

**NORTHEAST OHIO MEDICAL UNIVERSITY  
(A COMPONENT UNIT OF THE STATE OF OHIO)**

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**Financial Report  
Including Supplemental Information  
June 30, 2020**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Northeast Ohio Medical University  
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We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Medical University, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northeast Ohio Medical University is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 28, 2020

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# NORTHEAST OHIO MEDICAL UNIVERSITY

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## Independent Auditor's Report

To the Board of Trustees  
Northeast Ohio Medical University

### Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Ohio Medical University and its discretely presented component units (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Northeast Ohio Medical 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits 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 auditor's 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.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Ohio Medical University and its discretely presented component units as of June 30, 2020 and 2019 and the changes in their financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the COVID-19 pandemic has impacted the operations of Northeast Ohio Medical University. Our opinion is not modified with respect to this matter.

To the Board of Trustees  
Northeast Ohio Medical University

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the University's proportionate share of the net pension liability, schedule of the University's pension contributions, schedule of the University's proportionate share of the net OPEB liability, and schedule of the University's OPEB contributions 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, which 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 supplemental 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*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Ohio Medical University basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of Northeast Ohio Medical University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Northeast Ohio Medical University's internal control over financial reporting and compliance.



October 13, 2020



# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Northeast Ohio Medical University's (NEOMED or the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2020, 2019, and 2018. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of University management.

### **Introduction**

Northeast Ohio Medical University is a community-based public University focused on the interprofessional training of health professionals. Created pursuant to Ohio Revised Code Chapter 3350, the University is accredited by The Higher Learning Commission (HLC). The University consists of three colleges, including Medicine, Pharmacy, and Graduate Studies and offers the following degrees:

Doctor of Medicine (M.D.)  
Doctor of Pharmacy (Pharm.D.)  
Master of Public Health (M.P.H.)  
Master of Science in Integrated Pharmaceutical Medicine (M.S.)  
Master of Science Degree/Residency in Health-System Pharmacy Administration (M.S.)  
Master of Arts in Medical Ethics and Humanities (M.A.)  
Doctorate in Integrated Pharmaceutical Medicine (Ph.D.)  
Master of Science in Modern Anatomical Sciences (M.S.)  
Master of Modern Anatomical Sciences

The College of Medicine was founded in 1973, the College of Pharmacy was founded in 2005, and the College of Graduate Studies was founded in 2010.

The University's mission is to improve the health, economy, and quality of life of the diverse communities of Northeast Ohio through education, research and service.

The University does not have its own hospital. Rather, the College of Medicine has established affiliation agreements with some of the most prestigious medical campuses and institutions in Northeast Ohio for the clinical education of its students. Likewise, the College of Pharmacy partners with many nationally recognized pharmacy chains, locally owned pharmacies, hospitals, health centers and associations to provide pharmacy practice opportunities and training to students.

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Using the Annual Financial Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the Statements of Net Position, Statements of Revenue, Expenses, and Changes in Net Position, and the Statements of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provision of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the NEOMED Research Corporation (the "Research Corp"), Clinical Initiatives Inc. ("Clinical Initiatives"), the Northeast Ohio Medical University Foundation, Inc. (the "Foundation"), and ERS Strategic Properties, Inc. ("ERS") have been determined to be component units of the University. Accordingly, the Research Corp and Clinical Initiatives will be shown blended with the University's financial statements and the Foundation and ERS will be discretely presented in the University's financial statements. The discretely presented component units have been excluded from Management's Discussion and Analysis.

The Statements of Net Position include all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment and the condition of facilities.

The Statements of Revenue, Expenses, and Changes in Net Position present the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public institution's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities and help measure the ability to meet financial obligations as they mature.

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Noteworthy Financial Activity

In 2012, ERS Strategic Properties, Inc. was created to establish related commercial business units for the benefit and support of Northeast Ohio Medical University. ERS Housing LLC, ERS HWMEC LLC, ERS Bradley LLC, ERS MOB LLC, ERS Contiguous Properties LLC, and ERS RGE LLC were created under the umbrella of ERS Strategic Properties, Inc., a not-for-profit 501(c)(3). Specifically, ERS Housing LLC is operated for the purpose of equipping housing for students, faculty, and staff of Northeast Ohio Medical University. ERS HWMEC LLC is operated for the purpose of equipping a health, wellness, and medical education center to promote the educational, social, and physical well-being of students, faculty, and staff of Northeast Ohio Medical University and the local community. ERS Bradley LLC was dissolved on October 15, 2019 and the related assets were transferred to ERS Contiguous Properties LLC. ERS Contiguous Properties LLC is operated for the purpose of purchasing and developing property for the benefit of Northeast Ohio Medical University. ERS MOB LLC houses the BioMed STEM high school and medical offices for community physicians to give care to patients and be a resource for student clinical rotations. ERS RGE LLC is operated for the purpose of remodeling the 4<sup>th</sup> floor of the RGE building to be leased to researchers.

ERS Housing LLC and ERS HWMEC LLC each issued debt for construction, using the University as a guarantor of payment if there was a shortfall.

The University's financial position decreased during the fiscal year ended June 30, 2020 as compared to the previous year as evidenced by the following:

- The University's total assets increased over the prior year by \$2.1 million. Current assets increased by \$4.0 million primarily due to an increase in short term investment market changes and an increase in accounts receivable related to funding expenses for the MOB construction, while noncurrent assets decreased by \$1.9 million primarily due to a decrease in long term investment market changes.
- Cash and cash equivalents decreased by \$1.9 million. This is mainly due to timing of student billing and loan disbursements.
- The University's net position decreased by \$3.4 million to \$53.0 million, of which \$46.3 million is invested in capital assets.
- Operating revenue decreased by \$1.0 million compared to the prior year, primarily due to a \$1.6 million decrease in grants and contracts, a \$500,000 decrease in auxiliary sales and services, a \$219,000 decrease in other revenue, offset by an increase of \$1.3 million in tuition and fees.
- The University's operating expenses decreased by \$24,000 compared to the prior year.
- Net nonoperating revenue increased by a net \$388,000 mostly due to a \$253,000 increase in investment income.
- Other revenue, expenses, gains, or losses increased by \$170,000 due to an increase in capital appropriations.

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Northeast Ohio Medical University  
Condensed Statements of Net Position  
as of June 30, 2020, 2019, and 2018**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>			
Current assets	\$56,912,034	\$52,939,552	\$48,990,179
Noncurrent			
Capital	83,488,878	83,504,096	85,344,660
Other	30,189,103	32,078,191	33,177,396
Total assets	170,590,015	168,521,839	167,512,235
DEFERRED OUTFLOWS	11,830,844	19,045,011	15,797,873
<b>LIABILITIES</b>			
Current liabilities	15,162,416	15,940,160	15,840,295
Noncurrent liabilities	101,145,372	110,566,472	101,417,976
Total liabilities	116,307,788	126,506,632	117,258,271
DEFERRED INFLOWS	13,139,019	4,729,810	6,858,302
<b>NET POSITION</b>			
Net Investment in			
Capital Assets	46,313,876	47,213,982	48,787,862
Restricted	12,305,201	13,397,676	12,193,617
Unrestricted	(5,645,025)	(4,281,250)	(1,787,944)
Total net position	\$52,974,052	\$56,330,408	\$59,193,535

**2020 versus 2019** During the year ended June 30, 2020:

As of June 30, 2020, the University's current assets of \$56.9 million were sufficient to cover current liabilities of \$15.2 million (current ratio of 3.7:1). As of June 30, 2019, current assets of \$52.9 million were sufficient to cover current liabilities of \$15.9 million (current ratio of 3.3:1).

As of June 30, 2020, the University's capital assets decreased to \$83.49 million from \$83.5 million in fiscal year 2019, and other noncurrent assets decreased to \$28.6 million from \$32.1 million.

At June 30, 2020, total University assets were \$170.6 million, compared to \$168.5 million in fiscal year 2019.

University liabilities totaled \$116.3 million at June 30, 2020, compared to \$126.5 million in fiscal year 2019. The decrease is mainly related to the decrease in the net pension liability. Current liabilities totaled

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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\$15.2 million and consisted primarily of \$4 million in unearned revenue, accrued liabilities of \$3.3 million, \$2.9 million in accrued employee compensation and benefits, \$3 million in general accounts payable, \$602,000 in capital lease obligations, and \$1 million in bonds payable.

Total net position decreased by \$3.4 million to \$53 million. Net investment in capital assets were \$46.3 million. Restricted net assets include \$6.5 million in student loans, \$4.9 million in endowments, \$905,000 in current operations, and \$(5.6) million in unrestricted net assets.

**2019 versus 2018** During the year ended June 30, 2019:

As of June 30, 2019, the University's current assets of \$52.9 million were sufficient to cover current liabilities of \$15.9 million (current ratio of 3.3:1). As of June 30, 2018, current assets of \$49 million were sufficient to cover current liabilities of \$15.8 million (current ratio of 3.09:1).

