

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2025**



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**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
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## INDEPENDENT AUDITORS' REPORT

Council of Trustees  
Indiana University of Pennsylvania  
of the State System of Higher Education  
Indiana, Pennsylvania

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Indiana University of Pennsylvania of the State System of Higher Education (the University), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Student Cooperative Association, Inc., the College Student Union Association, Inc., the Foundation for Indiana University of Pennsylvania, Inc., the IUP Research Institute, Inc., the Indiana University of Pennsylvania Alumni Association, Inc., and Residential Revival Indiana, which statements reflect total assets, net position, and revenues constituting 100%, 100%, and 100%, respectively, of the 2025 assets, net position, and revenues of the discretely presented component units, for the year 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 aggregate discretely presented component units, is based solely on the reports of the other auditors.

#### *Basis for Opinions*

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

***Emphasis of Matter***

The financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units that are attributable to the transactions of the University. The University is one of ten universities and the System Office of the Pennsylvania State System of Higher Education (the System). These financial statements do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

The Foundation for Indiana University of Pennsylvania violated certain covenants of its Phase II bond agreement at June 30, 2025, primarily as a result of reduced enrollment and housing demand. The Foundation has made all required debt service payments through June 30, 2025, and has not requested a waiver related to the covenant violations under the terms of the bond. While the holders of these bonds could demand repayment in full, no such demand has been made. The financial statements do not include any adjustments which might results from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

***Required Supplementary Information***

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Pittsburgh, Pennsylvania  
November 11, 2025

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025  
(UNAUDITED)**

As a member of the Commonwealth of Pennsylvania's (Commonwealth) public higher education system, Indiana University of Pennsylvania (University) is one of ten universities of Pennsylvania's State System of Higher Education (State System) and is committed to delivering high-quality education at the lowest cost possible to its students. While the University operates independently, membership in the State System allows it to share administrative resources, collaborate on academic offerings, and leverage economies of scale to enhance efficiency and impact. Fall 2024 enrollment at the University was the fourth largest enrollment of the State System's ten universities for the 2024-2025 academic year.

Management's discussion and analysis consist of an overview of the financial activities of the University for the year ended June 30, 2025, as compared to the year ended June 30, 2024, and significant changes between these two years, in addition to future economic factors. The University's financial performance is discussed and analyzed within the context of the financial statements and disclosures which follow.

**FINANCIAL HIGHLIGHTS**

**Tuition and Fees**

The State System Board of Governors did not increase tuition rates for the year ended June 30, 2025, an unprecedented seven consecutive years in which tuition was frozen. Revenue recognized for tuition and fees net of discounts and allowances was \$45.7 million for the year ended June 30, 2025, a 12.8% decrease over the \$52.4 million for the year ended June 30, 2024. The net tuition decrease was primarily due to a \$3.2 million increase in discounts over the prior year, driven by a change in methodology for calculating the discount that was implemented in the year ended June 30, 2025. The University implemented NACUBO Advisory Report 2023-01 (AR 2023-01), which provides estimation and measurement methodologies that more accurately reflect how financial aid is provided to students at public colleges and universities. Although institutional financial aid decreased from the prior year, the portion of financial aid (which includes financial aid from all sources) that was allocated to tuition and fees increased from \$42.2 million to \$45.4 million. The revised estimate has no impact on the changes in net position for prior years. Gross tuition and fees, excluding the effect of discounts and allowances, decreased by \$3.5 million (3.7%).

The University's fall enrollment decreased over the prior year, as follows:

	Fall 2024	Fall 2023	Change
Undergraduate	7,011	7,079	(68)
Graduate	1,720	1,814	(94)
Clock Hour	350	361	(11)
Total	<u>9,081</u>	<u>9,254</u>	<u>(173)</u>

**Auxiliary Enterprises Revenue**

Auxiliary enterprises revenue decreased to \$27.0 million (18.6%) for the year ended June 30, 2025, from \$33.2 million for the year ended June 30, 2024. The decrease was also due to the implementation of AR 2023-01, which increased the allocation of financial aid allocated to auxiliaries by \$7.5 million. After excluding the effect of AR 2023-01, auxiliary enterprises revenue increased \$1.6 million (4.7%) over the prior year.

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**Financial Highlights (Continued)**

**Appropriations**

The University receives state appropriations from the Commonwealth to support its operations. Commonwealth appropriations totaled \$102.0 million for the year ended June 30, 2025. The appropriations consisted of a general state appropriation of \$63.5 million, which was a \$4.1 million (7.0%) increase over the \$59.4 million general state appropriation for the year ended June 30, 2024, and special appropriations totaling \$38.5 million for the year ended June 30, 2025.

The Commonwealth's Key '93 Fund (Keystone Recreation, Park, and Conservation Fund) is funded by the Realty Transfer Tax, assists in funding education and general deferred maintenance, is the source of the annual capital appropriation, and provides a consistent revenue stream for the University since its inception in 1993. The Key '93 capital appropriation increased to \$2.8 million for the year ended June 30, 2025, which was a 5.0% increase over the \$2.6 million capital appropriation for year ended June 30, 2024.

**Debt**

On September 12, 2024, all bond debt (\$21.3 million) was defeased. Retirement of the debt will reduce future debt service by \$22.2 million through fiscal year 2038-39.

**Financial Statements**

**Statement of Net Position**

The statement of net position reports the balances of the assets, deferred outflows of resources (DOR), liabilities, deferred inflows of resources (DIR) and net position as of the end of the fiscal year.

- Assets include cash investments reported at fair value, the value of outstanding receivables due from students and other parties, land, buildings, equipment reported at cost, less accumulated depreciation, and right of use and subscription assets less accumulated amortization.
- DOR, defined as a consumption of net position that applies to future periods, includes certain items associated with the net pension and other postemployment benefits (OPEB) liabilities. OPEB liabilities represent health and tuition benefits expected to be paid to eligible current and future retirees.
- Liabilities include payments due to vendors, employees, and students, revenues received but yet earned, amounts estimated to be due for items such as workers' compensation (the University is self-insured), compensated absences (the value of sick and annual leave earned by employees), pension benefits, OPEB, lease, and subscription liabilities.
- DIR, defined as an acquisition of net position that applies to future periods, includes certain items associated with the net pension and OPEB liabilities, annual pension and OPEB expense, and lease receivables.
- Net position is the difference between the assets plus DOR and liabilities plus DIR.

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**Financial Statements (Continued)**

**Statement of Net Position (Continued)**

The following is a summary of the University's Statement of Net Position at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 52,669,828	\$ 49,737,294
Accounts Receivable	12,864,935	13,103,773
Due from Component Units	3,986,912	3,664,815
Other Current Assets	4,326,750	3,503,500
Total Current Assets	<u>73,848,425</u>	<u>70,009,382</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	278,848,626	292,018,463
Investments	11,276,202	10,166,879
Other Noncurrent Assets	3,014,874	2,948,619
Total Noncurrent Assets	<u>293,139,702</u>	<u>305,133,961</u>
Total Assets	366,988,127	375,143,343
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u>27,527,995</u>	<u>38,384,446</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 394,516,122</u>	<u>\$ 413,527,789</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 14,636,689	\$ 14,593,321
Unearned Revenue	2,336,708	2,402,996
Current Portion of Compensated Absences Obligation	1,997,194	1,296,229
Current Portion of Other Post Employment Benefits Obligation	4,669,053	5,004,829
Current Portion of Leases, Financed Purchases, and Subscription Liabilities	7,253,962	6,798,684
Current Portion of Bonds Payable, Net	-	2,330,050
Other Current Liabilities	3,837,435	3,606,354
Total Current Liabilities	<u>34,731,041</u>	<u>36,032,463</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated Absences Obligation, Net of Current Portion	14,051,671	13,593,156
Other Postretirement Benefits Obligation	107,825,733	119,708,829
Net Pension Liability	101,141,166	108,775,606
Leases, Financed Purchases, and Subscription Liabilities	128,465,011	134,838,463
Bonds Payable, Net of Current Portion	-	19,187,426
Other Noncurrent Liabilities	367,002	193,141
Total Noncurrent Liabilities	<u>351,850,583</u>	<u>396,296,621</u>
Total Liabilities	386,581,624	432,329,084
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	67,905,795	81,694,389
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets	142,936,512	128,626,705
Total Restricted	19,143,112	18,310,967
Total Unrestricted	<u>(222,050,921)</u>	<u>(247,433,356)</u>
Total Net Position	<u>(59,971,297)</u>	<u>(100,495,684)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 394,516,122</u>	<u>\$ 413,527,789</u>

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**Financial Statements (Continued)**

**Net Position**

Net position increased by \$40.5 million for the year ended June 30, 2025, which was a \$31.2 improvement over the increase of \$9.3 million for the year ended June 30, 2024. Net position is the residual of Assets, plus DOR, less Liabilities, less DIR. The University maintains the following classifications of net position:

Net investment in capital assets is the cost of land, buildings, improvements, equipment, furnishings, library books, right of use leases and subscription assets, net of accumulated depreciation and amortization. This balance is not available for use in ongoing operations since the underlying assets must be sold to use the balance to pay for current or long-term obligations. The Commonwealth must approve the sale of all State System land and buildings.

Nonexpendable restricted net position is the portion of net position subject to externally imposed conditions requiring that it be maintained by the University in perpetuity.

Expendable restricted net position is the portion of net position use of which is subject to externally imposed conditions that can be fulfilled by the actions of the University or passage of time.

Unrestricted net position is all other categories of net position. Unrestricted net position may be designated for specific purposes by the University. Unrestricted net position includes three liabilities that the University does not fund, along with the respective DOR and DIR. Because these liabilities will be gradually realized over future years, and because of their size, the University expects to fund these liabilities on a "pay-as-you-go" basis, i.e., as they become due. The University's unfunded liabilities are related to future compensated absences, pension and other postretirement employee benefits (OPEB) for retiree healthcare costs, inclusive of associated DOR and DIR. The University has no control over the pension and OPEB liabilities since the Commonwealth determines the benefit structures, employer reimbursement rates, and retiree contribution rates for these plans.

Compensated absences represents the dollar value, based on the employee's current salary, of unused leave earned by employees, and is recognized under GASB Statement No. 101. It includes annual, personal, and sick leave eligible for cash payouts upon retirement or other termination. Full-time employees may receive payouts for up to 45 days of accumulated annual, personal, and holiday leave. Sick leave payouts are limited to retirees meeting specific age and service criteria, with caps based on accumulated days. The sick leave liability includes both vested amounts and estimated non-vested amounts, based on historical data and projected eligibility. Adoption of GASB Statement No. 101 had minimal impact on the year ended June 30, 2025 opening balances. Unused but unpaid leave is reported in accrued payroll under other liabilities. The liability increased by \$1.2 million to \$16.0 million as of June 30, 2025.

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**Financial Statements (Continued)**

**Net Position (Continued)**

The OPEB liability consists of three plans, which are summarized below:

	2025	2024	Increases/ (Decreases)
State System of Higher Education Healthcare Plan	\$ 89,084,578	\$ 100,466,036	\$ (11,381,458)
Retired Employee Healthcare Plan	22,987,845	23,825,534	(837,689)
Public School Employees' Retirement Plan	422,363	422,088	275
<b>Total OPEB Liability</b>	<b>\$ 112,494,786</b>	<b>\$ 124,713,658</b>	<b>\$ (12,218,872)</b>

The net pension liability is summarized as follows:

	2025	2024	Increases/ (Decreases)
State Employee Retirement System	\$ 90,973,097	\$ 98,262,066	\$ (7,288,969)
Public School Employee's Retirement System Plan	10,168,069	10,513,540	(345,471)
<b>Total Pension Liability</b>	<b>101,141,166</b>	<b>108,775,606</b>	<b>(7,634,440)</b>

When the unfunded liabilities and related DOR and DIR are excluded, the unrestricted net position increased by \$3.9 million from the year ended June 30, 2024 to the year ended June 30, 2025, rising from \$41.4 million to \$45.3 million.

**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 classifies revenues and expenses as either operating or nonoperating.

The following table shows the increase/(decrease) in net position for the years ended June 30, 2025 and 2024, excluding the effect of unfunded liability (revenue)/expense.

	2025	2024
Increase in Net position	\$ 40,524,388	\$ 41,941,184
Unfunded Liability (Revenue) expenses	(21,507,602)	(61,333,818)
<b>Change in Net Position Excluding the Effect of Unfunded Liability Expenses</b>	<b>19,016,786</b>	<b>(19,392,634)</b>

Operating revenues decreased \$9.6 million (7.9%) to \$112.4 million for the year ended June 30, 2025, from \$122.0 million for the year ended June 30, 2024. The decrease in operating revenues was primarily due to aforementioned implementation of AR 2023-01.

