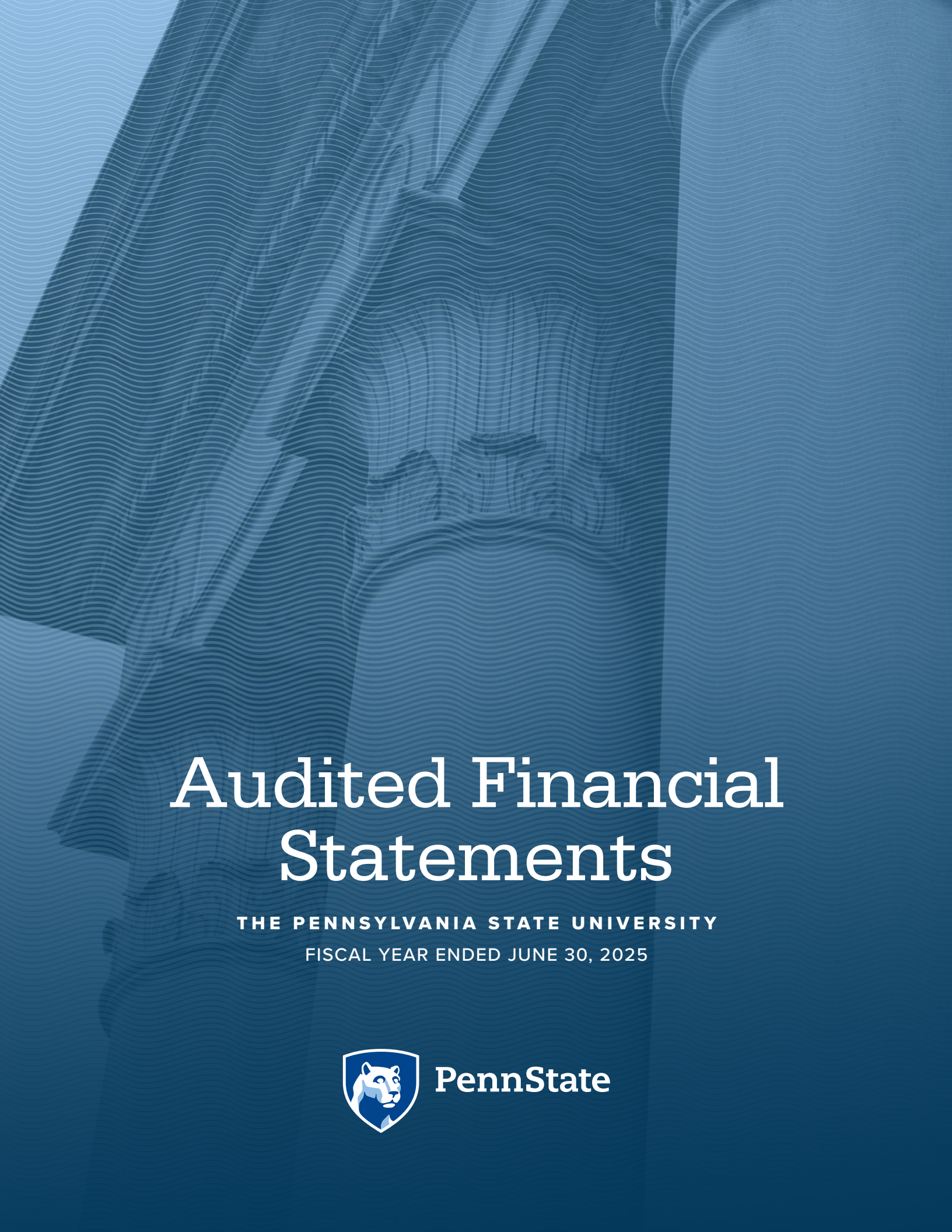

Audited Financial Statements

THE PENNSYLVANIA STATE UNIVERSITY

FISCAL YEAR ENDED JUNE 30, 2025

PennState

University Senior Leadership

THE PENNSYLVANIA STATE UNIVERSITY

as of November 6, 2025

NEELI BENDAPUDI
President

ANDREW READ
Senior Vice President for Research

MICHAEL WADE SMITH
Senior Vice President and Chief of Staff

FOTIS SOTIROPOULOS
Executive Vice President and Provost

SARA THORNDIKE
Senior Vice President for
Finance and Business/Treasurer

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Board of Trustees ..... inside back cover

Letter from the Senior Vice President for Finance and Business/Treasurer

It is my pleasure to present the audited financial statements for The Pennsylvania State University for the fiscal year that ended on June 30, 2025. This report offers a comprehensive look at the University's financial health, illustrating our continued commitment to sound financial stewardship in support of our core mission of teaching, research, and service.

This past fiscal year has been one of significant progress and notable achievements, building on the foundation established in fiscal year 2024. Our focus on operational effectiveness, strategic investments, and revenue enhancement has yielded positive results, positioning the University for continued success.

The key highlights and updates from the last fiscal year include:

Financial stewardship and budget management

- Net assets increased by $1.06 billion in FY2025, driven by strong operating results at both the University and Penn State Health, as well as positive non-operating activities (notably unrealized investment gains).
- As a result of diligent financial management, the University balanced the FY2025 Education and General (E&G) budget one year earlier than planned even with modest tuition increases and stagnant general support funding from the Commonwealth that hasn't increased since 2019-2020.
- The University was able to transfer funds to the University's capital reserves to address deferred maintenance needs, helping to curb the growth of our maintenance backlog.

Strategic investments and initiatives

- Building on the success of the new budget allocation model introduced in FY2024, the University has continued to fund strategic priorities effectively.
- Penn State invested $322 million of University funds on research in FY2025, an increase of $22 million on the record-breaking spend over the previous fiscal year.
- The Office of Investment Management, under the oversight of the Penn State Investment Council, continued its strong performance. The 10-year annualized return as of June 30, 2025, for the long-term investment pool was 8.80%.
- Targeted investments were made to attract and retain top faculty talent, including seed grants, retention packages, and professional development opportunities.
- FY2025 was a record-breaking year for fundraising, with notable increases in giving to Athletics (Beaver Stadium Revitalization), Engineering, and Outreach.
- The Finance and IT Optimized Service Teams (OST) are reshaping administrative support services across the institution.

Capital projects and infrastructure enhancements

- The 2024-28 Capital Plan continues to guide investment in renewing and modernizing campus facilities.
- Significant construction and renovation projects progressed across Penn State, including the Sackett Building renovation, the new Physics Building, the new Classroom Building, and the ongoing renewal of the Pollock Residence Halls at University Park and new academic buildings at Abington and Harrisburg campuses.
- The University also moved forward with crucial infrastructure projects and system renewals.

Health system growth

- Penn State Health demonstrated strong financial performance throughout the fiscal year, driven by increased patient volumes and effective expense management.
- Community hospitals within the system, such as Hampden and Lancaster Medical Centers, showed strong growth.

As we move forward, the University remains committed to strengthening its financial position through strategic investments, operational excellence, and sound fiscal practices. This continued focus will enable us to advance our mission and deliver on our commitments to our students, faculty, staff, and the Commonwealth of Pennsylvania.

Sara F. Thorndike, Ed.D., MBA, CPA
Senior Vice President for Finance and Business/Treasurer
Chief Financial Officer

Financial Overview

The following section provides summarized results of the financial performance and position of the Pennsylvania State University ("Penn State", or the "University"), and as a result it should be read alongside the accompanying consolidated financial statements and notes to the financial statements. All figures in this section are consolidated and – unless specifically noted – include the University, Penn State Health, and other subsidiaries (see note one to the financial statements).

OPERATING RESULTS

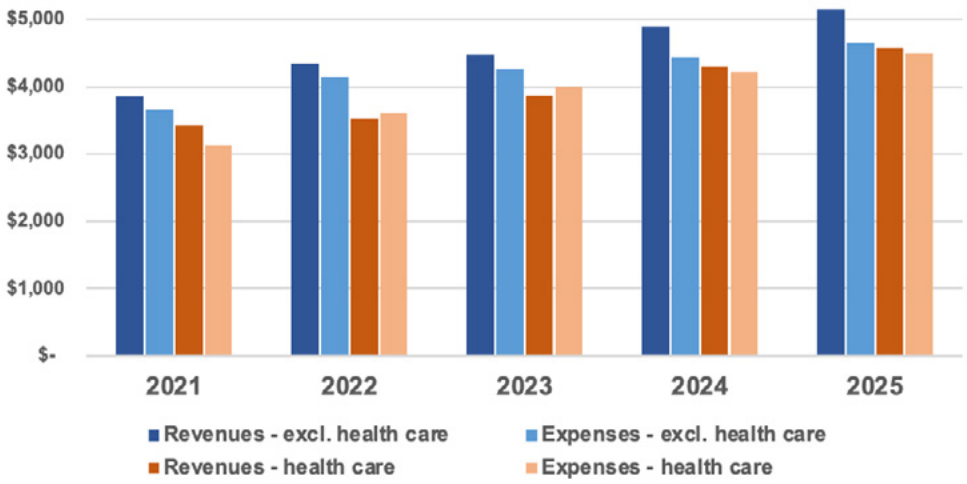
Penn State's net assets increased by $1.06 billion during the fiscal year ended June 30, 2025 (FY2025), a result of strong operating results at both the University and at Penn State Health alongside positive non-operating activities, particularly in the form of unrealized investment gains. A condensed view of the consolidated statements of activities follows:

Condensed Statements of Activities
($ millions)

	2025	2024
Operating revenues		
University – excluding health care related	$5,158	$4,890
Health care related	4,568	4,294
Total	**9,726**	**9,184**
Operating expenses		
University – excluding health care related	4,646	4,437
Health care related	4,496	4,231
Total	**9,142**	**8,668**
Operating income (loss)		
University – excluding health care related	512	453
Health care related	72	63
Total	**584**	**516**
Nonoperating activities		
Related to postretirement benefit expense	(36)	(6)
Related to investments	412	450
Other	85	37
Total	**461**	**481**
Increase in net assets – Penn State University	1,045	997
Change in noncontrolling interest	17	4
Increase in total net assets	1,062	1,001
Beginning net assets	13,755	12,754
Ending net assets	**$14,817**	**$13,755**

Exhibit 1, which follows, shows a breakdown of operating expenses and revenues for the last five fiscal years (distinguishing between healthcare related revenues / expenses and the rest of the University).

Exhibit 1: Operating Revenues and Expenses
($ millions)



Operating Revenues

In FY2025, University operating revenues (excluding Penn State Health) topped $5 billion for the first time, exceeding FY2024 by $268 million, or 5.5%, with notable increases in gifts/pledges ($157 million), tuition/fees ($53 million), and grants/contracts ($52 million).

FY2025 was a record-breaking year for fundraising at Penn State, with significant increases in giving experienced in units including Intercollegiate Athletics (mostly connected to the Beaver Stadium Revitalization project), Engineering, and Outreach, to name a few.

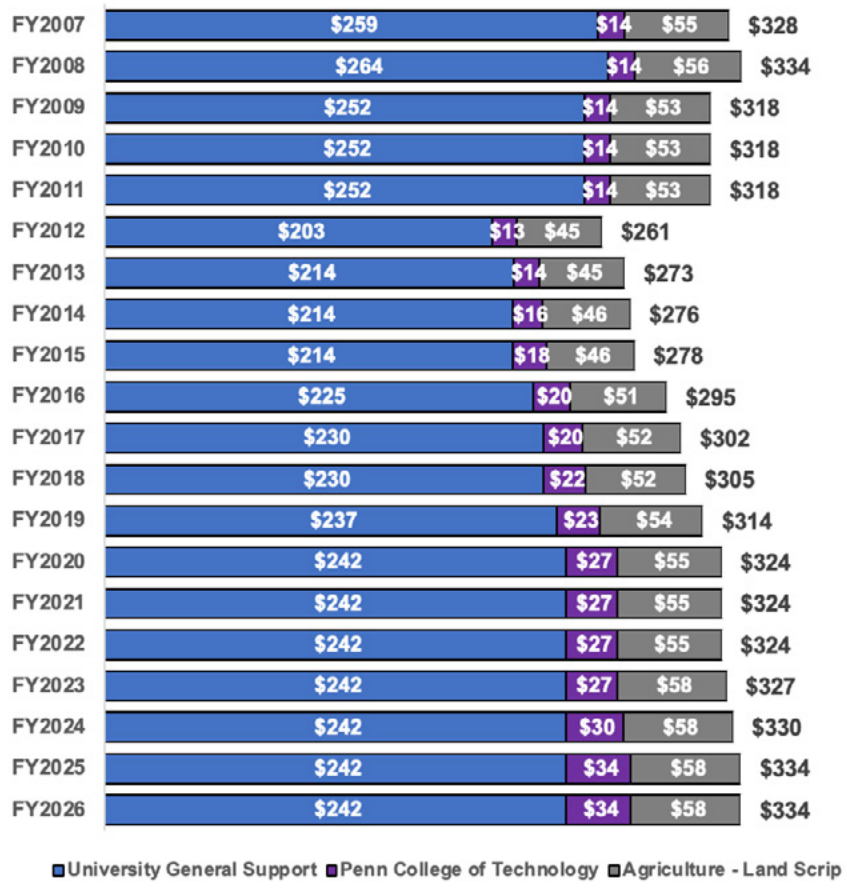
Tuition/fee revenues reflect the rate increases approved by the Board of Trustees in July of 2023 (at which point the tuition and fee schedules for both fiscal years 2024 and 2025 were presented and approved): University Park tuition increased 2% and 4% for PA residents and non-residents, respectively, while Commonwealth Campus tuition rates were unchanged for PA residents and raised by 1% for non-residents. World Campus tuition increased by 1% for all students.

While grants and contracts revenue from the Commonwealth declined in FY2025 due to the timing of capital-project specific grants from the PA Department of General Services, federal and private grant revenues increased by $53 million and $17 million, respectively, with the Applied Research Lab seeing the largest increase – up $46.8 million from FY2024 – in federal grants and contracts revenue.

Penn State last received an increase in the general support portion of its state appropriation in FY2020. Penn State receives appropriations of around $5,796 per Pennsylvania resident student, which is the lowest per-student appropriation of any public university in Pennsylvania and well below the national average.