As of June 30, 2019, the University's capital assets decreased to \$83.5 million from \$85.3 million in fiscal year 2018, and other noncurrent assets decreased to \$32.1 million from \$33.2 million.

At June 30, 2019, total University assets were \$168.5 million, compared to \$167.5 million in fiscal year 2018.

University liabilities totaled \$126.5 million at June 30, 2019, compared to \$117.3 million in fiscal year 2018. The increase is related to the change in the net Pension and OPEB liabilities. Current liabilities totaled \$15.9 million and consisted primarily of \$5.7 million in unearned revenue, accrued liabilities of \$2 million, \$5.8 million in accrued employee compensation and benefits, \$1.3 million in general accounts payable, \$290,000 in capital lease obligations, and \$975,000 in bonds payable.

Total net position decreased by \$2.9 million to \$56.3 million. Net investment in capital assets were \$47.2 million. Restricted net assets include \$7.5 million in student loans, \$4.8 million in endowments, and \$1 million in expendable programs. Unrestricted net assets totaled \$(4.3) million.

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Northeast Ohio Medical University**  
**Condensed Statements of Revenue, Expenses, and Changes in Net Position**  
**for the Years Ended June 30, 2020, 2019, and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Revenue</b>			
Tuition and Fees	\$ 36,200,418	\$ 34,932,499	\$ 34,563,217
Federal and State Appropriations	25,007,566	24,993,177	24,782,041
Federal, state, local, and private grants and contracts	17,644,272	19,200,974	19,147,099
Auxiliary activities	2,348,705	2,847,929	2,660,592
Other	<u>5,322,490</u>	<u>5,186,104</u>	<u>6,508,355</u>
<b>Total Revenue</b>	<u>86,523,451</u>	<u>87,160,683</u>	<u>87,661,304</u>
<b>Expenses</b>			
Instruction	24,672,789	21,468,852	17,167,303
Research	12,150,613	13,746,143	13,017,991
Academic support	8,970,336	10,202,491	9,524,276
Institutional support	11,743,077	14,871,527	12,751,859
Other	<u>32,342,992</u>	<u>29,734,797</u>	<u>29,537,134</u>
<b>Total Expenses</b>	<u>89,879,807</u>	<u>90,023,810</u>	<u>81,998,563</u>
 Increase (decrease) in net position	 <u>\$ (3,356,356)</u>	 <u>\$ (2,863,127)</u>	 <u>\$ 5,662,741</u>

**2020 versus 2019** During the year ended June 30, 2020:

The most significant sources of operating revenue for the University are tuition and fees and grants and contracts. Tuition and fee revenue grew during fiscal year 2020 as compared to 2019 by 3.6 percent primarily due to increased tuition rates. Grant revenue decreased by \$1.6 million, or (8.1) percent, in 2020 due to decreases in both federal and private awards.

Other revenue has increased by \$136,000 as compared to 2019 primarily due to the increase in capital appropriations and investment income with an offsetting decrease in sales and services of departments.

Operating expenditures, including depreciation of \$6.7 million, totaled \$88 million, which was consistent with the prior year.

Noncapital state appropriations were the most significant nonoperating revenue totaling \$25 million, which was an increase from 2019 of 0.1 percent.

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**2019 versus 2018** During the year ended June 30, 2019:

The most significant sources of operating revenue for the University are tuition and fees and grants and contracts. Tuition and fee revenue grew during fiscal year 2019 as compared to 2018 by 1.1 percent primarily due to increased student enrollment and tuition rates. Grant revenue increased by \$54,000, or 0.3 percent, in 2019 due to slight increases in both federal and private awards.

Other revenue has decreased by \$1.3 million as compared to 2018 primarily due to the decrease in capital appropriations.

Operating expenditures, including depreciation of \$6.5 million, totaled \$88 million, an increase from the prior year of \$8 million, mainly due to the decrease of pension expense recorded for the state pension plans funding overages.

Noncapital state appropriations were the most significant nonoperating revenue totaling \$25 million, which was an increase from 2018 of 0.9 percent.

### Northeast Ohio Medical University Condensed Statements of Cash Flows for the years ended June 30, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cashed used in:			
Operating activities	\$(37,509,221)	\$(25,638,212)	\$(17,999,460)
Investing activities	18,254,187	4,882,732	742,556
Capital and related financing activities	(7,640,282)	(6,370,099)	(6,343,831)
Noncapital financing activities	<u>25,007,566</u>	<u>24,993,177</u>	<u>24,782,041</u>
Net (decrease) increase in cash and cash equivalents	(1,887,750)	(2,132,402)	1,181,306
Cash and cash equivalents, beginning of year	<u>6,383,522</u>	<u>8,515,924</u>	<u>7,334,618</u>
Cash and cash equivalents, end of year	<u>\$ 4,495,772</u>	<u>\$ 6,383,522</u>	<u>\$ 8,515,924</u>

**2020 versus 2019** During the year ended June 30, 2020:

Major sources of cash included student tuition and fees of \$35.1 million, state appropriations of \$25.0 million, auxiliary activities of \$2.3 million, and grants and contracts of \$21.0 million. The largest payments were for suppliers (\$44.2 million) and employees (\$50.5 million).

**2019 versus 2018** During the year ended June 30, 2019:

Major sources of cash included student tuition and fees of \$33.3 million, state appropriations of \$25 million, auxiliary activities of \$2.9 million, and grants and contracts of \$19 million. The largest payments were for suppliers (\$28.6 million) and employees (\$50.4 million).

# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Asset and Debt Administration

#### Capital Assets

At the end of 2020, the University had invested \$83.49 million in capital assets (net of accumulated depreciation of \$87.9 million); this amount represents a decrease of \$15,000, or 0.02 percent, over last year.

At the end of 2019, the University had invested \$83.5 million in capital assets (net of accumulated depreciation of \$81.8 million); this amount represents a decrease of \$1.84 million, or 2.2 percent, over last year.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 2,149,470	\$ 2,149,470	\$ 2,149,470
Equipment, furnishings, library materials, and intangibles	38,223,749	35,454,196	33,192,482
Buildings, infrastructure, improvements, and construction in progress	<u>131,035,712</u>	<u>127,695,416</u>	<u>125,546,836</u>
Total	<u>\$ 171,408,931</u>	<u>\$ 165,299,082</u>	<u>\$ 160,888,788</u>

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

#### Long-term Debt

In November 2010, the University had its first bond issuance for \$15 million of tax-exempt Build America Bonds, rated BAA1, to be used toward a new Research and Graduate Education building. In November 2011, the University had its second bond issuance for \$27 million to be used toward this project.

More detailed information about the University's long-term debt is presented in Note 10 to the financial statements.



# NORTHEAST OHIO MEDICAL UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Factors Affecting Future Periods

The most significant factor affecting future periods is the amount of funding appropriated for Northeast Ohio Medical University by the State of Ohio. Changes in state support are important both for its direct impact on University revenue and its indirect impact on the cost of tuition. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. These recommendations have resulted in mandates from federal and state authorities, as well as cuts in state funding.

The State Share of Instructional Support for the University's College of Medicine is based upon the three-year average of full-time equivalent enrollment, with no enrollment caps in place. The current state funding for NEOMED's Colleges of Pharmacy and Graduate Studies is more outcome based and utilizes the three-year average of course completions and degrees conferred. With the University's enrollment stabilized and high completion and graduation rates, the current funding model provides obvious benefits for NEOMED. However, due to COVID-19, NEOMED's fiscal year 2020 State Share of Instructional Support was cut by an additional \$788,181, or 3.8 percent from the original appropriation. Additionally, due to COVID-19, the state determined that they could cut funding by as much 20 percent for fiscal year 2021. Based on this, in June 2020, NEOMED presented a conservative budget to the Board for fiscal year 2021 indicating a 20 percent reduction. In July 2020, the Inter-University Council sent out the updated appropriation reduction, which was 4.39 percent, much less than anticipated.

The University is cognizant to the fact that state support for higher education is certainly susceptible to declines during tough economic downturns, and University personnel continue to closely monitor this revenue stream. Considering the stabilized enrollment growth as well as the current outcome-based state funding model, the negative impact to NEOMED will likely be minimized.

In addition to the State Share of Instructional Support, the University also receives state funding specific to the College of Medicine for Clinical Teaching, Family Practice, Primary Care Residencies, and Geriatric Medicine. NEOMED has some concern about the continuity of these other state support revenue streams as there have been discussions at the state level about possibly eliminating or redirecting these funds. Due to COVID-19, these sources sustained an additional reduction of 2.5 percent in fiscal year 2020. NEOMED's Government Relations team continues to work closely with the State to reiterate the importance of these funds to the education of our students and the continued success of our University. It is not yet known if these revenue streams will sustain additional cuts in fiscal year 2021.

