$ -	\$ 6,442,488
Construction in Progress	2,268,805	1,243,763	-	(1,338,125)	2,174,443	1,292,037	-	(1,049,977)	2,416,503
Total Capital Assets not being Depreciated	8,711,293	1,243,763	-	(1,338,125)	8,616,931	1,292,037	-	(1,049,977)	8,858,991
Buildings, Including Improvements	149,330,714	50,713,243	-	1,338,125	201,382,082	2,879,506	-	892,827	205,154,415
Improvements Other than Buildings	25,961,308	495,993	-	-	26,457,301	205,601	-	157,150	26,820,052
Furnishings and Equipment	30,535,330	1,549,966	(212,996)	-	31,872,300	1,057,825	-	-	32,930,125
Library Books	3,794,932	1,238	(216,092)	-	3,580,078	24,091	(1,365,712)	-	2,238,457
Right To Use Assets	-	1,899,969	-	-	1,899,969	37,309	-	-	1,937,278
Total Capital Assets being Depreciated	209,622,284	54,660,409	(429,088)	1,338,125	265,191,730	4,204,332	(1,365,712)	1,049,977	269,080,327
Less Accumulated Depreciation:									
Buildings, Including Improvements	(87,942,273)	(7,621,151)	-	-	(95,563,424)	(7,835,029)	-	-	(103,398,453)
Furnishings and Equipment	(23,690,510)	(2,273,812)	212,996	-	(25,751,326)	(1,717,473)	-	-	(27,468,799)
Library Books	(3,659,466)	(33,884)	216,092	-	(3,477,258)	(31,985)	1,365,712	-	(2,143,531)
Right To Use Assets	-	(251,565)	-	-	(251,565)	(261,835)	-	-	(513,400)
Total Accumulated Depreciation	(115,292,249)	(10,180,412)	429,088	-	(125,043,573)	(9,846,322)	1,365,712	-	(133,524,183)
Total Capital Assets Being Depreciated, Net	94,330,035	44,479,997	-	1,338,125	140,148,157	(5,641,990)	-	1,049,977	135,556,144
Capital Assets, Net	\$ 103,041,328	\$ 45,723,760	\$ -	\$ -	\$ 148,765,088	\$ (4,349,953)	\$ -	\$ -	\$ 144,415,135

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2022	2021
Employees	\$ 8,243,503	\$ 7,244,161
Suppliers and Services	2,284,668	2,485,610
Other	2,157,959	1,837,995
Total	<u>\$ 12,686,130</u>	<u>\$ 11,567,766</u>

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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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 are as follows for the years ended June 30:

	Weighted Average Interest Rate	Balance July 1, 2021	Bonds Issued	Bonds Redeemed	Balance June 30, 2022
Series AN	5.00%	\$ 418,168	\$ -	\$ (328,051)	\$ 90,117
Series AP	5.00%	57,334	-	(18,201)	39,133
Series AQ	4.49%	2,871,673	-	(526,323)	2,345,350
Series AS	4.33%	4,809,029	-	(1,469,804)	3,339,225
Series AU	3.51%	3,222,807	-	(395,351)	2,827,456
Series AV	4.21%	745,681	-	(289,178)	456,503
Series AW	4.69%	1,030,409	-	(96,232)	934,177
Series AX	3.85%	61,075,000	-	(1,995,000)	59,080,000
Series AY	1.48%	5,320,361	-	(507,126)	4,813,235
Total Bonds Payable		<u>\$ 79,550,462</u>	<u>\$ -</u>	<u>\$ (5,625,266)</u>	<u>73,925,196</u>
Plus: Unamortized Bond Premium					<u>6,388,744</u>
Outstanding at End of Year					<u>\$ 80,313,940</u>

The various bond series allocated to the University for the year ended June 30, 2021 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2021	Bonds Issued	Bonds Redeemed	Balance June 30, 2021
Series AH	4.70%	\$ 3,680,000	\$ -	\$ (3,680,000)	\$ -
Series AJ	4.85%	1,180,000	-	(1,180,000)	-
Series AL	5.00%	873,669	-	(873,669)	-
Series AM	4.61%	5,395,853	-	(5,395,853)	-
Series AN	5.00%	732,003	-	(313,835)	418,168
Series AP	5.00%	74,819	-	(17,486)	57,333
Series AQ	4.49%	3,373,159	-	(501,486)	2,871,673
Series AS	4.33%	6,247,855	-	(1,438,826)	4,809,029
Series AU	3.51%	3,599,944	-	(377,137)	3,222,807
Series AV	4.21%	947,521	-	(201,840)	745,681
Series AW	4.69%	1,030,409	-	-	1,030,409
Series AX	3.85%	-	61,864,582	(789,582)	61,075,000
Series AY	1.48%	-	5,320,361	-	5,320,361
Total Bonds Payable		<u>\$ 27,135,232</u>	<u>\$ 67,184,943</u>	<u>\$ (14,769,714)</u>	<u>79,550,461</u>
Plus: Unamortized Bond Premium					<u>7,268,365</u>
Outstanding at End of Year					<u>\$ 86,818,826</u>

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTE 6 BONDS PAYABLE (CONTINUED)