Operating expenses were \$200.2 million and \$202.5 million for the years ended June 30, 2025 and 2024, respectively, a \$2.3 million (1.1%) decrease. Excluding the effect of unfunded liability revenue, operating expenses decreased to \$221.7 million for the year ended June 30, 2025, a \$2.8 million decrease (1.3%) from \$224.5 million for the year ended June 30, 2024. Personnel compensation, excluding the effect of unfunded liability expenses, totaled \$144.0 million and \$142.9 million for the years ended June 30, 2025 and 2024, respectively, a \$1.1 million (0.8%) increase.

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**Financial Statements (Continued)**

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

Personnel compensation as a percentage of total operating expenses was 61.2% and 59.7% for the years ended June 30, 2025 and June 30, 2024, respectively.

Excluding the effect of unfunded liability expense, personnel compensation expense was 65.0% and 63.6% of total operating expenses for the years ended June 30, 2025 and June 30, 2024, respectively. Operating expenses exceeded operating revenues by \$87.8 million and \$80.5 million for the years ended June 30, 2025 and 2024, respectively, a \$7.3 million (9.0%) decrease. Excluding the effect of unfunded liability expense, the operating loss for the years ended June 30, 2025 and 2024 was \$109.3 million and \$102.6 million, a \$6.7 million (6.5%) decrease.

Nonoperating revenues were \$129.5 million and \$91.3 million for the years ended June 30, 2025 and 2024, respectively. The \$38.1 million increase was primarily due to a special Commonwealth appropriations totaling \$38.5 million.

Nonoperating expenses were \$4.1 million and \$4.9 million for the years ended June 30, 2025 and 2024, respectively, a \$0.8 million decrease primarily due to interest expense on capital asset-related debt.

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**Financial Statements (Continued)**

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

The following summarizes the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees, Net	\$ 45,662,142	\$ 52,356,487
Governmental Grants and Contracts	29,503,039	24,421,849
Nongovernmental Grants and Contracts	4,031,248	5,088,090
Sales and Services	6,043,036	6,636,157
Auxiliary Enterprises, Net	27,035,382	33,212,341
Other Revenue	132,320	272,761
Total Operating Revenue	<u>112,407,167</u>	<u>121,987,685</u>
<b>NONOPERATING REVENUES</b>		
State Appropriations, General and Restricted	102,026,994	59,388,623
Federal Grants and Appropriations, COVID	-	6,843,881
Pell Grants	17,826,705	15,877,953
Investment Income, Net (Includes Unrealized Gains and Losses)	4,431,159	4,779,418
Other Nonoperating Revenues	4,518,443	4,359,882
Total Nonoperating Revenues	<u>128,803,301</u>	<u>91,249,757</u>
<b>OTHER REVENUES</b>		
State Appropriations, Capital	2,779,241	2,646,859
Capital Gifts and Grants	110,286	774,131
Total Other Revenues	<u>2,889,527</u>	<u>3,420,990</u>
Total Revenues	244,099,995	216,658,432
<b>OPERATING EXPENSES</b>		
Instruction	68,700,782	69,139,673
Research	1,131,740	1,025,260
Public Service	7,633,534	8,095,531
Academic Support	18,090,186	16,863,371
Student Services	18,205,725	16,954,272
Institutional Support	27,659,495	25,840,895
Operations of Maintenance and Plant	12,037,215	11,444,832
Depreciation and Amortization	20,329,949	19,044,380
Student Aid	6,572,672	13,672,611
Auxiliary Enterprises	19,799,562	20,385,647
Total Operating Expenses	<u>200,160,860</u>	<u>202,466,472</u>
<b>NONOPERATING EXPENSES</b>		
Interest Expense on Capital Asset-Related Debt	4,144,042	4,755,097
Other Nonoperating Revenue (Expense)	(729,294)	138,829
Total Nonoperating Expenses	<u>3,414,748</u>	<u>4,893,926</u>
Total Expenses	<u>203,575,608</u>	<u>207,360,398</u>
<b>CHANGE IN NET POSITION</b>	40,524,387	9,298,034
Net Position - Beginning of the Year	<u>(100,495,684)</u>	<u>(109,793,718)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (59,971,297)</u>	<u>\$ (100,495,684)</u>

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

**Financial Statements (Continued)**

**Statement of Cash Flows**

The Statement of Cash Flows provide information about the University's cash receipts and cash payments. The statement may be used to determine the University's ability to generate future net cash flows and meet obligations as they come due.

The \$2.9 net increase in cash for the year ended June 30, 2025 was an improvement over the \$34.9 million decrease in cash for the year ended June 30, 2024. The improvement was due to a \$44.7 million increase in noncapital financing activities, driven by special state appropriations totaling \$38.5 million, and a \$5.6 million increase in Pell grants, partially offset by a \$7.4 million increase in capital financing activities primarily due to the payoff of bond debt totaling \$21.2 million. The University also paid off \$11.1 million in bond debt in the year ended June 30, 2024. The cash balance for the years ended June 30, 2025 and 2024 was \$52.7 million and \$49.8 million, respectively, a \$2.9 million (5.8%) increase.

	<u>2025</u>	<u>2024</u>	<u>Change Provided by/ (Used by)</u>
Cash Flows from Operating Activities	\$ (89,085,211)	\$ (89,944,894)	\$ 859,683
Cash Flows from Noncapital Financing Activities	123,825,664	79,104,816	44,720,848
Cash Flows from Capital Financing Activities	(35,121,089)	(27,718,514)	(7,402,575)
Cash Flows from Investing Activities	<u>3,313,170</u>	<u>3,638,764</u>	<u>(325,594)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,932,534	(34,919,828)	37,852,362
Cash and Cash Equivalents - Beginning of Year	<u>49,737,294</u>	<u>84,657,122</u>	
Cash and Cash Equivalents - End of Year	<u>\$ 52,669,828</u>	<u>\$ 49,737,294</u>	

**Future Economic Factors**

**Enrollment** – With an undergraduate population primarily comprising Pennsylvania residents—and the majority of those being traditional-age students enrolling right out of high school—the University's enrollment is closely tied to the state's high school demographic trends. Near-term demographic trends predict flat enrollment through fiscal year 2025-2026, and then a decline for several years thereafter. The demographic cliff predicted throughout the country, is more acute in northeastern United States and more so western Pennsylvania compared to eastern Pennsylvania. The impact of the demographic cliff is compounded by a decline in the proportion of those who pursue higher education and an overcrowded higher education marketplace in the state.

**Tuition, Fees, and Auxiliary Revenue** – The University relies heavily on tuition and fee revenue to support current operating activities. The State System of Higher Education Board of Governors approved a 3.6% increase for in-state undergraduate students in fiscal year 2025-2026, following seven consecutive years of frozen rates. Beginning in fiscal year 2025-2026, rate-approving authority for the technology tuition fee was delegated to the University's Council of Trustees. Funds raised by the technology tuition fee are used to directly benefit student learning for classrooms, instructional materials, connectivity, and provide hardware, software, and support for students and faculty. The University increased the single occupancy housing rate and all meal plan rates for fiscal year 2025-2026 in an effort to increase occupancy and maximize housing revenue.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025  
(UNAUDITED)**

**Financial Statements (Continued)**

**Future Economic Factors (Continued)**

Commonwealth Appropriations – The University receives a substantial annual state appropriation from the Commonwealth. State support is a key factor that directly affects its ability to offer affordable tuition and recent increases in appropriations have been critical in freezing tuition. Financial pressures on the Commonwealth may inhibit the Commonwealth's ability to increase appropriations in the future. As of the issuance date of these financial statements, the Commonwealth did not enact its annual budget for the fiscal year beginning July 1, 2025, resulting in a delay in the distribution of general appropriations to the University. The appropriations are typically received monthly. The timing of the budget resolution is uncertain and the dollar amount of the appropriations for the 2025-2026 fiscal year remains unknown.

Labor Concentration – Approximately 86% of the University's employees are represented by eight collective bargaining units, the two largest of which are the Association of Pennsylvania State College and University Faculties (APSCUF) and the American Federation of State, County, and Municipal Employees (AFSCME). The APSCUF contract for the period July 1, 2023 through June 30, 2027 includes 4.0%, 2.0%, 1.25%, and 3.0% pay increases over the four-year contract term, and the AFSCME contract includes annual step and general pay increases of 6.2%, 4.3%, 4.2%, and 3.8% over the same years. The contractual cost increases continue to place pressure on the University's allocation of resources to meet operating needs.

Proposed College of Osteopathic Medicine – the University is pursuing accreditation for a proposed College of Osteopathic Medicine (COM). As part of the accreditation process with the Commission on Osteopathic College Accreditation (COCA), the University was required to deposit funds totaling \$37.5 million into separate, segregated reserve accounts on August 1, 2025. The Operating Reserve Fund Account is required to be maintained until graduation of the first class of students. The Escrow Reserve Fund Accounts are required to be used solely to pay teach-out costs of students, should such a determination be reached. Funds in these accounts must be invested in publicly traded money market funds (or such other investments as specifically approved) and interest earned in such investments must be maintained in the funds. The agreements also require certain minimal level of funds to be maintained in these accounts over their life.

The initial class of students is planned to begin in fall 2027. COCA standards require that a new COM must ramp up enrollment over 3 years, with year one at 50 percent of a full class, year two at 75 percent, and year three with a full class.

As part of the process to seek accreditation for this new endeavor, a new side letter for the faculty collective bargaining agreement is being negotiated to address new pay scales and other working rules for the faculty hired to teach in the COM. The new program of curriculum must progress through the University and Office of the Chancellor processes. COCA will continue to review and will visit campus before final approval.

**Requests for Information**

For more information about these financial statements, contact the following:

Mr. William E. Buttz  
Associate Vice President for Finance  
Indiana University of Pennsylvania  
1090 South Drive  
Clark Hall

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF NET POSITION – UNIVERSITY  
JUNE 30, 2025**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	52,669,828
Accounts Receivable:		
Governmental Grants and Contracts		4,325,172
Students, Net of Allowance for Doubtful Accounts of \$13,152,322		7,408,524
Sales and Service		1,097,880
Other, Net of Allowance for Doubtful Accounts of \$0		33,359
Inventories		924,717
Prepaid Expenses		1,587,250
Loans Receivable		5,956
Investment Income Receivable		168,462
Current Portion of Leases Receivable		86,166
Due from Component Units		3,986,912
Due from Component Units - Lease Receivable		32,117
Other Current Assets		1,522,082
Total Current Assets		73,848,425

**NONCURRENT ASSETS**

Restricted Cash and Cash Equivalents		25,079
Investments		11,276,202
Loans Receivable, Net		226,237
Long-Term Portion of Leases Receivable		1,505,537
Due from Component Units - Lease Receivable		1,258,021
Capital Assets, Net		278,848,626
Total Noncurrent Assets		293,139,702
 Total Assets		 366,988,127

**DEFERRED OUTFLOWS OF RESOURCES**

Pension Related Deferred Outflows		16,302,182
Other Post Employment Benefits Related Deferred Outflows		11,225,813
Total Deferred Outflows of Resources		27,527,995
 Total Assets and Deferred Outflows of Resources	<b>\$</b>	 394,516,122

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF NET POSITION – UNIVERSITY (CONTINUED)  
JUNE 30, 2025**

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

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses:		
Supplies and Services	\$	2,980,085
Employees		11,633,031
Other		23,573
Unearned Revenue:		
Students		2,040,306
Grants and Appropriations		121,402
Sales and Service		175,000
Accrued Interest Payable		564,475
Students' Deposits		409,015
Other Deposit Liabilities		648,015
Current Portion of Workers' Compensation Obligation		433,892
Current Portion of Compensated Absences Obligation		1,997,194
Current Portion of Leases, Financed Purchases, and Subscription Liabilities		6,457,556
Current Portion of Other Post Employment Benefits Obligation		4,669,053
Current Portion Due to System, Academic Facilities Renovation Bond Program (AFRP)		94,029
Due to Component Units		884,379
Due to Component Units - Lease Liabilities		796,406
Other Current Liabilities		803,630
Total Current Liabilities		<u>34,731,041</u>

**NONCURRENT LIABILITIES**

Compensated Absences Obligation, Net of Current Portion		14,051,671
Other Postretirement Benefits Obligation		107,825,733
Net Pension Liability		101,141,166
Workers Compensation Liability		267,890
Leases, Financed Purchases, and Subscription Liabilities		118,464,022
Due to System, AFRP		99,112
Due to Component Units - Lease Liabilities		10,000,989
Total Noncurrent Liabilities		<u>351,850,583</u>

Total Liabilities 386,581,624

**DEFERRED INFLOWS OF RESOURCES**

Pension Related Deferred Inflows		4,379,114
Other Post Employment Benefits Related Deferred Inflows		60,823,553
Lease Receivable		1,518,682
Lease Receivable Component Units		1,184,446
Total Deferred Inflows of Resources		<u>67,905,795</u>

