CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
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INDEPENDENT AUDITORS' REPORT

Council of Trustees
Clarion University of Pennsylvania
of the State System of Higher Education

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the aggregate discretely presented component units of Clarion University of Pennsylvania of the State System of Higher Education (the "University"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Council of Trustees
Clarion University of Pennsylvania
of the State System of Higher Education

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the aggregate discretely presented component units of the University as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for the System Plan and REHP (OPEB) on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The financial statements of Clarion University of Pennsylvania of the State System of Higher Education as of June 30, 2012, were audited by other auditors whose report dated October 31, 2012, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Harrisburg, Pennsylvania
November 21, 2013

CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEETS – PRIMARY INSTITUTION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 41,793,876	$ 42,117,188
Accounts Receivable:		
Governmental Grants and Contracts	2,019,954	3,559,261
Students, Net of Allowance for Doubtful Accounts of $3,152,854 in 2013 and $1,979,113 in 2012	4,550,963	4,918,717
Other	371,158	870,234
Inventory	584,659	584,657
Prepaid Expenses	150,914	282,871
Conversion Pay Receivable	983	191
Loans Receivable, Net of Allowance for Doubtful Accounts of $194,657 in 2013 and $251,095 in 2012	135,078	145,399
Interest Income Receivable	36,090	46,774
Bond Discount/Issuance Costs	270	271
Due from Component Units	79,828	94,008
Other Current Assets	15,690	24,246
Total Current Assets	49,739,463	52,643,817
NONCURRENT ASSETS		
Conversion Pay Receivable	7,076	12,386
Loans Receivable, Net of Allowance for Doubtful Accounts of $0 in 2013 and $248,483 in 2012	194,657	250,683
Bond Discount/Issuance Costs	2,142	2,413
Capital Assets, Net	56,358,888	58,629,879
Total Noncurrent Assets	56,562,763	58,895,361
Total Assets	$ 106,302,226	$ 111,539,178

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION	2013	2012
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses:		
Supplies and Services	$ 1,494,288	$ 2,706,519
Employees	5,282,909	5,240,109
Other	246,742	-
Unearned Revenue	4,856,338	4,091,954
Accrued Interest Payable	26,838	29,502
Students' Deposits	177,981	471,627
Other Deposits	20,317	164,198
Current Portion of Workers' Compensation	234,769	208,537
Current Portion of Compensated Absences	339,248	339,248
Current Portion of Postretirement Benefits	3,248,000	3,061,000
Current Portion of Capital Lease Obligations	90,156	83,343
Current Portion of Bonds Payable	1,490,366	1,422,802
Current Portion of Bond Premium Net Costs	126,893	148,758
Due to System, Academic Facilities Renovation Bond Program (AFRP)	252,890	243,237
Due to Component Units	191,240	274,438
Other Current Liabilities	220,841	539,580
Total Current Liabilities	18,299,816	19,024,852
NONCURRENT LIABILITIES		
Unearned Revenue	9,145	20,892
Workers' Compensation	446,996	206,298
Compensated Absences	6,588,928	6,695,312
Postretirement Benefits	54,186,479	50,106,950
Capital lease Obligations	573,110	663,266
Bonds Payable	11,998,176	13,488,542
Bond Premiums, Net	363,661	490,554
Due to System, AFRP	2,306,870	2,559,790
Other Noncurrent Liabilities	351,827	389,805
Total Noncurrent Liabilities	76,825,192	74,621,409
Total Liabilities	95,125,008	93,646,261
NET POSITION		
Net Investment in Capital Assets	39,159,178	39,532,271
Restricted for:		
Expendable:		
Scholarships and Fellowships	310,300	275,337
Capital Projects	1,532,989	1,191,723
Other	301,041	370,422
Unrestricted	(30,126,290)	(23,476,836)
Total Net Position	11,177,218	17,892,917
Total Liabilities and Net Position	$ 106,302,226	$ 111,539,178

CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Tuition and Fees	$ 53,747,673	$ 55,755,140
Less: Scholarship Discounts and Allowances	11,040,986	12,116,978
Net Tuition and Fees	42,706,687	43,638,162
Governmental Grants and Contracts:		
Federal	3,752,025	4,001,789
State	6,398,435	7,736,000
Local	117	1,100
Nongovernmental Grants and Contracts	862,293	225,648
Sales and Services of Educational Departments	2,792,646	2,689,818
Auxiliary Enterprises, Net of Scholarship Discounts and Allowance of $254,736 in 2013 and $160,967 in 2012	12,438,793	13,947,946
Other Revenues	439,886	1,134,725
Total Operating Revenues	69,390,882	73,375,188
OPERATING EXPENSES		
Instruction	39,439,436	37,582,518
Research	284,059	281,444
Public Service	5,738,281	5,761,807
Academic Support	10,029,848	11,105,499
Student Services	11,233,308	9,749,108
Institutional Support	14,195,851	11,945,419
Operations and Maintenance of Plant	7,115,212	7,166,323
Depreciation	4,819,298	4,353,089
Student Aid	4,916,220	5,845,823
Auxiliary Enterprises	10,241,358	10,462,767
Total Operating Expenses	108,012,871	104,253,797
NET OPERATING LOSS	(38,621,989)	(30,878,609)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations, General and Restricted	22,596,328	23,362,309
Pell Grants	8,467,352	9,752,490
Investment Income, Net of Related Investment Expense of $8,802 in 2013 and $9,893 in 2012	518,896	566,652
Gifts for Other than Capital Purposes	56,938	35,351
Interest Expense on Capital Asset-Related Debt	(684,720)	(732,956)
Gain (loss) on disposal of assets	(12,498)	-
Other Nonoperating Revenue	31,663	36,452
Nonoperating Revenues, Net	30,973,959	33,020,298
INCOME (LOSS) BEFORE OTHER REVENUES	(7,648,030)	2,141,689
OTHER REVENUES		
State Appropriations, Capital	675,511	396,088
Capital Gifts and Grants	256,820	502,817
Total Other Revenues	932,331	898,905
CHANGE IN NET POSITION	(6,715,699)	3,040,594
Net Position - Beginning of Year	17,892,917	14,852,323
NET POSITION - END OF YEAR	$ 11,177,218	$ 17,892,917

See accompanying Notes to Financial Statements.

CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	$ 42,396,165	$ 44,078,973
Grants and Contracts	13,723,589	11,836,080
Accounts Payable and Accrued Expenses	(25,347,940)	(22,682,478)
Payments to Employees	(69,161,257)	(69,688,425)
Loans Issued to Students	(58,734)	(67,919)
Unearned Revenue	125,081	109,026
Student Aid	(5,290,259)	(6,086,589)
Auxiliary Enterprise Charges	12,435,747	14,012,949
Sales and Services of Educational Departments	2,792,646	2,689,818
Other Receipts	737,426	916,426
Net Cash Used by Operating Activities	(27,647,536)	(24,882,139)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	22,596,328	23,362,309
Gifts for Other than Capital Purposes	56,938	35,351
Plus, Stafford, and Other Loans Receipts (Non-Perkins)	47,272,809	49,048,352
Plus, Stafford, and Other Loans Disbursements (Non-Perkins)	(47,272,809)	(49,048,352)
Pell Grant	8,467,352	9,752,490
Agency Transactions	(143,881)	112,862
Other	31,663	36,452
Net Cash Provided by Noncapital Financing Activities	31,008,400	33,299,464
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Appropriations	675,511	396,088
Capital Gifts and Grants Received	256,820	502,817
Purchases of Capital Assets	(2,560,805)	(1,711,460)
Principal Paid on Capital Debt and Leases	(1,756,636)	(1,679,277)
Interest Paid on Capital Debt and Leases	(828,646)	(897,531)
Net Cash Used by Capital Financing Activities	(4,213,756)	(3,389,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	529,580	519,878
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(323,312)	5,547,840
Cash and Cash Equivalents - Beginning of Year	42,117,188	36,569,348
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 41,793,876	$ 42,117,188
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net Operating Loss	$ (38,621,989)	$ (30,878,609)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	4,819,298	4,353,089
Changes in Assets and Liabilities:		
Receivables, Net	1,907,061	(1,195,331)
Inventories	(2)	11,884
Other Assets	658,287	(213,173)
Accounts Payable	(922,689)	(2,351,077)
Unearned Revenue	752,637	1,376,893
Students' Deposits	(293,646)	110,073
Compensated Absences	(106,384)	304,611
Loans to Students and Employees	66,347	41,107
Other Liabilities	4,093,544	3,558,394
Net Cash Used by Operating Activities	$ (27,647,536)	$ (24,882,139)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES		
Capital Assets in Accounts Payable	$ -	$ 619,295

See accompanying Notes to Financial Statements.

CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNITS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	$ 5,733,010	$ 6,505,210
Investments	34,302,435	28,675,770
Account Receivable	540,138	319,293
Contributions and Pledges Receivable	2,129,639	2,082,876
Due from University	135,412	203,698
Inventories	373,379	602,101
Capital Assets, Net	51,250,651	52,190,855
Other Assets	1,008,653	1,012,363
Total Assets	$ 95,473,317	$ 91,592,166
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,154,922	$ 1,867,453
Annuity Liabilities	2,350,050	2,449,168
Due to University	75,895	94,008
Deposits Payable	870,353	1,010,839
Long-Term Debt	49,648,217	50,578,655
Total Liabilities	55,099,437	56,000,123
NET ASSETS		
Unrestricted	11,639,348	11,969,294
Temporarily Restricted	11,527,765	9,215,042
Permanently Restricted	17,206,767	14,407,707
Total Net Assets	40,373,880	35,592,043
Total Liabilities and Net Assets	$ 95,473,317	$ 91,592,166

See accompanying Notes to Financial Statements.

CLARION UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF ACTIVITIES – COMPONENT UNITS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND OTHER ADDITIONS		
Contributions	$ 222,877	$ 270,170
Sales and Service	2,417,939	2,784,452
Student Fees	1,577,581	1,652,032
Grants and Contracts	661,935	681,935
Rental Income	3,208,360	3,143,640
Investment Income	118,842	112,814
Unrealized Gain (Loss) on Investments	300,624	(33,919)
Other Revenues and Gains	142,869	144,041
Net Assets Released from Restrictions	1,601,593	1,542,575
Total Revenues and Other Additions	10,252,620	10,297,740
EXPENSES AND OTHER DEDUCTIONS		
Program Services:		
Scholarships/Grants	869,542	851,126
Student Activities and Programs	2,441,500	2,253,790
University Stores	2,837,359	2,938,186
Housing	2,695,010	2,739,042
Management and General	949,292	844,797
Fundraising	591,206	547,707
Total Expenses and Other Deductions	10,383,909	10,174,648
Increase (Decrease) in Unrestricted Net Assets before Reclassification	(131,289)	123,092
Reclassification	(198,657)	85,104
Increase (Decrease) in Unrestricted Net Assets	(329,946)	208,196
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,221,686	842,223
Grants and Contracts	182,016	247,742
Sale of Properties	-	1,852
Investment Income	437,962	312
Unrealized (Loss) Gain on Investments	1,759,334	(82,540)
Adjustment of Actuarial Liability for Annuities Payable	(153,624)	(200,081)
Other Revenues and Gains	402,018	-
Net Assets Released from Restrictions	(1,601,593)	(1,537,355)
Increase (Decrease) in Temporarily Restricted Net Assets before Reclassification	2,247,799	(727,847)
Reclassification	64,924	(112,770)
Increase (Decrease) in Temporarily Restricted Net Assets	2,312,723	(840,617)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	2,600,393	521,666
Investment Income	5,091	5,523
Unrealized Gain on Investments	59,843	(35,564)
Other Revenues and Gains (Loss)	-	(302)
Net Assets Released from Restriction	-	(5,220)
Increase in Permanently Restricted Net Assets before Reclassification	2,665,327	486,103
Reclassification	133,733	27,666
Increase in Permanently Restricted Net Assets	2,799,060	513,769
CHANGE IN NET ASSETS	4,781,837	(118,652)
Net Assets - Beginning	35,592,043	35,710,695
NET ASSETS - ENDING	$ 40,373,880	$ 35,592,043