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

		2023	2024	2025	2026	2030-2031	2035-2036	2040-2041	2045-2046	Total
Series										
AN	Principal	\$ 90,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,117
	Interest	343	-	-	-	-	-	-	-	343
	Total	90,460	-	-	-	-	-	-	-	90,460
AP	Principal	19,111	20,022	-	-	-	-	-	-	39,133
	Interest	1,957	1,001	-	-	-	-	-	-	2,958
	Total	21,068	21,023	-	-	-	-	-	-	42,091
AQ	Principal	552,674	580,423	609,569	602,684	-	-	-	-	2,345,350
	Interest	117,268	89,634	60,613	30,134	-	-	-	-	297,649
	Total	669,942	670,057	670,182	632,818	-	-	-	-	2,642,999
AS	Principal	604,241	634,369	666,171	699,647	734,797	-	-	-	3,339,225
	Interest	166,961	136,749	105,031	71,722	36,740	-	-	-	517,203
	Total	771,202	771,118	771,202	771,369	771,537	-	-	-	3,856,428
AU	Principal	415,708	436,065	458,564	481,064	1,036,055	-	-	-	2,827,456
	Interest	141,373	120,587	98,784	75,856	78,320	-	-	-	514,920
	Total	557,081	556,652	557,348	556,920	1,114,375	-	-	-	3,342,376
AV	Principal	178,003	198,787	79,713	-	-	-	-	-	456,503
	Interest	22,825	13,925	3,986	-	-	-	-	-	40,736
	Total	200,828	212,712	83,699	-	-	-	-	-	497,239
AW	Principal	115,321	121,028	126,341	132,639	438,848	-	-	-	934,177
	Interest	46,709	40,943	34,891	28,574	44,603	-	-	-	195,720
	Total	162,030	161,971	161,232	161,213	483,451	-	-	-	1,129,897
AX	Principal	2,092,500	2,200,000	2,310,000	2,425,000	2,542,500	14,765,000	15,785,000	16,960,000	59,080,000
	Interest	1,961,750	1,857,125	1,747,125	1,631,625	1,510,375	5,511,375	2,779,400	1,114,100	18,112,875
	Total	4,054,250	4,057,125	4,057,125	4,056,625	4,052,875	20,276,375	18,564,400	18,074,100	59,118,775
AY	Principal	510,098	514,260	518,422	524,367	2,746,088	-	-	-	4,813,235
	Interest	70,949	67,124	62,624	56,792	159,371	-	-	-	416,860
	Total	581,047	581,384	581,046	581,159	2,905,459	-	-	-	5,230,095
Total	Principal	4,577,773	4,704,954	4,768,780	4,865,401	7,498,288	14,765,000	15,785,000	16,960,000	73,925,196
	Interest	2,530,135	2,327,088	2,113,054	1,894,703	1,829,409	5,511,375	2,779,400	1,114,100	20,099,264
Total		\$ 7,107,908	\$ 7,032,042	\$ 6,881,834	\$ 6,760,104	\$ 9,327,697	\$ 20,276,375	\$ 18,564,400	\$ 18,074,100	\$ 94,024,460

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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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 (\$3,176,534 and \$3,888,247 was outstanding at June 30, 2022 and 2021, 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:

	2022	2021
Balance at July 1	\$ 257,265	\$ 367,112
Repayments	(47,089)	(109,847)
Balance at June 30	<u>\$ 210,176</u>	<u>\$ 257,265</u>

NOTE 7 LEASE RECEIVABLES

The University routinely leases various land or facilities to third parties and component units with expiration dates from 2023 to 2061 and an interest rate of 1.5%. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur.

The lease revenue, interest income and variable lease income for the fiscal years ended June 30, 2022 and 2021 are summarized in the following schedule.

	June 30, 2022 Third Parties	June 30, 2021 Component Units
Lease Revenue	\$ 86,273	\$ 77,212
Lease Revenue - Variable	-	82,984
Interest Income	6,625	47,334
Total	<u>\$ 92,898</u>	<u>\$ 207,530</u>

The following summary provides aggregated information reported for June 30, 2022 and 2021 lease receivables including additions, reductions for the years then ended.

	Balance June 30, 2020 (Restated)	2020-21 Additions (Restated)	2020-21 Reductions (Restated)	Balance June 30, 2021 (Restated)	2021-22 Additions	2021-22 Reductions	Balance June 30, 2022
Lease Receivable, Third Parties	\$ 556,780	-	\$ (78,119)	\$ 478,661	-	\$ (81,119)	\$ 397,542
Lease Receivable, Comp Units	-	-	-	3,165,689	-	-	3,165,689
Total	<u>\$ 556,780</u>	<u>\$ -</u>	<u>\$ (78,119)</u>	<u>\$ 3,644,350</u>	<u>\$ -</u>	<u>\$ (81,119)</u>	<u>\$ 3,563,231</u>

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NOTE 8 RIGHT TO USE LEASES

The University routinely leases various facilities and equipment instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no lease variable payments, termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2022 or 2021. The leases expire at various dates through 2062 and bear interest at a rate of 1.50%.