**NET DEFICIT**

Net Investment in Capital Assets		142,936,512
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		3,224,848
Student Loans		19,079
Other		799,223
Expendable:		
Scholarships and Fellowships		1,341,425
Capital Projects		13,748,753
Other		9,784
Unrestricted		(222,050,921)
Total Net Deficit		<u>(59,971,297)</u>

Total Liabilities, Deferred Inflows of Resources, and Net Deficit \$ 394,516,122

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – UNIVERSITY  
YEAR ENDED JUNE 30, 2025**

**OPERATING REVENUES**

Tuition and Fees, Net of Refunds	\$ 91,574,299	
Less: Scholarship Discounts and Allowances	45,912,157	
Net Tuition and Fees	45,662,142	
Governmental Grants and Contracts:		
Federal	9,735,334	
State	19,494,505	
Local	273,200	
Nongovernmental Grants and Contracts	4,031,248	
Sales and Services of Educational Departments	6,043,036	
Auxiliary Enterprises, Net of Refunds	27,035,382	
Other Revenues	132,320	
Total Operating Revenues	112,407,167	

**OPERATING EXPENSES**

Instruction	68,700,782	
Research	1,131,740	
Public Service	7,633,534	
Academic Support	18,090,186	
Student Services	18,205,725	
Institutional Support	27,659,495	
Operations and Maintenance of Plant	12,037,215	
Depreciation and Amortization	20,329,949	
Student Aid	6,572,672	
Auxiliary Enterprises	19,799,562	
Total Operating Expenses	200,160,860	

**OPERATING LOSS**

(87,753,693)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations, General and Restricted	102,026,994	
Commonwealth on behalf Contributions to PSERS	891,095	
Pell Grants	17,826,705	
Investment Income, Net	3,617,344	
Unrealized Gain on Investments	813,815	
Gifts for Other than Capital Purposes	3,627,348	
Interest Expense on Capital Asset-Related Debt	(4,144,042)	
Other Nonoperating Revenue (Expense)	729,294	
Nonoperating Revenues, Net	125,388,553	

**INCOME BEFORE OTHER REVENUES**

37,634,860

**OTHER REVENUES**

State Appropriations, Capital	2,779,241	
Capital Gifts and Grants	110,286	
Total Other Revenues	2,889,527	

**INCREASE IN NET POSITION**

40,524,387

Net Deficit - Beginning of Year

(100,495,684)

**NET DEFICIT - END OF YEAR**

\$ (59,971,297)

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF CASH FLOWS – UNIVERSITY  
YEAR ENDED JUNE 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 45,615,163
Grants and Contracts	33,432,254
Payments to Suppliers for Goods and Services	(51,376,411)
Payments to Employees	(142,403,025)
Loans Issued to Students	(234,399)
Loans Collected from Students	50,704
Student Aid	(6,572,672)
PLUS, Stafford, and Other Loans Receipts	59,398,062
PLUS, Stafford, and Other Loans Disbursements	(59,398,062)
Auxiliary Enterprise Charges	27,013,824
Sales and Services of Educational Departments	6,210,638
Other Receipts (Payments)	(821,287)
Net Cash Used by Operating Activities	<u>(89,085,211)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	102,026,994
Gifts and Nonoperating Grants for Other Than Capital Purposes	3,627,349
PELL Grant	17,826,704
Custodial Transactions, Net	198,994
Other	145,623
Net Cash Provided by Noncapital Financing Activities	<u>123,825,664</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital Appropriations	2,779,241
Capital Grants and Gifts Received	48,137
Purchases of Capital Assets	(5,362,157)
Principal Paid on Capital Debt, Leases, and Subscriptions	(28,175,848)
Interest Paid on Capital Debt, Leases, and Subscriptions	(4,410,462)
Net Cash Used by Capital Financing Activities	<u>(35,121,089)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	112,494
Interest on Investments	3,608,678
Purchase of Investments	(408,002)
Net Cash Provided by Investing Activities	<u>3,313,170</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

	2,932,534
Cash and Cash Equivalents - Beginning of Year	<u>49,737,294</u>

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

	<u><u>\$ 52,669,828</u></u>
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See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF CASH FLOWS – UNIVERSITY (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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

Operating Loss	\$ (87,753,693)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation and Amortization Expense	20,329,949
Expenses Paid by Commonwealth or Donor	891,095
Effect of Changes in Operating Assets, Liabilities, and	
Deferred Inflows and Outflows:	
Receivables, Net	36,562
Lease Rental Receivable Activities	(31,718)
Inventories	(39,867)
Other Assets	(909,289)
Accounts Payable	(197,707)
Unearned Revenue	(66,288)
Students' Deposits	11,871
Compensated Absences	1,159,481
Loans to Students and Employees	(183,695)
Post Employment Benefits Liability (OPEB) Activities	(20,283,340)
Defined Benefit Pension Activities	(2,383,743)
Other Liabilities	335,171
Net Cash Used by Operating Activities	<u><u>\$ (89,085,211)</u></u>

**SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS**

Capital Assets Included in Payables	<u><u>\$ 241,073</u></u>
Capital Assets Acquired by New Subscription Agreements	<u><u>\$ 1,560,806</u></u>
Capital Assets Acquired by Gift	<u><u>\$ 62,149</u></u>

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF FINANCIAL POSITION – COMPONENT UNITS  
JUNE 30, 2025**

**ASSETS**

Cash and Cash Equivalents	\$ 13,785,523
Accounts and Interest Receivable	1,700,904
Contributions/Pledges Receivable	3,156,573
Due from University	941,905
Inventories and Prepaid Expenses	437,533
Investments	144,269,599
Capital Assets, Net	62,281,982
Funds Held by Component Unit	7,170,664
Restricted Cash and Investments	20,875,841
Right of use assets	1,747,015
Other Assets	<u>121,777,012</u>
Total Assets	<u><u>\$ 378,144,551</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 1,679,639
Deferred Revenues	4,554,185
Annuity Liabilities	96,646
Due to University	4,954,772
Deposits Payable	263,494
Funds Held for Component Unit	7,170,664
Lease Liabilities	776,385
Long-Term Debt, Net	182,499,195
Other Liabilities	<u>6,590,889</u>
Total Liabilities	<u>208,585,869</u>

**NET ASSETS**

Without Donor Restriction	64,774,862
With Donor Restriction	<u>104,783,820</u>
Total Net Assets	<u><u>169,558,682</u></u>

Total Liabilities and Net Assets	<u><u>\$ 378,144,551</u></u>
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**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
STATEMENT OF ACTIVITIES – COMPONENT UNITS  
YEAR ENDED JUNE 30, 2025**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION**

Revenues and Other Additions:	
Sales and Services	\$ 4,489,650
Student Fees	8,162,340
Grants and Contracts	8,016,072
Rental Income, Net of Refunds	7,550,134
Investment Income, Net	4,797,948
Unrealized Gain (Loss) on Investments	2,473,378
Other Revenues and Gains	2,071,916
Contributions	1,229,213
Net Assets Released Based on Satisfaction of Program Restrictions	<u>4,749,467</u>
Total Revenues and Other Additions	43,540,118
Expenses and Losses:	
Program Services:	
Scholarships and Grants	4,600,563
Student Activities and Programs	5,656,337
University Stores	3,015,488
Housing	11,697,076
Other Programs	13,784,638
Management and General	2,165,118
Fundraising	<u>1,323,053</u>
Total Expenses	42,242,273
Investment Return, Net	(1,736,273)
Other Expenses and Losses	<u>393,297</u>
Total Expenses and Losses	40,899,297
Change in Net Assets Without Donor Restriction	2,640,821

**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Contributions	8,129,100
Investment Income, Net	8,698,776
Other Revenues and Gains	250,000
Net Assets Released Based on Satisfaction of Program Restrictions	<u>(4,749,467)</u>
Change in Net Assets with Donor Restrictions	<u>12,328,409</u>

**CHANGE IN NET ASSETS**

14,969,230

Net Assets - Beginning of Year 154,589,452

**NET ASSETS - END OF YEAR** \$ 169,558,682

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
EXPENSE BY FUNCTION AND NATURE – COMPONENT UNITS  
YEAR ENDED JUNE 30, 2025**

	Program Activities					Supporting Activities				Total Expenses
	Scholarships and Grants	Student Activities and Programs	University Stores	Housing	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Natural Expense:										
Salaries and Benefits	\$ -	\$ 657,290	\$ 772,373	\$ 693,672	\$ 4,514,046	\$ 6,637,381	\$ 1,588,254	\$ -	\$ 1,588,254	\$ 8,225,635
Gifts and Grants	250,000	3,785,617	-	10,185	408,923	4,454,725	-	3,200	3,200	4,457,925
Supplies and Travel	-	-	2,104,651	23,400	1,332,843	3,460,894	107,364	51,953	159,317	3,620,211
Services and Professional Fees	-	283,546	45,749	206,388	2,693,805	3,229,488	262,331	1,232,975	1,495,306	4,724,794
Office and Occupancy	-	635,305	3,425	-	65,043	703,773	135,564	-	135,564	839,337
Depreciation	-	-	-	1,791,466	1,303,797	3,095,263	-	-	-	3,095,263
Interest	-	-	-	5,954,666	751,955	6,706,621	-	-	-	6,706,621
Other	4,350,563	294,579	89,290	3,017,299	2,714,226	10,465,957	71,605	34,925	106,530	10,572,487
<b>Total Expenses</b>	<b>\$ 4,600,563</b>	<b>\$ 5,656,337</b>	<b>\$ 3,015,488</b>	<b>\$ 11,697,076</b>	<b>\$ 13,784,638</b>	<b>\$ 38,754,102</b>	<b>\$ 2,165,118</b>	<b>\$ 1,323,053</b>	<b>\$ 3,488,171</b>	<b>\$ 42,242,273</b>

See accompanying Notes to Financial Statements.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Indiana University of Pennsylvania of the State System of Higher Education (the University), a public four-year doctoral intensive institution located in Indiana, Pennsylvania, was founded in 1875. The University is one of ten universities, and the System Office, which comprise Pennsylvania's State System of Higher Education (the State System). The State System was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

**Measurement Focus, Basis of Accounting, and Basis of Presentation**

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

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including FASB Codification Section 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

**Reporting Entity**

The University functions as a business-type activity, as defined by GASB.

The University has determined that the Student Cooperative Association, Inc. (the Cooperative); the College Student Union Association, Inc. (the Student Union); the Foundation for Indiana University of Pennsylvania, Inc. (the Foundation); the IUP Research Institute, Inc. (the Research Institute); the Indiana University of Pennsylvania Alumni Association, Inc. (the Alumni Association); and Residential Revival Indiana (RR Indiana), 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.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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

**Reporting Entity (Continued)**

The Cooperative includes Student Funds, the Co-op Store, and Central Treasury. Student Funds administers activity fees assessed and collected by the University. The Co-op Store sells college textbooks, clothing, and supplies, and Central Treasury acts as a banking agent for campus organizations. Because the economic resources received and held by the Cooperative are for the direct benefit of the University and the influence of the University over the Cooperative, the Cooperative is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The fiscal activity of the Cooperative is presented as of and for the year ended June 30, 2025.

The Student Union is a nonprofit entity that is affiliated with the Cooperative. Its assets include the various buildings and the main furnishings and fixtures. Because the economic resources received and held by the Student Union are for the direct benefit of the University and the influence of the University over the Student Union, the Student Union is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Student Union is presented as of and for the year ended June 30, 2025.

The Foundation acts as a repository for gifts given for the benefit of the University. Resources held by the Foundation are used solely for supplement of the capital, public services, financial aid, and educational programs of the University and administratively operate the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon is restricted for the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Foundation is presented as of and for the year ended June 30, 2025.

The RR Indiana is a nonprofit entity which was incorporated to maintain and manage certain student housing facilities on the main campus of the University. Because the economic resources received and held by the RR Indiana are for the direct benefit of the University and the influence of the University over the RR Indiana, it is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the RR Indiana is presented as of and for the year ended June 30, 2025.

The Research Institute engages in, fosters, and supports research related to fields of study at the University and provides development and administrative services for such research. The Research Institute also disseminates information related to research to the academic community and public and offers programs and services related to the procurement of funding for conducting research and development projects.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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

**Reporting Entity (Continued)**

Because these restricted resources held by the Research Institute can only be used by, or for the benefit of the University, the Research Institute is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Research Institute is presented as of and for the year ended June 30, 2025.

The Alumni Association is a nonprofit entity that serves alumni of the University as an independent association governed by a volunteer board of directors. The Alumni Association is dedicated to connecting alumni, students, and friends of the University to create and enrich relationships to advance IUP. Because the resources received and held by the Alumni Association are for the direct benefit of the University and the influence of the University over the Alumni Association, the Alumni Association is considered a discretely presented component unit of the University and is included within the University's financial reporting entity. The financial activity of the Alumni Association is presented as of and for the year ended June 30, 2025.