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Clarion University of Pennsylvania of the State System of Higher Education (the "University"), a public four year institution located in Clarion, Pennsylvania, was founded in 1867. The University is one of fourteen universities of the State System of Higher Education ("PASSHE"). PASSHE was created by the State System of Higher Education Act of November 12, 1982, P. L. 660, No. 188, as amended ("Act 188"). PASSHE is a component unit of the Commonwealth of Pennsylvania (the "Commonwealth").

Reporting Entity

In accordance with Government Accounting Standards Board ("GASB") Statement No. 39 *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB 14, the University has determined The Clarion Students' Association (the "Association") and The Clarion University Foundation (the "Foundation") should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

The Association is a legally separate, tax-exempt entity, which provides services and promotes and supports educational, cultural and recreational activities for the students of the University. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The University received payments from the Association of $876,506 and $772,663 during the fiscal years ended May 31, 2013 and 2012. The financial activity of the Association is presented as of and for the years ended May 31, 2013 and 2012.

The Foundation is a legally separate, tax-exempt entity, which acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University received payments from the Foundation of $1,241,153 and $1,697,015 during the fiscal years ended June 30, 2013 and 2012, respectively. The financial activity of the Foundation is presented as of and for the years ended June 30, 2013 and 2012.

Complete financial statement for the Association and the Foundation may be obtained at the University's administrative office.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. The economic resources measurements focus reports all inflows, outflows and balances that affect an entity's net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The University applies only the Financial Accounting Standards Board pronouncements issued before November 30, 1989, except for those that conflict with GASB pronouncements.

Operating Revenues and Expenses

Operating revenues of the University consist of tuition, all academic, instructional, and other student fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the University are recorded as operating revenue. All expenses, with the exception of interest expense, loss on the disposal of assets, and extraordinary expenses are recorded as operating expenses. Appropriations, gifts, interest, capital grants, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the University has recorded a scholarship discount and allowance.

Net Position (formerly referred to as Net Assets)

The University maintains the following classifications of net position. The term "net position" has replaced the term "net assets" as required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

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

Net Position (formerly referred to as Net Assets) (Continued)

Net investment in capital assets (previously referred to and the same as "Invested in capital assets, net of related debt"; the terminology was changed by GASB in Statement No. 63): Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted - nonexpendable: The portion of net position subject to externally imposed conditions requiring that the University maintain them in perpetuity.

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

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

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

Cash Equivalents

The University considers all demand and time deposits, money market funds and overnight repurchase agreements to be cash equivalents.

Accounts and Loans Receivable

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

Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

Inventory

Inventory consists of maintenance supplies and is stated at the lower of cost or market, with cost determined principally on the weighted average method.

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

Capital Assets

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

Buildings, equipment and furnishings acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation, calculated using the straight-line method. All assets with a purchase cost, or fair value if acquired by gift, in excess of $5,000 with an estimated useful life of two years or greater are capitalized. All library books are capitalized. Assets under capital leases we recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Amortization of assets under capital lease is included in deprecation. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2013 and 2012.

Unearned Revenue

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

Compensated Absences

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

Pension Plans

Employees of the University are required to enroll in one of three available cost-sharing multiple-employer retirement plans immediately upon employment. The University recognizes annual pension expenditures equal to its contractually required contributions to the Plan.

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

Scholarships and Waivers

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

Income Taxes

The University, as a member of PASSHE, which is a political subdivision of the Commonwealth, is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

New Accounting Standards

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement No. 60 establishes guidance for accounting and financial reporting for service concession arrangements, which are a type of public-private or public-public partnership. The University was required to adopt Statement No. 60 for the fiscal year ending June 30, 2013. The University has determined that Statement No. 60 has no effect on its financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With Statements No. 63 and 65, GASB has reclassified certain assets and liabilities as "*deferred outflows*" and "*deferred inflows*" of resources. Further, GASB has replaced the term "*net assets*" with "*net position*," and has changed the balance sheet presentation to "*assets, plus deferred outflows of resources equals liabilities, plus deferred inflows of resources, plus net position*." The University was required to adopt Statement No. 63 for the fiscal year ending June 30, 2013, and Statement No. 65 for the fiscal year ending June 30, 2014.

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

New Accounting Standards (continued)

The University has determined that the adoption of Statement No. 63 has no effect on the substance of its financial statements; however, the changes increase the complexity of the financial statements to its readers, as the new presentation differs from the traditional and familiar business reporting model. The University has determined that the adoption of Statement No. 65 will require that bond issuance costs, which previously were netted against the associated bond discount or bond premium on the balance sheet and amortized over the life of the associated bond payable, now will be expensed in the period incurred. The amount of fiscal year 2012/13 bond issuance costs that will be restated as an expense on next year's financial statements is $58,792.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require the University to report its share of the pension liabilities that the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) must record beginning in fiscal year 2014/15. Although the University has not received an estimate of its share of the pension liabilities from either organization, the liabilities are expected to be significant and have a detrimental effect on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combination and Disposals of Government Operations*. Statement No. 69 established accounting and financial reporting standards related to government combinations and disposals of government operations. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. The University has determined that Statements No. 69 and 70 will have no effect on its financial statements.