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

<u>Fiscal Year Ending June 30.</u>	<u>Right To Use Leases With Third Parties</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 250,300	\$ 22,271
2024	239,534	18,578
2025	230,617	15,053
2026	236,088	11,515
2027	234,014	7,981
2028-2032	92,670	23,761
2033-2037	15,821	21,679
2038-2042	17,898	19,602
2043-2047	20,249	17,251
2048-2052	22,907	14,593
2053-2057	25,915	11,585
2058-2062	76,941	13,058
Total	<u>\$ 1,462,954</u>	<u>\$ 196,927</u>

The following summary provide aggregated information reported for June 30, 2022 and 2021 financed purchase and right of use lease liabilities including additions, reductions and reported liabilities for the years then ended.

	<u>Balance June 30, 2020 (Restated)</u>	<u>2020-21 Additions (Restated)</u>	<u>2020-21 Reductions (Restated)</u>	<u>Balance June 30, 2021 (Restated)</u>	<u>2021-22 Additions</u>	<u>2021-22 Reductions</u>	<u>Balance June 30, 2022</u>
Leases, Third Parties	<u>\$ 1,894,056</u>	<u>\$ -</u>	<u>\$ (227,712)</u>	<u>\$ 1,666,344</u>	<u>\$ 30,031</u>	<u>\$ (233,421)</u>	<u>\$ 1,462,954</u>
Total	<u>\$ 1,894,056</u>	<u>\$ -</u>	<u>\$ (227,712)</u>	<u>\$ 1,666,344</u>	<u>\$ 30,031</u>	<u>\$ (233,421)</u>	<u>\$ 1,462,954</u>

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NOTE 9 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

	2022	2021
Student Tuition and Fees	\$ 2,204,724	\$ 2,464,765
Grants	288,830	237,725
Sales and Services and Other	4,360,320	13,297
Total	<u>\$ 6,853,874</u>	<u>\$ 2,715,787</u>

NOTE 10 COMPENSATED ABSENCES

Compensated absences are absences for vacation, holiday, and sick leave for which employees will be paid in cash at termination or retirement. Changes in the compensated absences liability in fiscal years 2022 and 2021 are as follows.

	2022	2021
Balance at July 1	\$ 9,459,948	\$ 8,205,136
Current Changes in Estimate	1,386,640	3,212,520
Payouts	(1,493,892)	(1,957,708)
Balance at June 30	<u>\$ 9,352,696</u>	<u>\$ 9,459,948</u>

NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave. (See note 12).

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

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal years ended June 30, 2022, and 2021.

	SSHE Plan		REHP		PSERS		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Net OPEB liabilities	\$ 78,863,653	\$ 84,912,001	\$ 24,039,422	\$ 30,885,646	\$ 200,753	\$ 188,158	\$ 103,103,828	\$ 115,985,805
Deferred outflows of resources:								
Net difference between expected and actual experience	-	-	19,783	26,859	1,866	1,740	21,649	28,599
Net difference between projected and actual investment earnings on OPEB plan investments	-	-	-	11,025	383	329	383	11,354
Changes in proportion	-	-	753,373	1,192,245	3,971	4,984	757,344	1,197,229
Changes in assumptions	9,893,709	13,629,633	2,928,000	4,006,951	21,386	7,664	12,843,095	17,644,248
Contributions after the measurement date	1,589,004	1,705,454	530,355	605,104	9,512	10,341	2,128,871	2,320,899
Total deferred outflows of resources	11,482,713	15,335,087	4,231,511	5,842,184	37,118	25,058	15,751,342	21,202,329
Deferred inflows of resources:								
Net difference between expected and actual experience	8,415,092	12,163,641	11,664,032	14,819,372	-	-	20,079,124	26,983,013
Net difference between projected and actual investment earnings on OPEB plan investments	-	-	232,314	-	-	-	232,314	-
Changes in assumptions	7,651,207	5,803,806	3,371,621	2,393,403	2,679	4,137	11,025,507	8,201,346
Changes in proportion	-	-	3,438,730	1,772,826	10,143	3,855	3,448,873	1,776,681
Total deferred inflows of resources	16,066,299	17,967,447	18,706,697	18,985,601	12,822	7,992	34,785,818	36,961,040
OPEB expense	(2,508,119)	2,687,104	(4,984,100)	(1,774,594)	25,831	12,101	(7,466,388)	924,611
Contributions recognized by OPEB plans	1,589,003	1,705,454	530,355	605,104	9,511	10,341	2,128,869	2,320,899

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$1,589,004 for the System (SSHE) Plan, \$530,355 for the REHP plan, and \$9,512 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	Amortization		
	SSHE	REHP	PSERS
June 30, 2023	\$ (3,201,551)	\$ (5,767,067)	\$ 2,393
June 30, 2024	(1,851,280)	(4,597,675)	2,392
June 30, 2025	(84,613)	(2,532,231)	4,019
June 30, 2026	(1,035,146)	(1,066,101)	2,966
June 30, 2027	-	(1,042,467)	1,579
Thereafter	-	-	1,435

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan

Plan Description

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

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

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

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

Funding Policy

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2022:

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

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Funding Policy (Continued)

- Plan members, with the exception of nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.
- Plan members, with the exception of nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.
- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement.

