Pennsylvania Higher Educational Facilities Authority

(A Component Unit of the Commonwealth of Pennsylvania)

Financial Statements and
Required Supplementary Information

Years Ended June 30, 2026 and 2025
with Independent Auditor's Report

MaherDuessel

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

YEARS ENDED JUNE 30, 2026 AND 2025

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Independent Auditor's Report

Board of Directors
Pennsylvania Higher Educational Facilities Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Pennsylvania Higher Educational Facilities Authority (Authority), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2026, and 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2026, and 2025, and the changes in financial position and cash flows thereof 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 an audit conducted in accordance with generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part

of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Harrisburg, Pennsylvania
August 25, 2026

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

This discussion and analysis of the financial performance of the Pennsylvania Higher Educational Facilities Authority (Authority) is supplementary information required by the Governmental Accounting Standards Board. It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities. Read it in conjunction with the financial statements that follow this discussion.

This management's discussion and analysis presents an overview and analysis of the financial activities for the fiscal year ended June 30, 2026. It should be read in conjunction with the Authority's basic financial statements and related notes.

The Authority is a public corporation and public instrumentality of the Commonwealth of Pennsylvania created to provide a source of tax-exempt financing for colleges and universities. The Authority acts primarily as a financing conduit for colleges and universities. The Authority is funded from administrative fees charged to participating colleges and universities which are remitted to the State Public School Building Authority in exchange for all management and administrative services and operating expenses.

Overview of the Financial Statements

The Authority's financial statements are presented as a proprietary fund and include the following basic statements:

- **Statement of Net Position** – This statement reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end. It shows the resources available to continue operations after considering all obligations and the effects of deferred outflows and inflows.
- **Statement of Revenues, Expenses, and Changes in Fund Net Position** – This statement reports the results of operations for the year, including operating and nonoperating activity, and shows how the Authority's net position changed from the beginning of the year to the end of the year.
- **Statement of Cash Flows** – This statement reports cash receipts and cash payments from operating, capital and related financing, and investing activities and explains the change in cash and cash equivalents during the year.

Together, these statements provide information about the Authority's liquidity, overall financial position, operating results, and cash flows.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Financial Summary

Condensed financial information for the Authority as of and for the years ended June 30, 2026, 2025, and 2024 is presented below.

Condensed Statement of Net Position

	2026	2025	2024
Current assets	$ 25,000	$ 25,000	$ 33,607
Current liabilities	25,000	25,000	33,607
Total net position	$ -	$ -	$ -

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

	2026	2025	2024
Administrative fees	$ 540,379	$ 532,190	$ 542,716
Total operating revenues	540,379	532,190	542,716
SPSBA management fee	540,379	532,190	542,716
Total operating expenses	540,379	532,190	542,716
Change in net position	-	-	-
Total net position - beginning of year	-	-	-
Total net position - end of year	$ -	$ -	$ -

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Detailed Analyses

Financial Position

The Authority's net position remained at $0 during fiscal year 2026. Administrative fees collected by the Authority are remitted to the State Public School Building Authority in exchange for all management and administrative services and operating expenses.

Results of Operations

Total operating revenues were marginally higher than the prior year. Administrative fees increased by $8,189 or 1.5% in 2026 as fewer bonds were refunded away by other conduit issuers.

Program Activity

During fiscal year 2026, the Authority issued four financings on behalf of higher education institutions totaling $580,250,000. Bond proceeds were used to construct, renovate, and acquire facilities and to refund prior bond issues.

During fiscal year 2025, the Authority issued three financings on behalf of higher education institutions totaling $2,071,760,000. Bond proceeds were used to construct, renovate, and acquire facilities and to refund prior bond issues. The Authority also completed a partial defeasance totaling approximately $58,950,000 on behalf of the State System of Higher Education with funds appropriated by the commonwealth.

Significant Capital Asset and Long-Term Debt Activity

Capital Assets

The Authority does not have capital assets.

Long-Term Financing Activity

The Authority had approximately $6.31 billion of conduit debt outstanding at June 30, 2026, compared with approximately $6.15 billion at June 30, 2025, an increase of approximately $156 million. This debt is nonrecourse to the Authority and is payable solely from revenues derived from the related facilities

financed. Accordingly, the conduit debt is not reported as a liability in the Authority's statement of net position.

Currently Known Facts, Decisions, or Conditions

The Authority continues to administer a significant portfolio of outstanding conduit debt and to originate new financings for eligible educational institutions. Ongoing demand for tax-exempt financing and the level of future refunding activity will influence the volume of program-related transactions and fee revenue.

Additionally, fee revenue is reliant on a limited number of clients who pay prevailing wages on construction projects. These institutions include the Pennsylvania State System of Higher Education and several large private universities in Philadelphia.

Lastly, tax-exempt bond issuance for private colleges and universities is dependent on the federal government maintaining the exemption for qualified 501(c)(3) public purpose private activity bonds.