Complete financial statements for the Cooperative, Student Union, Foundation, RR Indiana, Research Institute, and Alumni Association may be obtained at the University's Administrative Office.

**Operating Revenues and Expenses**

Operating revenues of the University consist of tuition, student fees, student financial aid, auxiliary activity, corporate partnerships, and revenue from cogeneration sales. In addition, governmental and private grants and contracts, in which the grantor receives equal value for the funds given to the University, are recorded as operating revenue. All expenses, with the exception of interest expense, loss on the sale of investments, loss on the disposal of assets, and extraordinary expenses are recorded as operating expenses. Appropriations, gifts, interest income, capital grants, gains on the sale of 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.

**Scholarship Discounts and Allowances and Waivers**

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

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

**Net Position**

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The University maintains the following classifications of net position:

*Net Investment in Capital Assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

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

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

*Unrestricted* – All other categories of net position. Unrestricted net position may be designated for specific purposes by the University's council of trustees.

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

**Cash Equivalents and Investments**

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

**Accounts Receivable 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 their 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 being determined principally on the weighted average method.

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

**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.

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

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

**Impairment of Capital Assets**

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-downs of capital assets were required for the year ended June 30, 2025.

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

The University routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the University is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the University recognized a lease or subscription liability and an intangible right of use asset based on the present value of the future lease payments or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right of use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position.

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

**Leases and Subscription-Based Information Technology Arrangements (Continued)**

The right of use lease and subscription assets are amortized over the term of the lease or SBITA, 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 in excess of twelve months, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

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

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

**Unearned Revenue**

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

**Compensated Absences**

The liability for compensated absences consists of leave that has not been used but is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The liability also includes amounts for leave that has been used for time off but had not yet been paid in cash or settled through noncash means and certain types of leave.

**Pension Plans and Other Post Employment Benefit (OPEB) Plans**

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

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

**Pension Plans and Other Post Employment Benefit (OPEB) Plans (Continued)**

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.

**Income Taxes**

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

**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.

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

**Deferred Outflows and Deferred Inflows of Resources (Continued)**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

**New Accounting Standards**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, effective for reporting periods beginning after December 15, 2023. Statement No. 101, which supersedes Statement No. 16, *Accounting for Compensated Absences*, defines compensated absences and provides a unified model for recognition of a liability and expense for leave that has not been used, provided it meets specified criteria. The University adopted Statement No. 101 during the fiscal year ended June 30, 2025. The impact of beginning net position as of June 30, 2024, was evaluated and determined to be immaterial; therefore, the opening net position was not restated.

GASB Statement No. 102, *Certain Risk Disclosures*, was adopted for the year ended June 30, 2025. This Statement requires disclosures of certain concentrations and constraints that make the government vulnerable to the risk of a substantial impact.

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**NOTE 2 COMPONENT UNIT INFORMATION**

The following represents combining condensed balance sheet information for the component units as of June 30, 2025:

<b>ASSETS</b>	<u>Cooperative</u>	<u>Student Union</u>	<u>Foundation</u>	<u>Residential Revival Indiana</u>	<u>Research Institute</u>	<u>Alumni Association</u>	<u>Total</u>
Due from University	\$ 541,663	\$ -	\$ 265,056	\$ -	\$ 135,186	\$ -	\$ 941,905
Funds Held by Component Unit	-	-	-	-	-	7,170,664	7,170,664
Investments	327,254	-	142,695,633	-	1,246,712	-	144,269,599
Capital Assets, Net	22,883,331	-	39,398,651	-	-	-	62,281,982
Other Assets	4,700,342	11,349	72,172,882	79,402,810	7,193,018	-	163,480,401
<b>Total Assets</b>	<b>\$ 28,452,590</b>	<b>\$ 11,349</b>	<b>\$ 254,532,222</b>	<b>\$ 79,402,810</b>	<b>\$ 8,574,916</b>	<b>\$ 7,170,664</b>	<b>\$ 378,144,551</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Due to University	\$ 143,868	\$ -	\$ 1,960,207	\$ 1,539,689	\$ 1,311,008	\$ -	\$ 4,954,772
Funds Held for Component Unit	-	-	7,170,664	-	-	-	7,170,664
Capital Leases	776,385	-	-	-	-	-	776,385
Long-Term Debt, Net	16,340,000	-	100,631,753	65,527,442	-	-	182,499,195
Other Liabilities	1,645,036	-	5,916,085	-	5,457,399	166,333	13,184,853
<b>Total Liabilities</b>	<b>18,905,289</b>	<b>-</b>	<b>115,678,709</b>	<b>67,067,131</b>	<b>6,768,407</b>	<b>166,333</b>	<b>208,585,869</b>
<b>NET ASSETS</b>							
Without Donor Restrictions	9,547,301	11,349	34,069,693	12,335,679	1,806,509	7,004,331	64,774,862
With Donor Restrictions	-	-	104,783,820	-	-	-	104,783,820
<b>Total Net Assets</b>	<b>9,547,301</b>	<b>11,349</b>	<b>138,853,513</b>	<b>12,335,679</b>	<b>1,806,509</b>	<b>7,004,331</b>	<b>169,558,682</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 28,452,590</b>	<b>\$ 11,349</b>	<b>\$ 254,532,222</b>	<b>\$ 79,402,810</b>	<b>\$ 8,574,916</b>	<b>\$ 7,170,664</b>	<b>\$ 378,144,551</b>

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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**NOTE 2 COMPONENT UNIT INFORMATION (CONTINUED)**

The following represents combining revenues, expenses, and changes in net assets information for the component units for the year ended June 30, 2025:

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
<b>CHANGES IN NET ASSETS WITHOUT RESTRICTION</b>							
Revenues and Other Additions:							
Sales and Services	\$ 2,766,268	\$ -	\$ -	\$ -	\$ 1,499,776	\$ 223,606	\$ 4,489,650
Student Fees	8,162,340	-	-	-	-	-	8,162,340
Grants and Contracts	-	5,200	-	-	8,010,872	-	8,016,072
Rental Income, Net of Refunds	2,708	-	7,547,426	-	-	-	7,550,134
Investment Income	208,369	4	2,933,020	1,570,134	86,421	-	4,797,948
Unrealized Gain on Investments	-	-	1,736,273	-	18,793	718,312	2,473,378
Other Revenues and Gains	348,475	-	1,636,381	-	57,008	30,052	2,071,916
Contributions	-	-	1,227,275	-	-	1,938	1,229,213
Net Assets Released from Restrictions	-	-	4,749,467	-	-	-	4,749,467
<b>Total Revenues and Other Additions</b>	<b>11,488,160</b>	<b>5,204</b>	<b>19,829,842</b>	<b>1,570,134</b>	<b>9,672,870</b>	<b>973,908</b>	<b>43,540,118</b>
Expenses and Losses:							
Program Services:							
Scholarships and Grants	250,000	-	4,350,563	-	-	-	4,600,563
Student Activities and Programs	5,656,337	-	-	-	-	-	5,656,337
University Stores	3,015,488	-	-	-	-	-	3,015,488
Housing	-	-	9,974,238	1,722,838	-	-	11,697,076
Other Programs	2,055,752	-	2,623,858	-	8,879,467	225,561	13,784,638
Management and General Fundraising	390,667	5,220	951,691	-	486,520	331,020	2,165,118
	-	-	1,323,053	-	-	-	1,323,053
<b>Total Expenses</b>	<b>11,368,244</b>	<b>5,220</b>	<b>19,223,403</b>	<b>1,722,838</b>	<b>9,365,987</b>	<b>556,581</b>	<b>42,242,273</b>
Investment Return, Net	-	-	(1,736,273)	-	-	-	(1,736,273)
Other Expenses and Losses	50,513	-	342,784	-	-	-	393,297
<b>Total Expenses and Losses</b>	<b>11,418,757</b>	<b>5,220</b>	<b>17,829,914</b>	<b>1,722,838</b>	<b>9,365,987</b>	<b>556,581</b>	<b>40,899,297</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	<b>69,403</b>	<b>(16)</b>	<b>1,999,928</b>	<b>(152,704)</b>	<b>306,883</b>	<b>417,327</b>	<b>2,640,821</b>

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**NOTE 2 COMPONENT UNIT INFORMATION (CONTINUED)**

	Cooperative	Student Union	Foundation	Residential Revival Indiana	Research Institute	Alumni Association	Total
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>							
Contributions	\$ -	\$ -	\$ 8,129,100	\$ -	\$ -	\$ -	\$ 8,129,100
Investment Gain	-	-	8,698,776	-	-	-	8,698,776
Other Revenues and Gains (Losses)	-	-	250,000	-	-	-	250,000
Net Assets Released From Restrictions	-	-	(4,749,467)	-	-	-	(4,749,467)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>-</u>	<u>-</u>	<u>12,328,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,328,409</u>
<b>CHANGE IN NET ASSETS</b>	69,403	(16)	14,328,337	(152,704)	306,883	417,327	14,969,230
Net Assets - Beginning of Year	<u>9,477,898</u>	<u>11,365</u>	<u>124,525,176</u>	<u>12,488,383</u>	<u>1,499,626</u>	<u>6,587,004</u>	<u>154,589,452</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 9,547,301</u></u>	<u><u>\$ 11,349</u></u>	<u><u>\$ 138,853,513</u></u>	<u><u>\$ 12,335,679</u></u>	<u><u>\$ 1,806,509</u></u>	<u><u>\$ 7,004,331</u></u>	<u><u>\$ 169,558,682</u></u>

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**NOTE 3 DEPOSITS AND INVESTMENTS**

The University predominantly maintains its cash balances on deposit with the State System which 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 \$52,477,882 at June 30, 2025.

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

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

Investments may be made in U.S. dollar-denominated debt of high-quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained, and guidelines are followed.

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

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

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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

**CMO Risk**

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

**Moody's Rating**

The State System and the University use 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 indicated medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the rating 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.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Modified Duration**

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

**Fair Value Hierarchy**

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

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

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

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

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

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the FASB'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.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

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 the University, are valued based upon the unit values (NAV) of the funds held by the University at year-end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the University has invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice. Both the Multi-Strategy Equity Fund and the High Quality Bond Fund, held by the University, are restricted to withdrawals on the last day of business of the month. There are no unfunded commitments on these investments.

**Multi-Strategy Equity Fund**

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

**High Quality Bond Fund**

The investment objective of the fund is to offer a program devoted to investing in high quality, investment-grade only, fixed income securities. The fund seeks to outperform its benchmark, the Barclays Aggregate Bond Index, over a full market cycle.

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](http://www.passhe.edu).

**Custodial Credit Risk**

Custodial Credit Risk is the risk that in the event of failure, the University would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Management believes they are not exposed to this credit risk.

**Concentration of Credit Risk**

The University does not have a formal investment policy for concentration of credit risk.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

At June 30, 2025, the University had the following investments which exceeded 5% of the University's total investments:

<u>Issuer</u>	<u>Type of Investment</u>	<u>Amount</u>	<u>Percentage of Total Long-Term Investments</u>
Common Fund	Multi-Strategy Equity Fund	\$ 6,975,539	61.86%
Common Fund	High Quality Bond Fund	4,300,663	38.14%
		<u>\$ 11,276,202</u>	

At June 30, 2025, the carrying amount of the University's demand and time deposits were \$217,025 as compared to bank balances of \$185,036. The difference is caused primarily by items in-transit and outstanding checks. All bank balances were covered by federal government depository insurance or uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

The carrying value (fair value) of the University's local deposits and investments on June 30, 2025 is presented below:

	<u>Fair Value Hierarchy Level</u>	<u>Moody's Rating (if Applicable)</u>	<u>Modified Duration (if Applicable)</u>	<u>Fair Value</u>
Deposits:				
Demand and Time Deposits	N/A			\$ 1,319,302
Investments:				
Fixed Income Mutual Funds	NAV			4,300,663
Equity/Balanced Mutual Funds	NAV			6,975,539
Total				<u>\$ 12,595,504</u>

Of all local investments noted above, the University has no exposure to foreign currency risk for the year ended June 30, 2025.

**NOTE 4 LEASE RECEIVABLES**

The University routinely leases various land or facilities to third parties and component units. 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. Lease receivables are discounted at a rate of 1.5% and expire at various dates through 2052.

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**NOTE 4 LEASE RECEIVABLES (CONTINUED)**

The lease revenue and interest income for the fiscal year ended June 30, 2025 are summarized in the following schedule.