Actuarial Assumptions and Other Inputs

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year-end. The actuarial valuation on which the total OPEB liability as of June 30, 2022 is based is dated July 1, 2020, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 5.5% in 2020 through 2023, with rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 15% of employees not eligible for a subsidy are assumed to elect coverage. 75% of vested former members who have not yet reached age 65 are assumed to begin electing coverage at age 65.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- Mortality rates based on the PubG-2010 Mortality Table, including rates for contingent survivors, and which incorporates rates based on a generational projection using Scale MP-2020 to reflect mortality improvement.
- The discount rate increased from 1.86% to 2.28%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2021.
- Participant data is based on census information as of July 1, 2020.
- Rates of withdrawal vary by age and years of service.

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- Costs have been loaded by 0.7% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability at June 30, 2022 as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 3.0%) or one percentage point higher (6.5% decreasing to 5.0%) than the current healthcare cost trend rates (5.5% decreasing to 4.0%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.5% decreasing to 3.0%)	Healthcare Cost Trend Rates (5.5% decreasing to 4.0%)	1% Increase (6.5% decreasing to 5.0%)
2022	\$ 64,659,101	\$ 78,863,652	\$ 97,443,651

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

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.5% decreasing to 3.0%)	Healthcare Cost Trend Rates (5.5% decreasing to 4.0%)	1% Increase (6.5% decreasing to 5.0%)
2021	\$ 69,828,108	\$ 84,912,001	\$ 104,677,738

The following presents the University's net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.28%) or one percentage point higher (3.28%) than the current discount rate (2.28%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.28%	Current Rate 2.28%	1% Increase 3.28%
2022	\$ 93,177,871	\$ 78,863,652	\$ 67,530,074

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (0.86%) or one percentage point higher (2.86%) than the current discount rate (1.86%).

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 0.86%	Current Rate 1.86%	1% Increase 2.86%
2021	\$ 100,879,657	\$ 84,912,001	\$ 72,318,069

OPEB Liability

The University's share of the System Plan's total OPEB liability of \$78,863,654 at June 30, 2022 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to July 1, 2021. The University's share of the System's total OPEB liability of \$84,912,002 at June 30, 2021 was measured as of July 1, 2020 and was determined by an actuarial valuation as of July 1, 2019 that was rolled forward to July 1, 2020.

Changes in the System Plan	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021
Total OPEB Liability		
Total OPEB Liability -		
Beginning Balance	\$ 84,912,002	\$ 74,003,092
Service Cost	2,615,776	1,916,623
Interest	1,604,815	2,504,297
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	(8,690,431)
Changes in Assumptions	(5,347,588)	16,860,846
Benefit Payments	(4,921,351)	(1,682,425)
Net Changes	(6,048,348)	10,908,910
Total OPEB Liability -		
Ending Balance	\$ 78,863,654	\$ 84,912,002

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP

Plan Description

The Retired Employees Health Program (REHP) is a single-employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and the Secretary of Administration. The REHP does not have a governing board. 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, but is reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR) as a Pension (and Other Employee Benefit) Trust. The CAFR is an audited financial statement and is available at www.budget.pa.us.

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

Funding Policy

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2022:

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

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Funding Policy (Continued)

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$230 per pay period for each current REHP eligible active employee during the period July 1, 2020 through January 15, 2021, and \$-0- from January 16, 2021 through June 30, 2021. The rate during the period July 1, 2021, through June 30, 2022 was \$120 per pay period.

Actuarial Assumptions and Other Inputs

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

The total OPEB liability in the June 30, 2021 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 6.9%, with rates gradually decreasing to 4.0% in 2075 and later, based on the SOA-Getzen trend rate model version 2021_b for the December 31, 2020 measurement date.
- Average career salary growth of 2.50% per year and an assumed 2.80% general salary increase.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates for active employees based on PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2020.
- Participant data based on census information as of December 31, 2020, for the June 30, 2021, measurement date; and as of December 31, 2019, for the June 30, 2020, measurement date.

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

- Discount rate of 3.63% as of June 30, 2021, and 2.21% as of June 30, 2020.
- Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate is based on the index rate for the 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40.0 %	5.8%
International Equity	27.0	6.3%
Fixed Income	23.0	2.1%
Real Estate	8.0	5.1%
Cash and Cash Equivalents	1.5	0.4%
Private Equity	0.5	9.3%
Total	100.0 %	

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 4.0260% for the measurement date of June 30, 2021 and 4.275% for the measurement date of June 30, 2020.

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the REHP net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.9% decreasing to 3.0%) or one percentage point higher (7.9% decreasing to 5.0%) than the current healthcare cost trend rates (6.9% decreasing to 4.0%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.9% decreasing to 3.0%)	Healthcare Cost Trend Rates (6.9% decreasing to 4.0%)	1% Increase (7.9% decreasing to 5.0%)
2022	\$ 20,443,423	\$ 24,039,421	\$ 28,524,236

The following presents the University's share of the REHP net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.6% decreasing to 3.1%) or one percentage point higher (7.6% decreasing to 5.1%) than the current healthcare cost trend rates (6.6% decreasing to 4.1%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (5.6% decreasing to 3.1%)	Healthcare Cost Trend Rates (6.6% decreasing to 4.1%)	1% Increase (7.5% decreasing to 5.1)
2021	\$ 26,250,964	\$ 30,885,646	\$ 36,677,152