Exhibit 2, which follows, shows the twenty-year trend of state appropriations to Penn State, through FY2026.

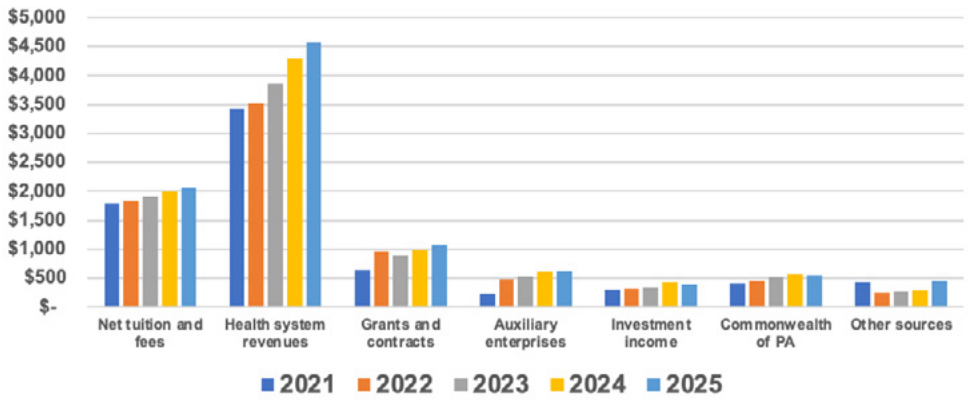
Exhibit 2: Commonwealth Appropriations Trends



In FY2025 Penn State Health operating revenues topped $4.5 billion for the first time, exceeding FY2024 by $274 million, or 6.4%, with notable increases in net patient services revenues associated with patient volumes and mix of services.

Recent trends in consolidated operating revenues are illustrated below in exhibit 3:

Exhibit 3: Operating Revenues by Source
($ millions)



Operating Expenses

University operating expenses – excluding Penn State Health – increased by $209 million, or 4.7%, in FY2025. Personnel expense makes up $156 million of the overall increase and is due to annual merit increases, rising group insurance expense, and voluntary separation payments for faculty and staff employed at Commonwealth Campuses. Depreciation and interest expense increased by a combined $15 million, while other non-personnel expenses increased a total of $39 million due in large part to inflationary forces.

Penn State Health operating expenses increased by $256 million, or 6.3%, in FY2025. Personnel expense makes up $180 million of the overall increase and is due to annual merit increases and medical insurance expense. Medical supplies and drugs increased by $85 million and is directly attributed to the net revenues derived from patient mix and volumes, while other non-personnel expenses remained flat or slightly reduced from FY2024.

Recent trends in consolidated operating expenses are illustrated below in exhibits 4 and 5.

Exhibit 4: Operating Expenses by Natural Classification
($ millions)

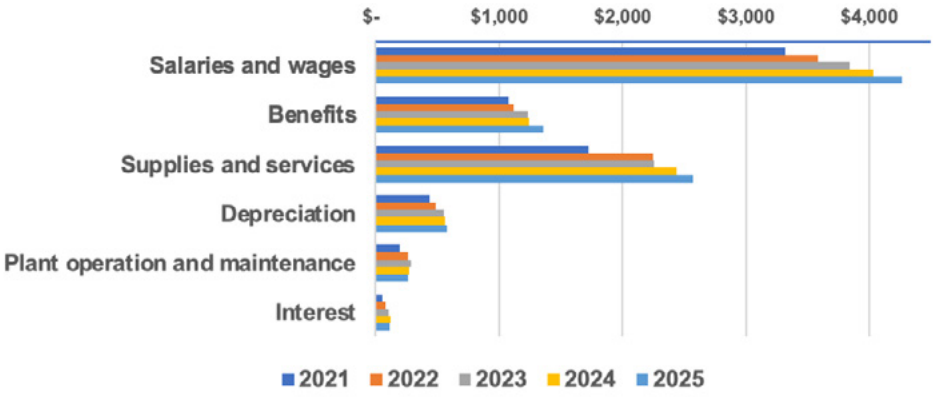
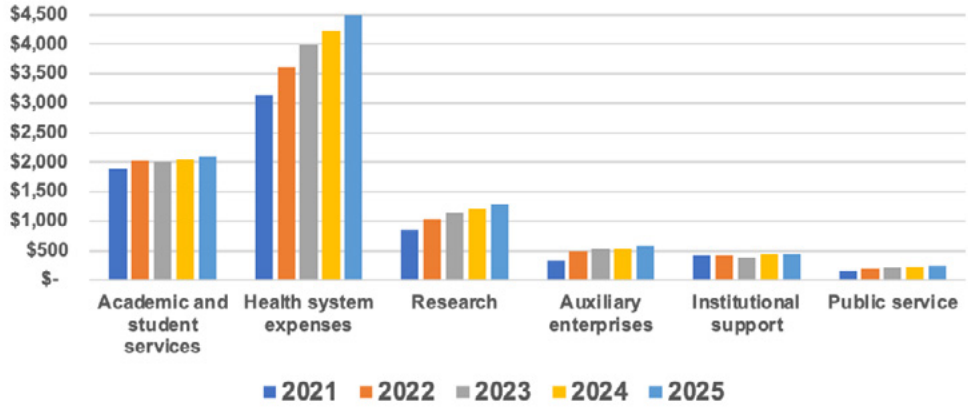


Exhibit 5: Operating Expenses by Function
($ millions)



Non-Operating Activities

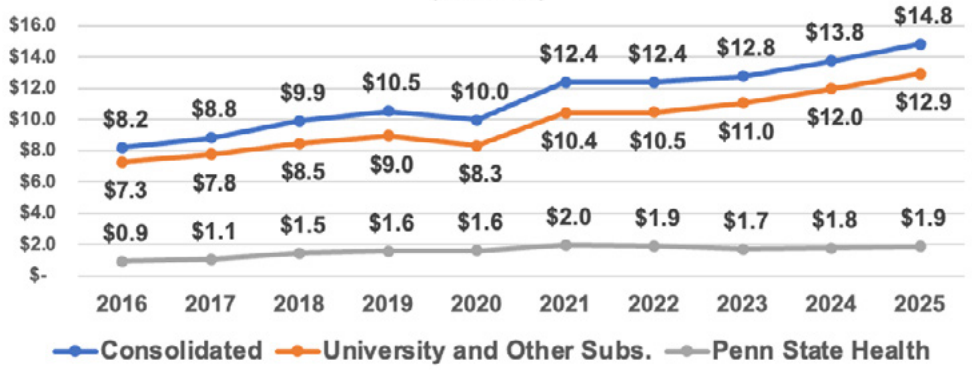
Non-operating revenues had a significant impact on Penn State's overall increase in net assets during FY2025, with unrealized investment gains and other non-operating investment income specifically accounting for roughly 39% of the $1.06 billion net increase. Non-operating, endowed, gifts and pledges also added $107 million to the bottom line in FY2025.

FINANCIAL POSITION

Penn State's assets totaled just under $22.5 billion at the end of FY2025, an increase of $1.78 billion, or 8.6%, from June 30, 2024. Contributing to the increase in assets, the University's liabilities increased by $715 million, of which $532 million represents net additional debt on the balance sheet at year-end for planned capital projects.

Over the last ten fiscal years, Penn State's consolidated net assets (i.e. the residual of assets less liabilities) have grown at an annualized rate of 6.8%. Exhibit 6 illustrates ending consolidated net asset balances for the last ten fiscal years.

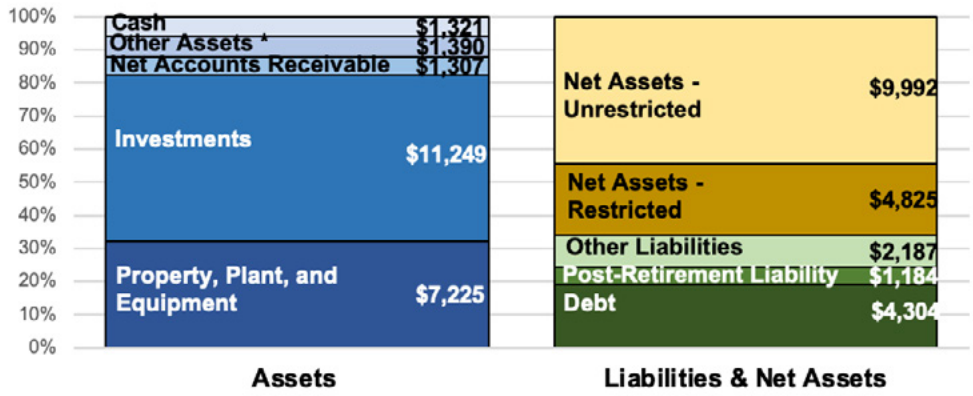
Exhibit 6: Consolidated Net Assets
($ billions)



A condensed version of Penn State' statement of financial position (i.e. balance sheet) follows, along with a graphical representation of the consolidated statement of financial position at June 30, 2025 in exhibit 7.

Condensed Statements of Financial Position ($ millions)	June 30, 2025	June 30, 2024
Assets		
Cash and cash equivalents	$1,321	$1,336
Receivables, net	1,307	1,240
Investments	11,249	10,296
Property, plant, and equipment, net	7,225	7,053
Deposits held by bond trustees	661	104
Other assets	729	686
Total assets	**$22,492**	**$20,715**
Liabilities		
Accounts payable and accrued expenses	$1,177	$1,045
Debt	4,304	3,772
Accrued post-retirement liability	1,184	1,191
Other liabilities	1,010	952
Total liabilities	**7,675**	**6,960**
Net assets		
Without donor restrictions	9,992	9,296
With donor restrictions	4,825	4,459
Total net assets	**14,817**	**13,755**
Total liabilities and net assets	**$22,492**	**$20,715**

Exhibit 7: Consolidated Financial Position at June 30, 2025
($ millions)



** Other assets in exhibit 7 above includes deposits held by bond trustees.*

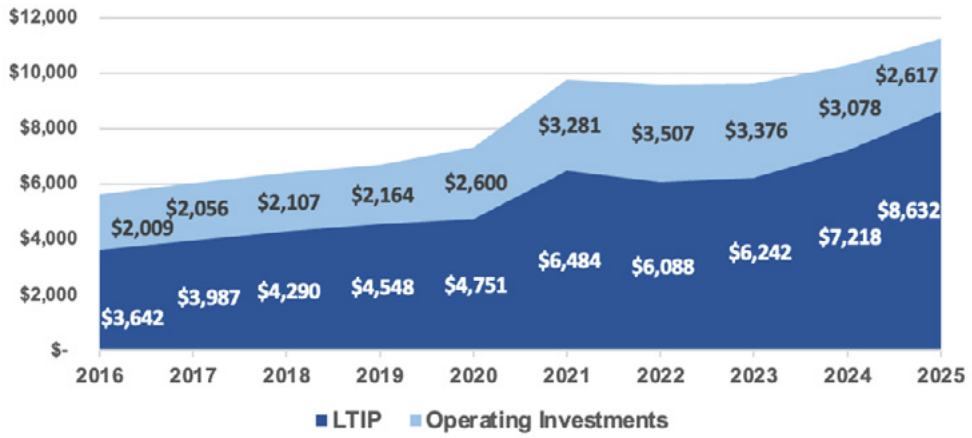
INVESTMENTS

Penn State's Office of Investment Management (OIM) is tasked with the day-to-day management and administration of the University's long-term and operating investments. Under the governance and oversight of the Penn State Investment Council (PSIC) and Board of Trustees, OIM executes the University's investment policy statement and manages the University's investments by taking a reasonable amount of risk. The investment objective is to achieve returns, after fees and expenses, that meet the University's cash needs and keep up with inflation.

The Long-Term Investment Pool (LTIP) is the University's investment portfolio containing most of its donor-endowed funds, in addition to other funds functioning as endowments and University reserve funds, all with long-term investment objectives. This commingled pool operates similarly to a mutual fund, with each participating fund owning units of the pool.

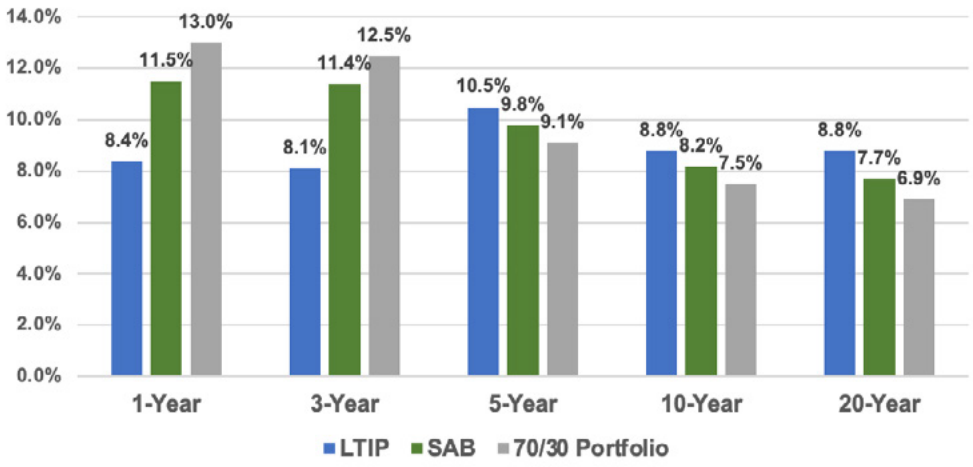
Operating Investments are weighted heavily towards fixed income owing to less of a risk tolerance as that pool contains working capital of the University as well as a portion of its reserve funds. During FY2025 roughly $1.0 billion of the University's funds were moved from Operating Investments to the LTIP in order to deploy unrestricted investments to more optimally fund capital and deferred maintenance needs over the medium to long term.

Exhibit 8: Investments Growth
($ millions)



The LTIP had a one-year return of 8.4% in FY2025 and annualized 3-, 5-, 10-, and 20-year returns of 8.1%, 10.5%, 8.8%, and 8.8%, respectively. The 3-, 5-, 10-, and 20-year annualized returns all exceed the LTIP's tactical *Strategic Allocation Benchmark* (or "SAB"[1]), as well as a passive composite benchmark consisting of 70% MSCI All Country World Index and 30% Bloomberg US Aggregate Bond Index (a 70/30 stocks/bonds passive portfolio).