	<u>Third Party</u>	<u>Component Unit</u>
Lease Revenue	\$ 26,222	\$ 19,563
Interest Income	114,583	49,352
Total	<u>\$ 140,805</u>	<u>\$ 68,915</u>

The following summary provides aggregated information reported for June 30, 2025 lease receivables including additions and reductions for the year then ended.

	Beginning Balance July 1, 2024	Additions	Retirements	Ending Balance June 30, 2025
Lease Receivable - Third Parties	\$ 1,693,277	\$ -	\$ 101,574	\$ 1,591,703
Lease Receivable - Component Units	1,320,781	-	30,643	1,290,138
Total	<u>\$ 3,014,058</u>	<u>\$ -</u>	<u>\$ 132,217</u>	<u>\$ 2,881,841</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 118,283	\$ 43,533	\$ 161,816
2027	124,718	41,244	165,962
2028	127,135	38,793	165,928
2029	112,332	36,906	149,238
2030	115,625	35,198	150,823
2031-2035	534,580	151,455	686,035
2036-2040	496,739	112,393	609,132
2041-2045	560,647	73,950	634,597
2046-2050	597,596	28,155	625,751
2051-2052	94,186	1,208	95,394
Total Minimum Lease Payments	<u>\$ 2,881,841</u>	<u>\$ 562,835</u>	<u>\$ 3,444,676</u>

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**NOTE 5 CAPITAL ASSETS**

The classification of capital assets and related depreciation at June 30, 2025 is as follows:

	Estimated Lives (in Years)	Beginning Balance July 1, 2024	Additions	Retirements	Transfers	Ending Balance June 30, 2025
<b>Capital Assets Not Being Depreciated</b>						
Land		\$ 7,540,798	\$ -	\$ -	\$ -	\$ 7,540,798
Construction in Progress		3,916,502	2,033,396	(66,073)	(3,625,615)	2,258,210
Total Capital Assets Not Being Depreciated		11,457,300	2,033,396	(66,073)	(3,625,615)	9,799,008
<b>Capital Assets Being Depreciated and Amortized</b>						
Buildings, including Improvements	40-20	422,235,749	1,391,730	-	1,485,090	425,112,569
Land Improvements	20	64,168,951	775,606	-	475,424	65,419,981
Furnishings and Equipment	3-10	48,425,722	1,455,470	(219,484)	-	49,661,708
Right of Use Assets	Varies 1-5	17,243,851	-	(241,428)	-	17,002,423
Subscription Assets	Varies 1-5	4,378,001	1,560,806	(157,976)	1,665,101	7,445,932
Library Books	10	9,493,490	9,178	(187,875)	-	9,314,793
Total Capital Assets Being Depreciated and Amortized		565,945,764	5,192,790	(806,763)	3,625,615	573,957,406
<b>Less: Accumulated Depreciation and Amortization</b>						
Buildings, Including Improvements		(184,705,962)	(13,353,333)	-	-	(198,059,295)
Land Improvements		(42,942,043)	(1,900,112)	-	-	(44,842,155)
Furnishings and Equipment		(42,928,038)	(1,612,808)	219,484	-	(44,321,362)
Right of Use Assets		(4,060,168)	(1,177,598)	241,428	-	(4,996,338)
Subscription Assets		(1,483,903)	(2,233,478)	157,976	-	(3,559,405)
Library Books		(9,264,488)	(52,620)	187,875	-	(9,129,233)
Total Accumulated Depreciation and Amortization		(285,384,602)	(20,329,949)	806,763	-	(304,907,788)
Total Capital Assets Being Depreciated and Amortized, Net		280,561,162	(15,137,159)	-	3,625,615	269,049,618
Capital Assets, Net		<u>\$ 292,018,462</u>	<u>\$ (13,103,763)</u>	<u>\$ (66,073)</u>	<u>\$ -</u>	<u>\$ 278,848,626</u>

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**NOTE 6 RIGHT TO USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES**

The University routinely leases various facilities and equipment and enters into subscription-based information technology arrangements (SBITAs) 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 or subscription liability valuation. These are recognized as expenses in the period that they occur. There were no variable payments, termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2025.

Leases that provide for the transfer of title to the University at the end of the lease term are accounted for as financed purchases. Interest expense recognized on these leases for the fiscal year ended June 30, 2025 totaled \$3,732,737. Leases required fixed monthly payments, expire at various dates through 2055, and bear interest at rates ranging from 1.50%-13.1%.

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

Fiscal Year Ending	Financed Purchases		Right of Use Leases with 3rd Parties		Right of Use Leases With Component Units		Subscription Agreements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 4,750,080	\$ 3,623,023	\$ 227,098	\$ 28,960	\$ 796,406	\$ 161,482	\$ 1,480,378	\$ 68,752
2027	4,870,590	3,502,510	226,607	25,428	722,579	147,367	408,640	29,974
2028	4,989,153	3,383,949	233,121	21,876	736,495	136,425	390,189	15,370
2029	5,122,464	3,250,637	237,049	18,318	765,108	125,270	36,357	1,143
2030	5,254,324	3,118,777	246,636	14,697	794,502	113,684	-	-
2031 - 2035	28,390,271	13,475,236	845,486	20,991	4,442,102	378,658	-	-
2046 - 2040	28,539,220	9,563,154	-	-	2,540,203	58,824	-	-
2041 - 2045	16,181,012	6,261,049	-	-	-	-	-	-
2046 - 2050	11,417,170	3,823,695	-	-	-	-	-	-
2051 - 2055	11,075,733	1,116,959	-	-	-	-	-	-
Total	<u>\$ 120,590,017</u>	<u>\$ 51,118,989</u>	<u>\$ 2,015,997</u>	<u>\$ 130,270</u>	<u>\$ 10,797,395</u>	<u>\$ 1,121,710</u>	<u>\$ 2,315,564</u>	<u>\$ 115,239</u>

The following summary provides aggregated information reported for June 30, 2025 financed purchase and right of use lease liabilities including additions, reductions and reported liabilities for the years then ended.

	Beginning Balance July 1, 2024	2024-2025 Additions	2024-2025 Reductions	Ending Balance June 30, 2025
Financed Purchases	\$ 125,223,129	\$ -	\$ 4,633,112	\$ 120,590,017
3rd Party Leases	2,272,382	-	256,385	2,015,997
Component Unit Leases	11,563,181	-	765,786	10,797,395
Subscriptions	2,578,455	1,560,807	1,823,697	2,315,564
Total	<u>\$ 141,637,147</u>	<u>\$ 1,560,807</u>	<u>\$ 7,478,980</u>	<u>\$ 135,718,973</u>

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**NOTE 6 RIGHT TO USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES (CONTINUED)**

**Component Unit Leases**

The Cooperative, a component unit who accounts for leases under Financial Accounting Standards Board (FASB) Standards, has entered into lease agreements for the financing of buildings, building improvements, and equipment. Future annual minimum payments in the aggregate under noncancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 408,886
2027	207,332
2028	177,337
2029	<u>88,669</u>
Total Minimum Lease Payments	882,224
Less: Amount Representing Interest on Leases	<u>105,839</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 776,385</u></u>

**NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT**

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

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**NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)**

Activity for the various bond series for the year-end June 30, 2025 is as follows:

	Weighted Average Interest Rate	Balance July 1, 2024	Bonds Issued	Bonds Redeemed/ Retired	Balance June 30, 2025
Series AQ issued in May 2015 for Various Projects	4.56%	\$ 223,429	\$ -	\$ (223,429)	\$ -
Series AS issued in June 2016 for Various Projects	4.13%	295,052	-	(295,052)	-
Series AT issued in September 2016 for Various Projects	3.45%	12,660,000	-	(12,660,000)	-
Series AU-1 Issued In September 2017 for Various Projects	3.52%	3,361,750	-	(3,361,750)	-
Series AU-2 Issued In September 2017 for Various Projects	3.52%	1,072,972	-	(1,072,972)	-
Series AV-1 Issued In September 2018 for Various Projects	4.22%	32,584	-	(32,584)	-
Series AY Issued In October 2020 for Various Projects	1.48%	3,611,248	-	(3,611,248)	-
<b>Total Bonds Payable</b>		<u>\$ 21,257,035</u>	<u>\$ -</u>	<u>\$ (21,257,035)</u>	<u>-</u>
Plus: Unamortized Bond Premium					-
Less: Unamortized Bond Discount					-
Outstanding at End of Year					-
Less: Current Portion					-
Bonds Payable, Net of Current Portion					<u>\$ -</u>

On September 12, 2024, the State System defeased \$58,600,000 principal amount of eight different bonds series originally issued between May 2015 and October 2020. The in-substance defeasance was accomplished by depositing funds irrevocably in trust with an escrow agent, such funds used to purchase U.S. Government Securities. This redemption and in-substances defeasance were performed to reduce average annual debt service by approximately \$2,906,000 at the University and resulted in an accounting gain of \$597,838. The funds associated with this redemption and defeasance were provided by the Commonwealth of Pennsylvania as part of their 2024-25 State Budget. As of June 30, 2025, the principal amount of in-substance defeased debt that remains outstanding totals \$55,075,000.

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. In the past, the State System issued bonds to provide a pool for funding for AFRP (\$1,222,135 was outstanding as of June 30, 2025). Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program.

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**NOTE 7 BONDS PAYABLE AND LONG-TERM DEBT (CONTINUED)**

Changes in the balance owed by the University to the AFRP pool of funding were as follows:

	Beginning Balance July 1, 2024	Additions	Retirements	Ending Balance June 30, 2025	Current Portion
PASSHE Bond - AFRP	\$ 282,696	\$ -	\$ (89,555)	\$ 193,141	\$ 94,029

The University is informed by the State System each year of their amortization for the next year. Amortization beyond the current portion is not available.

**Component Units Long-Term Debt**

The Foundation, RR Indiana, and Cooperative component units, have entered into long-term debt agreements for the financing of buildings and building improvements, primarily for student housing.

Future minimum payments by year and in the aggregate as originally scheduled in the debt agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 8,634,337	\$ 6,736,534	15,370,871
2027	8,947,521	6,420,144	15,367,665
2028	9,277,658	6,091,202	15,368,860
2029	9,614,794	5,748,953	15,363,747
2030	9,973,978	44,391,938	54,365,916
Thereafter	136,251,686	74,779,169	211,030,855
Total	182,699,974	<u>\$ 144,167,940</u>	<u>\$ 326,867,914</u>
Plus Unamortized Bond Premium	286,753		
Less: Unamortized Bond Issue Costs	(487,532)		
Total	<u>\$ 182,499,195</u>		

The Foundation must maintain a debt service coverage ratio of not less than 1.20 to 1.00 on the Series A 2007 Revenue Bonds. The Foundation was in technical default with the covenant as of June 30, 2025. A default results in the 2007 Series A Revenue Bonds being currently due to the holders of the bonds. The holders of the bonds may demand repayment of the loans; however, no such demand has been made.

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**NOTE 8 COMPENSATED ABSENCES**

Changes in the compensated absences liability in fiscal year 2025 is as follows:

Balance - July 1	\$ 14,889,385
Net Change	1,159,480
Balance - June 30	<u>\$ 16,048,865</u>
Current	\$ 1,997,194
Noncurrent	14,051,671
Balance - June 30	<u>\$ 16,048,865</u>

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS**

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.

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 10 State System universities.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (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 year ended June 30, 2025.

	System Plan	REHP	Premium Assistance	Total
Net OPEB Liabilities	<u>\$ 89,084,578</u>	<u>\$ 22,987,845</u>	<u>\$ 422,363</u>	<u>\$ 112,494,786</u>
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	\$ -	\$ 718,701	\$ 1,591	\$ 720,292
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	398	398
Change in Assumptions	747,543	687,819	25,726	1,461,088
Changes in Proportion	-	4,339,810	10,874	4,350,684
Contributions after the Measurement Date	2,880,182	1,788,871	24,298	4,693,351
Total Deferred Outflows of Resources	<u>\$ 3,627,725</u>	<u>\$ 7,535,201</u>	<u>\$ 62,887</u>	<u>\$ 11,225,813</u>
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	\$ 20,897,251	\$ 5,656,305	\$ 6,365	\$ 26,559,921
Change in Assumptions	19,118,561	5,932,462	64,448	25,115,471
Changes in Proportion	-	9,129,463	18,698	9,148,161
Total Deferred Inflows of Resources	<u>\$ 40,015,812</u>	<u>\$ 20,718,230</u>	<u>\$ 89,511</u>	<u>\$ 60,823,553</u>
OPEB Expense	<u>\$ (6,877,953)</u>	<u>\$ (8,742,972)</u>	<u>\$ 45,258</u>	<u>\$ (15,575,667)</u>
Contributions Recognized by OPEB Plans	<u>\$ 2,880,182</u>	<u>\$ 1,788,871</u>	<u>\$ 24,298</u>	<u>\$ 4,693,351</u>

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$2,880,182 for the System Plan, \$1,788,871 for the REHP plan, and \$24,298 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

<u>Year Ending June 30,</u>	Amortization		
	System Plan	REHP	Premium Assistance
2026	\$ (13,558,884)	\$ (5,155,086)	\$ (12,863)
2027	(11,614,252)	(5,074,419)	(16,841)
2028	(11,614,251)	(3,395,299)	(17,107)
2029	(2,480,882)	(1,604,911)	(1,459)
2030	-	257,815	(2,652)
Totals	<u>\$ (39,268,269)</u>	<u>\$ (14,971,900)</u>	<u>\$ (50,922)</u>

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**System Plan**

**Plan Description**

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

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

A total of 10,975 individuals are covered by the benefit terms (down from 11,307 in the prior year), including 5,476 active employees that may be entitled to receive benefit payments upon retirement, 484 retired participants entitled to but not yet receiving benefits, and 5,015 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.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**System Plan (Continued)**

**Funding Policy (Continued)**

Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2025:

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members, with the exception of nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.
- Plan members, with the exception of nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.
- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement.