The following presents the University's share of the REHP net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) or one percentage point higher (4.63%) than the current discount rates (3.63%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 2.63%	Current Rate 3.63%	1% Increase 4.63%
2022	\$ 27,545,027	\$ 24,039,421	\$ 21,125,193

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

REHP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the REHP net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rates (2.21%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
2021	\$ 35,243,761	\$ 30,885,646	\$ 27,258,067

Premium Assistance

Plan Description

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

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

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Funding Policy

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.82% of covered payroll for the fiscal years ended June 30, 2022 and 0.84% of covered payroll for the fiscal year ended June 30, 2021. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System actually contributed was 0.41% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year-end. The total OPEB liability, as of the June 30, 2021 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020.
- Actuarial cost method was entry age normal, level percent of pay.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019, determined the employer contribution rate for fiscal year 2020/21.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs

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

- The discount rate used to measure the total OPEB liability was 2.18% at June 30, 2021, and 2.66% at June 30, 2020.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.
- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2021.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8 %	0.1%
US Core Fixed Income	17.5	0.7%
Non-US Developed Fixed	2.7	-0.3%
Total	<u>100.0 %</u>	

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2020, to June 30, 2021. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1770% and 0.1852% for the measurement dates of June 30, 2021 and 2020, respectively.

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NOTE 11 POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 6.0%) or one percentage point higher (between 6.0% and 8.0%) than the current healthcare cost trend rates (between 5.0% and 7.0%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (Between 4% and 6.0%)	Healthcare Cost Trend Rates (Between 5% and 7.0%)	1% Increase (Between 6% and 8.0%)
2022	\$ 200,706	\$ 200,754	\$ 200,754

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2021, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 6.50%) or one percentage point higher (between 6.0% and 8.50%) than the current healthcare cost trend rates (between 5.0% and 7.50%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (Between 4% and 6.50%)	Healthcare Cost Trend Rates (Between 5% and 7.50%)	1% Increase (Between 6% and 8.50%)
2021	\$ 188,112	\$ 188,159	\$ 188,159

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2022, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current discount rates (2.18%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.18%	Current Rate 2.18%	1% Increase 3.18%
2022	\$ 230,369	\$ 200,754	\$ 176,353

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

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.79%	Current Rate 2.79%	1% Increase 3.79%
2021	\$ 214,488	\$ 188,159	\$ 166,296

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
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NOTE 12 PENSION BENEFITS

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

Following is the total of the University's pension liabilities, deferred outflows and deferred inflows of resources related to pensions, and the pension expense for the fiscal years ended June 30, 2022 and 2021.

	SERS		PSERS		ARP		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Net Pension Liabilities	\$ 24,880,067	\$ 33,849,900	\$ 3,538,267	\$ 4,330,271	\$ -	\$ -	\$ 28,418,334	\$ 38,180,171
Deferred Outflows of Resources:								
Difference Between Expected and Actual Experience	164,277	317,809	2,619	11,325	-	-	166,896	329,134
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	-	-	190,292	-	-	-	190,292
Changes in Assumptions	2,560,673	3,763,955	171,632	-	-	-	2,732,305	3,763,955
Difference Between Employer Contributions and Proportionate Share of Contributions	105,917	81,097	17,778	10,477	-	-	123,695	91,574
Changes in Proportion	18,004	139,489	28,613	69,796	-	-	46,617	209,285
Contributions After the Measurement Date	2,216,752	2,232,045	403,396	424,178	-	-	2,620,148	2,656,223
Total Deferred Outflows of Resources	\$ 5,065,623	\$ 6,534,395	\$ 624,038	\$ 706,068	\$ -	\$ -	\$ 5,689,661	\$ 7,240,463
Deferred Inflows of Resources:								
Difference Between Expected and Actual Experience	\$ 143,208	\$ 37,964	\$ 46,509	\$ 103,770	\$ -	\$ -	\$ 189,717	\$ 141,734
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	7,198,449	4,330,918	563,200	-	-	-	7,761,649	4,330,918
Difference Between Employer Contributions and Proportionate Share of Contributions	55,204	112,301	-	-	-	-	55,204	112,301
Changes in Proportion	3,541,720	2,845,891	173,038	60,414	-	-	3,714,758	2,906,305
Total Deferred Inflows of Resources	\$ 10,938,581	\$ 7,327,074	\$ 782,747	\$ 164,184	\$ -	\$ -	\$ 11,721,328	\$ 7,491,258
Pension Expense	\$ 10,602	\$ 3,610,927	\$ 514,120	\$ 775,899	\$ 2,975,311	\$ 2,963,172	\$ 3,500,033	\$ 7,349,998
Contributions Recognized by Pension Plans	\$ 3,900,155	\$ 3,819,417	\$ 403,396	\$ 424,178	N/A	N/A	\$ 4,303,551	\$ 4,243,595

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NOTE 12 PENSION BENEFITS (CONTINUED)

The University will recognize the \$2,216,752 reported as 2022 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$403,396 reported as 2022 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	<u>Amortization</u>	
	<u>SERS</u>	<u>PSERS</u>
June 30, 2023	\$ (1,733,240)	\$ (145,264)
June 30, 2024	(2,978,969)	(127,112)
June 30, 2025	(1,885,133)	(110,708)
June 30, 2026	(1,454,208)	(179,021)
June 30, 2027	(38,160)	-
Total	<u>\$ (8,089,710)</u>	<u>\$ (562,105)</u>

SERS

Plan Description

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

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

Benefits Provided

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

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Benefits Provided (Continued)

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

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

Contributions

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other nonpension obligations.