Exhibit 9: LTIP Annualized Returns vs. Benchmarks

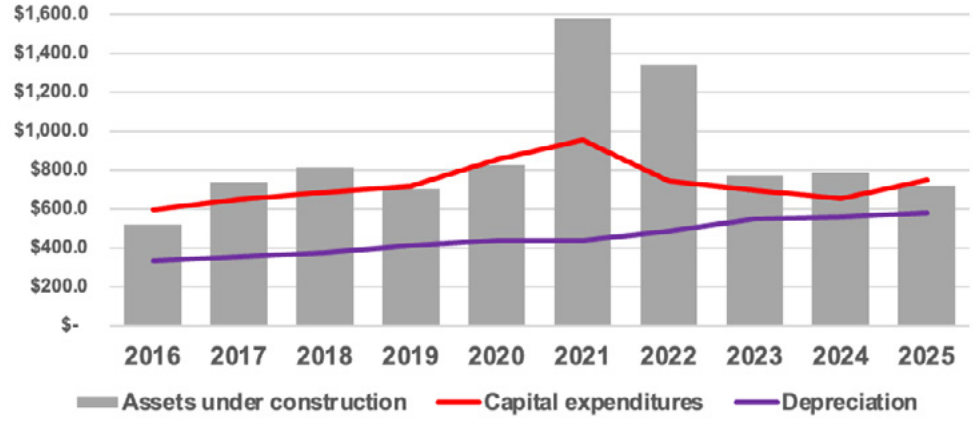


CAPITAL ASSETS AND DEBT

Penn State entered into year two of its current capital campaign in FY2025, which is expected to total roughly $2.18 billion over the span of the campaign. The 2024-2028 capital plan is a maintenance-centric plan focused on system renewals, maximizing funding impact, and minimizing administrative burden; $1.19 billion of the plan is tied to self-supporting units, including Intercollegiate Athletics, Auxiliary and Business Services, and the Applied Research Laboratory.

Exhibit 10 illustrates recent trends in capital expenditure, assets under construction, and depreciation expense.

Exhibit 10: Assets Under Construction, Capital Expenditures, and Depreciation ($ millions)



[1] SAB consists of index returns representing the following asset classes: equities (54%), fixed income (18%), diversifying strategies (12%), and real assets (16%).

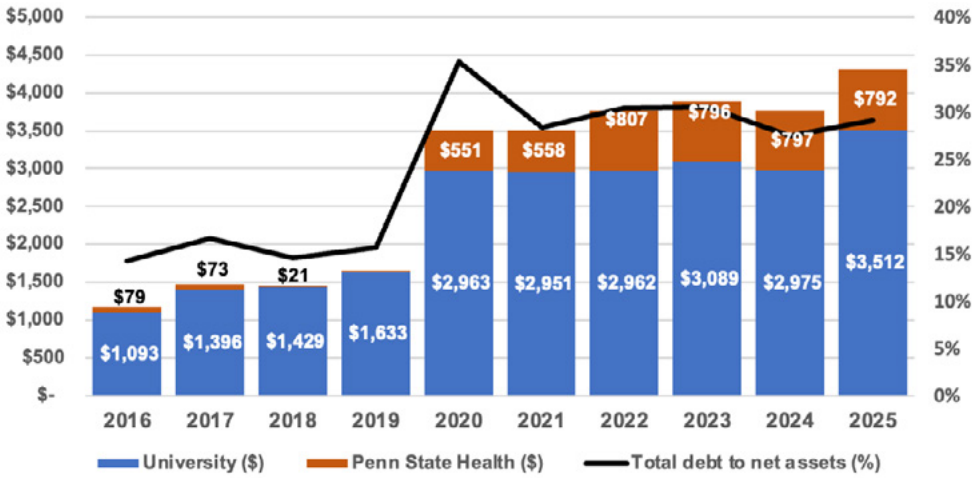
Major University capital expenditures in FY2025 included over $463 million in building construction costs, with the most significant projects – based on dollars spent in FY2025 – being the Beaver Stadium renovation ($113 million), the Engineering Collaborative Research and Education Building ($42 million), and the Susan Welch Liberal Arts Building ($27 million).

Improvements to land and infrastructure totaled $31 million in FY2025, and spend on equipment and information technology capital assets totaled $91 million.

Major capital expenditures for Penn State Health included construction on the 3rd Floor Hospital – Main and South Addition at the Hershey Medical Center ($35 million) and the Hampden Cancer Center ($19 million).

The University's portfolio of outstanding long-term debt is the result of borrowings to fund capital projects as well as specific borrowing made to prefund a significant portion of the University's unfunded actuarial liability with the Commonwealth of Pennsylvania's State Employees' Retirement System (SERS). In April of 2020, the University entered into an agreement with SERS to prefund $1.061 billion of its unfunded liability in exchange for credits against future contributions ($93.3 million of credits in both FY2025 and FY2024). The University issued bonds in May of 2020 (series 2020D) in the amount of $1.065 billion in connection with this prefunding, and the resulting increase in the University's debt load is evident as illustrated on exhibit 11.

Exhibit 11: Long-Term Debt
($ millions)



The University issued three new series of bonds in FY2025:

- Series 2024, tax-exempt, in the amount of $157.9 million, issued in August 2024 to fund capital projects associated with the 2024-2028 capital plan.
- Series 2025A, tax-exempt, in the amount of $515.7 million, issued in June 2025 to fund capital projects associated with the 2024-2028 capital plan and to refund the series 2015A and 2015B bonds.
- Series 2025B, taxable, in the amount of $60 million, issued in June 2025 to fund construction of the Applied Research Lab's *Project Discovery* building.

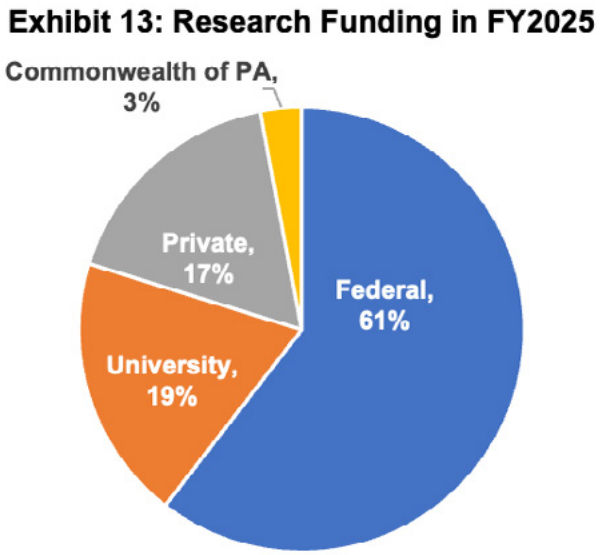
RESEARCH AND SPONSORED PROGRAMS

Penn State is a top 30 U.S. research university, as designated by the National Science Foundation's Higher Education Research and Development (HERD) survey, with twelve disciplines – from psychology to atmospheric science and materials engineering – ranking in the top ten for research expenditures.

Exhibit 12 illustrates the growth in research expenses – based on functional expense classification – over the last ten fiscal years.

Over the last ten years, research expenses have grown at an annualized rate of 5.4%; the annualized growth since fiscal year 2021, however, is 10.4%, with FY2025 research functional spend reaching $1.3 billion.[2]

The University's research expenses are funded by federal, private, state, and other sources; the largest federal sponsor is the Office of Naval Research (an executive branch agency within the U.S. Department of Defense). Penn State's investment of University funds for research increased by 6% in FY2025. The breakdown of FY2025 research funding follows in exhibit 13.



[2] There are certain reconciling items between research *functional expenses* in the audited financial statements and the total research spend amount reported externally based on industry standards, which is $1.4 billion.

LOOKING AHEAD

University Strategic Planning

Penn State is underway with phase three of its strategic plan to elevate the University's standing as a world-class institution through the advancement of six priority areas:

- Enhancing student success
- Growing (inter)disciplinary research excellence
- Fostering diversity, equity, inclusion and belonging
- Increasing land-grant impact
- Transforming health care through academic and clinical synergy
- Transforming internal operations

In this third phase, feedback from the broader community has been incorporated into a revised institutional plan, and unit-level planning is underway through the remainder of 2025, with a goal to begin implementing institutional and unit-level plans starting in January 2026.

The various phases of the strategic planning process are illustrated in the graphic below.

Optimized Service Teams

Penn State is progressing in its design and roll-out of cross-functional *Optimized Service Teams*, or OSTs, in the following areas: information technology, finance, facilities and safety.

Optimized service teams encourage communication and cooperation between units to consolidate expertise to deliver comprehensive solutions, promote best practices, and respond efficiently to the needs of the University community. Within the OSTs, processes and procedures are standardized across units to reduce duplication, save time and resources, and improve consistency. Teams focus on delivering responsive, high-quality service and will regularly review operations and seek feedback to identify opportunities for enhancement.

The IT OST launched in July 2025, and the Finance OST is scheduled to begin a phased launch beginning in November 2025 and continuing through spring of 2026.

Future of Commonwealth Campuses

In May 2025, the Board of Trustees approved the closures of seven[3] of Penn State's Commonwealth Campuses at the end of the 2026-2027 academic year as part of a strategic effort to address ongoing financial challenges and to ensure the long-term sustainability of the institution. This decision was made following an in-depth review of enrollment trends, demographic shifts, and financial pressures. Collectively, these campuses represent less than 4% of Penn State's student body and are among the smallest in terms of enrollment. Every student who begins a degree at a closing campus will have the opportunity to complete their degree at Penn State.

The University plans to continue to invest in the remaining thirteen Commonwealth Campuses. Operations at the closing campuses will continue as normal through June 2027, with no significant reduction in the use of facilities or services expected prior to closure.

[3] Penn State DuBois, Fayette, Mont Alto, New Kensington, Shenango, Wilkes-Barre, and York.

plante moran

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
The Pennsylvania State University

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Pennsylvania State University and its subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2025 and 2024 and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2025 and 2024 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the University and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* 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 consolidated financial statements.

PRAXITY
Empowering Business Globally

To the Board of Trustees
The Pennsylvania State University

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Additional Information

Management is responsible for the accompanying list of university officers, letter from the senior vice president for finance and business/treasurer, financial overview, and list of the board of trustees, which are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Our opinion on the consolidated financial statements does not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2025 on our consideration of The Pennsylvania State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Pennsylvania State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Pennsylvania State University's internal control over financial reporting and compliance.

November 6, 2025

Consolidated Financial Statements

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
ASSETS
JUNE 30, 2025 AND 2024
(in thousands)

	June 30, 2025	June 30, 2024
Current assets:		
Cash and cash equivalents	$ 1,320,893	$ 1,335,572
Short-term investments	1,264,223	1,122,093
Deposits held by bond trustees	-	103,673
Deposits held for others	29,908	39,089
Accounts receivable, net of allowances	1,025,486	1,031,786
Contributions receivable, net	56,824	39,169
Loans to students, net of allowances	2,152	2,580
Inventories	84,788	85,358
Prepaid expenses and other assets	131,626	126,528
Total current assets	**3,915,900**	**3,885,848**
Noncurrent assets:		
Deposits held by bond trustees	661,054	-
Contributions receivable, net	203,562	144,313
Loans to students, net of allowances	18,866	22,252
Total investment in plant, net	7,224,770	7,053,208
Beneficial interest in perpetual trusts	36,725	32,105
Investments	9,984,763	9,174,349
Operating lease right-of-use assets, net	171,251	163,453
Other assets	275,583	239,500
Total noncurrent assets	**18,576,574**	**16,829,180**
Total assets	**$22,492,474**	**$20,715,028**

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
LIABILITIES AND NET ASSETS
JUNE 30, 2025 AND 2024
(in thousands)

	June 30, 2025	June 30, 2024
Current liabilities:		
Accounts payable and other accrued expenses	$ 1,177,469	$ 1,044,501
Deferred revenue	214,907	229,993
Long-term debt	123,090	121,436
Present value of annuities payable	8,136	8,522
Accrued postretirement benefits	59,800	56,600
Refundable United States Government student loans	2,379	3,200
Operating lease liabilities	34,646	30,661
Total current liabilities	**1,620,427**	**1,494,913**
Noncurrent liabilities:		
Deposits held in custody for others	26,467	29,689
Long-term debt	4,181,354	3,651,284
Present value of annuities payable	73,533	62,154
Accrued postretirement benefits	1,124,235	1,133,636
Refundable United States Government student loans	7,616	10,107
Operating lease liabilities	144,705	141,046
Other liabilities	497,342	437,437
Total noncurrent liabilities	**6,055,252**	**5,465,353**
Total liabilities	**7,675,679**	**6,960,266**
Net assets:		
Without donor restrictions	9,991,926	9,296,274
With donor restrictions	4,824,869	4,458,488
Total net assets	**14,816,795**	**13,754,762**
Total liabilities and net assets	**$22,492,474**	**$20,715,028**