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION

The following represents combining condensed statement of financial position information for the component units as of June 30, 2013:

	Association	Foundation	Total
Due from University	$ 35,980	$ 99,432	$ 135,412
Capital Assets, Net	243,804	51,006,847	51,250,651
Investments	1,242,520	33,059,915	34,302,435
Other Assets	2,723,597	7,061,222	9,784,819
Total Assets	$ 4,245,901	$ 91,227,416	$ 95,473,317
Due to University	$ -	$ 75,895	$ 75,895
Long-Term Debt	-	49,648,217	49,648,217
Other Liabilities	925,463	4,449,862	5,375,325
Total Liabilities	$ 925,463	$ 54,173,974	$ 55,099,437
Net Assets:			
Unrestricted	$ 3,119,881	$ 8,519,467	$ 11,639,348
Temporarily Restricted	20,845	11,506,920	11,527,765
Permanently Restricted	179,712	17,027,055	17,206,767
Total Net Assets	$ 3,320,438	$ 37,053,442	$ 40,373,880

The following represents combining condensed statement of financial position information for the component units as of June 30, 2012:

	Association	Foundation	Total
Due from University	$ 45,242	$ 158,456	$ 203,698
Capital Assets, Net	260,737	51,930,118	52,190,855
Investments	1,082,906	27,592,864	28,675,770
Other Assets	3,318,492	7,203,351	10,521,843
Total Assets	$ 4,707,377	$ 86,884,789	$ 91,592,166
Due to University	$ -	$ 94,008	$ 94,008
Long-Term Debt	-	50,578,655	50,578,655
Other Liabilities	910,498	4,416,962	5,327,460
Total Liabilities	$ 910,498	$ 55,089,625	$ 56,000,123
Net Assets:			
Unrestricted	$ 3,660,256	$ 8,309,038	$ 11,969,294
Temporarily Restricted	16,754	9,198,288	9,215,042
Permanently Restricted	119,869	14,287,838	14,407,707
Total Net Assets	$ 3,796,879	$ 31,795,164	$ 35,592,043

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2013:

	Association	Foundation	Total
Changes in Unrestricted Net Assets			
Revenues and Other Additions:			
Contributions	$ -	$ 222,877	$ 222,877
Sales and Service	2,417,939	-	2,417,939
Student Fees	1,577,581	-	1,577,581
Grants and Contracts	-	661,935	661,935
Rental Income	-	3,208,360	3,208,360
Investment Income	61,340	57,502	118,842
Unrealized Gain on Investments	62,550	238,074	300,624
interest agreements			
swap/split interest agreements	-	-	-
	-	142,869	142,869
Net Assets Released from Restriction	5,091	1,601,593	1,606,684
Total Revenues and Other Additions	4,124,501	6,133,210	10,257,711
Expenses and Other Deductions:			
Program Services:			
Scholarships/Grants	-	869,542	869,542
Student Activities and Programs	1,553,268	888,232	2,441,500
University Stores	2,837,359	-	2,837,359
Housing	-	2,695,010	2,695,010
Management and General	274,249	675,043	949,292
Fundraising	-	591,206	591,206
Total Expenses and Other Deductions	4,664,876	5,719,033	10,383,909
(Increase) Decrease in Unrestricted Net Assets before Reclassification	(540,375)	414,177	(126,198)
Reclassification	-	(203,748)	(203,748)
(Increase) Decrease in Unrestricted Net Assets	(540,375)	210,429	(329,946)

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

	Association	Foundation	Total
Changes in Temporarily Restricted Net Assets			
Contributions	-	1,221,686	1,221,686
Grants and Contracts	-	182,016	182,016
Investment Income	318	437,644	437,962
Unrealized Gain on Investments	3,773	1,755,561	1,759,334
Adjustment of Actuarial Liability	-	(153,624)	(153,624)
Other Revenues and Gains	-	402,018	402,018
Net Position Released from Restrictions	-	(1,601,593)	(1,601,593)
Increase in Temporarily Restricted Net Assets before Reclassification	4,091	2,243,708	2,247,799
Reclassification	-	64,924	64,924
Increase in Temporarily Restricted Net Assets	4,091	2,308,632	2,312,723
Changes in Permanently Restricted Net Assets			
Contributions	-	2,600,393	2,600,393
Investment Income	5,091	-	5,091
Unrealized Gain on Investments	59,843	-	59,843
Other Revenues/Expenses and Losses	-	-	-
Net Position Released from Restrictions	(5,091)	-	(5,091)
Increase (Decrease) in Permanently Restricted Net Assets before Reclassification	59,843	2,600,393	2,660,236
Reclassification	-	138,824	138,824
Increase (Decrease) in Permanently Restricted Net Assets	59,843	2,739,217	2,799,060
INCREASE (DECREASE) IN NET ASSETS	(476,441)	5,258,278	4,781,837
Net Assets - Beginning	3,796,879	31,795,164	35,592,043
NET ASSETS - ENDING	$ 3,320,438	$ 37,053,442	$ 40,373,880

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

The following represents combining statement of activities for the component units for the year ended June 30, 2012:

	Association	Foundation	Total
Changes in Unrestricted Net Assets			
Revenues and Other Additions:			
Contributions	$ -	$ 270,170	$ 270,170
Sales and Service	2,784,452	-	2,784,452
Student Fees	1,652,032	-	1,652,032
Grants and Contracts	-	681,935	681,935
Rental Income	-	3,143,640	3,143,640
Investment Income	61,453	51,361	112,814
Unrealized Loss on Investments	(33,919)	-	(33,919)
Other Revenues and Gains	4,338	139,703	144,041
Net Assets Released from Restriction	5,220	1,537,355	1,542,575
Total Revenues and Other Additions	4,473,576	5,824,164	10,297,740
Expenses and Other Deductions:			
Program Services:			
Scholarships/Grants	-	851,126	851,126
Student Activities and Programs	1,451,271	802,519	2,253,790
University Stores	2,938,186	-	2,938,186
Housing	-	2,739,042	2,739,042
Management and General	296,640	548,157	844,797
Fundraising	-	547,707	547,707
Total Expenses and Other Deductions	4,686,097	5,488,551	10,174,648
(Increase) Decrease in Unrestricted Net Assets before Reclassification	(212,521)	335,613	123,092
Reclassification	-	85,104	85,104
(Increase) Decrease in Unrestricted Net Assets	(212,521)	420,717	208,196
Changes in Temporarily Restricted Net Assets			
Contributions	-	842,223	842,223
Grants and Contracts	-	247,742	247,742
Sales of Properties	-	1,852	1,852
Investment Income	312	-	312
Unrealized Loss on Investments	(2,137)	(80,403)	(82,540)
Adjustment of Actuarial Liability	-	(200,081)	(200,081)
Net Assets Released from Restrictions	-	(1,537,355)	(1,537,355)
Decrease in Temporarily Restricted Net Assets before Reclassification	(1,825)	(726,022)	(727,847)
Reclassification	-	(112,770)	(112,770)
Decrease in Temporarily Restricted Net Assets	(1,825)	(838,792)	(840,617)

NOTE 2 CONDENSED COMPONENT UNITS INFORMATION (CONTINUED)

	Association	Foundation	Total
Changes in Permanently Restricted Net Assets			
Contributions	-	521,666	521,666
Investment Income	5,523	-	5,523
Unrealized Gain (Loss) on Investments	(35,564)	-	(35,564)
Other Revenues/Expenses and Losses	(302)	-	(302)
Net Assets Released from Restrictions	(5,220)	-	(5,220)
Increase (Decrease) in Permanently Restricted Net Assets before Reclassification	(35,563)	521,666	486,103
Reclassification	-	27,666	27,666
Increase (Decrease) in Permanently Restricted Net Assets	(35,563)	549,332	513,769
INCREASE (DECREASE) IN NET ASSETS	(249,909)	131,257	(118,652)
Net Assets - Beginning	4,046,788	31,663,907	35,710,695
NET ASSETS - ENDING	$ 3,796,879	$ 31,795,164	$ 35,592,043

NOTE 3 DUE TO/FROM UNIVERSITY AND COMPONENT UNITS

Due to The Clarion Students' Association (the "Association") having a fiscal year-end of May 31, 2013 there are differences in amounts reported in the due to/from accounts. The reconciliation of these differences are as follows:

	2013	2012
Component Units Due from University	$ 135,412	$ 203,698
Activity Fees Collected by the University that were not recorded by the Association	55,828	70,740
University Due to Component Units	$ 191,240	$ 274,438
Component Units Due to University	$ 75,895	$ 94,008
Reimbursement of wages and benefits accrued by the University that were not recorded by the Association	3,933	-
University Due from Component Units	$ 79,828	$ 94,008

NOTE 4 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with PASSHE. PASSHE maintains these and other PASSHE funds on a pooled basis. Although PASSHE pools its funds in a manner similar to an internal investment pool, individual PASSHE entities do not hold title to any assets in the fund. PASSHE as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of $1, and income is allocated based on the number of shares owned. Revenue realized at the PASSHE level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals $40,031,277 and $41,474,521 at June 30, 2013 and 2012, respectively.

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

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

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

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

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

At June 30, 2013 and 2012, the carrying amount of the University's demand and time deposits were $1,761,606 and $640,819, respectively, as compared to bank balances of $2,237,959 and $568,033, respectively. These differences are primary caused by items in transit and outstanding checks. All bank balances were covered by federal depository insurance or were collateralized by a pledge of United States Treasury obligations held by Federal Reserve banks in the name of the banking institutions, or uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2013 and 2012, none of the University's demand and time deposits are exposed to foreign currency risk.

NOTE 5 INVESTMENTS – COMPONENT UNITS

The fair value of investments at June 30 is as follows:

	2013	2012
Money Market Funds	$ 150,049	$ 8,510,311
Mutual Funds	4,786,286	10,702,732
Stocks	16,254,568	4,287,294
Bonds	4,697,505	5,175,433
Total	$ 25,888,408	$ 28,675,770

NOTE 6 CAPITAL ASSETS

Capital assets acquired or constructed by the University through the expenditure of University funds or the incurrence of debt consist of the following:

	2013					
	Life	Beginning Balance July 1, 2012	Additions	Retirements	Reclassifications	Ending Balance June 30, 2013
Land		$ 1,718,427	$ -	$ -	$ -	$ 1,718,427
Construction in Progress		1,301,166	838,664	(12,498)	(1,198,183)	929,149
Total Capital Assets Not being Depreciated		3,019,593	838,664	(12,498)	(1,198,183)	2,647,576
Buildings, including Improvements	40	84,393,691	1,035,219		340,266	85,769,176
Furnishings and Equipment	Varies	19,568,164	662,004		857,917	21,088,085
Library Books	10	8,176,110	24,918	(39,224)		8,161,804
Total Capital Assets being Depreciated		112,137,965	1,722,141	(39,224)	1,198,183	115,019,065
Less: Accumulated Depreciation		(30,709,633)	(2,656,485)			(33,366,118)
Buildings, including Improvements		(5,518,990)	(590,823)			(6,109,813)
Furnishings and Equipment		(13,267,281)	(1,369,750)			(14,637,031)
Library Books		(7,031,775)	(202,240)	39,224		(7,194,791)
Total Accumulated Depreciation		(56,527,679)	(4,819,298)	39,224	-	(61,307,753)
Total Capital Assets being Depreciated, Net		55,610,286	(3,097,157)	-	1,198,183	53,711,312
Capital Assets, Net		$ 58,629,879	$ (2,258,493)	$ (12,498)	$ -	$ 56,358,888

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2012					
	Life	Beginning Balance July 1, 2011	Additions	Retirements	Reclassifications	Ending Balance June 30, 2012
Land		$ 1,718,427	$ -	$ -	$ -	$ 1,718,427
Construction in Progress		6,441,235	97,677	-	(5,237,746)	1,301,166
Total Capital Assets Not being Depreciated		8,159,662	97,677	-	(5,237,746)	3,019,593
Buildings, including Improvements	40	82,192,641	882,716	-	1,318,334	84,393,691
Furnishings and Equipment	Varies	14,794,555	854,197	-	3,919,412	19,568,164
Library Books	10	8,176,312	149,456	(149,658)	-	8,176,110
Total Capital Assets being Depreciated		105,163,508	1,886,369	(149,658)	5,237,746	112,137,965
Less: Accumulated Depreciation		(28,145,442)	(2,564,191)	-	-	(30,709,633)
Buildings, including Improvements		(4,947,681)	(571,309)	-	-	(5,518,990)
Furnishings and Equipment		(12,249,560)	(1,017,721)	-	-	(13,267,281)
Library Books		(6,981,565)	(199,868)	149,658	-	(7,031,775)
Total Accumulated Depreciation		(52,324,248)	(4,353,089)	149,658	-	(56,527,679)
Total Capital Assets being Depreciated, Net		52,839,260	(2,466,720)	-	5,237,746	55,610,286
Capital Assets, Net		$ 60,998,922	$ (2,369,043)	$ -	$ -	$ 58,629,879

NOTE 7 LEASES

Total rent expense for operating leases for the years ended June 30, 2013 and 2012 was $690,293 and $693,016, respectively. Future lease payments for operating leases are as follows:

Year Ending June 30,	Amount
2014	$ 610,066
2015	565,362
2016	496,576
2017	494,410
2018	476,637
Thereafter	142,342
Total	$ 2,785,393

NOTE 8 CAPITAL LEASE

The University has entered into a capital lease agreement for certain of its buildings. Future minimum payments by year and in the aggregate, with initial or remaining terms of one year or more, are as follows:

Year Ending June 30,	Amount
2014	$ 136,349
2015	137,415
2016	138,544
2017	139,739
2018	141,003
Thereafter	142,342
Total Minimum Lease Payments	835,392
Less: Amount Representing Interest on Capital Leases	172,126
Present Value of Net Minimum Capital Lease Payments	663,266
Less: Current Portion	90,156
Long-Term Capital Lease Obligation	$ 573,110

Capital lease activity for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Balance at July 1	$ 746,609	$ 823,636
Additions	-	-
Retirements	(83,343)	(77,027)
Balance at June 30	$ 663,266	$ 746,609

Capital assets include holdings under capital lease with a cost basis of $1,050,000 and accumulated depreciation of $59,450 and $42,050 at June 30, 2013 and 2012, respectively.

NOTE 9 BONDS PAYABLE

Bonds payable consist of tax-exempt revenue bonds issued by PASSHE through the Pennsylvania Higher Educational Facilities Authority (PHEFA). In connection with the bond issuances, PASSHE entered into a loan agreement with PHEFA on behalf of the University under which PASSHE has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of PASSHE. PASSHE's Board of Governors has allocated portions of certain bond issuances to the University to undertake various capital projects or to advance refund certain previously issued bonds. The University is responsible for the repayment of principal and interest on its applicable portion of each obligation. The various bond series allocated to the University for the years ended June 30, 2013 and 2012 are as follows:

	2013				
	Weighted Average Interest Rate	Balance July 1, 2012	Bonds Issued	Bonds Redeemed	Balance June 30, 2013
Series AF issued in 2008	4.95 %	$ 2,352,489	$ -	$ (109,681)	$ 2,242,808
Series AG issued in 2008	4.60 %	2,332,136	-	(350,595)	1,981,541
Series AH issues in 2008	4.69 %	5,571,215	-	(302,981)	5,268,234
Series AI issued in 2008	4.01 %	491,554	-	-	491,554
Series AL issued in 2010	5.00 %	4,222,782	-	(666,769)	3,556,013
Total Bonds Payable		14,970,176	$ -	$ (1,430,026)	13,540,150
Unamortized Loss on Refunding		(58,832)			(51,608)
Outstanding		$ 14,911,344			$ 13,488,542

	2012				
	Weighted Average Interest Rate	Balance July 1, 2011	Bonds Issued	Bonds Redeemed	Balance June 30, 2012
Series AF issued in 2008	4.95 %	$ 2,457,744	$ -	$ (105,255)	$ 2,352,489
Series AG issued in 2008	4.60 %	2,674,983	-	(342,847)	2,332,136
Series AH issues in 2008	4.69 %	5,859,326	-	(288,111)	5,571,215
Series AI issued in 2008	4.01 %	491,554	-	-	491,554
Series AL issued in 2010	5.00 %	4,852,907	-	(630,125)	4,222,782
Total Bonds Payable		16,336,514	$ -	$ (1,366,338)	14,970,176
Unamortized Loss on Refunding		(66,055)			(58,832)
Outstanding		$ 16,270,459			$ 14,911,344

NOTE 9 BONDS PAYABLE (CONTINUED)

The University participates in PASSHE's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across PASSHE. This program will provide $100,000,000 in funding over the next several years. PASSHE will issue bonds to provide a pool for funding for AFRP ($37,540,072 and $41,271,274 was outstanding as of June 30, 2013 and 2012). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program.