For additional information about the Authority's financial report, contact the Pennsylvania Higher Educational Facilities Authority, 400 North Street, 6th Floor, Harrisburg, Pennsylvania 17120, or visit pa.gov/phefa.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENTS OF NET POSITION

JUNE 30, 2026 AND 2025

	2026	2025
Assets		
Current assets:		
Administrative fees receivable	$ 25,000	$ 25,000
Total Assets	25,000	25,000
Liabilities		
Current liabilities:		
Accounts payable	25,000	25,000
Total Liabilities	25,000	25,000
Net Position		
Total Net Position	$ -	$ -

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
Operating Revenues:		
Administrative fees	$ 540,379	$ 532,190
Total operating revenues	540,379	532,190
Operating Expenses:		
SPSBA management fee	540,379	532,190
Total operating expenses	540,379	532,190
Change in Net Position	-	-
Net Position:		
Beginning of year	-	-
End of year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
Cash Flows From Operating Activities:		
Receipts from colleges and universities	$ 540,379	$ 540,797
Payments to SPSBA	(540,379)	(540,797)
Net cash provided by operating activities	-	-
Cash and Cash Equivalents:		
Beginning of year	-	-
End of year	$ -	$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ -	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in:		
Administrative fees receivable	-	8,607
Accounts payable	-	(8,607)
Total adjustments	-	-
Net cash provided by operating activities	$ -	$ -

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

The Pennsylvania Higher Educational Facilities Authority (Authority) is a public corporation and a public instrumentality of the Commonwealth of Pennsylvania (Commonwealth), created by the Act of December 6, 1967 (P.L. 678, No. 318), known as the Pennsylvania Higher Educational Facilities Authority Act (24 P.S. § 5501 *et seq*.), to provide a source of tax-exempt financing for colleges and universities. The Authority is governed by a nine-member Board of Directors (Board). The entity acts as a financing authority created for the purpose of constructing and improving higher educational institutions. The Authority finances projects through the issuance of bonds, the principal and interest of which are paid by the annual lease/loan payments collected from the higher educational institutions.

Reporting Entity

The Authority is a component unit of the Commonwealth. Criteria considered in making this determination include the Commonwealth's appointment of the Authority's Board pursuant to statute and the Commonwealth's ability to impose its will on the Authority.

Basis of Presentation and Accounting

The Authority follows the accounting and financial reporting standards issued by the Governmental Accounting Standards Board (GASB). The Authority is accounted for as an enterprise fund and, accordingly, utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. The fund is used to account for the revenues and expenses of the Authority's operations.

Enterprise funds distinguish operating revenues and expenses from noncapital subsidies and other nonoperating revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A subsidy represents amounts received from or provided to another party or fund of the Authority. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the

fund charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

The principal operations of the enterprise fund are administrative fees collected by the Authority and the payment of the administrative fees to the State Public School Building Authority's (SPSBA) Administrative Fund.

Administrative Fees

The Authority recognizes administrative fees received from the higher educational institutions as revenue as of the periodic billing date.

Conduit Debt Obligations

The Authority issues taxable and tax-exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the Authority or the Commonwealth. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together. The Authority has elected to exclude these obligations and the related assets held by trustees from the financial statements. The Authority has disclosed the outstanding balance in Note 3.

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 and disclosures. Actual results could differ from those estimates.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended June 30, 2026: Statement Nos. 103 (Financial Reporting Model Improvements) and 104 (Disclosure of Certain Capital Assets). These statements had no significant impact on the Authority's financial statements for the year ended June 30, 2026.

Pending Change in Accounting Principles

GASB has issued statements that will become effective in future years including Statement No. 105 (Subsequent Events). Management has not yet determined the impact of this statement on the financial statements.

2. Related Party Transactions - Administration Fees Paid to the State Public School Building Authority

The Administrative Fund of SPSBA provides for its own operation and the operation of the Authority. Administration fees collected by the Authority are deposited directly into SPSBA's Administrative Fund in exchange for all management and administrative services received and operating expenses paid by SPSBA. During the years ended June 30, 2026 and 2025, the amounts expensed by the Authority were $540,379 and $532,190, respectively. The management and the board members are identical for both the Authority and SPSBA.

3. Conduit Debt Obligations

As discussed in Note 1, the following 48 non-recourse bond issues with an aggregate principal of $6,306,834,424 were outstanding at June 30, 2026:

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Drexel University, Revenue Bonds, Series of 2026	2041	$ 94,430,000	$ 94,430,000
State System of Higher Education, Revenue Bonds, Series BA of 2025	2055	67,295,000	66,715,000
University of Pennsylvania Health System, Revenue Bonds, Series of 2025	2055	318,525,000	318,525,000
The Trustees of the University of Pennsylvania, Revenue Bonds, Series A of 2025	2055	284,120,000	284,120,000
Thomas Jefferson University, Revenue Bonds, Series 2024	2064	1,687,640,000	1,675,900,000
The Trustees of the University of Pennsylvania, Commercial Paper Notes, Series 2024	2054	200,000,000	200,000,000
Lock Haven University Foundation, Revenue Bonds, Series of 2024	2043	7,500,000	7,029,629
Ursinus College, Revenue Bonds, Series A & B of 2022	2032	9,930,000	8,090,000
Widener University, Revenue Bonds, Series 2021	2051	81,190,000	78,670,000
State System of Higher Education, Revenue Bonds, Series AZ of 2021	2047	142,710,000	121,025,000
University of Pennsylvania Health System, Revenue Bonds, Series A & B of 2021	2044	189,545,000	164,015,000
State System of Higher Education, Revenue Bonds, Series AY of 2020	2036	78,925,000	28,475,000
Drexel University, Revenue Bonds, Series A & B of 2020	2050	152,495,000	138,225,000
State System of Higher Education, Revenue Bonds, Series AX of 2020	2042	94,985,000	62,375,000
University of Pennsylvania Health System, Revenue Bonds, Series 2019	2049	534,870,000	534,870,000
State System of Higher Education, Revenue Bonds, Series AW of 2019	2044	84,980,000	25,580,000
Bryn Mawr College, Revenue Bonds, Series 2019	2049	26,905,000	24,095,000
The Trustees of the University of Pennsylvania, Revenue Bonds, Series B of 2019	2045	213,585,000	213,585,000
Duquesne University, Revenue Bonds, Series B of 2019	2039	28,690,000	28,690,000
The Trustees of the University of Pennsylvania, Revenue Bonds, Series A of 2018	2048	183,145,000	165,070,000
State System of Higher Education, Revenue Bonds, Series AV-1 & AV-2 of 2018	2043	236,945,000	160,680,000
Drexel University, Revenue Bonds, Series A of 2017	2041	124,020,000	80,230,000
University of Pennsylvania Health System, Revenue Bonds, Series A of 2017	2047	400,000,000	400,000,000
State System of Higher Education, Revenue Bonds, Series AU-1, AU-2 & AU-3 of 2017	2042	128,260,000	59,170,000
The Trustees of the University of Pennsylvania, Revenue Bonds, Series A of 2017	2046	178,395,000	169,385,000
State System of Higher Education, Revenue Bonds, Series AT-1 and AT-2 of 2016	2055	298,110,000	171,220,000
University of Pennsylvania Health System, Revenue Bonds, Series C of 2016	2041	129,290,000	61,195,000
Mount Aloysius College, Revenue Bonds, AICUP Series 2016 OO4	2046	9,330,000	9,330,000
Drexel University, Revenue Bonds, Series of 2016	2037	117,130,000	19,080,000
UPI East Stroudsburg University of Pennsylvania, Revenue Bonds, Series 2016 A, B, C & D	2035	64,545,000	55,324,795
State System of Higher Education, Revenue Bonds, Series AS of 2016	2037	47,280,000	19,105,000
The Trustees of the University of Pennsylvania, Revenue Bonds, Series A of 2016	2041	169,635,000	110,100,000
State System of Higher Education, Revenue Bonds, Series AR of 2015	2040	102,365,000	62,260,000
University of Pennsylvania Health System, Revenue Bonds, Series of 2015	2045	357,565,000	80,760,000
State System of Higher Education, Revenue Bonds, Series AQ of 2015	2036	94,975,000	17,145,000
The Trustees of the University of Pennsylvania, Revenue Bonds, Series A, B, & C of 2015	2045	378,840,000	116,550,000
Thomas Jefferson University, Revenue Bonds, Series 2015 A, B, C, D, E, F, G & H	2050	551,805,000	111,255,000
University of the Sciences in Philadelphia, Revenue Bonds, Series 2015	2036	90,300,000	32,200,000
Widener University, Revenue Bonds, Series 2014	2038	19,605,000	12,795,000
York College of Pennsylvania, Revenue Bonds, AICUP Series 2014 T2, T3, and T4	2034	26,065,000	5,345,000
La Salle University, Revenue Bonds, Series 2012	2042	94,975,000	67,715,000
University of the Sciences in Philadelphia, Revenue Bonds, Series 2012	2042	31,000,000	17,740,000
HSH Bloomsburg University of Pennsylvania, Revenue Bonds, Series 2010A & B	2034	15,590,000	8,250,000
Temple University, Revenue Bonds, First Series of 2010	2040	190,255,000	96,435,000
University of Pennsylvania Health System, Revenue Bonds, Series A of 2008	2038	105,805,000	69,995,000
Foundation for IUP Student Housing (Indiana Univ. of PA), Revenue Bonds, Series 2007A	2039	80,540,000	50,385,000
Lycoming College, Revenue Bonds, AICUP Series 2001 I1	2031	12,000,000	2,000,000
Susquehanna University, Revenue Bonds, AICUP Series 2001 H9	2031	6,000,000	1,700,000
			$ 6,306,834,424

(Continued)

A summary of changes in conduit debt outstanding for the year ended June 30, 2026 is presented below:

Conduit debt, July 1, 2025	$ 6,150,768,772
Additions:	
Revenue bonds issued	580,250,000
Reductions:	
Principal retirements	(164,584,348)
Refunding of principal	(259,600,000)
Conduit debt, June 30, 2026	$ 6,306,834,424