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support:			
Tuition and fees, net of discounts of $308,220	$ 2,064,455	$ -	$ 2,064,455
Commonwealth of Pennsylvania –			
Appropriations	333,777	-	333,777
Special contracts	119,704	-	119,704
Department of General Services projects	102,272	-	102,272
United States Government grants and contracts	884,673	-	884,673
Private grants and contracts	179,490	-	179,490
Gifts and pledges	206,650	93,419	300,069
Investment return, net	258,579	142,360	400,939
Sales and services of educational activities	114,374	204	114,578
Auxiliary enterprises	619,418	-	619,418
Health System revenue	4,567,539	-	4,567,539
Other sources	39,130	-	39,130
Net assets released from restrictions	147,000	(147,000)	-
Total operating revenues and other support	**9,637,061**	**88,983**	**9,726,044**
Operating expenses:			
Educational and general –			
Academic and student services	2,094,127	-	2,094,127
Research	1,284,348	-	1,284,348
Public service	240,563	-	240,563
Institutional support	443,602	-	443,602
Total educational and general	**4,062,640**	-	**4,062,640**
Auxiliary enterprises	583,793	-	583,793
Health System expense	4,495,371	-	4,495,371
Total operating expenses	**9,141,804**	-	**9,141,804**
Increase in net assets from operating activities	**495,257**	**88,983**	**584,240**
Nonoperating activities:			
Gifts and pledges	-	107,049	107,049
Current year investment returns	237,605	174,455	412,060
Changes in funds held by others in perpetuity	-	4,620	4,620
Loss on disposal of assets	(7,509)	-	(7,509)
Nonperiodic change in postretirement benefit plan	(62,508)	-	(62,508)
Other components of net periodic postretirement benefit cost	26,266	-	26,266
Actuarial adjustment on annuities payable	-	(19,133)	(19,133)
Net asset transfer due to donor intent	(10,407)	10,407	-
Increase in net assets from nonoperating activities	**183,447**	**277,398**	**460,845**
Increase in net assets – The Pennsylvania State University	**678,704**	**366,381**	**1,045,085**
Noncontrolling interest:			
Excess of revenues over expenses	16,948	-	16,948
Increase in net assets – noncontrolling interest	**16,948**	-	**16,948**
Increase in total net assets	**695,652**	**366,381**	**1,062,033**
Net assets at the beginning of the year	**9,296,274**	**4,458,488**	**13,754,762**
Net assets at the end of the year	**$ 9,991,926**	**$ 4,824,869**	**$ 14,816,795**

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support:			
Tuition and fees, net of discounts of $300,968	$ 2,011,793	$ -	$ 2,011,793
Commonwealth of Pennsylvania –			
Appropriations	329,777	-	329,777
Special contracts	100,002	-	100,002
Department of General Services projects	139,456	-	139,456
United States Government grants and contracts	832,021	-	832,021
Private grants and contracts	162,542	-	162,542
Gifts and pledges	114,704	28,048	142,752
Investment return, net	287,761	136,375	424,136
Sales and services of educational activities	102,496	269	102,765
Auxiliary enterprises	608,084	-	608,084
Health System revenue	4,294,189	-	4,294,189
Other sources	36,546	-	36,546
Net assets released from restrictions	184,229	(184,229)	-
Total operating revenues and other support	**9,203,600**	**(19,537)**	**9,184,063**
Operating expenses:			
Educational and general –			
Academic and student services	2,034,611	-	2,034,611
Research	1,200,191	-	1,200,191
Public service	226,977	-	226,977
Institutional support	441,279	-	441,279
Total educational and general	**3,903,058**	-	**3,903,058**
Auxiliary enterprises	533,689	-	533,689
Health System expense	4,231,258	-	4,231,258
Total operating expenses	**8,668,005**	-	**8,668,005**
Increase (decrease) in net assets from operating activities	**535,595**	**(19,537)**	**516,058**
Nonoperating activities:			
Gifts and pledges	-	82,528	82,528
Current year investment returns	226,730	223,069	449,799
Changes in funds held by others in perpetuity	-	3,988	3,988
Loss on disposal of assets	(37,953)	-	(37,953)
Nonperiodic change in postretirement benefit plan	(32,101)	-	(32,101)
Other components of net periodic postretirement benefit cost	26,232	-	26,232
Actuarial adjustment on annuities payable	-	(11,627)	(11,627)
Net asset transfer due to donor intent	(10,409)	10,409	-
Increase in net assets from nonoperating activities	**172,499**	**308,367**	**480,866**
Increase in net assets – The Pennsylvania State University	**708,094**	**288,830**	**996,924**
Noncontrolling interest:			
Excess of revenues over expenses	3,619	-	3,619
Increase in net assets – noncontrolling interest	**3,619**	-	**3,619**
Increase in total net assets	**711,713**	**288,830**	**1,000,543**
Net assets at the beginning of the year	**8,584,561**	**4,169,658**	**12,754,219**
Net assets at the end of the year	**$ 9,296,274**	**$ 4,458,488**	**$ 13,754,762**

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(in thousands)

	June 30, 2025	June 30, 2024
Cash flows from operating activities:		
Increase in net assets	$ 1,062,033	$ 1,000,543
Adjustments to reconcile change in net assets to net cash provided by operating activities –		
Actuarial adjustment on annuities payable	19,133	11,627
Contributions restricted for long-term investment	(108,019)	(79,664)
Interest and dividends restricted for long-term investment	(108,305)	(78,710)
Net realized and unrealized gains on long-term investments	(639,863)	(730,887)
Depreciation and amortization expense	579,194	559,566
Noncash lease expense	(153)	2,517
Write-offs and disposals of assets	13,516	54,548
Contributions of land, buildings and equipment	(15,773)	(1,438)
Provision for bad debts	3,662	(11,995)
(Increase) decrease in deposits held for others	(3,040)	2,059
Increase in receivables	(73,195)	(77,902)
Decrease in inventories	570	5,214
Increase in prepaid expenses and other assets	(45,801)	(35,649)
Increase in accounts payable and other accrued expenses	192,873	137,398
(Decrease) increase in deferred revenue	(15,086)	13,610
Decrease in accrued postretirement benefits	(6,201)	(30,773)
Net cash provided by operating activities	**855,545**	**740,064**
Cash flows from investing activities:		
Purchase of land, buildings and equipment	(745,401)	(654,877)
(Increase) decrease in deposits held by bond trustees	(557,055)	165,141
Repayments and advances on student loans	(929)	(909)
Collections on student loans	3,210	4,046
Purchase of investments	(4,790,380)	(2,757,868)
Proceeds from sale of investments	4,477,702	2,810,326
Net cash used in investing activities	**(1,612,853)**	**(434,141)**
Cash flows from financing activities:		
Contributions restricted for long-term investment	108,019	79,664
Interest and dividends restricted for long-term investment	108,305	78,710
Payments of annuity obligations	(8,141)	(8,524)
Proceeds from long-term debt	789,400	-
Principal payments on long-term debt	(260,775)	(122,799)
Refundable federal student loans	(2,851)	(3,174)
Net cash provided by financing activities	**733,957**	**23,877**
Net (decrease) increase in unrestricted and restricted cash and cash equivalents	(23,351)	329,800
Unrestricted and restricted cash and cash equivalents at the beginning of the year	**1,369,127**	**1,039,327**
Unrestricted and restricted cash and cash equivalents at the end of the year	**$ 1,345,776**	**$ 1,369,127**

Supplemental disclosures of cash flow information (Notes 2 and 9).

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

1. THE UNIVERSITY AND RELATED ENTITIES

The Pennsylvania State University ("University"), which was founded in 1855 as an instrumentality of the Commonwealth of Pennsylvania ("Commonwealth" or "Pennsylvania"), is organized as a non-profit corporation under the laws of the Commonwealth. As Pennsylvania's land grant university, the University is committed to improving the lives of the people of Pennsylvania, the nation and the world through its integrated, tri-part mission of high-quality teaching, research and outreach. In addition to its main campus located in University Park, PA, the University has a physical presence throughout the Commonwealth at its multiple commonwealth campuses, and a virtual presence globally via its World Campus.

As a state-related institution, the University receives an annual appropriation from the Commonwealth. The Commonwealth's General Assembly is not obligated to appropriate funding to the University, and there is no assurance that future appropriations will be made at either historical levels or to the extent requested by the University. The University's operating appropriation from the Commonwealth was $333.8 million and $329.8 million for the years ended June 30, 2025 and 2024, respectively.

Governance of the University, including oversight of administration and financial operations, is vested solely with the University's Board of Trustees (the "Board"). The Board is comprised of thirty-eight members. Thirty-six of the trustees are voting members, nine of whom are either appointed by the Governor of the Commonwealth or are cabinet-level members of the Governor's administration. The remaining voting members are elected by alumni (nine), elected by agricultural societies active in the Commonwealth (six), elected by the Board representing business and industry (six), elected by the Board as at-large members (three), a student trustee (one), an academic trustee (one), and the immediate past president of the Penn State Alumni Association (one).

BASIS OF PRESENTATION

The financial statements of the University include, on a consolidated basis, the consolidated financial statements of Penn State Health ("Health System"), a Pennsylvania non-profit corporation, and its wholly owned subsidiaries (see Note 13 for additional information), and the financial statements of The Corporation for Penn State and its subsidiaries ("Corporation"). The Corporation is a non-profit member corporation organized in 1985 for the exclusive purpose of benefiting and promoting the interests of the University, the Corporation's sole member. The Corporation's financial statements consist primarily of the assets and revenues of The Pennsylvania College of Technology ("Penn College"), a wholly owned subsidiary of the Corporation. All transactions among the University, the Health System, and the Corporation have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The University's consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the source of authoritative GAAP.

The University's consolidated financial statements include statements of financial position, activities and cash flows. In accordance with FASB ASC requirements, net assets and the changes in net assets are classified as with donor restrictions or without donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions, either in perpetuity or for a specified time or purpose. Net assets with perpetual restrictions consist primarily of the historical amounts of endowed gifts. Additionally, contributions receivable and remainder interests which are required by donors to be retained in perpetuity are included at their estimated net present values. Net assets restricted by time or purpose consist of contributions receivable and remainder interests that are not required to be held in perpetuity. In addition, endowment appreciation and net unrealized losses on donor-restricted endowment funds for which historical cost exceeds market value are included.

Net assets without donor restrictions are net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes at the discretion of management or may otherwise be limited by contractual agreements with outside parties. Revenue from donor-restricted sources is reclassified as revenue without donor restrictions when the circumstances of the restriction have been fulfilled. Donor-restricted contributions whose restrictions are met within the same fiscal year are reported as revenue without donor restrictions. All expenses from operations are reported as a reduction of net assets without donor restrictions since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts on the financial statements and the disclosure of investments, fair value measurements, postretirement benefits, and contingencies and commitments. Actual results could differ from those estimates.

REVENUE RECOGNITION

Tuition

Tuition revenue is recognized over the course of each semester (summer, fall, spring) as instruction is provided to students. Tuition is due from students by the beginning of each applicable semester. Overdue payments are reflected in accounts receivable as the University has an unconditional right to payment.

Tuition receipts of $71.7 million, included in deferred revenue at June 30, 2024, were recognized during the year ended June 30, 2025. Tuition receipts of $72.0 million, included in deferred revenue at June 30, 2023, were recognized during the year ended June 30, 2024. Institutional financial aid provided by the University for tuition and fees is reflected as a reduction of tuition and fee revenue. As tuition contracts have a duration of one year or less, the University has elected to apply the optional exemption prescribed by ASC 606-10-50-14 and, as such, has not disclosed the aggregate transaction price allocated to unsatisfied performance obligations or the time at which the revenue associated with these unsatisfied performance obligations is expected to be recognized. At June 30, unsatisfied performance obligations under tuition contracts relate solely to summer semester instruction to be provided in July and August of the subsequent year. Transaction prices for tuition and fees are determined and allocated based on the applicable published tuition and fees schedules.

Grants and Contracts

Grants and contracts revenue is recognized over time as the eligible grant activities are conducted. Grants and contracts deemed to be exchange transactions fall under the scope of ASC Topic 606, Revenue from Contracts with Customers. The performance obligation for each grant or contract is deemed to be the research or program work itself. Work completed under grants and contracts does not result in assets that can be sold to other customers and the University is entitled to payment for the work completed to date. Grants and contracts that are deemed to be contributions fall under the scope of ASC Topic 958, Not-for-Profit Entities. These are deemed to be conditional contributions, as eligible expenditures must be incurred in order to have a right of release of funding from the sponsor. Most grants and contracts are cost reimbursement basis, and incurred expenditures are periodically billed to the customer for reimbursement.

Grants and contracts receipts of $51.2 million, included in deferred revenue at June 30, 2024, were recognized during the year ended June 30, 2025. Grants and contracts receipts of $40.3 million, included in deferred revenue at June 30, 2023, were recognized during the year ended June 30, 2024. The University has entered into numerous grants and contracts, with periods of performance ending at various dates from July 1, 2025 through June 30, 2052. The estimated performance obligations remaining under these grants and contracts as of June 30, 2025 total $1.579 billion. Transaction prices for grants and contracts are determined and allocated based on the budgets included in the respective award agreements.

Sales and Services of Educational Activities and Auxiliary Enterprises

Revenues from sales and services of educational activities and auxiliary enterprises consist primarily of health services, housing and food services, intercollegiate athletics, campus operations, and hospitality services. Performance obligations associated with these contracts consist of the provision of goods or services, and significant judgment is involved to determine whether the performance obligations are satisfied over time or at a point in time. Typically, revenue associated with semester-based contracts, such as housing and food services, is recognized over the course of the semester as services are provided. For other contracts, such as health services, athletic ticket sales, hotel room

charges, and other campus operations, revenue is recognized at a point in time, when the good or service is provided. Contracts included in sales and services of educational activities and auxiliary enterprises are typically one year or less in length. As such, receipts included in deferred revenue at June 30, 2024 and 2023 were fully recognized during the years ended June 30, 2025 and 2024. In addition, the University has elected to apply the optional exemption prescribed by ASC 606-10-50-14 and, as such, has not disclosed the aggregate transaction price allocated to unsatisfied performance obligations or the time at which the revenue associated with these unsatisfied performance obligations is expected to be recognized. At June 30, unsatisfied performance obligations under sales and services of educational activities and auxiliary enterprises relate primarily to summer semester housing and food services to be provided in July and August of the subsequent year, as well as athletic events held during the fall semester. Transaction prices for sales and services of educational activities and auxiliary enterprises are typically straightforward and explicitly stated in the contract.

Health System

Patient care service revenue is reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Health System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Health System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Health System's hospital receiving inpatient acute-care services or patients receiving services in the Health System's outpatient centers or other clinical settings. The Health System measures the performance obligation from admission into the hospital, or the commencement of an outpatient services or other visit, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services or other visit. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the Health System's patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Health System does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute-care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Health System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients. The Health System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Health System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Health System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Health System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2025 and 2024, changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Health System's mission, care is provided to patients regardless of their ability to pay. Therefore, the Health System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Health System expects to collect based on its collection history with those patients.

Patients who meet the Health System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. The amount of charges foregone under the Health System's charity care policy was $98.7 million and $87.1 million for the years ended June 30, 2025 and 2024, respectively. The direct and indirect costs of charity care, based on a ratio of the Health System's operational costs to its gross charges, was $51.8 million and $43.9 million for the years ended June 30, 2025 and 2024, respectively.