**Actuarial Assumptions and Other Inputs**

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year-end. The actuarial valuation on which the total OPEB liability as of June 30, 2025 is based is dated July 1, 2024, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 7.0% in 2024, with 0.5% decrease per year until 5.5% in 2028 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 7.5% of employees not eligible for a subsidy are assumed to elect coverage. 2% of vested former members are assumed to return to coverage each year upon reaching age 45.
- 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.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**System Plan (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

- Retiree premium cost sharing for retired participants covered under “Other Less Subsidized Health Coverage” is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- APSCUF Mortality rates based on the PubG-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. All other groups mortality rates based on the PubG-2010 Above Median Income Mortality Table, including rates for disabled retirees and contingent survivors. Both incorporates rates based on a generational projection using Scale MP-2021 to reflect mortality improvement.
- The discount rate increased from 4.13% to 4.29%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2024.
- Participant data is based on census information as of July 1, 2024.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 1.5% to account for tuition waiver benefits, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan’s net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0% decreasing to 3.0%) or one percentage point higher (8.0% decreasing to 5.0%) than the current healthcare cost trend rates (7.0% 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 (6.0% Decreasing to 3.0%)	Healthcare Cost Trend Rates 7.0% Decreasing to 4.0%	1% Increase (8.0% Decreasing to 5.0%)
Net OPEB Liability	\$ 75,896,664	\$ 89,084,579	\$ 105,667,804

The follow presents the University’s net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current discount rate (4.29%).

Sensitivity of the System Plan’s Proportionate Share of the University’s Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 3.29%	Current Rate 4.29%	1% Increase 5.29%
Net OPEB Liability	\$ 101,867,206	\$ 89,084,579	\$ 78,596,435

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**System Plan (Continued)**

**University OPEB Liability**

The University's portion of the System Plan's total OPEB liability as of June 30, 2025 of \$89,084,579 was measured and determined by an actuarial valuation as of July 1, 2024.

**Changes in the System Plan Total OPEB Liability**

Total OPEB Liability – Beginning Balance	\$ 100,466,037
Service Cost	2,822,126
Interest	4,172,443
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	(12,325,686)
Changes of Assumptions	(1,125,698)
Benefit Payments	<u>(4,924,643)</u>
Net Changes	<u>(11,381,458)</u>
Total OPEB Liability—Ending Balance	<u>\$ 89,084,579</u>
Covered Employee Payroll	\$ 56,500,531
OPEB Liability as a Percent of Covered Payroll	157.67%

**REHP**

**Plan Description**

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

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**REHP (Continued)**

**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, 2025.

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

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. With the exception of certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$251 per pay period for each current REHP eligible active employee during the period July 1, 2024 through June 30, 2025. The rate during the period July 1, 2023 through June 30, 2024 was \$275 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, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Participant data based on census information as of December 31, 2023, for the June 30, 2024 measurement date

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**REHP (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 8.2%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2024\_1b.
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.

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

- Discount rate of 6.09% as of June 30, 2024.
- The discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.93% based on the 20-year Bond Buyer GO Index as of the end of June 2024.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	42.0%	5.00%
Non-US Equity	22.0%	5.10%
US Fixed Income	22.0%	2.40%
Public REITs	4.0%	0.00%
Infrastructure	4.0%	4.30%
Core Real Estate	4.0%	3.80%
Cash and Cash Equivalents	1.0%	1.20%
Private Equity	1.0%	8.80%
Total	<u>100.0%</u>	

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**REHP (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 3.5257% for the measurement date of June 30, 2024, and 3.0292% for the measurement date of June 30, 2023.

The following presents the University's share of the REHP net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.2% decreasing to 2.9%) or one percentage point higher (9.2% decreasing to 4.9%) than the current healthcare cost trend rates (8.2% decreasing to 3.9%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (7.2% Decreasing to 2.9%)	Healthcare Cost (8.2% Decreasing to 3.9%)	1% Increase (9.2% Decreasing to 4.9%)
Net OPEB Liability	\$ 20,043,980	\$ 22,987,845	\$ 26,520,240

The following presents the University's share of the REHP net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (5.09%) or one percentage point higher (6.09%) than the current discount rate (7.09%).

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 5.09%	Current Rate 6.09%	1% Increase 7.09%
Net OPEB Liability	\$ 25,776,740	\$ 22,987,845	\$ 20,592,925

The assets of the REHP are managed by the Commonwealth's Treasury in an investment pool. The REHP investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania's amendment to fiscal code 72 P.S. §30.1, the principles of Prudent Investors Standards.

**Premium Assistance**

**Plan Description**

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiemployer OPEB plan administered by the administrative staff of PSERS. The members eligible to participate in the program include all full-time public-school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the board of trustees (PSERS Board).

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Premium Assistance (Continued)**

**Plan Description (Continued)**

The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. Additional plan information can be found in the PSERS Annual Comprehensive Financial Report at [www.psers.pa.gov](http://www.psers.pa.gov).

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

**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 0.64% of covered payroll for the fiscal year ended June 30, 2024, and 0.75% of covered payroll for the fiscal year end June 30, 2023. 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 0.32% 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, 2024 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2023, to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2023.
- Actuarial cost method was entry age normal, level percent of pay.
- Investment return of 4.21% based on the S&P 20 year Municipal Bond Rate.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Premium Assistance (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022, determined the employer contribution rate for fiscal year 2024.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

- The discount rate used to measure the total OPEB liability was 4.20% at June 30, 2024, and 4.13% at June 20, 2023.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.21%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, 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, 2024.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	1.70%
Total	100.0%	

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Premium Assistance (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

The net OPEB liability was measured as of June 30, 2024, 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, 2023, to June 30, 2024. 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 0.1793% and 0.1821% for the measurement dates of June 30, 2024 and 2023, respectively.

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2025, 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 5.8%) or one percentage point higher (between 6.0% and 7.8%) than the current healthcare cost trend rates (between 5.0% and 6.8%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease Trend Rates Between 4% and 5.8%	Healthcare Cost Trend Rates Between 5% and 6.8%	1% Increase Trend Rates Between 6% and 7.8%
Net OPEB Liability	\$ 422,363	\$ 422,363	\$ 422,363

The following presents the University's share of the Premium Assistance net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.21%) or one percentage point higher (5.21%) than the current healthcare cost trend rates (4.21%).

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 3.21%	Current Rate 4.21%	1% Increase 5.21%
Net OPEB Liability	\$ 477,130	\$ 422,363	\$ 376,480

**Fiduciary Net Position**

For purposes of measuring the net 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 PSERS, and additions to and deductions from PSERS' fiduciary net position, have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional plan information can be found in the PSERS Comprehensive Annual Financial Report at [www.psers.pa.gov](http://www.psers.pa.gov).

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**NOTE 10 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).

The following is the total of the University's pension liabilities, deferred outflows and inflows of resources related to pensions, and the pension expense for the fiscal year ended June 30, 2025.

	SERS	PSERS	ARP	Total
Net Pension Liabilities	<u>\$ 90,973,096</u>	<u>\$ 10,168,070</u>	<u>\$ -</u>	<u>\$ 101,141,166</u>
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	\$ 4,123,353	\$ -	\$ -	\$ 4,123,353
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	2,670,861	168,352	-	2,839,213
Changes in Assumptions	1,602,263	-	-	1,602,263
Difference Between Employer Contributions and Proportionate Share of Contributions	266,403	(16,316)	-	250,087
Changes in Proportion	-	153,596	-	153,596
Contributions After the Measurement Date	<u>6,050,012</u>	<u>1,283,658</u>	<u>-</u>	<u>7,333,670</u>
Total Deferred Outflows of Resources	<u>\$ 14,712,892</u>	<u>\$ 1,589,290</u>	<u>\$ -</u>	<u>\$ 16,302,182</u>
Deferred Inflows of Resources:				
Difference Between Expected and Actual Experience	\$ 101,557	\$ 159,901	\$ -	\$ 261,458
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	-	-	-
Difference Between Employer Contributions and Proportionate Share of Contributions	33,469	-	-	33,469
Changes in Proportion	<u>3,984,249</u>	<u>99,938</u>	<u>-</u>	<u>4,084,187</u>
Total Deferred Inflows of Resources	<u>\$ 4,119,275</u>	<u>\$ 259,839</u>	<u>\$ -</u>	<u>\$ 4,379,114</u>
Pension Expense	<u>\$ 8,090,567</u>	<u>\$ 2,166,802</u>	<u>\$ 4,248,149</u>	<u>\$ 14,505,518</u>
Contributions Recognized by Pension Plans	<u>\$ 10,480,681</u>	<u>\$ 1,283,658</u>	<u>\$ -</u>	<u>\$ 11,764,339</u>

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

The University will recognize the \$6,050,012 reported as SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$1,283,658 reported as PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ending June 30, 2026. 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>Year Ending June 30,</u>	Amortization	
	SERS	PSERS
2026	\$ 1,809,557	\$ (217,747)
2027	5,605,537	294,334
2028	(2,208,721)	3,816
2029	(707,485)	(34,610)
2030	44,717	-
Totals	\$ 4,543,605	\$ 45,793

**SERS**

**Plan Description**

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

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

**Benefits Provided**

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

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**NOTE 10 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 to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other non-pension obligations.

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**NOTE 10 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 40.33% of active members' annual covered payroll at June 30, 2025, with less common rates ranging between 27.09% and 31.74%, 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 16.84% or 17.09% 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 15.54% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan.

The University's contribution to SERS for the year ended June 30, 2025, was \$10,480,681, equal to the required contractual contribution.

Contribution rates of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5% and 9.3% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan was either 3.25% or 3.50% of gross salary, depending upon what class of membership was elected. The contribution plan was 7.5% of gross salary.

For the SERS defined contribution plan, the University contributed actuarially determined rates of between 2.0% and 3.5% of active members' annual covered payroll at June 30, 2025, depending on the plan chosen by the employee. The University recognized SERS defined contribution pension expense of \$81,357 for the year June 30, 2025. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 410(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.

**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).

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

**Actuarial Methods and Assumptions (Continued)**

Some assumption adjustments increased projected cost and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the *19th Investigation of Actuarial Experience* at its September 2020 meeting. In addition, SERS reviews its investment return assumption in light of economic conditions every year. At its June 2024 meeting, the SERS Board approved maintaining in the assumed investment rate of return at 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2024, measurement date.

- Entry age actuarial cost method.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.50%.
- Investment return of 6.875%, net of manager fees and including inflation.
- Salary increases based on an average of 4.58%, with a range of 3.30% to 6.95%, including inflation.
- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost-of-living adjustments.

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

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

**Actuarial Methods and Assumptions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in SERS' current and target asset allocation as of December 31, 2024 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private Equity	16.00%	6.25%
Real Estate	7.00%	5.15%
U.S. Equity	37.00%	5.15%
International Developed Equity	14.00%	5.00%
Emerging Markets Equity	2.00%	5.20%
Fixed Income	19.00%	2.85%
Inflation Protection (TIPS)	3.00%	2.55%
Cash	2.00%	0.50%
Total	<u>100.0%</u>	

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

The following presents the University's proportionate share of the SERS net pension liability at June 30, 2025, calculated using discount rate of 6.875%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.875%) or one percentage point higher (7.875%) than the current rate:

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

	1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
Net Pension Liability	\$ 111,145	\$ 90,973	\$ 59,551

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**SERS (Continued)**

**Actuarial Methods and Assumptions (Continued)**

At June 30, 2025, the amount recognized as the University's proportionate share of the SERS net pension liability, measure at December 31, 2024 was \$90,973,096. The allocation percentage assigned to each participating employer is based on a projected-contribution method. For the allocation of the December 2024 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2025-26, from the December 31, 2024 funding valuation to the expected funding payroll. At December 31, 2024, measurement date, the State System's proportion was 3.9837%, a decrease of .0791% from its proportion calculated as of December 31, 2023, measurement date.