Like most other institutions of higher education, NEOMED converted its classes to remote learning for the remainder of the Spring 2020 term in response to COVID-19. However, NEOMED was able to graduate all its fourth-year students scheduled to graduate in Spring 2020 on time. NEOMED did not close its campus in response to the pandemic, even as classes moved to remote learning. NEOMED did not refund any tuition. The only fee that was refunded was a pro-rata portion of the Health and Wellness fee that related to the closure of the Sequoia Fitness Center located in the Health & Wellness Center. Unlike other institutions with traditional housing, NEOMED did not close The Village student apartment housing facility in response to the pandemic. Any students who moved out of The Village in Spring 2020 did so based on their own decision and did not receive a refund of rent paid, or a proration of remaining rent due under their leases.

**NORTHEAST OHIO MEDICAL UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents (Note 2)	\$ 2,856,193	\$ 3,916,268	\$ 413,095	\$ 3,957,444	\$ 1,056,470	\$ 400,231
Investments (Notes 2 & 3)	31,457,540	28,561,949	-	-	-	-
Accounts receivable (Note 4)	20,377,442	17,744,329	500,000	11,714	41,657	10,647
Inventories	168,555	176,319	-	-	-	-
Prepaid expenses and deferred charges	1,793,640	2,202,723	3,267	2,854	4,689	2,941
Pledges receivable	-	-	267,575	446,672	-	-
Notes receivable (Note 4)	258,664	337,964	29,038	46,569	-	-
Total current assets	56,912,034	52,939,552	1,212,975	4,465,253	1,102,816	413,819
Noncurrent assets						
Cash-restricted (Note 2)	1,639,579	2,467,254	-	-	-	-
Long-term investments (Notes 2 & 3)	21,998,323	24,987,032	25,113,843	19,056,671	-	-
Net Pension Asset (Note 8)	485,749	-	-	-	-	-
Net OPEB Asset (Note 8)	1,596,000	-	-	-	-	-
Funds held in trust	-	-	74,092	75,117	1,623,322	2,132,210
Pledges receivable	-	-	321,833	559,027	-	-
Notes receivable (Note 4)	4,469,452	4,623,905	356,989	366,397	-	-
Capital assets, net (Note 5)	83,488,878	83,504,096	-	-	118,822,452	104,088,266
Total noncurrent assets	113,677,981	115,582,287	25,866,757	20,057,212	120,445,774	106,220,476
Total assets	170,590,015	168,521,839	27,079,732	24,522,465	121,548,590	106,634,295
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	8,272,863	17,220,505	-	-	-	-
Deferred outflows related to OPEB	3,557,981	1,824,506	-	-	-	-
Total deferred outflows of resources	11,830,844	19,045,011	-	-	-	-
Total assets and deferred outflow of resources	182,420,859	187,566,850	27,079,732	24,522,465	121,548,590	106,634,295
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	3,038,782	1,275,047	-	-	-	18,500
Accrued compensation and benefits (Note 6)	2,871,445	5,373,031	-	-	-	-
Unearned revenue	4,030,252	5,679,843	-	-	607,315	482,738
Other accrued liabilities	3,275,947	1,964,183	499,467	673,109	1,885,765	654,502
Net OPEB liability (Notes 6 and 9)	339,297	383,318	-	-	-	-
Capital lease obligations	601,693	289,738	-	-	-	-
Related party payable (Note 12)	-	-	-	-	356,448	74,343
Bonds payable (Note 10)	1,005,000	975,000	-	-	2,329,998	2,165,934
Total current liabilities	15,162,416	15,940,160	499,467	673,109	5,179,526	3,396,017
Noncurrent liabilities						
Compensated absences (Note 6)	2,339,638	2,220,604	-	-	-	-
Related party payable (Note 12)	-	-	-	-	14,198,951	6,929,939
Unearned revenue	-	-	-	-	11,465,426	1,410,259
Annuity obligations	-	-	95,289	99,800	-	-
Net OPEB liability (Notes 6 and 9)	19,794,841	18,458,759	-	-	-	-
Capital lease obligations	1,670,901	888,734	-	-	-	-
Bonds payable (Note 10)	34,241,293	35,240,106	-	-	105,475,303	107,699,031
Net pension liability (Note 8)	43,098,699	53,758,269	-	-	-	-
Total noncurrent liabilities	101,145,372	110,566,472	95,289	99,800	131,139,680	116,039,229
Total liabilities	116,307,788	126,506,632	594,756	772,909	136,319,206	119,435,246
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions	7,483,348	1,954,098	-	-	-	-
Deferred inflows related to OPEB	5,655,671	2,775,712	-	-	-	-
Total deferred inflows of resources	13,139,019	4,729,810	-	-	-	-
<b>NET POSITION</b>						
Net investment in capital assets	46,313,876	47,213,982	-	-	-	-
Restricted						
Nonexpendable						
Student loans	6,456,345	7,531,116	947,042	959,510	-	-
Endowments	4,892,983	4,809,741	10,071,928	9,423,475	-	-
Annuity and life income	-	-	14,462	21,712	-	-
Expendable	955,873	1,056,819	9,991,512	8,299,331	-	-
Unrestricted (deficit)	(5,645,025)	(4,281,250)	5,460,032	5,045,528	(14,770,616)	(12,800,951)
Total net position	52,974,052	56,330,408	26,484,976	23,749,556	(14,770,616)	(12,800,951)
Total liabilities, deferred inflow of resources, and net position	\$ 182,420,859	\$ 187,566,850	\$ 27,079,732	\$ 24,522,465	\$ 121,548,590	\$ 106,634,295

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

**NORTHEAST OHIO MEDICAL UNIVERSITY**  
**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**JUNE 30, 2020 AND 2019**

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2020	2019	2020	2019	2020	2019
<b>OPERATING REVENUES</b>						
Student tuition and fees (net of scholarship allowances of \$2,002,074 and \$2,088,662, respectively)	\$ 36,200,418	\$ 34,932,499	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	12,970,360	13,412,637	-	-	-	-
State grants and contracts	903,402	1,225,016	-	-	-	-
Local grants and contracts	14,189	19,124	-	-	-	-
Private grants and contracts	3,756,321	4,544,197	-	-	-	-
Contributions and bequests	-	-	3,679,378	4,716,220	-	-
In-kind contributions from NEOMED	-	-	1,236,105	1,198,894	307,068	318,551
Sales and services of departments	267,012	335,392	-	-	-	-
Sales and services of auxiliary enterprises	2,348,705	2,847,929	-	-	9,434,708	8,755,316
Other	422,216	640,930	23,585	49,989	-	-
Total operating revenues	<u>56,882,623</u>	<u>57,957,724</u>	<u>4,939,068</u>	<u>5,965,103</u>	<u>9,741,776</u>	<u>9,073,867</u>
<b>OPERATING EXPENSES</b>						
Educational and general						
Instruction and departmental research	24,672,789	21,468,852	241,039	261,926	-	-
Separately budgeted research	12,150,613	13,746,143	296,444	338,801	-	-
Public service	5,148,533	2,883,417	17,100	32,392	-	-
Academic support	8,970,336	10,202,491	95,816	106,928	-	-
Student services	2,547,307	2,903,849	65,130	34,471	-	-
Institutional support	11,743,077	14,871,527	2,135,095	1,609,985	-	-
Operation and maintenance of plant	7,902,944	7,106,185	-	15,140	-	-
Scholarships and fellowships	-	1,894	669,582	886,703	-	-
Auxiliary enterprises	8,071,678	8,206,687	-	-	1,590,869	1,066,889
Depreciation	6,692,627	6,532,656	-	-	4,210,974	4,206,030
Total operating expenses	<u>87,899,904</u>	<u>87,923,701</u>	<u>3,520,206</u>	<u>3,286,346</u>	<u>5,801,843</u>	<u>5,272,919</u>
Operating (loss) income	(31,017,281)	(29,965,977)	1,418,862	2,678,757	3,939,933	3,800,948
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	25,007,566	24,993,177	-	-	-	-
Investment income	3,414,403	3,161,006	696,954	903,785	-	-
Interest expense	(1,922,539)	(1,980,286)	-	-	(5,909,598)	(6,008,333)
Loss on disposal of assets	(57,364)	(119,823)	-	-	-	-
Net nonoperating revenues (expenses)	<u>26,442,066</u>	<u>26,054,074</u>	<u>696,954</u>	<u>903,785</u>	<u>(5,909,598)</u>	<u>(6,008,333)</u>
<b>(LOSS) GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>(4,575,215)</b>	<b>(3,911,903)</b>	<b>2,115,816</b>	<b>3,582,542</b>	<b>(1,969,665)</b>	<b>(2,207,385)</b>
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>						
Capital appropriations and grants	1,218,859	1,048,776	-	-	-	-
Contributions	-	-	619,604	389,377	-	-
Total other revenues, expenses, gains, or losses	<u>1,218,859</u>	<u>1,048,776</u>	<u>619,604</u>	<u>389,377</u>	<u>-</u>	<u>-</u>
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>(3,356,356)</b>	<b>(2,863,127)</b>	<b>2,735,420</b>	<b>3,971,919</b>	<b>(1,969,665)</b>	<b>(2,207,385)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>56,330,408</u>	<u>59,193,535</u>	<u>23,749,556</u>	<u>19,777,637</u>	<u>(12,800,951)</u>	<u>(10,593,566)</u>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 52,974,052</b>	<b>\$ 56,330,408</b>	<b>\$ 26,484,976</b>	<b>\$ 23,749,556</b>	<b>\$ (14,770,616)</b>	<b>\$ (12,800,951)</b>