The Health System has agreements with third party payors that provide for reimbursements at amounts different from its established rates. Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare, Medicaid, Blue Cross/Blue Shield, and HMO programs that are subject to audit by fiscal intermediaries.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care entities have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in entities entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Health System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Health System. In addition, the contracts the Health System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Health System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in transaction price were not significant in 2025. During 2024, as a result of the Supreme Court's decision in American Hospital Association v. Becerra and the district court's remand to the agency, the Centers for Medicare & Medicaid Services (CMS) issued a final rule outlining the remedy for the invalidated OPPS 340B-acquired drug payment policy for calendar years 2019-2022. In total, the Health System received approximately $31.7 million in payments under this final rule. These payments were received and recognized within Health System revenue in 2024 as an adjustment arising from a change in the transaction price. The budget neutrality offset is expected to be realized between 2026 and 2041.

The Health System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by payor. The composition of net patient service revenue by primary payor is as follows for the year ended June 30:

(in thousands of dollars)	**2025**	**2024**
Medicare	$ 1,161,857	$ 1,080,843
Medicaid	529,073	501,294
Blue Cross/Highmark	1,684,573	1,497,626
Managed care	431,860	402,585
Other	292,805	347,407
Total net patient service revenue	**4,100,168**	**3,829,755**
Other Health System revenue	467,371	464,434
Total Health System revenue	**$ 4,567,539**	**$ 4,294,189**

Additionally, during 2025 and 2024, the Health System recognized $6.7 million and $6.5 million, respectively, of net patient service revenue as a result of Medical Assistance payments made by the Commonwealth of Pennsylvania. These payments are intended to help offset medical education costs.

The Health System recognizes revenue related to retail pharmacy at a point in time. Retail pharmacy sales are recognized within Health System revenue on the accompanying consolidated statements of activities and totaled $212.0 million and $145.6 million during the years ended June 30, 2025 and 2024, respectively.

Overall

The University has elected to use the practical expedient prescribed by ASC 606-10-32-18, in which the promised amount of consideration need not be adjusted for the effects of a significant financing component if the period between when promised goods or services are transferred to a customer and when the customer pays for the goods or services is expected to be one year or less at contract inception.

CONTRIBUTIONS

Unconditional promises to give are recognized as revenues and receivables in the year made and consist of written or oral promises to contribute to the University in the future. Contributions receivable are recorded as donor-restricted revenue, either due to purpose restrictions and/or the implicit time restriction inherent in the future date at which the contribution is to be received. The amounts are present valued based on timing of expected collections.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The University has provided fair value estimates for certain financial instruments. Fair value information presented in the financial statements is based on information available at June 30, 2025 and 2024. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and other accrued expenses approximate fair value because of the terms and relatively short maturity of these financial instruments. The carrying values of the University's loans to students are also reasonable estimates of their fair value, as the total outstanding loans to students as of June 30, 2025 and 2024 have been made at the rates available to students for similar loans at such times. Investments are reported at fair value as disclosed in Note 4. The fair value of the University's bonds payable is disclosed in Note 8. See Note 6 for further discussion of fair value measurements.

CASH FLOWS

The following items are included as supplemental disclosure to the statements of cash flows for the years ended June 30:

(in thousands of dollars)	**2025**	**2024**
Supplemental reconciliation data:		
Cash and cash equivalents as shown on the statements of financial position	$ 1,320,893	$ 1,335,572
Restricted cash and cash equivalents included in deposits held by bond trustees	4,431	4,104
Restricted cash and cash equivalents included in deposits held for others	20,452	29,451
Total unrestricted and restricted cash and cash equivalents as shown in the statements of cash flows	**$ 1,345,776**	**$ 1,369,127**

Other supplemental data:	**2025**	**2024**
Interest paid	$ 138,482	$ 134,221

Capitalized costs accrued related to construction are $125.5 million and $92.6 million as of June 30, 2025 and 2024, respectively. Taxes paid for 2025 and 2024 are considered immaterial. Cash and cash equivalents include certain investments in highly liquid instruments with remaining maturities of 90 days or less, except for such assets held by the University's investment managers as part of their long-term investment strategies. Short-term investments include other current investments held for general operating purposes with maturities greater than 3 months but less than 12 months.

ACCOUNTS RECEIVABLE

Accounts receivable at June 30 consists of the following:

(in thousands of dollars)	2025	2024
Grants and contracts, net of allowance of $500 and $3,100	$ 259,113	$ 270,362
Patient accounts receivable	619,980	619,638
Student receivables, net of allowance of $55,639 and $50,484	67,674	61,128
Other, net of allowance of $7 and $0	78,719	80,658
Total accounts receivable, net	**$ 1,025,486**	**$ 1,031,786**

An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The University calculates the allowance using an expected loss model that considers actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. Receivables are written off when management determines they will not be collected.

Changes in the allowance for credit losses related to student receivables for the years ended June 30, 2025 and 2024 were as follows:

(in thousands of dollars)	
Balance as of June 30, 2023	$ 63,525
Provisions	(1,382)
Write-offs, net of recoveries	(11,659)
Balance as of June 30, 2024	**50,484**
Provisions	5,580
Write-offs, net of recoveries	(425)
Balance as of June 30, 2025	**$ 55,639**

LOANS TO STUDENTS

Loans to students are disbursed to qualified students based on need and include loans granted by the University from institutional resources and under federal government loan programs. Students enter a grace period upon ceasing at least half-time enrollment status. The grace period varies depending on the type of loan. Upon expiration of the grace period, interest begins to accrue, and repayment begins one month thereafter. Repayments of these loans are made directly to the University. Loans to students are uncollateralized and carry default risk.

Funds advanced by the federal government of $10.0 million and $13.3 million at June 30, 2025 and 2024, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. The federal liability related to the Perkins loan program will be reduced through the return of funds as required by the Department of Education.

Loans to students consisted of the following at June 30:

(in thousands of dollars)	2025	2024
Loans to students:		
Federal government loan programs:		
Perkins loan program	$ 8,875	$ 10,905
Institutional loan programs	16,887	17,613
	25,762	**28,518**
Less allowance for doubtful accounts:		
Balance, beginning of year	(3,686)	(3,923)
Provision for doubtful accounts	(1,058)	237
Balance, end of year	**(4,744)**	**(3,686)**
Loans to students, net	**$ 21,018**	**$ 24,832**

An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the loans. The University calculates the allowance using an expected loss model that considers actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. Further, the University does not evaluate credit quality of student loans receivable after the initial approval of the loan. Loans to students are considered past due when payment is not received by the due date, and interest continues to accrue until the loan is paid in full or written off.

The University considers the age of the amounts outstanding in determining the collectability of loans to students. The aging of the loans to students based on days delinquent and the related allowance for doubtful accounts at June 30 are as follows:

(in thousands of dollars)					
2025	**45 days or less**	**46-75 days**	**76-105 days**	**Over 105 days**	**Total**
Loans to students:					
Federal government loan programs	$ 7,314	$ 9	$ 9	$ 1,543	$ 8,875
Institutional loan programs	12,258	8	5	4,616	16,887
Total loans to students	**$ 19,572**	**$ 17**	**$ 14**	**$ 6,159**	**$ 25,762**
Allowance for doubtful accounts:					
Federal government loan programs					(1,523)
Institutional loan programs					(3,221)
Total allowance for doubtful accounts					**(4,744)**
Total loans to students, net					**$ 21,018**

(in thousands of dollars)					
2024	**45 days or less**	**46-75 days**	**76-105 days**	**Over 105 days**	**Total**
Loans to students:					
Federal government loan programs	$ 10,617	$ 15	$ 15	$ 258	$ 10,905
Institutional loan programs	13,984	18	17	3,594	17,613
Total loans to students	**$ 24,601**	**$ 33**	**$ 32**	**$ 3,852**	**$ 28,518**
Allowance for doubtful accounts:					
Federal government loan programs					(1,008)
Institutional loan programs					(2,678)
Total allowance for doubtful accounts					**(3,686)**
Total loans to students, net					**$ 24,832**

INVENTORIES

Inventories are stated at the lower of cost or net realizable value on the first-in, first-out basis.

INVESTMENTS

The University's noncurrent investments are comprised of the University's endowment and other investments held for general operating purposes. The University's investments are reported at fair value in the accompanying financial statements with gains and losses included in the consolidated statement of activities. The University believes that the estimated fair value is a reasonable estimate of market value as of June 30, 2025 and 2024. The fair value estimations include assumptions and methods that were reviewed by University management. The estimated fair value amounts for public securities held by the University with readily determinable fair values have been based on information as supplied by the various financial institutions that act as trustees or custodians for the University.

Because private investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material. The fair values of these private investments are determined based upon financial information provided by the investment manager.

The University authorizes certain investment managers to purchase derivative securities to attain a desired market position; and the University may directly invest in derivative securities to attain a desired market position. The University does not trade or issue derivative financial instruments other than through the investment management practices noted above. The University records derivative securities at fair value with gains and losses reflected in the consolidated statements of activities.

BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. The fair value of these trust assets has been recorded as net assets with donor restrictions and related beneficial interest in perpetual trusts in the consolidated financial statements.

INVESTMENT IN PLANT

Total investment in plant as of June 30 is comprised of the following:

(in thousands of dollars)	2025	2024
Land	$ 194,299	$ 187,221
Buildings	10,261,786	9,656,329
Improvements other than buildings	956,401	936,864
Equipment	2,259,327	2,159,513
Assets under construction	717,132	784,534
Total plant	**14,388,945**	**13,724,461**
Less accumulated depreciation	(7,164,175)	(6,671,253)
Total investment in plant, net	**$ 7,224,770**	**$ 7,053,208**

The value of land, buildings, and equipment is recorded at cost or, if received as gifts, at fair value at date of gift commitment. The University does not capitalize the cost of library books. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Useful lives range from 4 to 50 years for buildings, 10 to 20 years for improvements other than buildings, and 1 to 20 years for equipment. Depreciation expense was $579.2 million and $559.6 million for the fiscal years ended June 30, 2025 and 2024, respectively. The University has certain building and equipment lease agreements in effect which are considered finance leases that are included as long-term debt in the statements of financial position. Buildings and equipment held under finance leases are amortized on a straight-line basis over the shorter of the lease terms or the estimated useful lives of the assets. Total investment in plant associated with these leases was $32.1 million and $43.2 million at June 30, 2025 and 2024, respectively.

LEASES

The University determines if an arrangement is or contains a lease at inception of the contract. The right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets are recognized at commencement date based on the present value of lease payments over the lease term, adjusted for any initial direct costs incurred and lease incentives received, with the subsequent measurement based on lease classification. The lease liability is initially measured as the present value of unpaid lease payments and is subsequently measured using the effective interest method. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the University will exercise that option. The University has used the incremental borrowing rate when measuring its leases as the rate implicit in the lease is not readily determinable. The University's incremental borrowing rate is determined based on the Tax-Exempt Bloomberg Valuation Services (BVAL) Municipal AAA Curves Index Rate. The Index is constructed using hourly trades from the Municipal Securities Rulemaking Board (MSRB) AAA-rated municipal bonds normalized for differences in credit, optionality, and coupon size. ASC 842 defines a short-term lease as a lease with a term of twelve months or less that does not include a purchase option that is reasonably certain of being exercised ("short-term leases"). The University has elected, for all asset classes, the short-term lease recognition exemption provided in the standard that eliminates the requirement to recognize on the statements of financial position any short-term leases. The lease expense for these short-term leases is recognized on a straight-line basis over the lease term within operating expenses in the consolidated statements of activities and is not considered material to the consolidated financial statements. Finance lease ROU assets are included in total investment in plant, net, with the related liabilities included in current and noncurrent long-term debt in the consolidated statements of financial position. Operating lease ROU assets and related current and long-term liabilities are separately presented in the consolidated statements of financial position. Expenses for operating leases, amortization of assets held under finance leases, and finance lease interest expense are recognized within operating expenses in the consolidated statements of activities.

The University has elected, for all asset classes, the practical expedient to not separate lease and nonlease components. Certain of the University's lease agreements include payments based on actual maintenance, taxes, insurance, and utilities. Other agreements include rental payments adjusted periodically for inflation. These are deemed to be variable lease payments and are recognized in operating expenses as incurred but are not included in the ROU asset or liability balances. These variable lease payments are not considered material to the consolidated financial statements. The University's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

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

(in thousands of dollars)	2025	2024
Accounts payable (non-Health System)	$ 346,595	$ 285,410
Health System accounts payable and other accrued expenses	681,352	614,987
Accrued payroll and other related liabilities	114,083	107,702
Accrued interest	33,521	34,107
Student deposits	1,918	2,295
Total accounts payable and other accrued expenses	**$ 1,177,469**	**$ 1,044,501**

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, which include investment in plant and definite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized in change in net assets in the period that the impairment occurs.

In May 2025 the Board approved the closure of seven of the University's Commonwealth Campuses upon conclusion of the 2026-2027 academic year. Operations at the closing campuses will continue as normal during the 2025-2026 and 2026-2027 academic years, with no significant reduction in the use of facilities or services expected prior to closure. The net book value of capital assets associated with the closing campuses was $127.2 million as of June 30, 2025. Based on current information, no impairment loss has been recognized. However, the University continues to evaluate the impact associated with these campus closures, and future information and events may result in recognition of impairment loss in a future period.

ASSET RETIREMENT OBLIGATIONS

The University has recognized liabilities for asset retirement obligations. The University has identified asbestos abatement and the decommissioning of the Breazeale Nuclear Reactor as conditional asset retirement obligations. These obligations are reported as part of other noncurrent liabilities within the consolidated statements of financial position. The following table details the change in liabilities:

(in thousands of dollars)	
Balance as of June 30, 2023	$ 109,509
Adjustment to liability	1,995
Accretion expense	4,452
Liabilities settled	(4,982)
Balance as of June 30, 2024	**110,974**
Adjustment to liability	4,445
Accretion expense	5,080
Liabilities settled	(10,262)
Balance as of June 30, 2025	**$ 110,237**

ANNUITIES PAYABLE

Annuities payable consist of annuity payments currently due and the actuarial amount of annuities payable. The actuarial amount of annuities payable is the present value of the aggregate liability for annuity payments over the expected lives of the beneficiaries.