Changes in the AFRP pool of funding were as follows:

	2013	2012
Balance at July 1	$ 2,803,027	$ 3,038,939
Additions	-	-
Repayments	(243,267)	(235,912)
Balance at June 30	$ 2,559,760	$ 2,803,027

NOTE 9 BONDS PAYABLE (CONTINUED)

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

Series		2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	Total
AF	Principal	$ 114,600	$ 120,010	$ 125,912	$ 132,306	$ 139,192	$ 807,116	$ 803,673	$ -	$ 2,242,809
	Interest	112,140	106,410	100,410	94,114	87,499	325,920	102,919	-	929,412
	Total	226,740	226,420	226,322	226,420	226,691	1,133,036	906,592	-	3,172,221
AG	Principal	364,154	375,776	393,209	414,516	433,886	-	-	-	1,981,541
	Interest	94,699	81,954	63,165	43,505	22,779	-	-	-	306,102
	Total	458,853	457,730	456,374	458,021	456,665	-	-	-	2,287,643
AH	Principal	318,889	334,798	351,746	369,213	387,200	1,559,953	1,946,436	-	5,268,235
	Interest	248,717	232,772	216,032	198,445	179,984	672,050	285,169	-	2,033,169
	Total	567,606	567,570	567,778	567,658	567,184	2,232,003	2,231,605	-	7,301,404
AI	Principal	-	-	-	-	-	491,554	-	-	491,554
	Interest	21,506	21,506	21,506	21,506	21,506	86,020	-	-	193,550
	Total	21,506	21,506	21,506	21,506	21,506	599,082	-	-	685,104
AL	Principal	699,947	736,390	772,834	811,344	123,910	411,588	-	-	3,556,013
	Interest	177,801	142,803	105,984	67,342	26,775	41,819	-	-	562,524
	Total	877,748	879,193	878,818	878,686	878,686	604,092	-	-	4,118,537
Total	Principal	1,497,590	1,566,974	1,643,701	1,727,379	1,084,188	3,270,211	2,750,109	-	13,540,152
	Interest	654,863	585,445	507,097	424,912	338,543	1,125,809	388,088	-	4,024,757
	Total	$ 2,152,453	$ 2,152,419	$ 2,150,798	$ 2,152,291	$ 1,422,731	$ 4,396,020	$ 3,138,197	$ -	$ 19,714,781

NOTE 10 COMPENSATED ABSENCES

Compensated absences activity for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Balance at July 1	$ 7,034,560	$ 6,729,949
Current Changes in Estimate	660,077	587,696
Payouts	(766,461)	(283,085)
Balance at June 30	$ 6,928,176	$ 7,034,560

NOTE 11 POSTRETIREMENT BENEFITS

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

System Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members and PASSHE are established and may be amended by the Board. The System Plan is funded on a pay-as-you-go basis; i.e., premiums are paid to an insurance company and various health maintenance organizations to fund the healthcare benefits provided to current retirees. Tuition waivers are provided by the retiree's sponsoring university as they are granted. PASSHE paid premiums of $42,975,000 and $38,729,000 for the fiscal years ended June 30, 2013 and 2012, respectively. Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement, the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of plan members as of June 30, 2013:

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Funding Policy (Continued)

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

- Non-faculty coaches who retired July 1, 2005, or after pay a percentage of their final annual gross salary at the time of retirement.

- Other eligible annuitants who retired on or after July 1, 2005, and prior to January 1, 2008, and who are under age 65 pay 10% of the plan premium in effect on the day of retirement. When annuitants become eligible for Medicare, they pay 15% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually.

- Other eligible annuitants who retire after July 1, 2009, pay 15% of the plan premium in effect when they retired.

Total contributions made by plan members were $3,607,000 and $3,189,000, or approximately 7.7% and 7.6% of the total premiums for the fiscal years ended June 30, 2013 and 2012, respectively.

Annual OPEB Cost and Net OPEB Obligations

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost plus the annual portions of the unfunded actuarial liability over thirty years. The following shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Annual Required Contribution	$ 6,950,000
Interest on Net OPEB Obligation	2,120,000
Adjustment to Annual Required Contribution	(2,573,000)
Annual OPEB Cost	6,497,000
Contributions Made	(2,230,471)
Increase in Net OPEB Obligation	4,266,529
Net OPEB Obligation at July 1, 2012	53,167,950
Net OPEB Obligation at June 30, 2013	$ 57,434,479

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Annual OPEB Cost and Net OPEB Obligations (Continued)

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for June 30, 2013, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 6,497,000	34.3%	$ 57,434,479
June 30, 2012	6,015,000	36.8%	53,167,950
June 30, 2011	5,704,000	38.5%	49,367,627

Funded Status and Funding Progress

Actuarial Accrued Liability (AAL)	$ 82,173,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 74,199,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	$ 32,589,000
UAAL as a Percentage of Covered Payroll	227.7%

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

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

System Plan (Continued)

Actuarial Methods and Assumptions

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

In the July 1, 2012, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.25% investment rate of return, which is the expected rate to be earned on PASSHE's operating portfolio, and an annual health care cost trend rate of 8.0% for pre-Medicare and 7.0% for post-Medicare initially, reduced by decrements to an ultimate rate of 5.0% by 2025. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2012 was 23 years.