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

**NORTHEAST OHIO MEDICAL UNIVERSITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 35,082,073	\$ 33,261,264
Grants and contracts	20,911,974	18,955,134
Employee compensation	(50,519,813)	(50,352,100)
Payments to suppliers	(44,247,098)	(28,612,118)
Payments for utilities	(1,938,643)	(2,014,769)
Payments for student financial aid	-	1,898
Student loan advances	(592,231)	(1,343,790)
Student loan repayments	756,584	998,387
Sales and services of auxiliary enterprises	2,348,705	2,874,876
Sales and services of departments	267,012	335,392
Other operating receipts	422,216	257,614
Net cash and cash equivalents used in operating activities	(37,509,221)	(25,638,212)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	25,007,566	24,993,177
Federal loan receipts	32,322,338	27,293,292
Federal loan disbursements	(32,322,338)	(27,293,292)
Net cash and cash equivalents provided by financing activities	25,007,566	24,993,177
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State capital appropriations	1,218,859	1,048,776
Purchases of capital assets	(4,867,480)	(3,389,078)
Payments on capital lease	(1,094,122)	(1,109,511)
Principal paid on debt	(975,000)	(940,000)
Interest paid on debt	(1,922,539)	(1,980,286)
Net cash and cash equivalents used in capital and related financing activities	(7,640,282)	(6,370,099)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	3,414,403	3,161,006
Sale of investments	106,791,551	35,830,034
Purchase of investments	(91,951,767)	(34,108,308)
Net cash and cash equivalents provided by investing activities	18,254,187	4,882,732
<b>NET (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(1,887,750)</b>	<b>(2,132,402)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>6,383,522</b>	<b>8,515,924</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>\$ 4,495,772</b>	<b>\$ 6,383,522</b>
<b>SIGNIFICANT NONCASH TRANSACTION</b> - Acquisition of equipment financed through capital leases	1,694,520	1,352,940

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

**NORTHEAST OHIO MEDICAL UNIVERSITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED June 30, 2020 and 2019**

**CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES**

	2020	2019
Operating loss	\$ (31,017,281)	\$ (29,965,977)
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities		
Depreciation	6,692,627	6,532,656
Loss on disposal of asset	57,364	119,823
Changes in assets and liabilities		
Receivables	(2,633,113)	(5,191,584)
Inventories	7,764	(3,435)
Prepaid expenses and deferred charges	409,083	(585,651)
Net pension asset	(485,749)	-
Net OPEB asset	(1,596,000)	-
Notes receivable	233,753	(241,080)
Accounts payable	1,763,735	(343,921)
Accrued compensation	(2,382,552)	56,494
Deferred revenue	(1,649,591)	62,304
Net pension liability	(10,659,570)	13,204,835
Net OPEB liability	1,292,061	(2,582,679)
Deferred inflow / outflow from OPEB / Pension liability	1,146,484	(5,375,630)
Other accrued liabilities	1,311,764	(1,324,367)
<b>NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>	<b>\$ (37,509,221)</b>	<b>\$ (25,638,212)</b>

\$ -

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:**

	2020	2019
Cash and Cash Equivalents	\$ 2,856,193	\$ 3,916,268
Cash-Restricted	1,639,579	2,467,254
Total cash and equivalents at end of the year	\$ 4,495,772	\$ 6,383,522

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

**NORTHEAST OHIO MEDICAL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Northeast Ohio Medical University (hereinafter referred to as NEOMED or the “University”) was created as a public institution of higher learning by the General Assembly of the State of Ohio on November 23, 1973 by statutory act under Chapter 3350 of the Ohio Revised Code (the “ORC”). As such, the University is a component unit of the State. The University’s initial mission, as stated in the ORC, was to graduate qualified physicians oriented to the practice of medicine at the community level, with an emphasis on primary care.

Today NEOMED has transformed into a free-standing state University operating community-based colleges in medicine, pharmacy, and graduate studies. The College of Medicine offers an Early Assurance Baccalaureate/M.D. admissions pathway which enables undergraduate students attending one of the Universities within the NEOMED partnership program (Kent State University, The University of Akron, Youngstown State University, Bowling Green State University, Hiram and Baldwin-Wallace) the right to reserve a seat in NEOMED’s medical school during their sophomore year of College. Early Assurance is a reserved seat in NEOMED’s medical school provided that candidates achieve certain milestones to claim that reserved seat. The College of Medicine also partners with Cleveland State University to meet the healthcare needs within urban communities by offering a Post Baccalaureate/M.D. admissions pathway in addition to the Early Assurance Pathway.

NEOMED’s College of Medicine partners with some of the most prestigious medical campuses and institutions in Northeast Ohio to provide clinical instruction to NEOMED students. The more than 2,300 members of the University’s clinical faculty hold staff appointments at these hospitals.

Similarly, NEOMED’s College of Pharmacy partners with many nationally recognized pharmacy chains, locally owned pharmacies, hospitals, health centers and associations to provide pharmacy practice opportunities and training to its students.

The University is governed by an 11-member board of trustees appointed by the governor, two of which are students of the University.

The University is classified as a state institution under Internal Revenue Code Section 115 and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The accompanying financial statements consist of the accounts of the University and the accounts of NEOMED Research Corporation (“Research Corp”), Clinical Initiatives Inc. (Clinical Initiatives), Northeast Ohio Medical University Foundation (Foundation), and ERS Strategic Properties, Inc. (ERS). Research Corp and Clinical Initiatives are component units which are presented blended with the University accounts. The Foundation and ERS, which are discretely presented component units of the University as determined in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, are described more fully in Notes 13 and 14, respectively. The Research Corp, Clinical Initiatives, Foundation, and ERS are exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Furthermore, in accordance with GASB Statement No. 61, the Foundation and ERS are reported in separate columns on the University’s financial statements to emphasize that they are legally separate from the University. The Foundation and ERS are not-for-profit organizations supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Because these restricted resources held by the Foundation can only be

**NORTHEAST OHIO MEDICAL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

used by, or for the benefit of, the University, it is considered a component unit of the University. Financial statements for the Foundation may be obtained by writing to NEOMED Foundation, PO Box 95, Rootstown, Ohio 44272.

In 2012, ERS Strategic Properties, Inc. was created to establish related commercial business units for the benefit and support of Northeast Ohio Medical University. ERS Housing LLC and ERS HWMEC LLC were created under the umbrella of ERS Strategic Properties, Inc., a not-for-profit 501(c)(3). Specifically, ERS Housing LLC is operated for the purpose of equipping housing for students, faculty, and staff of Northeast Ohio Medical University. ERS HWMEC LLC is operated for equipping a health, wellness, and medical education center to promote the educational, social, and physical well-being of students, faculty, and staff of Northeast Ohio Medical University. The Health and Wellness facility and many of its services are also available to the external community. ERS Bradley LLC was dissolved on October 15, 2019 and the related assets were transferred to ERS Contiguous Properties LLC. ERS Contiguous Properties LLC is operated for the purpose of purchasing and developing property for the University's future needs. ERS MOB LLC will house the BioMed STEM high school and medical offices for community physicians to give care to patients and be a resource for student clinical rotations. ERS RGE LLC is operated for the purpose of remodeling the 4<sup>th</sup> floor of the RGE building to be leased to researchers. Because these restricted resources held by ERS are for the benefit of the University, it is considered a component unit of the University. Financial statements for ERS may be obtained by writing to ERS Strategic Properties, Inc., PO Box 95, Rootstown, Ohio 44272.

**Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The University follows the "business-type activities" reporting requirements of GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities*. In accordance with GASB Statement No. 35, the accompanying basic financial statements are reported on a University-wide basis and collectively include the following:

*Management's Discussion and Analysis*

*Basic financial statements:*

*Statements of Net Position*

*Statements of Revenue, Expenses, and Changes in Net Position*

*Statements of Cash Flows*

*Notes to the financial statements*

**Basis of Accounting**

The accompanying financial statements of the University have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Restricted grant revenue and state capital appropriations are recognized only to the extent expended. Noncapital state appropriations are recognized as revenue in the year appropriated.

**Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid unrestricted investments readily convertible to cash with an original maturity of three months or less when purchased.

**Restricted Cash and Cash Equivalents**

**NORTHEAST OHIO MEDICAL UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

As of June 30, 2020, and 2019, restricted cash and cash equivalents consists of \$1,639,579 and \$2,467,254, respectively, of cash restricted for loan purposes.

**Investments**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the University's investments are reported at fair value based on market quotations and net asset values.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that entities communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate and investment maturity information; interest rate sensitivity; and foreign exchange exposures.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2020 and 2019.

**Fair Value Measurements**

As of June 30, 2016, the University retrospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**Accounts Receivable**

Accounts receivable consists of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts receivable include amounts due from the federal government, state and local governments, or private sources, as reimbursement for certain expenditures made in accordance with agreements. Due to the nature of the receivables and minimal write offs, the University concluded that an allowance is not deemed necessary.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is generally determined on an average cost basis.

**Bond Issuance Costs**

Bond issuance costs are expensed as incurred.

**Capital Assets**

Capital assets include land and infrastructure assets such as roads and sidewalks, buildings and improvements, equipment with an original cost of \$5,000 or more, and all library materials. Such assets are recorded at cost at the date of acquisition, or if acquired by gift, at the acquisition value at the date of



**NORTHEAST OHIO MEDICAL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

donation. Interest expense relating to construction is capitalized net of interest income on resources set aside for that purpose.

Depreciation of University's capital assets is calculated on a straight-line basis over the estimated useful life of the property as follows:

Asset	Estimated Useful Life
Buildings and improvements	20 - 40 years
Leashold improvements	Life of lease
Infrastructure	20 years
Furnishings and moveable equipment	3 - 7 years
Library materials	10 years

**Compensated Absences**

The University records a liability for vacation accrued by full-time employees, all of whom are eligible for this benefit. Within certain limitations, payment is made for accrued vacation upon separation from the University.

Accumulated sick leave is also accrued by the University. All leave will either be absorbed by time off from work or, within certain limitations, be paid to employees only upon retirement from the University.

**Operating and Nonoperating Revenue**

Operating revenue of the University principally consists of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises. Revenue related to noncapital financing activities (including state appropriations), capital and related financing activities, and investing activities is reported as nonoperating revenue.

Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 34, including state appropriations, gifts, and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient University department within the guidelines of donor restrictions, if any.

**Unearned Revenue**

Unearned revenue represents unspent (and therefore unearned) revenue from various restricted grants and contracts as well as tuition and fees received prior to June 30.

**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 revenue, expenses, and changes in net position. 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 the students' behalf. Certain governmental grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**NORTHEAST OHIO MEDICAL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

**Pensions**

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio) Pension Plan (STRS/SERS/OPERS) and additions to/deductions from STRS'/SERS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs**

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the (Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio) Pension Plan (STRS/SERS/OPERS) and additions to/deductions from STRS'/SERS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/SERS/OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The University provides certain healthcare benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of the University's employees hired prior to 1992 may become eligible for those benefits if they reach the normal retirement age while working for the University. Effective July 1, 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The liability for these benefits is actuarially determined and based on a number of assumptions used to calculate the liability.

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8.

**Net Position Classifications**

In accordance with GASB Statement No. 35 guidelines, the University's resources are classified into the following four net position categories:

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

*Restricted - Nonexpendable* - Component of net position whose use is subject to externally imposed stipulations that they be maintained permanently by the University.

*Restricted - Expendable* - Component of net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

*Unrestricted* - Component of net position that is not subject to externally imposed restrictions. Unrestricted net position may be designated for specific purposes by the Board of Trustees. Substantially all unrestricted net assets are designated for academic and research programs, capital projects, and other initiatives.

**Donor Restricted Endowments**

Under Ohio law set forth in the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. The University has a policy of appropriating for distribution each year up to five percent of its endowment fund’s average fair value over the prior three years through the preceding fiscal year for which the distribution is planned. The University utilized a distribution rate of 3.5 percent for the years ended June 30, 2020 and 2019.

**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 amounts reported in the financial statements and disclosures in the notes to financial statements. Actual results could differ from those estimates.

**Uncertainties and Risks**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019, a now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted business operations worldwide. In March 2020, the University cancelled all of the in-person classes for the remainder of the Spring semester and began remote instruction. To assist with the economic impact of the pandemic, the University was awarded Higher Education Emergency Relief Funds (HEERF) Grants of approximately \$272,000 of which 50 percent is required to be given to students as emergency grants. Subsequent to June 30, 2020 the University received Coronavirus Relief Funds (CRF) of \$446,000 which must be spent by December 30, 2020 on COVID-19 related expenditures.

No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management’s judgement regarding this could change in the future. In addition, the University’s results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

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**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the University's financial statements for the year ending June 30, 2020 were extended to June 30, 2021 with the issuance of GASB Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the University's financial statements for the year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the University's financial statements for the year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the University's financial statements for the year ending June 30, 2022.

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**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The University's investment policy authorizes the University to invest non-endowment funds in the following investments:

- Securities issued by the United States government or its agencies
- Corporate bonds
- Certificates of deposit
- Mutual funds and mutual fund pools
- Treasurer of the State's pooled investment program
- Obligations of the State of Ohio
- Repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve system or Federal Home Loan Bank
- Money markets
- Alternative investments

U.S. government and agency securities are invested through trust agreements with banks that internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks that keep the investments in safekeeping accounts. The banks internally designate the securities as owned by or pledged to the University.

The University's bank deposits and cash on hand for all fund groups at June 30, 2020 and 2019 are summarized as follows:

	June 30, 2020	June 30, 2019
University's book value	\$ 4,495,772	\$ 6,383,522
Cash on hand	2,979	2,979
Bank balances	5,894,368	7,776,400

The difference in the University's book values and bank balances is caused by items in transit, consisting primarily of outstanding checks.

*Custodial credit risk - deposits.* Custodial risk is the risk that in the event of a bank failure, the University's deposits would not be returned. Of the bank balances at June 30, 2020 and 2019, \$984,328 and \$903,008, respectively, was covered by federal depository insurance and \$4,910,040 and \$6,873,392, respectively, was uncollateralized as defined by the GASB.

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The values of investments held by the University at June 30 are summarized as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Money market funds	\$ 1,939,671	\$ 1,058,215
U.S. government obligations	4,570,367	14,267,976
U.S. government agency obligations	577,304	3,377,334
Corporate bonds and notes	3,039,287	2,593,301
Fixed-income mutual funds	9,707,916	9,695,567
Equities	25,824,123	21,521,012
Other	-	250,906
State Treasury Asset Reserve of Ohio	1,483,787	454,119
State Treasury Asset Reserve of Ohio Plus	667,083	330,551
Alternative investments	5,646,325	-
<b>Total Investments</b>	<b><u>\$ 53,455,863</u></b>	<b><u>\$ 53,548,981</u></b>

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values because of future changes in interest rates.

The maturities of the University's interest-bearing investments at June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. government obligations	\$ 4,570,367	\$ 353,294	\$ 1,983,792	\$ 2,233,281	\$ -
U.S. government agency obligations	577,304	-	-	-	577,304
Corporate bonds and notes	3,039,287	505,167	2,534,120	-	-
Fixed income mutual funds	9,707,916	-	4,628,376	5,079,540	-
<b>Total</b>	<b><u>\$ 17,894,874</u></b>	<b><u>\$ 858,461</u></b>	<b><u>\$ 9,146,288</u></b>	<b><u>\$ 7,312,821</u></b>	<b><u>\$ 577,304</u></b>

The maturities of the University's interest-bearing investments at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. government obligations	\$ 14,267,976	\$ 4,419,531	\$ -	\$ 6,707,897	\$ 3,140,548
U.S. government agency obligations	3,377,334	-	485,310	536,751	2,355,273
Corporate bonds and notes	2,593,301	778,522	1,321,858	373,913	119,008
<b>Total</b>	<b><u>\$ 20,238,611</u></b>	<b><u>\$ 5,198,053</u></b>	<b><u>\$ 1,807,168</u></b>	<b><u>\$ 7,618,561</u></b>	<b><u>\$ 5,614,829</u></b>

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*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information - as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings - provides a current depiction of potential variable cash flows and credit risk.