NET ASSETS

Net assets consist of the following at June 30:

(in thousands of dollars)			
2025	**Without donor restrictions**	**With donor restrictions**	**Total**
Net assets by category:			
Endowment funds	$ 958,553	$ 4,116,971	$ 5,075,524
University capital activities	2,100,854	10,036	2,110,890
Operating general funds carryforward	812,140	-	812,140
Other unit non-general fund reserves	617,131	282,830	899,961
University other	70,919	-	70,919
Pledges	-	260,386	260,386
Split-interest agreements	-	132,705	132,705
Student loan funds	29,001	21,941	50,942
Net investment in plant	3,818,790	-	3,818,790
Postretirement benefits and pension prefunding	(256,193)	-	(256,193)
Penn State Health operations	1,551,596	-	1,551,596
Non-controlling interest in Penn State Health	289,135	-	289,135
Total net assets	**$ 9,991,926**	**$ 4,824,869**	**$ 14,816,795**

(in thousands of dollars)			
2024	**Without donor restrictions**	**With donor restrictions**	**Total**
Net assets by category:			
Endowment funds	$ 906,988	$ 3,876,918	$ 4,783,906
University capital activities	1,925,170	14,616	1,939,786
Operating general funds carryforward	812,173	-	812,173
Other unit non-general fund reserves	543,134	246,311	789,445
University other	62,706	-	62,706
Pledges	-	183,482	183,482
Split-interest agreements	-	116,900	116,900
Student loan funds	27,679	20,261	47,940
Net investment in plant	3,630,194	-	3,630,194
Postretirement benefits and pension prefunding	(374,208)	-	(374,208)
Penn State Health operations	1,490,251	-	1,490,251
Non-controlling interest in Penn State Health	272,187	-	272,187
Total net assets	**$ 9,296,274**	**$ 4,458,488**	**$ 13,754,762**

INCOME TAXES

The University files U.S. federal and state tax returns. The statute of limitations on the University's federal returns generally remains open for three years following the year they are filed. In accordance with ASC Topic 740, Income Taxes, the University continues to evaluate tax positions and has determined there is no material impact on the University financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2025, the FASB issued Accounting Standards Update (ASU) No. 2025-06, "*Intangibles—Goodwill and Other—Internal-Use Software*." This update changes the capitalization criteria for internally developed software costs to better align with various software development methods and is effective for the University beginning July 1, 2028. The University is currently evaluating the impact this guidance may have on its consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities to be general expenditures.

Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans.

In addition to financial assets available to meet general expenditures over the next 12 months, the University anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows, which identifies the sources and uses of the University's cash and shows positive cash generated by operations for the years ended June 30, 2025 and 2024.

The University has various sources of liquidity at its disposal, including cash and cash equivalents and fixed income and equity securities.

The University has designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of management.

The following reflects the University's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general use within one year. Certain long-term investments could be liquidated if needed based on the terms of their agreements.

(in thousands of dollars)	**2025**	**2024**
Total assets	$ 22,492,474	$ 20,715,028
Less:		
Inventories	(84,788)	(85,358)
Prepaid expenses and other assets	(131,626)	(126,528)
Total investment in plant, net	(7,224,770)	(7,053,208)
Beneficial interest in perpetual trusts	(36,725)	(32,105)
Operating lease right-of-use assets	(171,251)	(163,453)
Other assets	(275,583)	(239,500)
Total financial assets	**14,567,731**	**13,014,876**
Less:		
Noncurrent investments	(9,984,763)	(9,174,349)
Contractual or donor-imposed restrictions:		
Deposits held by bond trustees	(661,054)	(103,673)
Deposits held for others	(29,908)	(39,089)
Receivables subject to time restrictions	(109,804)	(44,672)
Receivables subject to donor-imposed restrictions	(118,074)	(121,187)
Loans to students, net	(21,018)	(24,832)
Financial assets available to meet cash needs for general expenditures within one year	**$ 3,643,110**	**$ 3,507,074**

4. INVESTMENTS

Investments by major category as of June 30 are summarized as follows:

(in thousands of dollars)	2025	2024
Fixed income	$ 3,515,291	$ 3,416,894
Equity investments	5,265,487	4,793,916
Real assets	1,222,940	994,576
Opportunistic	1,245,268	1,091,056
Total	**$ 11,248,986**	**$ 10,296,442**

Fixed income investments are comprised of public and private fixed income strategies such as government and corporate debt, mortgage-backed, and other asset-backed related debt. Equity includes investments such as public and private strategies across the globe. Real asset strategies include real estate, natural resources, and commodities. Opportunistic includes investments such as public and private strategies utilizing both equity and debt structures that are expected to achieve absolute returns over longer periods of time and do not classify well into the other three investment types.

Equity index futures contracts comprise the University's derivative instruments as of June 30, 2025 and 2024, and are included in the fair value of the University's investments. These contracts are fully cash collateralized and marked to market daily. Futures contracts have minimal credit risk because the counterparties are the exchanges themselves and are employed as a low-cost investment vehicle with daily liquidity which allows the University to maintain desired market exposure considering irregular cash flows. Fully cash collateralized derivative securities were immaterial as of June 30, 2025 and 2024.

5. ENDOWMENT NET ASSETS

The University's endowment includes both donor-restricted endowment funds and funds designated to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The ASC Not-for-Profit Entities Presentation of Financial Statements Subtopic (ASC Subtopic 958-205) provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and improves disclosure about an organization's endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA but rather has enacted Pennsylvania Act 141 ("PA Act 141"). PA Act 141 permits an organization's trustees to define expendable income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets averaged over a period of at least three preceding years) without regard to actual interest, dividend, or realized and unrealized gains.

The University has interpreted PA Act 141 to permit the University to spend the earnings of its endowment based on a total return approach, without regard to the fair value of the original gift. As a result of this interpretation, the University classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions are gains and losses attributable to permanent endowments and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. Funds functioning as endowments are established at the direction of University management, on behalf of the Board, and are classified as net assets without donor restrictions due to the lack of external donor restrictions. Also included in net assets without donor restrictions are gains and losses attributable to funds functioning as endowments.

From time to time, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. Such deficiencies are reported as net assets with donor restrictions. As of June 30, 2025 and 2024, funds with an original gift value of $12.2 million and $96.8 million were "underwater" by $2.3 million and $3.8 million, respectively. Subsequent investment gains will be used to restore the balance up to the fair market value of the original gift.

Endowment net asset composition by type of fund as of June 30:

(in thousands of dollars)			
2025	**Without donor restrictions**	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 4,116,971	$ 4,116,971
Funds functioning as endowments	958,553	-	958,553
Total net assets	**$ 958,553**	**$ 4,116,971**	**$ 5,075,524**

(in thousands of dollars)			
2024	**Without donor restrictions**	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 3,876,918	$ 3,876,918
Funds functioning as endowments	906,988	-	906,988
Total net assets	**$ 906,988**	**$ 3,876,918**	**$ 4,783,906**

Changes in endowment net assets for the years ended June 30:

(in thousands of dollars)			
2025	**Without donor restrictions**	**With donor restrictions**	**Total**
Endowment net assets, beginning of the year	$ 906,988	$ 3,876,918	$ 4,783,906
Endowment return, net	58,891	286,343	345,234
Contributions	-	96,732	96,732
Endowment spending	(32,653)	(143,022)	(175,675)
Transfers to create funds functioning as endowments	25,327	-	25,327
Endowment net assets, end of the year	**$ 958,553**	**$ 4,116,971**	**$ 5,075,524**

(in thousands of dollars)			
2024	**Without donor restrictions**	**With donor restrictions**	**Total**
Endowment net assets, beginning of the year	$ 851,333	$ 3,606,007	$ 4,457,340
Endowment return, net	79,008	333,470	412,478
Contributions	-	75,112	75,112
Endowment spending	(33,879)	(137,671)	(171,550)
Transfers to create funds functioning as endowments	10,526	-	10,526
Endowment net assets, end of the year	**$ 906,988**	**$ 3,876,918**	**$ 4,783,906**

The University has adopted investment and spending policies for endowment assets that attempt to provide a relatively stable stream of annual funding to programs supported by its endowment while seeking to maintain, over time, the purchasing power of the endowment assets.

The overall investment objective for the University's pooled endowment funds is to grow the real (inflation adjusted) purchasing power of the assets through a prudent long-term investment strategy. To satisfy its long-term objective, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and income. The University targets a diversified asset allocation, with prudent risk constraints, which places a greater emphasis on equity-based investments to achieve its long-term return objectives.

The University expects the spending policy to provide generous current spending while preserving "intergenerational equity". The policy spending amount for both fiscal years 2025 and 2024 was based on 5.0% of the endowment plan's average fair market value over the prior twenty quarters preceding the fiscal year in which the distribution was planned and was net of administrative expenses.

6. FAIR VALUE MEASUREMENTS

The University utilizes the following fair value hierarchy, which prioritizes into three broad levels the inputs to valuation techniques used to measure fair value:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date. Such instruments valued at Level 1 primarily consist of securities that are directly held and actively traded in public markets.

Level 2 – Inputs other than unadjusted quoted prices that are observable for the asset or liability, directly or indirectly, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of significance of a particular item to the fair value measurement in its entirety requires judgment, including consideration of inputs specific to the asset.

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The following table presents information about the University's financial assets and liabilities, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or net asset value (NAV) per share as of June 30, 2025 and 2024:

(in thousands of dollars)

2025	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Long-term Investment Pool:					
Fixed income					
Public separate accounts	$ -	$ 625,803	$ -	$ -	$ 625,803
Public funds	445,342	-	-	-	445,342
Private funds	-	-	-	732,316	732,316
Equity investments					
Public separate accounts	1,788,494	-	-	-	1,788,494
Private funds	-	-	-	2,954,388	2,954,388
Real assets					
Public separate accounts	90,223	-	-	-	90,223
Public funds	231,840	-	-	-	231,840
Private funds	-	-	-	900,597	900,597
Opportunistic					
Private funds	-	-	-	863,389	863,389
Total	**$ 2,555,899**	**$ 625,803**	**$ -**	**$ 5,450,690**	**$ 8,632,392**
Operating Investments:					
Fixed income					
Public separate accounts	$ -	$ 1,435,348	$ -	$ -	$ 1,435,348
Public funds	195,779	-	-	-	195,779
Private funds	-	-	-	80,703	80,703
Equity investments					
Public separate accounts	42,884	-	-	-	42,884
Private separate accounts	-	-	4,381	-	4,381
Public funds	332,669	-	-	-	332,669
Private funds	-	14,951	3,667	124,053	142,671
Real assets					
Private funds	-	-	-	280	280
Opportunistic					
Public funds	137	-	-	-	137
Private funds	-	-	-	381,742	381,742
Total	**$ 571,469**	**$ 1,450,299**	**$ 8,048**	**$ 586,778**	**$ 2,616,594**
Deposits held by bond trustees:					
Fixed income					
Public funds	**$ 656,623**	**$ -**	**$ -**	**$ -**	**$ 656,623**
Deposits held for others	**$ -**	**$ 9,456**	**$ -**	**$ -**	**$ 9,456**
Beneficial interest in perpetual trusts	**$ -**	**$ -**	**$ 36,725**	**$ -**	**$ 36,725**
Liabilities:					
Present value of annuities payable	**$ -**	**$ -**	**$ 81,669**	**$ -**	**$ 81,669**

(in thousands of dollars)

2024	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Long-term Investment Pool:					
Fixed income					
Public separate accounts	$ -	$ 466,166	$ -	$ -	$ 466,166
Public funds	137,200	-	-	-	137,200
Private funds	-	-	-	493,183	493,183
Equity investments					
Public separate accounts	1,648,365	-	-	-	1,648,365
Private funds	-	-	-	2,729,585	2,729,585
Real assets					
Public separate accounts	81,812	-	-	-	81,812
Public funds	165,314	-	-	-	165,314
Private funds	-	-	-	746,389	746,389
Opportunistic					
Private funds	-	-	-	750,644	750,644
Total	**$ 2,032,691**	**$ 466,166**	**$ -**	**$ 4,719,801**	**$ 7,218,658**
Operating Investments:					
Fixed income					
Public separate accounts	$ -	$ 2,014,001	$ -	$ -	$ 2,014,001
Public funds	211,279	-	-	-	211,279
Private funds	-	-	-	95,065	95,065
Equity investments					
Public separate accounts	36,137	-	-	-	36,137
Private separate accounts	-	-	4,405	-	4,405
Public funds	276,589	-	-	-	276,589
Private funds	-	-	3,834	95,001	98,835
Real assets					
Public funds	899	-	-	-	899
Private funds	-	-	7	155	162
Opportunistic					
Public funds	84	-	-	-	84
Private funds	-	-	-	340,328	340,328
Total	**$ 524,988**	**$ 2,014,001**	**$ 8,246**	**$ 530,549**	**$ 3,077,784**
Deposits held by bond trustees:					
Fixed income					
Public funds	**$ 99,569**	**$ -**	**$ -**	**$ -**	**$ 99,569**
Deposits held for others	**$ -**	**$ 9,638**	**$ -**	**$ -**	**$ 9,638**
Beneficial interest in perpetual trusts	**$ -**	**$ -**	**$ 32,105**	**$ -**	**$ 32,105**
Liabilities:					
Present value of annuities payable	**$ -**	**$ -**	**$ 70,676**	**$ -**	**$ 70,676**

Public separate accounts hold public fixed income and equity investments owned directly by the University. Some of these investments may be valued using matrix pricing which is based on the price or yield of a similar, more actively traded security. Private separate accounts hold private fixed income and equity investments owned directly by the University. Public funds are commingled investment structures that are publicly listed and whose valuations are readily available. Private funds comprise commingled investment structures that are not publicly listed and are managed collectively following a prescribed investment strategy.

The Long-Term Investment Pool (LTIP) is structured similarly to a mutual fund and is used for investing the University's endowment funds, funds functioning as endowments, and other operating funds that are expected to be held long-term. A unit method of accounting for the LTIP is utilized by the University. Each participating pool enters and withdraws from the LTIP based on monthly unit values.