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

For the SERS defined benefit plan, the State System's actuarially determined contribution rate for most active members was 37.46% of active members' annual covered payroll at June 30, 2022, with less common rates ranging between 25.90% and 29.98%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 17.68% or 17.93% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 16.38% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The University's contributions to SERS for the years ended June 30, 2022, 2021, and 2020 were \$3,900,155, \$3,819,417, and \$4,063,377, respectively, equal to the required contractual contribution.

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

For the SERS defined contribution plan, the University contributed at actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2022, depending upon the plan chosen by the employee. The University recognized \$22,058 in SERS defined contribution pension expense for the year ended June 30, 2022, \$16,664 for the year ended June 30, 2021, and \$11,750 for the year ended June 30, 2020. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 401(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Contributions (Continued)

The contribution rate to the defined contribution plan for active members who participate in the SERS defined benefit/defined contribution hybrid plan was either 3.25% or 3.5% of gross salary (in addition to the required contributions to the defined benefit plan), depending upon what class of membership was elected. The contribution rate to the defined contribution plan for active members who participate in the straight 401(a) defined contribution plan was 7.5% of gross salary.

Actuarial Methods and Assumptions

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 19th Investigation of Actuarial Experience study for the period 2015–2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the 19th Investigation of Actuarial Experience at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its July 2020 meeting, the SERS Board approved a reduction in the assumed investment rate of return from 7.125% to 7.00%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2021, measurement date.

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

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

The long-term expected real rate of return on pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2021 and 2020 are summarized below:

Asset Class	2021 Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	12.0 %	6.00%
Private Credit	4.0	4.25%
Real Estate	7.0	3.75%
U.S. Equity	31.0	4.60%
International Developed Markets Equity	14.0	4.50%
Emerging Markets Equity	5.0	4.90%
Fixed Income	22.0	-0.03%
Inflation Protection (TIPS)	3.0	-0.03%
Cash	2.0	-1.00%
Total	100.0 %	

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

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Actuarial Methods and Assumptions (Continued)

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

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2022, calculated using a discount rate of 7.00%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2022	\$ 31,423,573	\$ 24,880,067	\$ 13,470,865

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

Sensitivity of the University's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2021	\$ 42,317,368	\$ 33,849,900	\$ 23,037,292

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NOTE 12 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Proportionate Share

At June 30, 2022, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2021 was \$24,880,067. At June 30, 2021, the amount recognized as the University's proportionate share of the SERS net pension liability, measured at December 31, 2020 was \$33,849,900.

The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the December 2021 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2022/23, from the December 31, 2021 funding valuation to the expected funding payroll. For the allocation of the December 2020 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2021/22 from the December 31, 2020 funding valuation to the expected funding payroll. At the December 31, 2021, measurement date, the State System's proportion was 4.178%, a decrease of 0.242% from its proportion calculated as of December 31, 2020, measurement date.

PSERS

Plan Description

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

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

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

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NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Benefits Provided

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

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

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

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

Member Contributions

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Employer Contributions

The University's contractually required contribution rate for PSERS for fiscal year ended June 30, 2022 was 34.94% 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 17.47% of covered payroll. The University's contributions to PSERS for the year ended June 30, 2022, June 30, 2021, and June 30, 2020 was \$403,396, \$424,178, and \$415,587, respectively, equal to the required contractual contribution.

For the PSERS defined contribution plan, the State System is required to contribute an actuarially determined average rate 0.09% of active members' annual covered payroll for the year ended June 30, 2021, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the State System contributions for the years ended June 30, 2020 and June 30, 2021 were immaterial.

Actuarial Assumptions

The State System records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year-end. The total PSERS pension liability, as of the June 30, 2021 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2020, to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date – June 30, 2020.
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

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, 2021 and 2020.

Asset Class	2021 Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	27.0 %	5.2%
Private Equity	12.0	7.3%
Fixed Income	35.0	1.8%
Commodities	10.0	2.0%
Absolute Return	8.0	3.1%
Infrastructure/MLPs	8.0	5.1%
Real Estate	10.0	4.7%
Cash	3.0	0.1%
Leverage	(13.0)	0.1%
Total	100.0 %	

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total PSERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2022, calculated using the discount rate of 7.00% for both years, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2022	\$ 4,644,102	\$ 3,538,267	\$ 2,605,421

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2021, calculated using the discount rate of 7.25%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
2021	\$ 5,357,448	\$ 4,330,271	\$ 3,460,076

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Proportionate Share

At June 30, 2022 and 2021, the amount recognized as the University's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows:

	<u>2022</u>	<u>2021</u>
Total PSERS Net Pension Liability Associated With the University	\$ 7,076,534	\$ 8,660,542
Commonwealth's Proportionate Share of the PSERS Net Pension Liability Associated With the University	<u>3,538,267</u>	<u>4,330,271</u>
University's Proportionate Share of the PSERS Net Pension Liability	<u>\$ 3,538,267</u>	<u>\$ 4,330,271</u>

PSERS measured the 2022 and 2021 net pension liability as of June 30, 2021 and June 30, 2020, respectively. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. At June 30, 2021, the State System's proportion was 0.1777%, a decrease of .0079% from its proportion calculated as of June 30, 2020.