The credit ratings for the University's interest-bearing investments, as rated by Standard & Poor's, at June 30, 2020 were as follows:

Credit Rating (S&P)	Total	U.S. Government Obligations	U.S. Agency Obligations	Corporate Bonds and Notes	Fixed Income Mutual Funds
AAA	\$ 2,482,541	\$ -	\$ -	\$ -	\$ 2,482,541
AA	5,399,344	4,570,367	577,304	251,673	-
A	7,519,976	-	-	2,359,086	5,160,890
BB	2,064,485	-	-	-	2,064,485
BBB	428,528	-	-	428,528	-
Total	<u>\$ 17,894,874</u>	<u>\$ 4,570,367</u>	<u>\$ 577,304</u>	<u>\$ 3,039,287</u>	<u>\$ 9,707,916</u>

The credit ratings for the University's interest-bearing investments, as rated by Standard & Poor's, at June 30, 2019 were as follows:

Credit Rating (S&P)	Total	U.S. Government Obligations	U.S. Agency Obligations	Corporate Bonds and Notes
AAA	\$ 17,618,146	\$ 14,267,976	\$ 3,350,170	\$ -
AA	123,705	-	27,164	96,541
A	363,029	-	-	363,029
BBB	2,133,731	-	-	2,133,731
Total	<u>\$ 20,238,611</u>	<u>\$ 14,267,976</u>	<u>\$ 3,377,334</u>	<u>\$ 2,593,301</u>

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy limits investments, at cost, to no more than 5 percent in any single issue, except the investments of U.S. government securities. At June 30, 2020 and 2019, the University had no exposure to concentration of credit risk.

*Foreign currency risk.* Foreign currency risk is that risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2020 and 2019, the University had no exposure to foreign currency risk.

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**3. FAIR VALUE MEASUREMENTS**

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The University has the following recurring fair value measurements as of June 30, 2020 and 2019:

	Fair Value Measurements Using			
	Balance at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
Debt securities <sup>(b)</sup> :				
U.S. government obligations	\$ 4,570,367	\$ -	\$ 4,570,367	\$ -
U.S. government agency obligations	577,304	-	577,304	-
Corporate bonds	3,039,287	-	3,039,287	-
Total debt securities	8,186,958	-	8,186,958	-
Equity securities <sup>(a)</sup>	25,824,123	25,824,123	-	-
Mutual funds:				
Fixed-income mutual funds	9,707,916	9,707,916	-	-
Total mutual funds	9,707,916	9,707,916	-	-
Total investments by fair value level	\$43,718,997	\$35,532,039	\$ 8,186,958	\$ -
<b>Investments measured at net asset value (NAV)</b>				
Real estate funds and other <sup>(c)</sup>	2,011,999	-	-	-
Hedge funds <sup>(d)</sup>	3,634,326	-	-	-
Total investments measured at NAV	5,646,325	-	-	-
Total investments measured at fair value	\$49,365,322	\$35,532,039	\$ 8,186,958	\$ -



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	Balance at June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
Debt securities <sup>(b)</sup> :				
U.S. government obligations	\$14,267,976	\$ -	\$ 14,267,976	\$ -
U.S. government agency obligations	3,377,334	-	3,377,334	-
Corporate bonds	2,593,301	-	2,593,301	-
Total debt securities	20,238,611	-	20,238,611	-
Equity securities <sup>(a)</sup>	21,521,012	21,521,012	-	-
Mutual funds:				
Fixed-income mutual funds	9,695,567	9,695,567	-	-
Total mutual funds	9,695,567	9,695,567	-	-
Total investments by fair value level	\$51,455,190	\$31,216,579	\$ 20,238,611	\$ -

- a. Equity securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.
- b. The fair value of debt securities was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- c. Real estate investments classified at NAV are valued using significant unobservable inputs, including consideration to the income, cost, and sales comparison approaches of estimating property value. The income approach estimates an income stream for a property (typically ten years) and discounts this income plus a reversion (presumed sale) value into a present value at a risk-adjusted rate.
- d. Segregated portfolio investments are valued using the latest available reported NAV of the respective portfolio fund.

Short-term investments and investments on the statements of net position at June 30, 2020 and 2019 include investments in STAR Ohio of \$2,150,870 and \$784,670, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

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Investments on the statements of net position also include money market mutual funds of \$1,939,671 and \$1,058,215 as of June 30, 2020 and June 30, 2019, respectively.

**Investments in Entities that Calculate Net Asset Value per Share**

The University holds shares or interest in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a partial expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Funds	\$2,011,999	-	Quarterly	N/A
Hedge Funds	<u>3,634,326</u>	-	Monthly	N/A
Total	<u>\$5,646,325</u>			

**4. ACCOUNTS AND NOTES RECEIVABLE**

The following is a summary of accounts and student notes receivable at June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Student notes	\$ 4,728,116	\$ 4,961,869
Grants and contracts	3,011,760	4,357,715
Sales and services	1,947,235	1,804,255
ERS Strategic Properties, Inc.	14,555,399	8,253,986
Tuition and fees	<u>863,048</u>	<u>3,328,373</u>
Total accounts and notes receivable	25,105,558	22,706,198
Less current portion	<u>(20,636,106)</u>	<u>(18,082,293)</u>
Accounts and notes receivable, noncurrent portion	<u>\$ 4,469,452</u>	<u>\$ 4,623,905</u>

Federal Direct Loans Program processed for students by the University during the years ended June 30, 2020 and 2019 totaled \$32,322,338 and \$27,293,292, respectively. The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loans Program and, accordingly, these loans are not included in the University's financial statements.

The Perkins loan program expired on September 30, 2017, which ended the issuance of new loans under this program. Pending additional guidance from the Federal government, the University continues to service all outstanding loans in accordance with program specifications.

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**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	July 1, 2019 <u>Beginning Balance</u>	Additions	Retirements and CIP Transfers	June 30, 2020 <u>Ending Balance</u>
Land - Nondepreciable	\$ 2,149,470	\$ -	\$ -	\$ 2,149,470
Infrastructure	2,592,274	2,942	(22,932)	2,572,284
Buildings	124,754,553	3,354,875	305,040	128,414,468
Furnishings and movable equipment	29,205,379	3,154,309	(386,448)	31,973,240
Library materials	6,118,942	1,692	-	6,120,634
Intangibles	129,875	-	-	129,875
Construction in progress - Nondepreciable	348,589	48,182	(347,811)	48,960
Total historical cost	<u>165,299,082</u>	<u>6,562,000</u>	<u>(452,151)</u>	<u>171,408,931</u>
Less accumulated depreciation				
Infrastructure	1,455,854	277,474	(19,319)	1,714,009
Buildings	51,580,538	3,568,497	(20,821)	55,128,214
Furnishings and movable equipment	24,365,646	2,399,024	(527,420)	26,237,250
Library materials	4,284,719	425,986	-	4,710,705
Intangibles	108,229	21,646	-	129,875
Total accumulated depreciation	<u>81,794,986</u>	<u>6,692,627</u>	<u>(567,560)</u>	<u>87,920,053</u>
Total capital assets, net of depreciation	<u>\$ 83,504,096</u>	<u>\$ (130,627)</u>	<u>\$ 115,409</u>	<u>\$ 83,488,878</u>

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Capital asset activity for the year ended June 30, 2019 was as follows:

	July 1, 2018 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2019 Ending Balance
Land - Nondepreciable	\$ 2,149,470	\$ -	\$ -	\$ 2,149,470
Infrastructure	2,542,676	49,598	-	2,592,274
Buildings	122,687,784	1,765,807	300,962	124,754,553
Furnishings and movable equipment	26,945,453	2,591,650	(331,724)	29,205,379
Library materials	6,117,154	1,788	-	6,118,942
Intangibles	129,875	-	-	129,875
Construction in progress - Nondepreciable	316,376	333,175	(300,962)	348,589
Total historical cost	160,888,788	4,742,018	(331,724)	165,299,082
Less accumulated depreciation				
Infrastructure	1,157,205	298,649	-	1,455,854
Buildings	48,101,333	3,479,205	-	51,580,538
Furnishings and movable equipment	22,420,317	2,227,127	(281,798)	24,365,646
Library materials	3,800,335	484,384	-	4,284,719
Intangibles	64,938	43,291	-	108,229
Total accumulated depreciation	75,544,128	6,532,656	(281,798)	81,794,986
Total capital assets, net of depreciation	<u>\$ 85,344,660</u>	<u>\$ (1,790,638)</u>	<u>\$ (49,926)</u>	<u>\$ 83,504,096</u>

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**6. LONG-TERM LIABILITIES**

Long-term liabilities as of June 30, 2020 and 2019 are as follows:

	Balance July 1, <u>2019</u>			Balance June 30, <u>2020</u>		
	<u>Additions</u>	<u>Reductions</u>	<u>Additions</u>	<u>Reductions</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated absences	\$ 55,254	\$ -	\$ 55,254	\$ -	\$ 423,816	\$ 2,339,638
Voluntary Separation Program	-	1,143,452	399,763	-	399,763	-
Postemployment benefits (Note 9)	773,644	1,169,211	4,328,106	339,297	339,297	3,988,809
Total long-term liabilities	<u>\$ 828,898</u>	<u>\$ 2,312,663</u>	<u>\$ 4,757,123</u>	<u>\$ 378,597</u>	<u>\$ 1,162,876</u>	<u>\$ 6,328,447</u>

  

	Balance June 30, <u>2018</u>			Balance June 30, <u>2019</u>		
	<u>Additions</u>	<u>Reductions</u>	<u>Additions</u>	<u>Reductions</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated absences	\$ 158,322	\$ 232,581	\$ 158,322	\$ 232,581	\$ 650,039	\$ 2,058,161
Voluntary Separation Program	197,188	-	1,543,215	-	1,380,772	162,443
Postemployment benefits (Note 9)	380,737	297,727	4,723,673	383,318	383,318	\$ 4,340,355
Total long-term liabilities	<u>\$ 736,247</u>	<u>\$ 530,308</u>	<u>\$ 6,269,200</u>	<u>\$ 615,906</u>	<u>\$ 2,414,129</u>	<u>\$ 6,560,959</u>

The current portion of compensated absence and the voluntary separation program (VSP) liabilities are included in accrued compensation and benefits on the Statements of Net Position. The postemployment benefits are included in the net OPEB liabilities on the Statements of Net Position.