The following tables present information related to changes in Level 3 for each category of financial assets and liabilities for years ended June 30, 2025 and 2024:

(in thousands of dollars)	**Operating Investments**	**Beneficial Interest in Perpetual Trusts**
Assets:		
Balance as of June 30, 2023	$ 7,416	$ 28,117
Gifts	-	2,611
Purchases	260	-
Sales	(161)	-
Total realized and unrealized (losses) gains	(209)	1,377
Net transfers in	940	-
Balance as of June 30, 2024	**8,246**	**32,105**
Gifts	-	2,673
Purchases	1,785	-
Sales	(940)	-
Total realized and unrealized (losses) gains	(160)	1,947
Net transfers out	(883)	-
Balance as of June 30, 2025	**$ 8,048**	**$ 36,725**

	Present Value of Annuities Payable	
Liabilities:		
Balance as of June 30, 2023	$ 67,573	
Actuarial adjustment of liability	5,952	
Gifts	691	
Sales	(3,540)	
Balance as of June 30, 2024	**70,676**	
Actuarial adjustment of liability	455	
Gifts	10,646	
Sales	(108)	
Balance as of June 30, 2025	**$ 81,669**	

The following table presents the fair value and redemption frequency for private funds' investments whose fair value is not readily determinable and is estimated using NAV or its equivalent as of June 30:

(in thousands of dollars)	Fair Value 2025	Fair Value 2024	Unfunded Commitments At June 30, 2025	Redemption Frequency	Redemption Notice Period
Private Funds With Redemption Ability:					
Fixed income investments	$ 471,125	$ 431,400	$ -	Various	2-90 days
Equity investments	1,522,413	1,333,700	-	Various	2-90 days
Real asset investments	407,421	396,962	55,888	Various	2-90 days
Opportunistic investments	1,046,716	929,168	-	Various	2-90 days
Subtotal	**$ 3,447,675**	**$ 3,091,230**	**$ 55,888**		
Private Funds Without Redemption Ability:					
Fixed income investments	$ 341,894	$ 156,848	$ 337,362		
Equity investments	1,556,028	1,490,886	790,510		
Real asset investments	493,456	349,582	346,666		
Opportunistic investments	198,415	161,804	142,552		
Subtotal	**$ 2,589,793**	**$ 2,159,120**	**$ 1,617,090**		
Total	**$ 6,037,468**	**$ 5,250,350**	**$ 1,672,978**		

Private funds with redemption ability include private funds that the University has some discretion as to the timing of withdrawing money from the commingled fund. Redemptions vary from daily to three years with required notification of 90 days or less.

Private funds without redemption ability include private funds that the University has no or very little discretion as to the timing of withdrawing money from the commingled fund. Realizations from these funds are received as the underlying investments are liquidated or distributed, typically within 10-15 years after initial commitment.

Unfunded commitments represent remaining commitments of the LTIP's private funds as of June 30, 2025 that may be invested in the future.

7. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

(in thousands of dollars)	2025	2024
In one year or less	$ 60,376	$ 42,009
Between one year and five years	92,870	44,746
More than five years	178,893	164,005
Contributions receivable, gross	**332,139**	**250,760**
Less allowance	(1,896)	(1,842)
Less discount	(69,857)	(65,436)
Contributions receivable, net	**$ 260,386**	**$ 183,482**

Contributions received during the years ended June 30, 2025 and 2024 are discounted at rates ranging from 3.68% to 4.54% and 4.33% to 5.09%, respectively. The discount rates for prior periods ranged from 0.11% to 6.28%.

At June 30, 2025 and 2024 the University has received bequest intentions of $1.023 billion and $927.7 million, respectively, and certain other conditional promises to give of $69.8 million and $88.1 million, respectively. These intentions and conditional promises to give are not included in the consolidated financial statements.

8. LONG-TERM DEBT

The various bond issues, notes payable and finance lease obligations that are included in long-term debt in the statement of financial position consist of the following at June 30:

(in thousands of dollars)	2025	2024
The Pennsylvania State University Bonds		
Series 2025A	$ 515,730	$ -
Series 2025B	60,000	-
Series 2024	157,860	-
Series 2023	201,005	203,990
Series 2022A	121,665	123,605
Series 2022B	24,695	25,610
Series 2020A	75,340	76,725
Series 2020B	281,505	292,740
Series 2020D	961,370	987,835
Series 2020E	37,370	42,600
Series 2019A	98,275	100,200
Series 2019B	105,630	108,430
Series 2018	57,660	58,870
Series 2017A	137,840	140,955
Series 2017B	105,345	108,340
Series 2016A	97,700	101,300
Series 2016B	144,900	157,140
Series 2015A	-	52,070
Series 2015B	-	78,485
Series 2007B	16,965	22,050
Pennsylvania Higher Educational Facilities Authority University Revenue Bonds (issued for The Pennsylvania State University)		
Series 2006	355	695
Series 2004	-	420
Penn State Health Taxable Bonds		
Series 2019	200,000	200,000
Cumberland County Municipal Authority Revenue Bonds (issued for Penn State Health)		
Series 2019	222,000	222,000
Lancaster County Hospital Authority Revenue Bonds (issued for Penn State Health)		
Series 2021	288,840	288,840
Lycoming County Authority College Revenue Bonds (issued for Penn College)		
Series 2021A	21,960	24,290
Series 2021B	19,445	20,345
Series 2016	38,390	40,575
Series 2015	-	465

(in thousands of dollars)	2025	2024
Total bonds payable	**3,991,845**	**3,478,575**
Unamortized bond premiums	266,783	239,027
Unamortized deferred bond costs	(17,589)	(16,029)
Notes payable and finance leases		
Notes payable	29,404	31,810
Finance lease obligations	34,001	39,337
Total notes payable and finance leases	**63,405**	**71,147**
Total long-term debt	**$ 4,304,444**	**$ 3,772,720**

Debt issuance	**Interest rate mode**	**Interest rates**	**Payment ranges and maturity** *(in thousands of dollars)*
The Pennsylvania State University Bonds			
Series 2025A	Fixed	5.00% - 5.50%	$12,650 to $19,690 through September 2045 with $90,585 and $118,565 due September 2050 and 2055, respectively
Series 2025B	Fixed	4.207% - 5.585%	$1,835 to $3,585 through September 2040 with $21,245 due September 2045
Series 2024	Fixed	5.00% - 5.25%	$2,320 to $6,000 through September 2044 with $34,940 and $45,165 due September 2049 and 2054, respectively
Series 2023	Fixed	5.00%-5.25%	$3,135 to $7,715 through September 2043 with $45,220 and $58,795 due September 2048 and 2053, respectively
Series 2022A	Fixed	5.00%-5.25%	$2,040 to $4,770 through September 2042 with $27,765 and $35,890 due September 2047 and 2052, respectively
Series 2022B	Fixed	3.315% - 4.673%	$945 to $1,550 through September 2037 with $8,940 due September 2042
Series 2020A	Fixed	4.00% - 5.00%	$1,460 to $3,090 through September 2040 with $17,980 and $22,490 due September 2045 and 2050, respectively
Series 2020B	Fixed	1.780% - 2.888%	$5,895 to $13,910 through September 2035 with $67,170 and $89,310 due September 2040 and 2050, respectively
Series 2020D	Fixed	1.645% - 2.84%	$26,885 to $33,545 through September 2035 with $304,225 and $328,000 due September 2043 and 2050, respectively
Series 2020E	Fixed	5.00%	$5,495 to $7,010 through March 2031
Series 2019A	Fixed	5.00%	$2,025 to $6,720 through September 2049
Series 2019B	Fixed	2.40% - 3.50%	$2,870 to $3,720 through September 2034 with $20,455 and $52,515 due September 2039 and September 2049, respectively
Series 2018	Fixed	5.00%	$1,275 to $2,320 through September 2037 with $16,650 and $18,255 due September 2043 and September 2048, respectively
Series 2017A	Fixed	5.00%	$3,275 to $5,965 through September 2037 with $34,750 and $44,620 due September 2042 and September 2047, respectively

Debt issuance	Interest rate mode	Interest rates	Payment ranges and maturity *(in thousands of dollars)*
Series 2017B	Fixed	2.755% - 3.793%	$3,075 to $3,830 through September 2032 with $21,305 and $56,595 due September 2037 and September 2047, respectively
Series 2016A	Fixed	5.00%	$3,780 to $6,465 through September 2036 with $37,520 due September 2041
Series 2016B	Fixed	4.00% - 5.00%	$7,165 to $22,195 through September 2036
Series 2007B	Fixed	5.25%	$5,360 to $5,955 through August 2027
Pennsylvania Higher Educational Facilities Authority University Revenue Bonds			
Series 2006	Fixed	5.125%*	$1,610 due September 2025
*Annual interest costs to the University for interest rates greater than 3.00% are subsidized by PHEFA.			
Penn State Health Bonds			
Series 2019	Fixed	3.806%	$200,000 due November 2049
Cumberland County Municipal Authority Revenue Bonds			
Series 2019	Fixed	3.00% - 5.00%	$4,915 to $9,315 through November 2039 with $52,355 and $63,940 due November 2044 and November 2049, respectively
Lancaster County Hospital Authority Revenue Bonds			
Series 2021	Fixed	5.00%	$5,780 to $13,690 through November 2041 with $79,750 and $152,421 due November 2046 and November 2051, respectively
Lycoming County Authority College Revenue Bonds			
Series 2021A	Fixed	5.00%	$2,015 to $4,565 through July 2030
Series 2021B	Fixed	0.782% - 3.014%	$900 to $1,930 through January 2038
Series 2016	Fixed	2.125% - 5.00%	$1,545 to $4,075 through October 2037

The Series 2025A Bonds are general obligation bonds issued in June 2025 for the purpose of financing various construction and renovation projects and the current refunding and defeasance of all of the outstanding Series 2015A and Series 2015B Bonds. The Series 2025A Bonds are subject to early redemption provisions, at the option of the University, beginning September 2035. The bonds maturing September 2050 and September 2055 are subject to mandatory sinking fund redemption. In conjunction with the issuance of the Series 2025A Bonds, the University legally defeased the Series 2015A and 2015B Bonds by irrevocably depositing the required funds in an escrow fund to be used to pay interest accrued, maturing principal, and redemption prices of the refunded bonds.

The Series 2025B Bonds are taxable general obligation bonds issued in June 2025 for the purpose of financing various construction and renovation projects. The Series 2025B Bonds are subject to early redemption provisions at the option of the University. The bonds maturing September 2045 are subject to mandatory sinking fund redemption.

The Series 2024 Bonds are general obligation bonds issued in August 2024 for the purpose of financing various construction and renovation projects. The Series 2024 Bonds are subject to early redemption provisions, at the option of the University, beginning September 2034. The bonds maturing September 2049 and September 2054 are subject to mandatory sinking fund redemption.

The University believes it has complied with all financial debt covenants for the years ended June 30, 2025 and 2024.

Maturities and sinking fund requirements on bonds payable for each of the next five fiscal years and thereafter are summarized as follows:

Year	Annual Installments *(in thousands of dollars)*
2026	$ 100,520
2027	118,885
2028	123,200
2029	127,545
2030	132,305
Thereafter	3,389,390
Total	**$ 3,991,845**

The fair value of the University's bonds payable is estimated based on current rates offered for similar issues with similar security, terms and maturities using available market information as supplied by the various financial institutions who act as trustees or custodians for the University. At June 30, 2025, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums and deferred bond costs, are $4.241 billion and $3.678 billion, respectively. At June 30, 2024, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums and deferred bond costs, are $3.702 billion and $3.187 billion, respectively. Certain bond issues have associated issuance premiums; these issuance premiums total $266.8 million and $239.0 million at June 30, 2025 and 2024, respectively, and are presented within the statements of financial position as long-term debt. These issuance premiums will be amortized over the term of the respective outstanding bonds. Certain bond issues have associated deferred bond costs; these deferred bond costs total $17.6 million and $16.0 million at June 30, 2025 and 2024, respectively, and are presented within the statements of financial position as a reduction in long-term debt. These deferred bond costs will be amortized over the term of the respective outstanding bonds.

NOTES PAYABLE

The University has three notes payable included within the consolidated statements of financial position at June 30, 2025 with balances of $1.0 million, $5.3 million, and $21.5 million. These notes have payments due through March 2026, August 2039, and September 2040 and bear interest at 2.80%, 2.65%, and 2.65%, respectively.

Penn College has two notes payable included in the consolidated statements of financial position at June 30, 2025 with balances of $1.1 million and $0.5 million. These notes have payments due through August 2028 and August 2029 and bear interest at 4.68% and 3.88%, respectively.

Maturities on notes payable for each of the next five fiscal years and thereafter are summarized as follows:

Year	Annual Installments *(in thousands of dollars)*
2026	$ 2,868
2027	1,887
2028	1,945
2029	2,004
2030	1,757
Thereafter	18,943
Total	**$ 29,404**

LINE OF CREDIT

In April 2024, the Health System entered a revolving line of credit agreement with PNC Bank in the amount of $150 million. The line of credit expires in April 2027. This credit bears interest at the Secured Overnight Financing Rate plus 85 basis points (0.85%). The Health System did not draw on this line of credit in 2024 or 2025. The effective interest rate as of June 30, 2025 was 5.3%.

9. LEASES

The University leases certain equipment and buildings under operating and finance leases expiring at various dates through 2043. Rentals generally include insurance, taxes and maintenance costs.