**PSERS**

**Plan Description**

PSERS is a governmental cost-sharing multiemployer 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](http://www.psers.state.pa.us).

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**NOTE 10 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, 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. Members who joined PSERS after June 30, 2019, contribute at the total rate of 8.25% (Class T-G) or 7.5% (Class T-F) of their qualifying compensation.

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

**Member Contributions (Continued)**

Class T-G and Class T-H members are also subject to a “shared risk” provision, as well as a “shared gain” provision in Act 5 that could cause the rate in future years to increase or decrease 3% below or 3% above the member’s basic contribution rate in increments of 0.75% for Class T-G and Class T-H.

**Employer Contributions**

The University’s contractually required contribution rate for PSERS for fiscal year ended June 30, 2025 was 33.09% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the University, meaning that the amount that the University actually contributed was 16.545% of covered payroll. The University’s contributions to PSERS for the year ended June 30, 2025 was \$1,283,658, equal to the required contractual contribution.

For the PSERS defined contribution plan, the University is required to contribute at actuarially determined average rate 0.27% of active members’ annual covered payroll for the year ending June 30, 2025, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. Therefore, the University contributions for the year ended June 30, 2025 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 June 30, 2024 was determined by rolling forward PSERS’ total pension liability as of the June 30, 2023 actuarial valuation to June 30, 2024 using the following actuarial assumptions applied to all periods included in the measurement:

- Valuation date – June 30, 2023
- 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 Mortality Improvement Scale.

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

**Actuarial Assumptions (Continued)**

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

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS board of trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS board of trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	30.00%	4.80%
Private Equity	12.00%	6.70%
Fixed Income	33.50%	3.90%
Commodities	5.00%	2.50%
Infrastructure	10.00%	6.40%
Real Estate	9.50%	5.90%
Total	<u>100.0%</u>	

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

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**PSERS (Continued)**

**Actuarial Assumptions (Continued)**

The following presents the University's proportionate share of the PSERS net pension liability at June 30, 2025 calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate (in thousands)			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 13,395	\$ 10,168	\$ 7,444

**Proportionate Share**

At June 30, 2025, 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:

Total PSERS Net Pension Liability	
Associated with the University	\$ 20,336,140
Commonwealth's Proportionate Share of the PSERS Net Pension Liability	
Associated with the University	(10,168,070)
University's Proportionate Share of the PSERS Net Pension Liability	\$ 10,168,070

PSERS measured the 2025 net pension liability as of June 30, 2024. 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, 2024, the State System's proportion was 0.1811%, a decrease of 0.0023% from its proportion calculated as of June 30, 2023.

**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.

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**NOTE 10 PENSION BENEFITS (CONTINUED)**

**ARP (Continued)**

The State System's contribution rate on June 30, 2025 was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2025 were \$4,248,149, from the University; and \$2,286,410 from active members. No liability is recognized for the ARP.

**NOTE 11 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 must pay up to \$100,000; for claims occurring on or after July 1, 1995, the University must pay up to \$200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund) to which the University contributes an amount as determined by an independent actuarial study. Based on updated actuarial studies, the University contributed \$103,178 to the Reserve Fund for the year ended June 30, 2025.

Changes in the University's claims liability amount for the fiscal year 2025 are as follows:

Balance - July 1	\$ 328,687
Projected Retained Losses	951,908
Retirements and Changes in Estimates	<u>(578,813)</u>
Balance - June 30	<u><u>\$ 701,782</u></u>

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Contingencies**

The nature of the education industry is such that, from time to time, the universities of the State System are exposed to various risks of loss related to torts, alleged negligence, acts of discrimination, breach of contract, labor disputes, disagreements arising from the interpretation of laws or regulations, theft of assets, damage to or 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 is self-insured for workers' compensation up to stated limits (Note 11). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

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**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Contingencies (Continued)**

The University receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Act (ARPA) funding received between fiscal years 2020/2021 and 2022/2023. 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, 2025, 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.

**Construction Commitments**

Authorized expenditures for construction projects unexpended as of June 30, 2025, were \$2,415,521.

**Proposed College of Osteopathic Medicine**

The University is pursuing accreditation for a proposed College of Osteopathic Medicine (COM). As part of the accreditation process with the Commission on Osteopathic College Accreditation (COCA), the University was required to deposit funds totaling \$37.5 million into separate, segregated reserve accounts on August 1, 2025. The Operating Reserve Fund Account is required to be maintained until graduation of the first class of students. The Escrow Reserve Fund Accounts are required to be used solely to pay teach-out costs of students, should such a determination be reached. Funds in these accounts must be invested in publicly traded money market funds (or such other investments as specifically approved) and interest earned on such investments must be maintained in the funds. The agreements also require certain minimal level of funds to be maintained in these accounts over their life.

The University's initial class of students is planned to begin in fall 2027. COCA standards required that a new COM must ramp up enrollment over 3 years, with year 1 at 50 percent of a full class, year 2 at 75 percent, and year 3 with a full class.

As part of the process to seek accreditation for this new endeavor, a new side letter for the faculty CBA is being negotiated to address new pay scales and other working rules for the faculty hired to teach in this COM.

**Labor Concentration**

Approximately 84% of PASSHE's employees are covered by nine collective bargaining agreements. Seven of those agreements are effective through June 30, 2027 and include the following: American Federation of State, County, and Municipal Employees (AFSCME); Association of Pennsylvania State College and University Faculties (APSCUF); APSCUF Non-Faculty Athletic Coaches; Office of Professional Employees International Union Healthcare Pennsylvania (OPEIU); State College & University Professional Association (SCUPA); Employees International Union (SEIU) and Pennsylvania Doctors Alliance (PDA). The current collective bargaining agreements for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA) and PASSHE Officers Association (POA) expired August 31, 2025. The terms of the prior contracts remain in effect until a successor agreement is reached.

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**NOTE 13 UNRESTRICTED NET POSITION**

Unrestricted net position as defined by GASB Statement No 35 is not subject to externally imposed stipulations; however, unrestricted net position is subject to internal designations. Unrestricted net position has been internally designated at June 30, 2025 as follows:

Designated Amounts for Educational and General Activities	\$ 19,924,656
Designated Amounts for Healthcare Reserve	569,505
Designated Amounts for Auxiliary Enterprises (Operations, Plant Activities, and Debt Retirement)	5,975,698
Designated Amounts for Plant Activities and Debt Retirement	18,838,710
Compensated Absences Deficit - Non-Auxiliary	(15,807,098)
Postretirement Benefit Deficit - Non-Auxiliary	(156,952,467)
Pension Benefit Deficit - Non-Auxiliary	(85,911,743)
Compensated Absences Deficit - Auxiliary	(241,768)
Postretirement Benefit Deficit - Auxiliary	(5,140,059)
Pension Benefit Deficit - Auxiliary	(3,306,355)
Total Unrestricted Net Position	<u>\$ (222,050,921)</u>

The State System does not require the University or its member universities to fund compensated absences, postretirement, or pension benefit net position deficits.

**NOTE 14 RELATED PARTY TRANSACTIONS – FOUNDATION FOR IUP**

**Ground Lease Agreement – Phase II**

The University entered into the Phase II ground lease as of May 1, 2007. The Foundation has paid annual base rents for Phase II in the amount of \$36,600 beginning in fiscal year ended June 30, 2009. The base rent for Phase II increases by 2% in each subsequent year through the expiration date of the lease on June 30, 2049. Additional rents equaling 0.5% of actual room rental charges began in the fiscal year ended June 30, 2009 for Phase II. The Foundation also provides room fee waivers for Resident Assistants residing in the facilities which the University recognizes as rental income.

The Foundation paid base rent, additional rent, and provided room waivers to the University during the fiscal year ended June 30, 2025 of:

	<u>Base Rent</u>	<u>Additional Rent</u>	<u>Room Waivers</u>
Phase II	\$ 49,352	\$ 31,217	\$ 2,115

**Ground Lease Agreement – Phase III**

The State System, on behalf of the University, entered into a Master Lease Agreement (Master Lease Agreement) with The Foundation effective August 11, 2022 for Phase III. Payments under the 2008 Ground Lease for Phase III are suspended while the Master Lease Agreement is in effect.

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**NOTE 14 RELATED PARTY TRANSACTIONS – FOUNDATION FOR IUP (CONTINUED)**

**Facilities Management Contract for Student Housing Facilities**

The University entered into facilities management contracts with the Foundation to provide the Foundation with management services operating all Phases of the Foundation's Student Housing Facilities. The agreement regarding Phase II was automatically renewed for an additional five-year period through June 30, 2028 under an automatic renewal clause in the agreement.

The State System, on behalf of the University, entered into a Master Lease Agreement (Master Lease Agreement) with the Foundation effective August 11, 2022 for Phase III. Payments under facilities management contracts for Phase III are suspended while the Master Lease Agreement is in effect.

Total management fees charged to the Foundation for the year ended June 30, 2025 was \$249,731.

Under the terms of the management agreements the University collects rent, advance deposits, and other feeds from student renters then transfers the money to the Foundation. The total amount due to the Foundation at June 30, 2025 was \$207,530.

**Other Property Leases**

The University leases office space from the Foundation in the Phase II facility for the Student Health Center under a lease terminating on December 31, 2037. Total rent expense for these facilities was \$822,572 for the year ended June 30, 2025.

The University leases office space from the Foundation in the Phase II facility for the Housing and Resident Life and Dining Management Offices under a lease terminating on December 31, 2037. Total rent expense for these facilities was \$13,593 for the year ended June 30, 2025.

Additional office space is leased by the University from the Foundation in the Phase II facility for the Student Conduct Office under a lease expiring on June 30, 2027. Rent expense for this space was \$12,850 for year ended June 30, 2025.

**Master Lease Agreements**

Effective August 11, 2022 the State System, on behalf of the University, entered into a Master Lease Agreement with the Foundation. Under the terms of the Master Lease Agreement, the State System agreed to make monthly rent payments to the foundation as noted below; as well as pay all operating expenses and required insurance as defined in the University's previously executed loan agreements; in exchange for the right of use, operate, and collect all payments from the Foundation Phase III housing facilities. The Master Lease Agreement includes reversionary title in which the underlying property and equipment will revert to the University at the end of the term, as defined within the agreements.

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**NOTE 14 RELATED PARTY TRANSACTIONS – FOUNDATION FOR IUP (CONTINUED)**

**Master Lease Agreements (Continued)**

<u>Phase</u>	<u>Agreement Date</u>	<u>Rent and Fees</u>	<u>Expiration Date</u>
Phase III	July 1, 2022	Base rent of \$2,950,000 per year. Capital Reserve fee of \$294,505 in first year, increasing 3% each subsequent year. Payment of PILOT agreement.	December 31, 2056

**NOTE 15 INTEREST RATE SWAP – FOUNDATION FOR IUP**

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Foundation participated in interest rate swap agreements to eliminate its exposure to variability in interest payments on its bonds payable. The interest rate swaps are marked to market currently with a gain or loss recognized in the statements of activities.

The Foundation had two interest rate swap agreements whereby the Foundation pays a fixed rate of interest, in exchange for receiving payments based on a floating interest rate tied to SOFR (Secured Overnight Financing Rate).

Effective March 6, 2025, the counter party exercised their contractual rights to terminate the two swap agreements. At the time of termination, the swaps became currently due and payable in the amount of \$3,575,000, with an interest rate of 3.35%. Included in the swap termination payable in the Foundation’s financial statements is the amount payable at termination plus interest totaling \$3,632,760 at June 30, 2025. The swap termination resulted in a loss of \$342,784 in the Foundation’s statement of activities for the year ended June 30, 2025.

**NOTE 16 RELATED PARTY TRANSACTIONS – RESIDENTIAL REVIVAL INDIANA**

**Ground Lease Agreements**

The University leases land to RR Indiana for the RR Indiana’s student housing facilities under separate ground lease agreements for Phase I and Phase IV facilities.

The State System, on behalf of the University, entered into Master Lease Agreements (Master Lease Agreements) with RR Indiana effective July 1, 2020 for both Phase I and Phase IV. Payments under the 2017 Ground Lease for Phase I and Phase IV are suspended while the Master Lease Agreements are in effect.

**Facilities Management Contracts for Student Housing Facilities**

The University participates in facilities management contracts with the RR Indiana to provide the RR Indiana with management services operating all of the RR Indiana’s Student Housing Facilities.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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**NOTE 16 RELATED PARTY TRANSACTIONS – RESIDENTIAL REVIVAL INDIANA (CONTINUED)**

**Facilities Management Contracts for Student Housing Facilities (Continued)**

The State System, on behalf of the University, entered into Master Lease Agreements with RR Indiana effective July 1, 2020 for both Phase I and Phase IV. Payments under the facilities management contracts for Phase I and Phase IV are suspended while the Master Lease Agreements are in effect.