Retired Employees Health Program

Plan Description

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

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

Retired Employees Health Program (Continued)

Funding Policy

The contribution requirements of plan members covered under collective bargaining agreements are established by the collective bargaining agreements. The contribution requirements of non-represented plan members and contributing entities are established and may be amended by the Commonwealth's Office of Administration and the Governor's Budget Office. Plan members who enrolled prior to July 1, 2005 are not required to make contributions. Plan members who enrolled after July 1, 2005 contribute a percentage of their final salary, the rate of which varies based on the plan members' enrollment date. Agency member (employer) contributions are established primarily on a pay-as-you-go basis. In 2012/13 PASSHE contributed $265 for each current active employee per biweekly pay period. PASSHE made contributions of $25,638,000, $23,228,000 and $20,069,000 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, equal to the required contributions for the year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 12 PENSION BENEFITS

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

PSERS provides retirement and disability benefits, legislative-mandated ad hoc cost-of-living adjustment, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975. as amended) (24Pa.C.S.8101-8535) is the authority of which PSERS benefit provisions are established and may be amended. The contribution policy for PSERS is established in the Public School Employees' Retirement Code and requires contributions by active members, the employer (the University) and the Commonwealth of Pennsylvania. Active members contribute at a rate of between 5.25% and 7.50% of their qualifying compensation, depending upon when the active member was hired and what benefits class is selected. New members hired after July 1, 2011, have a one-time election to choose a 10.3% contribution rate. The contribution rate for the University is an actuarially determined rate.

NOTE 12 PENSION BENEFITS (CONTINUED)

The rate was 6.18% of annual covered payroll at June 30, 2013. The University's contributions to PSERS for the years ended June 30, 2013, 2012 and 2011 were $77,159, $62,058 and $40,543, respectively, equal to the required contractual contribution. PSERS issues a comprehensive annual financial report that include financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125.

SERS also provides retirement, death, and disability benefits, and legislative-mandated ad hoc cost-of-living adjustments. Article II of the Commonwealth of Pennsylvania's Constitution assigns the authority to establish and amend the benefits provisions of the plan to the General Assembly. The contribution policy for SERS, as established by the State Employees' Retirement Code, requires contribution by active members and the employer (the University). The contribution rate for both active members and the University depends upon when the active member was hired and what benefits class is selected. Active members contribute at a rate of either 5.0%, 6.25% or 9.3% of their qualifying compensation. New members hired after January 1, 2011, have a one-time election to choose a 9.3% contribution rate. The University contributed at an actuarially determined rates between 4.83% and 6.99% of active members' annual covered payroll at June 30, 2012. The University's contribution to SERS for the years ended June 30, 2013, 2012 and 2011 was $2,177,902, $1,445,037 and $946,016, respectively, equal to the required contractual contribution. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Commonwealth of Pennsylvania State Employees' Retirement System, P.O. Box 1147, Harrisburg, Pennsylvania 17108-0125.

Because the ARP is a defined contribution plan, benefits depend upon amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefit provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5.0% of their qualifying compensation. The University's contribution rate on June 30, 2013 and 2012 was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2013 and 2012 were $2,216,885 and $2,201,384, respectively, from the University and $1,204,829 and $1,184,815, respectively, from active members.

NOTE 13 WORKERS' COMPENSATION

The University participates in PASSHE's self-insured for workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims up to $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims up to $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all universities of PASSHE contribute in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed $90,629 and $87,877 to the Reserve Fund during the years ended June 30, 2013 and 2012, respectively.

Changes in the University claims liability are as follows:

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013	$ 414,835	$ 449,583	$ (182,653)	$ 681,765
2012	$ 573,478	$ 39,096	$ (197,739)	$ 414,835

NOTE 14 COMMITMENTS AND CONTINGENCIES

Authorized University expenditures for services, supplies, equipment and construction projects unexpended as of June 30, 2013 and 2012 were $680,392 and $4,431,513, respectively.

The nature of the education industry is such that, from time to time, the University is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

The University is participates in PASSHE's self-insured workers' compensation plan up to stated limits (see Note 13). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not exceeded significantly the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

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

CLARION UNIVERSITY OF PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE SYSTEM PLAN AND REHP (OPEB)
JUNE 30, 2013 AND 2012
(UNAUDITED)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2010	$0	1,315,116	1,315,116	0%	554,213	237 %
July 1, 2011	$0	1,373,049	1,373,049	0%	570,839	241 %
July 1, 2012	$0	1,420,502	1,420,502	0%	566,753	251 %

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2010	56,320	13,674,250	13,617,930	0.41 %	3,786,000	360 %
July 1, 2011	70,740	12,907,790	12,837,050	0.55 %	3,839,000	334 %
July 1, 2012	71,630	12,843,700	12,772,070	0.56 %	4,130,000	309 %

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Council of Trustees
Clarion University of Pennsylvania
of the State System of Higher Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clarion University of Pennsylvania of the State System of Higher Education (the University), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 21, 2013. Our report includes a reference to other auditors who audited the financial statements of the Clarion University Foundation and the Clarion University of Pennsylvania Student Association, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

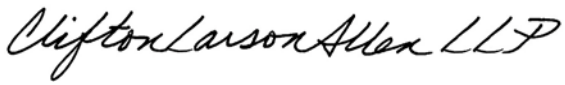
Council of Trustees
Clarion University of Pennsylvania
of the State System of Higher Education

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Harrisburg, Pennsylvania
November 21, 2013