Future maturities of lease liabilities at June 30, 2025 are as follows:

(in thousands of dollars)				
Year	**Finance Leases**		**Operating Leases**	
2026	$	8,223	$	40,978
2027		7,192		34,956
2028		3,163		27,144
2029		2,949		17,872
2030		2,499		12,499
Thereafter		16,027		81,960
Total lease payments		**40,053**		**215,409**
Less amount representing interest		(6,052)		(36,058)
Total lease obligations		**34,001**		**179,351**
Current portion		7,337		34,646
Long-term portion	**$**	**26,664**	**$**	**144,705**

Supplemental lease activity for the years ended June 30 is as follows:

(in thousands of dollars)	**2025**		**2024**	
Components of Lease Expense				
Finance lease expense:				
Amortization of ROU assets	$	8,870	$	10,208
Interest on lease liabilities		1,185		1,365
Total finance lease expense		**10,055**		**11,573**
Operating lease expense		**41,216**		**38,709**
Total lease expense	**$**	**51,271**	**$**	**50,282**

The weighted-average remaining lease term and weighted-average discount rate at June 30 were as follows:

	Weighted-Average Remaining Lease Term (Years)		**Weighted-Average Discount Rate**	
	2025	**2024**	**2025**	**2024**
University:				
Finance leases	11.18	11.12	4.19%	4.00%
Operating leases	7.37	4.42	3.02%	2.99%
Health System:				
Finance leases	3.20	3.90	1.80%	2.00%
Operating leases	9.20	9.30	4.60%	4.70%

Supplemental cash flow information related to leases for the years ended June 30 is as follows:

(in thousands of dollars)	2025	2024
ROU assets acquired in exchange for finance lease liabilities	$ 3,113	$ 9,596
ROU assets acquired in exchange for operating lease liabilities	43,050	38,135
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from finance leases	1,185	1,365
Operating cash outflows from operating leases	41,340	37,919
Financing cash outflows from finance leases	8,434	9,151

10. FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

Functional expenses by natural classification as of June 30 are as follows:

(in thousands of dollars) **2025**	**Educational and General**	**Auxiliary Enterprises**	**Health System**	**Total**
Salaries and wages	$ 2,049,156	$ 184,989	$ 2,028,366	$ 4,262,511
Benefits	754,340	67,108	535,324	1,356,772
Depreciation	359,610	50,961	168,623	579,194
Plant operations and maintenance	149,060	20,257	90,335	259,652
Other components of net periodic postretirement benefit cost	(26,266)	-	-	(26,266)
Interest	37,732	41,865	33,712	113,309
Supplies, services, and other	712,742	218,613	1,639,011	2,570,366
Total	**$ 4,036,374**	**$ 583,793**	**$ 4,495,371**	**$ 9,115,538**

(in thousands of dollars) **2024**	**Educational and General**	**Auxiliary Enterprises**	**Health System**	**Total**
Salaries and wages	$ 1,963,270	$ 166,476	$ 1,907,286	$ 4,037,032
Benefits	707,504	62,714	476,173	1,246,391
Depreciation	340,504	45,663	173,399	559,566
Plant operations and maintenance	159,548	20,450	88,183	268,181
Other components of net periodic postretirement benefit cost	(26,232)	-	-	(26,232)
Interest	50,139	39,259	28,113	117,511
Supplies, services, and other	682,093	199,127	1,558,104	2,439,324
Total	**$ 3,876,826**	**$ 533,689**	**$ 4,231,258**	**$ 8,641,773**

Education and general is comprised of academic and student services (which consists of instruction, academic support and student services), research, public service and institutional support. The costs of plant operations and maintenance, depreciation, and interest have been allocated across all functional expense categories to reflect the full cost of those activities. Plant operations and maintenance and depreciation expense are allocated based on the total proportionate expenses of each functional classification. Interest expense is allocated based on the proportionate share of total debt-financed construction.

11. RETIREMENT BENEFITS

The University provides retirement benefits for substantially all regular employees, primarily through either contributory defined benefit plans administered by the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) and The Public School Employees' Retirement System (PSERS) or defined contribution plans administered by the Teachers Insurance and Annuity Association (TIAA). The University is billed for its share of the estimated actuarial cost of the defined benefit plans ($56.6 million and $54.3 million, net of applied setoff credits of $93.3 million for the years ended June 30, 2025 and 2024, respectively). The Health System provides retirement benefits for substantially all employees through one of three defined contribution plans. The University's total cost for retirement benefits, included in expenses, is $266.2 million and $260.5 million for the years ended June 30, 2025 and 2024, respectively.

The SERS is the administrator of a cost-sharing, multi-employer retirement system established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. As provided by statute, the SERS Board of Trustees has exclusive control and management responsibility of the funds and full power to invest the funds. The SERS funding policy provides for periodic member contributions at statutory rates and employer contributions at actuarially determined rates (expressed as a percentage of annual gross pay) that are sufficient to accumulate assets to pay benefits when due. In April 2020, the University entered into an agreement with SERS to prefund $1.061 billion of the University's unfunded actuarial accrued liability in exchange for credits against future contributions. The University's contributions to this plan for the years ended June 30, 2025 and 2024 were $50.8 million and $50.3 million, respectively (net of applied setoff credits of $93.3 million) and represent approximately 5.8% of total contributions to the plan based on projections for fiscal years 2025 and 2024. The funded ratio of the plan was 70.3% as of December 31, 2024.

12. POSTRETIREMENT BENEFITS

The University sponsors a retiree medical plan covering eligible retirees and eligible dependents. This program includes a Preferred Provider Organization (PPO) plan (both a traditional and a qualified high deductible option) for retirees and their dependents who are not eligible for Medicare, and a Medicare Advantage PPO plan. In addition, the University provides certain retiree life insurance benefits to eligible retirees as described below.

Employees who were hired prior to January 1, 2010 are eligible for medical coverage after they retire if either of the following requirements are satisfied:

- they are at least age 60 and have at least 15 years of continuous regular full-time employment and participation in a University-sponsored medical plan immediately preceding the retirement date
- regardless of age, if they have at least 25 years of regular full-time service. The last 10 of those 25 years of University service must be continuous, and they must participate in a University-sponsored medical plan during the last 10 years immediately preceding the retirement date.

Non-union employees retiring on or before December 31, 2020 received a $5,000 term life insurance policy benefit at no cost to the employee. For certain union employees, a $5,000 term life insurance policy is provided at no cost to the employee regardless of their retirement date.

The retiree PPO medical plan is a self-funded program, and all medical claims and other expenses are paid from net assets without donor restrictions of the University. The Medicare Advantage PPO plan and life insurance program are fully insured. The retirees pay varying amounts for coverage under the medical plan.

For those employees who were hired after December 31, 2009, the University will contribute funds each month on their behalf to a Retirement Healthcare Savings Plan. This plan is designed to help pay for qualified medical and health-related expenses in retirement, including the purchase of a health insurance policy.

Retirees will be eligible to access their Retirement Healthcare Savings Plan account when they are no longer actively employed at Penn State and have satisfied either of the following requirements:

- completed 25 years of continuous full-time service and are age 60 or older
- completed a minimum of 15 years of continuous full-time service and are age 65 or older

The following sets forth the plan's benefit obligation, plan assets and funded status reconciled with the amounts recognized in the University's consolidated statements of financial position at June 30:

(in thousands of dollars)		
Change in benefit obligation:	**2025**	**2024**
Benefit obligation at beginning of year	$ 1,190,236	$ 1,221,009
Service cost	11,813	14,057
Interest cost	61,634	60,518
Actuarial gain	(46,617)	(33,379)
Benefits paid	(54,255)	(50,700)
Plan amendment	-	883
Plan assumptions	21,224	(22,152)
Benefit obligation at end of year	**$ 1,184,035**	**$ 1,190,236**
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	54,255	50,700
Benefits paid	(54,255)	(50,700)
Fair value of plan assets at end of year	**$ -**	**$ -**
Funded status	$ (1,184,035)	$ (1,190,236)
Unrecognized prior service cost (benefit)	-	-
Unrecognized net actuarial loss	-	-
Accrued postretirement benefit expense	**$ (1,184,035)**	**$ (1,190,236)**

Net periodic postretirement cost includes the following components for the years ended June 30:

(in thousands of dollars)		
Operating expenses:	**2025**	**2024**
Service cost	$ 11,813	$ 14,057
Nonoperating activities:		
Interest cost	61,634	60,518
Amortization of prior service cost	92	92
Amortization of unrecognized net loss	(87,992)	(87,634)
Net periodic postretirement cost	**$ (14,453)**	**$ (12,967)**

The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.10% and 7.60% for the years ended June 30, 2025 and 2024, respectively, reduced to an ultimate level of 4.50% and 4.50%, respectively. The postretirement benefit obligation discount rate was 5.68% and 5.52% for the years ended June 30, 2025 and 2024, respectively. During 2025 and 2024, the plan had favorable claims experience compared to assumptions, and the liability decreased due to the increase in discount rates.

Gains and losses in excess of 10% of the accumulated postretirement benefit obligation are amortized over the average future service to assumed retirement of active participants.

Postretirement benefits expected to be paid for the years ended June 30 are as follows:

	(in thousands of dollars)
2026	$ 59,800
2027	64,120
2028	67,923
2029	71,438
2030	74,201
2031-35	407,431

13. PENN STATE HEALTH

Penn State Health was organized exclusively to promote, support and further the charitable, educational, and scientific purposes of the University. These purposes are defined and limited by Section 501(c)(3) of the Internal Revenue Code of 1986. The Health System is controlled by the University with a 20% membership by Highmark Health (HH). The University has recorded noncontrolling interest related to this membership, which is included in net assets without donor restrictions within the consolidated statements of financial position with a value at June 30, 2025 and 2024 of $289.1 million and $272.2 million, respectively.

The wholly owned subsidiaries of the Health System include the Milton S. Hershey Medical Center (MSHMC), Saint Joseph's Regional Health Network and Medical Group (SJRHN/SJMG), Penn State Community Medical Group (PSCMG), Holy Spirit Medical Center (HSMC), Nittany Health, Inc. ("Nittany"), Central PA Health Network (CIN), Penn State Health Hampden Medical Center ("Hampden"), Penn State Health Lancaster Medical Center (LMC), Penn State Health Life Lion, LLC (PSHLL), and Pennsylvania Psychiatric Institute (PPI), which was acquired during the year ended June 30, 2024. These subsidiaries provide a variety of health care services in the Dauphin, Centre, Berks, Cumberland, and Lancaster county regions of Pennsylvania.

The Health System, through its medical groups, operates a non-acute and ambulatory network that consists of a number of patient care sites in nine counties. The Heath System, through PSCMG and Nittany, jointly holds ownership interest in ambulatory surgical centers.

During 2025 and 2024, the Health System recorded $1.092 billion and $951.3 million, respectively, of net patient service revenue received from HH. During 2025 and 2024, the Health System paid HH $349.0 million and $276.9 million, respectively, of employee benefits expense. As of June 30, 2025 and 2024, the Health System has a liability due to HH in the amount of $3.1 million. This liability is included in accounts payable and other accrued expenses in the consolidated statements of financial position.

14. CONTINGENCIES AND COMMITMENTS

CONTRACTUAL OBLIGATIONS

The University has contractual obligations for the construction of new buildings and for additions to existing buildings in the amount of $2.265 billion, of which $1.527 billion has been paid or accrued as of June 30, 2025. The contract costs are being financed from available resources and from borrowings.

LETTERS OF CREDIT

The University has available letters of credit in the amount of $32.9 million and $32.7 million as of June 30, 2025 and 2024, respectively. These letters of credit are used primarily to comply with minimum state and federal regulatory laws that govern various University activities. The fair value of these letters of credit approximates contract values based on the nature of the fee arrangements with the issuing banks.

GUARANTEES

The University has a contract with a third party whereby the third party acts as an agent of the University in connection with the procurement of electricity. The University guarantees the payment of the obligations of the third party incurred on behalf of the University to counterparties.

SELF-INSURANCE

The University has a coordinated program of commercial and self-insurance for medical malpractice claims for the Health System through the use of a qualified trust and a domestic captive insurance company in combination with a self-insured retention layer and is supplementing this program through participation in the Pennsylvania Medical Care Availability and Reduction of Error Fund, in accordance with Pennsylvania law. An estimate of the present value, discounted at 2% for the years ended June 30, 2025 and 2024, of the medical malpractice claims liability in the amount of $278.1 million and $235.0 million is recorded as of June 30, 2025 and 2024, respectively.

The subsidiaries of the Health System are self-insured for all medical malpractice claims asserted on or after July 1, 2001 that are below the coverage of excess insurance policies and not included in the insurance coverage of the Pennsylvania Medical Care Availability and Reduction of Error Fund. Under the self-insurance program, the Health System is required by the Commonwealth to maintain a malpractice trust fund in an amount equal to or greater than the expected loss of known claims. The balance of this trust fund was $45.4 million and $42.4 million at June 30, 2025 and 2024, respectively. The Health System intends to fund any claim payments due during the next year with cash flows from operations.

With approval from the Pennsylvania Department of Labor and Industry (PA-DLI), the University elected to self-insure potential obligations applicable to Pennsylvania workers' compensation. Claims under the program are contractually administered by a third-party administrator. The University purchased insurance coverage from a commercial insurer for claims in excess of $600,000 per incident. An estimate of the self-insured workers' compensation claims liability in the amount of $6.7 million and $6.5 million, discounted at 3.79% and 4.33%, respectively, is recorded as of June 30, 2025 and 2024, respectively. The University has established a trust fund, in the amount of $15.3 million and $14.4 million at June 30, 2025 and 2024, respectively, as required by PA-DLI, to collateralize and to provide for the payment of claims under this self-insurance program. The Health System is also approved by the PA-DLI to self-insure Pennsylvania workers' compensation claims and has purchased an excess policy through a commercial insurer for claims in excess of $750,000 per incident.

The University and the Health System are self-insured for certain health care benefits provided to employees. The University and the Health System have purchased excess insurance policies which cover employee health benefit claims in excess of $1.3 million per employee per year. The University and the Health System provide for reported claims and claims incurred but not reported.

RELATED PARTY TRANSACTIONS

During 2025 and 2024, the University paid HH, a related party as defined in Note 13, $405.1 million and $338.7 million, respectively, of employee benefits expense. As of June 30, 2025 and 2024, the University has a liability due to HH in the amount of $39.5 million and $17.8 million, respectively.

LITIGATION AND CONTINGENCIES

Various legal proceedings have arisen in the normal course of conducting University business. The outcome of such litigation is not expected to have a material effect on the financial position of the University.

Based on its operation of the Health System (see Note 13), the University, like the rest of the healthcare industry, is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Although the University believes it has done its best to comply with these numerous regulations, such government reviews could result in significant repayments of previously billed and collected revenues from patient services.

15. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 6, 2025, the date on which the consolidated financial statements were issued, and no subsequent events requiring disclosure were identified.

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as of June 30, 2025

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