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, 2022 and 2021 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2022 and 2021, were \$2,975,312 and \$2,963,172, respectively, from the University; and \$1,601,352 and \$1,594,819, respectively, from active members. No liability is recognized for the ARP.

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 \$85,505 to the Reserve Fund during the year ended June 30, 2022, contributed \$43,871 to the Reserve Fund during the year ended June 30, 2021 and contributed \$49,524 to the Reserve Fund in 2020.

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

	2022	2021	2020
Balance at July 1	\$ 828,231	\$ 692,959	\$ 608,918
Current Year Claims and Changes in Estimates	46,779	281,162	438,312
Payments	(130,973)	(145,890)	(354,271)
Balance at June 30	<u>\$ 744,037</u>	<u>\$ 828,231</u>	<u>\$ 692,959</u>

NOTE 14 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The classifications of deferred outflows of resources and deferred inflows of resources at June 30, 2022 and 2021, follow.

	2022	(Restated) 2021
Deferred Outflows of Resources:		
Pension Related (See Note 12)	\$ 5,689,661	\$ 7,240,463
OPEB Related (See Note 11)	15,751,342	21,202,329
Unamortized Loss on Refunding of Debt	236,024	306,104
Total Deferred Outflows of Resources	<u>\$ 21,677,027</u>	<u>\$ 28,748,896</u>
Deferred Inflows of Resources:		
Lease Receivable	\$ 384,314.00	\$ 470,588
Lease Receivable related	3,011,266	3,088,477
Pension Related (See Note 12)	11,721,328	7,491,258
OPEB Related (See Note 11)	34,785,818	36,961,040
Unamortized Gain on Refunding of Debt	97,166	108,937
Total Deferred Inflows of Resources	<u>\$ 49,999,892</u>	<u>\$ 48,120,300</u>

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 15 COMMITMENTS AND CONTINGENCIES

Contingencies

The nature of the educational 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.

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

The University is self-insured for workers' compensation up to stated limits (Note 13). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's 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.

Construction Commitments

Authorized expenditures for construction projects unexpended were approximately \$1,646,394 and \$1,761,000 as of June 30, 2022 and 2021, respectively.

Labor Concentration

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

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19 Pandemic

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

NOTE 16 RATINGS ACTIONS

In June 2022, Moody's Investors Service, Inc., maintained the State System's bond rating of Aa3 with an outlook of stable to negative. The negative outlook reflects Moody's expectations of ongoing student demand difficulties leading to a continued trend of thin operating performance and weakening debt service coverage through fiscal 2022. In June 2022, Moody's published an updated Environmental, Social, and Governance methodology ESG Issuer Profile (IPS) and Credit Impact Scores (CIS) for rated entities. The new scores are incorporated in the credit ratings of ESG issues. The University has been assigned a CIS-4, reflecting Moody's assessment that the University has high exposure to social risks, primarily demographics, with neutral to low environmental and governance risks. In March 2022, Fitch Ratings reviewed the University's rating of A+ with stable outlook and no rating change was made.

**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, 2022 AND 2021
(UNAUDITED)**

Changes in the System Plan Total OPEB Liability	University System Plan OPEB Liability Determined as of the July 1 measurement dates			
	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Total OPEB Liability -				
Beginning Balance	\$ 84,912,002	\$ 74,003,092	\$ 76,848,605	\$ 86,859,889
Service Cost	2,615,776	1,916,623	2,081,766	2,520,306
Interest	1,604,815	2,504,297	2,312,620	2,751,532
Changes of Benefit Terms	-	-	-	(60,586)
Differences Between Expected and Actual Experience	-	(8,690,431)	-	(10,459,704)
Changes in Assumptions	(5,347,588)	16,860,846	(4,014,637)	(686,656)
Benefit Payments	(4,921,351)	(1,682,425)	(3,225,262)	(4,076,176)
Net Changes	(6,048,348)	10,908,910	(2,845,513)	(10,011,284)
Total OPEB Liability -				
Ending Balance	<u>\$ 78,863,654</u>	<u>\$ 84,912,002</u>	<u>\$ 74,003,092</u>	<u>\$ 76,848,605</u>
Covered Employee Payroll	\$ 32,295,758	\$ 33,368,122	\$ 33,716,976	\$ 34,071,448
OPEB Liability as a Percent of Covered Payroll	244.19%	254.47%	219.48%	225.55%

**REHP Schedule of Contributions
(in Thousands)**

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS REHP	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	\$ 1,278	\$ 1,278	\$ -	\$ 7,920	16.13%
2018/19	\$ 1,469	\$ 1,469	\$ -	\$ 7,779	18.89%
2019/20	\$ 1,148	\$ 1,148	\$ -	\$ 7,884	14.55%
2020/21	\$ 605	\$ 605	\$ -	\$ 7,099	8.52%
2021/22	\$ 530	\$ 530	\$ -	\$ 7,213	7.35%