In fiscal year 2018, the University Board of Trustees approved a Voluntary Separation Program (hereinafter "VSP"). Eligible employees are defined as Administrators, Classified Staff, and Police who are full-time NEOMED employees as of March 1, 2018, in a funded position on the University's operating budget or one of the University's auxiliary operations, with a minimum of ten (10) continuous years of employment not later than June 30, 2019. Under the plan the University promised to pay the VSP benefit to eligible employees who agreed to retire or separate from service on June 30, 2018, December 31, 2018, or June 30, 2019 (or an alternate exit date mutually agreed upon by the University and employee based on operational and educational needs). The VSP benefit will be 100% of his/her base salary as of March 1, 2018 divided equally and paid over a twenty-four month period and will not exceed a maximum amount of \$100,000 to be paid per each twelve month period, irrespective of the participants base salary. Payment will either be made to an annuity contract or custodial account that is designed to meet the tax-qualification requirements of Internal Revenue Code Section 403(b) or direct deposited into the bank of choice; both beginning within 2-1/2 months following the participants exit date. All participants will also be entitled to the inclusion of an amount equivalent to his/her applicable contractual sick pay whether or not they are retiring upon their exit from the University. The calculation of the equivalent amount will be based on the lesser of thirty work days or 25% of their accumulated sick leave balance multiplied by their hourly rate. The window period for eligible employee elections began on April 23, 2018 and closed on April 19, 2019. Required election forms

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had to be submitted to EPC no later than midnight (postmarked) on the exit dates corresponding final date for participant plan document submission in the table below:

<u>Participant Exit Date</u>	<u>Final Date for Submission</u>	<u>Seven-Day Revocation Period Ends</u>
June 30, 2018	June 15, 2018	June 22, 2018
December 31, 2018	November 2, 2018	November 9, 2018
June 30, 2019	April 19, 2019	April 26, 2019

Employees had seven additional days to revoke the decision to retire or separate. As of April 26, 2019, there were thirty-two participants who elected to voluntarily separate from the University. All participants had separated as of June 30, 2020.

**7. COMMITMENTS AND CONTINGENCIES**

The University has entered into various contractual service agreements with its consortium universities, associated hospitals, and health departments primarily for clinical instruction, research, and other services. For the fiscal years ended June 30, 2020 and 2019, these instructional expenses relating to contracts totaled \$4,372,638 and \$3,433,381 respectively. At June 30, 2020 and 2019, the University had recorded accrued liabilities of \$2,731,771 and \$1,098,187, respectively, which represented unbilled services rendered by the related organizations under these contracts.

The University receives grants and contracts from certain federal, state, and private agencies to fund research and other programs. The costs, both direct and indirect, which have been charged to the grant or contract, are audited annually in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such audits are subject to the approval of the granting agency, which reserves the right to conduct further examinations. It is the opinion of the University's management that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

**8. EMPLOYEE BENEFIT PLANS**

**Plan Description** - The University participates in the State Teachers Retirement System (STRS) and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, ranging from three in STRS and three in OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The reports may be obtained by contacting:

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State Teachers Retirement  
System of Ohio  
275 E. Broad Street  
Columbus, Ohio 43215  
(888) 227-7877  
www.strsoh.org

Ohio Public Employees  
Retirement System  
277 East Town Street  
Columbus, Ohio 43215  
(800) 222-7377  
www.opers.org

**Contributions** - State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2020 and 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Post-Retirement				Total
	Pension	Healthcare	Death Benefits	Total	
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS-State/Local	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS- Law Enforcement and Public Safety	18.10%	0.00%	0.00%	18.10%	13.00%

The University's required and actual contributions to the plans are as follows:

	For the Years ended 6/30			
	2020		2019	
	Pension	OPEB	Pension	OPEB
STRS	\$ 1,395,520	\$ -	\$ 1,422,167	\$ -
OPERS	2,416,122	-	2,431,441	-
<b>TOTAL</b>	<b>\$ 3,811,642</b>	<b>\$ -</b>	<b>\$ 3,853,608</b>	<b>\$ -</b>

**Benefits Provided**

STRS - Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, giving the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a

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factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

OPERS - Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2020 and 2019, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2020, the net pension liability was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. For June 30, 2019, the net pension liability was measured as of June 30, 2018 for STRS and December 31, 2018 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS' net pension liability's actuarial valuation for the June 30, 2018 measurement date was dated July 1, 2018, which was rolled forward to the measurement date. The University proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.



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Plan	Measurement Date	Net Pension Liability		Net Pension Asset	
		2020	2019	2020	2019
STRS	June 30	\$ (21,316,328)	\$ (21,638,699)	\$ -	\$ -
OPERS	December 31	\$ (21,782,371)	\$ (32,119,570)	\$ 485,749	\$ -

Proportionate Share		Percentage Change 2019-2020	Percentage Change 2018-2019
2020	2019	2020	2019
0.09639%	0.09841%	-0.00202%	0.00639%
0.11020%	0.11797%	-0.00777%	-0.00247%

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$3,331,571 and \$7,125,535, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 189,692	\$ (480,586)	\$ 514,549	\$ (641,951)
Changes of assumptions	3,717,819	-	6,690,222	-
Net difference between projected and actual earnings of pension plan investments	-	(5,450,816)	4,426,723	(1,312,147)
Changes in proportion and differences between University contributions and proportionate share of contributions	1,611,468	(1,551,946)	3,027,149	-
University contributions subsequent to the measurement date	2,753,884	-	2,561,862	-
Total	<u>\$ 8,272,863</u>	<u>\$ (7,483,348)</u>	<u>\$ 17,220,505</u>	<u>\$ (1,954,098)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2021	\$ 723,307
2022	\$ (1,090,454)
2023	\$ 171,814
2024	\$ (1,719,963)
2025	\$ (15,196)
Thereafter	\$ (33,877)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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**Net OPEB Liability, Deferrals, and OPEB Expense** – At June 30, 2020, the University reported a liability/(asset) for its proportionate share of the net OPEB liability of STRS/OPERS. For June 30, 2020, the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated December 31, 2018 and 2017, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

Typically, the University’s proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

For plan years ending June 30, 2019 and 2018, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS’ calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2019 and 2018, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS’s calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

Plan	Measurement Date	Net OPEB Liability		Proportionate Share		Percent
		2020	2019	2020	2019	2019-2020
STRS	June 30	\$ (1,596,000)	\$ (1,581,000)	0.09636%	0.09857%	-0.00221%
OPERS	December 31	\$ 15,806,032	\$ 15,699,404	0.11443%	0.12042%	-0.00598%

For the year ended June 30, 2020 and June 30, 2019, the University recognized OPEB expense of \$842,545 and income of \$2,082,275. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,424	\$ (1,526,534)	\$ 190,316	\$ (134,597)
Changes of assumptions	2,535,927	(1,750,000)	506,168	(2,155,000)
Net difference between projected and actual earnings of OPEB plan investments	-	(904,839)	719,725	(181,000)
Changes in proportion and differences between University contributions and proportionate share of contributions	189,897	(581,462)	227,876	(230,419)
University contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 2,871,248</u>	<u>\$ (4,762,835)</u>	<u>\$ 1,644,085</u>	<u>\$ (2,701,016)</u>

Amounts reports as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2021	\$ (323,392)
2022	\$ (345,338)
2023	\$ (306,255)
2024	\$ (636,713)
2025	\$ (284,086)
Thereafter	\$ 4,197

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year.