**Other Property Leases**

The University leases office space from RR Indiana in the Phase I facility for various purposes under a noncancelable operating lease transferred from the Foundation to RR Indiana.

The State System, on behalf of the University, entered into Master Lease Agreements with RR Indiana effective July 1, 2020 for both Phase I and Phase IV. Payments under the Other Property Leases for Phase I and Phase IV are suspended while the Master Lease Agreements are in effect.

**Master Lease Agreements**

Effective July 1, 2020, the State System, on behalf of the University, entered into Master Lease Agreements with the RR Indiana. Under the terms of the Master Lease Agreements, the State System agreed to make monthly rent payments to the RR Indiana as noted below; as well as pay all operating expenses and required insurance as defined in the University's previously executed loan agreements; in exchange for the right to use, operate, and collect all payments from the RR Indiana's Phase I and Phase IV housing facilities. The Master Lease Agreements include revisionary title in which the underlying property and equipment will revert to the University at the end of the term, as defined within the agreements.

<u>Phase</u>	<u>Agreement Date</u>	<u>Rent and Fees</u>	<u>Expiration Date</u>
Phase I	July 1, 2021	Base rent of \$2,799,780 per year. Capital Reserve fee of \$203,759 in first year, increasing 3% each subsequent year. Payment of PILOT agreement. Additional management payment of 6.2% of RR Indiana USDA debt service.	June 30, 2039
Phase IV	July 1, 2021	Base rent of \$2,233,416 per year. Capital Reserve fee of \$152,187 in first year, increasing 3% each subsequent year. Payment of PILOT agreement.	October 20, 2043

**NOTE 17 RELATED PARTY TRANSACTIONS – IUP RESEARCH INSTITUTE**

The Research Institute contracts with the University to receive services in support of various research grant projects. These contracted services are in the normal course of business for both the Research Institute and the University. For the year ended June 30, 2025 the Research Institute paid IUP \$3,731,401 for contracted services. The Research Institute owed the University \$1,311,008 as of June 30, 2025, which is included in Due from Component Units.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 17 RELATED PARTY TRANSACTIONS – IUP RESEARCH INSTITUTE (CONTINUED)**

The University pays a fee to the Research Institute for promoting and developing research opportunities, managing research grants on behalf of the University, and providing the University with other services as needed. For the year ended June 30, 2025, total amounts paid by the University to the Research Institute were \$983,922. The University owed the Research Institute \$135,186 as of June 30, 2025, which is included in Due to Component Units.

**NOTE 18 RATINGS ACTIONS**

In February 2025, Moody's Investors Service, Inc. maintained the State System's bond rating of Aa3, and stable outlook. The stable outlook reflects Moody's expectations that continued successful execution of the system redesign initiative will enhance prospects for sustainability, aligning expense structures to anticipated smaller enrollment levels. The outlook also reflects expectations of continued strong liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's maintained the State System's Environmental, Social, and Governance (ESG) and Credit Impact Scores (CIS) of CIS-3. CIS-3 indicates that ESG considerations have a limited impact on the current credit rating, with potential for greater negative impact over time. Strong fiscal management and significant financial resources partly mitigate ESG risk exposure. In February 2025, Fitch Ratings reviewed the State System's rating of A+ with stable outlook, and no rating change was made.

**NOTE 19 SUBSEQUENT EVENTS**

The State System receives monthly general appropriations from the Commonwealth of Pennsylvania. For the fiscal year ended June 30, 2025, general appropriations represented approximately 28% of total revenues. Monthly transfers from the Commonwealth during that fiscal year averaged approximately \$51.73 million.

As of the issuance date of these financial statements, the Commonwealth has not enacted its annual budget for the fiscal year beginning July 1, 2025. No general appropriations have been received for July, August, September, October, or November 2025, and the timing and amount of future funding are dependent upon the enactment of the annual budget.

The delay in general appropriations funding may affect the liquidity and financial operations of the State System and the University. To mitigate the impact of delayed appropriations, the State System has adopted several strategies, including utilizing reserves and adjusting cash flows. When required, short-term funding is provided to universities through Appropriation Advance Notes issued from the System's Investment Fund Loan Program, in accordance with Board of Governors' Policy 1986-02-A: Investment.

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025  
(UNAUDITED)**

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

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered- Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2015/16	4.7210 %	\$ 117,929	\$ 40,900	288 %	58.9 %
2016/17	4.8370	127,626	41,208	310	57.8
2017/18	4.9059	113,047	41,189	275	63.0
2018/19	4.8971	134,471	41,984	320	56.4
2019/20	4.7732	111,277	40,398	276	63.1
2020/21	4.4196	102,998	37,945	271	67.0
2021/22	4.1777	74,675	34,286	218	76.0
2022/23	4.1504	109,498	32,747	334	61.5
2023/24	4.0628	98,262	32,977	298	65.3
2024/25	3.9837	90,973	33,508	271	67.7

SERS Schedule of Contributions  
Determined as of University's June 30 Fiscal Year-End Dates  
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered-Employee Payroll
2015/16	\$ 9,455	\$ 9,455	\$ -	\$ 40,185	23.5 %
2016/17	11,161	11,161	-	40,399	27.6
2017/18	12,487	12,487	-	40,100	31.1
2018/19	12,500	12,500	-	40,269	31.0
2019/20	12,364	12,364	-	38,772	31.9
2020/21	11,464	11,464	-	35,553	32.2
2021/22	10,543	10,543	-	32,328	32.6
2022/23	10,590	10,590	-	32,363	32.7
2023/24	11,243	11,243	-	33,048	34.0
2024/25	10,481	10,481	-	32,081	32.7

**INDIANA UNIVERSITY OF PENNSYLVANIA  
OF THE STATE SYSTEM OF HIGHER EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2025  
(UNAUDITED)**

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

Fiscal Year	PSERS Net Pension Liability				State System's Reported Contributions Per PSERS	University's Proportionate Share of NPL as a % of Covered- Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
	State System's Proportion	University's Proportion Share	Commonwealth's Proportion Share	Total			
2015/16	0.1852 %	\$ 11,851	\$ 11,851	\$ 23,702	\$ 7,042	168 %	54.4 %
2016/17	0.1833	12,772	12,772	25,544	6,677	191	50.1
2017/18	0.1811	11,491	11,491	22,982	6,197	185	51.8
2018/19	0.1836	11,421	11,421	22,842	6,406	178	54.0
2019/20	0.1866	11,473	11,473	22,946	6,764	170	55.7
2020/21	0.1856	12,113	12,113	24,226	1,149	1054	54.3
2021/22	0.1778	9,510	9,510	19,020	1,101	864	63.7
2022/23	0.1788	10,299	10,299	20,597	1,155	900	61.3
2023/24	0.1834	10,514	10,514	21,027	1,238	800	61.9
2024/25	0.1811	10,168	10,168	20,336	1,275	800	64.6

PSERS Schedule of Contributions  
Determined as of University's June 30 Fiscal Year-End Dates  
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered-Employee Payroll
2015/16	\$ 845	\$ 845	\$ -	\$ 6,917	12.2 %
2016/17	913	913	-	6,313	14.5
2017/18	1,021	1,021	-	6,567	15.6
2018/19	1,114	1,114	-	6,890	16.2
2019/20	1,162	1,162	-	7,011	16.6
2020/21	1,140	1,140	-	6,808	16.8
2021/22	1,152	1,152	-	6,804	16.9
2022/23	1,204	1,204	-	7,070	17.0
2023/24	1,272	1,272	-	7,743	16.4
2024/25	1,284	1,284	-	7,818	16.4

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2025  
(UNAUDITED)**

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

Fiscal Year	State System's Proportion	University's Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability a % of Covered- Employee Payroll	REHP's Fiduciary Net Position as a % of Total OPEB Liability
2017/18	4.3740 %	\$ 101,185	\$ 13,795	733.5 %	1.4 %
2018/19	4.4830	75,935	13,544	560.7	2.2
2019/20	4.3701	53,072	13,628	389.4	3.8
2020/21	0.2750	63,108	13,914	453.6	3.7
2021/22	4.0260	48,517	12,334	393.4	6.1
2022/23	3.6478	37,195	10,432	356.6	5.9
2023/24	3.0292	23,826	10,629	224.2	8.8
2024/25	3.2527	22,988	9,771	235.3	11.6

REHP Schedule of Contributions  
Determined as of University's June 30 Fiscal Year-End Dates  
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	\$ 2,474	\$ 2,474	\$ -	\$ 16,855	14.7 %
2018/19	3,007	3,007	-	17,168	17.5
2019/20	2,345	2,345	-	16,527	14.2
2020/21	1,221	1,221	-	15,247	8.0
2021/22	949	949	-	12,760	7.4
2022/23	839	839	-	12,030	7.0
2023/24	1,749	1,749	-	11,948	14.6
2024/25	1,789	1,789	-	11,719	15.3

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2025  
(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 Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total OPEB Liability
	State System's Proportion	University's Proportionate Share	Commonwealth's Proportionate Share			
2017/18	0.1811 %	\$ 474	\$ 474	\$ 6,200	7.65 %	5.73 %
2018/19	0.1836	500	500	6,455	7.74	5.56
2019/20	0.1886	523	523	6,783	7.71	5.56
2020/21	0.1852	524	524	6,803	7.70	5.69
2021/22	0.1770	543	543	6,496	8.36	5.30
2022/23	0.1780	422	422	6,748	6.26	6.86
2023/24	0.1821	422	422	7,148	5.90	7.22
2024/25	0.1793	422	422	7,550	5.59	7.13

PSERS OPEB Schedule of Contributions  
Determined as of University's June 30 Fiscal Year-End Dates  
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	\$ 27	\$ 27	\$ -	\$ 6,597	0.41 %
2018/19	28	28	-	6,890	0.41
2019/20	29	29	-	7,011	0.41
2020/21	28	28	-	6,808	0.41
2021/22	27	27	-	6,804	0.40
2022/23	27	27	-	7,070	0.37
2023/24	24	24	-	7,743	0.32
2024/25	24	24	-	7,818	0.31

**INDIANA UNIVERSITY OF PENNSYLVANIA  
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YEAR ENDED JUNE 30, 2025  
(UNAUDITED)**

System Plan OPEB Liability

Determined as of the June 30 Measurement Dates

	<u>Fiscal Year June 30, 2025</u>	<u>Fiscal Year June 30, 2024</u>	<u>Fiscal Year June 30, 2023</u>	<u>Fiscal Year June 30, 2022</u>	<u>Fiscal Year June 30, 2021</u>	<u>Fiscal Year June 30, 2020</u>	<u>Fiscal Year June 30, 2019</u>
<b>Changes in the System Plan Total OPEB Liability</b>							
Total OPEB Liability – Beginning Balance	\$ 100,466,037	\$ 93,991,010	\$ 160,687,462	\$ 171,185,138	\$ 153,416,569	\$ 161,883,866	\$ 183,519,604
Service Cost	2,822,126	2,643,206	4,704,930	5,273,484	3,973,371	4,385,301	5,324,961
Interest	4,172,443	3,837,606	3,712,403	3,235,356	5,191,684	4,871,602	5,813,501
Changes of Benefit Terms	-	-	(947,638)	-	-	-	(128,007)
Difference Between Expected and Actual Experience	(12,325,686)	-	(24,119,764)	-	(18,016,223)	(8,456,952)	(22,099,508)
Changes of Assumptions	(1,125,698)	1,099,334	(35,316,509)	(10,780,899)	34,954,393	-	(1,450,784)
Benefit Payments	(4,924,643)	(1,105,119)	(14,729,874)	(8,225,617)	(8,334,656)	(9,267,248)	(9,095,901)
Net Changes	<u>(11,381,458)</u>	<u>6,475,027</u>	<u>(66,696,452)</u>	<u>(10,497,676)</u>	<u>17,768,569</u>	<u>(8,467,297)</u>	<u>(21,635,738)</u>
Total OPEB Liability - Ending Balance	<u>\$ 89,084,579</u>	<u>\$ 100,466,037</u>	<u>\$ 93,991,010</u>	<u>\$ 160,687,462</u>	<u>\$ 171,185,138</u>	<u>\$ 153,416,569</u>	<u>\$ 161,883,866</u>
Covered Employee Payroll	\$ 56,500,531	\$ 55,235,185	\$ 53,699,339	\$ 65,803,740	\$ 67,271,134	\$ 69,899,009	\$ 71,772,516
OPEB Liability as a Percent of Covered Payroll	157.67%	181.89%	175.03%	244.19%	254.47%	219.48%	225.55%

**Note to Schedule:**

The System Plan has no assets accumulated in trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.



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