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF FUNDING PROGRESS FOR THE SYSTEM PLAN
AND REHP (OPEB) (CONTINUED)
JUNE 30, 2022 AND 2021
(UNAUDITED)**

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

Fiscal Year	PSERS Net OPEB Liability				University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of	PSERS Fiduciary Net Position as a % of Total OPEB Liability
	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total		Covered- Employee Payroll	
2017/18	0.1811%	\$ 173	\$ 173	\$ 346	\$ 2,253	7.65%	5.73%
2018/19	0.1836%	\$ 151	\$ 151	\$ 302	\$ 1,948	7.74%	5.56%
2019/20	0.1886%	\$ 197	\$ 197	\$ 394	\$ 2,550	7.71%	5.56%
2020/21	0.1852%	\$ 188	\$ 188	\$ 376	\$ 2,444	7.70%	5.69%
2021/22	0.1770%	\$ 201	\$ 201	\$ 402	\$ 2,401	8.36%	5.30%

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	\$ 8	\$ 8	\$ -	\$ 2,316	0.35%
2018/19	\$ 11	\$ 11	\$ -	\$ 2,602	0.41%
2019/20	\$ 10	\$ 10	\$ -	\$ 2,530	0.41%
2020/21	\$ 10	\$ 10	\$ -	\$ 2,544	0.41%
2021/22	\$ 10	\$ 10	\$ -	\$ 2,464	0.39%

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF SERS/PSERS CONTRIBUTIONS
JUNE 30, 2022 AND 2021
(UNAUDITED)**

SERS Schedule of Contributions
Determined as of the University's June 30 Fiscal Year End
(In Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$ 2,529	\$ 2,529	\$ -	\$ 13,464	18.8%
2015/16	\$ 2,948	\$ 2,948	\$ -	\$ 12,677	23.3%
2016/17	\$ 3,614	\$ 3,614	\$ -	\$ 13,162	27.5%
2017/18	\$ 4,140	\$ 4,140	\$ -	\$ 13,422	30.9%
2018/19	\$ 3,989	\$ 3,989	\$ -	\$ 13,075	30.5%
2019/20	\$ 4,063	\$ 4,063	\$ -	\$ 12,977	31.3%
2020/21	\$ 3,819	\$ 3,819	\$ -	\$ 12,033	31.7%
2021/22	\$ 3,900	\$ 3,900	\$ -	\$ 12,244	31.9%

PSERS Schedule of Contributions
Determined as of the University's June 30 Fiscal Year End
(In Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$ 267	\$ 267	\$ -	\$ 2,360	11.3%
2015/16	\$ 306	\$ 306	\$ -	\$ 2,526	12.1%
2016/17	\$ 334	\$ 334	\$ -	\$ 2,321	14.4%
2017/18	\$ 384	\$ 384	\$ -	\$ 2,316	16.6%
2018/19	\$ 417	\$ 417	\$ -	\$ 2,602	16.0%
2019/20	\$ 416	\$ 416	\$ -	\$ 2,530	16.4%
2020/21	\$ 424	\$ 424	\$ -	\$ 2,544	16.7%
2021/22	\$ 403	\$ 403	\$ -	\$ 2,464	16.4%

**EAST STROUDSBURG UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
SCHEDULES OF PROPORTIONATE SHARE OF SERS/PSERS NET PENSION LIABILITY
JUNE 30, 2022 AND 2021
(UNAUDITED)**

Schedule of Proportionate Share of SERS Net Pension Liability (NPL)
Determined as of SERS December 31 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%
2015/16	4.7208%	\$ 37,933	\$ 13,156	288%	58.9%
2016/17	4.8370%	\$ 39,786	\$ 12,846	310%	57.8%
2017/18	4.9059%	\$ 36,613	\$ 13,340	274%	63.0%
2018/19	4.8971%	\$ 44,587	\$ 13,921	320%	56.4%
2019/20	4.7732%	\$ 35,512	\$ 12,893	275%	63.1%
2020/21	4.4196%	\$ 33,849	\$ 12,470	271%	67.0%
2021/22	4.1777%	\$ 24,880	\$ 11,423	218%	76.0%

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

Fiscal Year	State System's Proportion	PSERS Net Pension Liability			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
		University's Proportion Share	Commonwealth's Proportion Share	Total			
2014/15	0.1785%	\$ 3,661	\$ 3,661	\$ 7,322	\$ 1,180	310%	57.2%
2015/16	0.1852%	\$ 4,098	\$ 4,098	\$ 8,196	\$ 2,435	200%	54.4%
2016/17	0.1833%	\$ 4,627	\$ 4,627	\$ 9,254	\$ 2,419	200%	50.1%
2017/18	0.1811%	\$ 4,198	\$ 4,198	\$ 8,396	\$ 2,264	200%	51.8%
2018/19	0.1836%	\$ 4,279	\$ 4,279	\$ 8,558	\$ 2,400	200%	54.0%
2019/20	0.1886%	\$ 4,300	\$ 4,300	\$ 8,600	\$ 2,535	200%	55.7%
2020/21	0.1856%	\$ 4,330	\$ 4,330	\$ 8,660	\$ 410	1100%	54.3%
2021/22	0.1778%	\$ 3,538	\$ 3,538	\$ 7,077	\$ 409	900%	63.7%