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**Actuarial Assumptions** - The total pension liability and OPEB liability is based on results of an actuarial valuation and were determined using the following actuarial assumptions for the University as of June 30, 2020:

<u>STRS</u>	<u>OPERS</u>
June 30, 2019	December 31, 2019
June 30, 2019	December 31, 2018
Entry age normal	Individual Entry Age
None	1.40 percent - 3.00 percent
2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
2.50 percent	3.25 percent
7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
4.93 percent to 9.62 percent initial, 4.00 percent ultimate	10.50 percent initial, 3.50 percent ultimate in 2030
Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between age 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Healthy Annuitant Mortality Table

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The following are actuarial assumptions for the University as of June 30, 2019:

<u>STRS</u>	<u>OPERS</u>
July 1, 2018	December 31, 2018
June 30, 2018	December 31, 2017
Entry age normal	Individual Entry Age
None	2.15 percent - 3.00 percent
2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
2.50 percent	2.50 percent
7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
-5.23 percent to 9.62 percent initial, 4.00 percent ultimate	10.00 percent initial, 3.25 percent ultimate in 2029
Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between age 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Healthy Annuitant Mortality Table

**Pension Discount Rate** - The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS were 7.45 percent for the plan years ended June 30, 2019 and 2018. The discount rates used to measure the total pension liability for OPERS were 7.20 percent for the plan years ended December 31, 2019 and 2018.

**OPEB Discount Rate** - The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient

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to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

*STRS – OPEB Discount Rate:* The discount rate used to measure the total OPEB liabilities/(assets) was 7.45 percent for the plan years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

*OPERS – OPEB Discount Rate:* The discount rate used to measure the total OPEB liabilities/(assets) were 3.16 percent and 3.96 percent for the plan years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.00 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.75 percent and 3.71 percent at December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS - as of 6/30/19			OPERS - as of 12/31/19				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Defined Benefit Portfolio		Health Care Portfolio	
				Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	7.35%	Fixed Income	25.00%	1.83%	36.00%	1.53%
International Equity	23.00%	7.55%	Domestic Equities	19.00%	5.75%	21.00%	5.75%
Alternatives	17.00%	7.09%	Real Estate	10.00%	5.20%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Private Equity	12.00%	10.70%	0.00%	0.00%
Real Estate	10.00%	6.00%	International Equities	21.00%	7.66%	23.00%	7.66%
Liquidity Reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.69%
			Other Investments	13.00%	4.98%	14.00%	4.90%
Total	100.00%		Total	100.00%		100.00%	

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<u>STRS - as of 7/1/18</u>			<u>OPERS - as of 12/31/18</u>				
<u>Investment Category</u>	<u>Target</u>	<u>Long-term Expected</u>	<u>Investment Category</u>	<u>Defined Benefit Portfolio</u>		<u>Health Care Portfolio</u>	
	<u>Allocation</u>	<u>Real Rate of Return</u>		<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
				<u>Allocation</u>	<u>Expected Real</u>	<u>Allocation</u>	<u>Expected Real</u>
					<u>Rate of Return</u>		<u>Rate of Return</u>
Domestic Equity	28.00%	5.10%	Fixed Income	23.00%	2.79%	34.00%	2.42%
International Equity	23.00%	5.30%	Domestic Equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	4.84%	Real Estate	10.00%	4.90%	0.00%	0.00%
Fixed Income	21.00%	75.00%	Private Equity	10.00%	10.81%	0.00%	0.00%
Real Estate	10.00%	3.75%	International Equities	20.00%	7.83%	22.00%	7.83%
Liquidity Reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.98%
			Other Investments	18.00%	5.50%	17.00%	5.57%
Total	<u>100.00%</u>		Total	<u>100.00%</u>		<u>100.00%</u>	

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate for the years ended June 30, 2020 and 2019, respectively:

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>2020</u>		<u>Current Discount Rate</u>		<u>1.00 percent increase</u>	
	<u>6.45%</u>	<u>\$</u>	<u>7.45%</u>	<u>\$</u>	<u>8.45%</u>	<u>\$</u>	<u>8.20%</u>	<u>\$</u>
STRS	6.45%	31,151,439	7.45%	21,316,328	8.45%	12,990,403		
OPERS	6.20%	35,633,028	7.20%	21,296,622	8.20%	8,443,025		
		<u>\$ 66,784,467</u>		<u>\$ 42,612,950</u>		<u>\$ 21,433,428</u>		

  

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>2019</u>		<u>Current Discount Rate</u>		<u>1.00 percent increase</u>	
	<u>6.45%</u>	<u>\$</u>	<u>7.45%</u>	<u>\$</u>	<u>8.45%</u>	<u>\$</u>	<u>8.20%</u>	<u>\$</u>
STRS	6.45%	31,600,472	7.45%	21,638,699	8.45%	13,207,410		
OPERS	6.20%	47,667,749	7.20%	32,119,570	8.20%	19,211,332		
		<u>\$ 79,268,221</u>		<u>\$ 53,758,269</u>		<u>\$ 32,418,742</u>		

**Sensitivity of the net OPEB liability/(asset) to changes in the discount rate** – The following presents the net OPEB liability/(asset) of the University, calculated using the discount rate listed below, as well as what the University net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

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<u>Plan</u>	<u>1.00 percent decrease</u>		<u>2020 Current Discount Rate</u>		<u>1.00 percent increase</u>	
	STRS	6.45%	\$ (1,362,268)	7.45%	\$ (1,596,000)	8.45%
OPERS	2.16%	20,684,728	3.16%	15,806,032	4.16%	11,899,784
		<u>\$ 19,322,460</u>		<u>\$ 14,210,032</u>		<u>\$ 10,106,407</u>

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>2019 Current Discount Rate</u>		<u>1.00 percent increase</u>	
	STRS	6.45%	\$ (1,355,398)	7.45%	\$ (1,581,000)	8.45%
OPERS	2.96%	20,085,389	3.96%	15,699,404	4.96%	12,211,387
		<u>\$ 18,729,991</u>		<u>\$ 14,118,404</u>		<u>\$ 10,440,064</u>

**Sensitivity of the net OPEB liability/(asset) to changes in the health care cost trend rate** – The following presents the net OPEB liability/(asset) of the University, calculated using the healthcare cost trend rate listed below, as well as what the University’s net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>2020 Current Trend Rate</u>		<u>1.00 percent increase</u>	
	STRS		\$ (1,810,323)		\$ (1,596,000)	
OPERS		15,339,610		15,806,032		16,266,509
		<u>\$ 13,529,287</u>		<u>\$ 14,210,032</u>		<u>\$ 14,931,959</u>

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>2019 Current Trend Rate</u>		<u>1.00 percent increase</u>	
	STRS		\$ (1,760,601)		\$ (1,581,000)	
OPERS		15,090,533		15,699,404		16,400,659
		<u>\$ 13,329,932</u>		<u>\$ 14,118,404</u>		<u>\$ 15,001,275</u>

**Pension Plan and OPEB plan Fiduciary Net Position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS/STRS financial report.

**Assumption Changes** – During the measurement periods ended June 30, 2019 and December 31, 2019, respectively, certain assumption changes were made by the plans. The OPERS OPEB discount rate was reduced from 3.96 percent to 3.16 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2019.

During the measurement periods ended June 30, 2018 and December 31, 2018, respectively, certain assumption changes were made by the plans. The STRS OPEB discount rate increased significantly from 4.13 percent to 7.45 percent due to the cash flow analysis and there was a reduction in the health care cost trend rates, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2018. The OPERS pension discount rate was reduced from 7.5 percent to 7.2 percent, which impacted the annual actuarial valuation for pension prepared as of December 31, 2018.



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**Benefit changes** – There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for STRS. Effective in 2022, OPERS will replace the current self-insured group plan with a marketplace concept for pre-Medicare retirees.

**Payable to the Pension Plan** – The University reported a payable of \$0 and \$241,955, respectively, for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the years ended June 30, 2020 and 2019.

**9. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** - Northeast Ohio Medical University’s (NEOMED) plan provides healthcare insurance for the spouses and legal dependents of retirees hired prior to January 1, 1992 and who retired from NEOMED after working there for at least 10 years. Any spouses or legal dependents of retirees hired after January 1, 1992 are not eligible for healthcare benefits after retirement.

This plan only covers the spouses and legal dependents of the retiree. The retirees are eligible for healthcare insurance coverage through the Ohio Public Employees Retirement System (OPERS) or the State Teachers Retirement System (STRS) unless they chose an alternative retirement plan.

In addition, life insurance is paid for by NEOMED for all retired employees regardless of hire date. Retirees with 10 or more years of service receive \$4,000 of life insurance coverage and those with less than 10 years of service receive \$1,000 of life insurance coverage.

For purposes of the June 30, 2020 and 2019 measurement date, the number of plan participants consisted of the following:

	2020	2019
Active employees	402	452
Retirees	167	158
Disabled	5	5
Retiree spouses and beneficiaries	32	38
Total plan participants	606	653

**Funding Policy** - In 2011, NEOMED started charging the retirees a minimum monthly contribution to help offset the rising costs of the retiree spouses’ and dependents’ healthcare coverage and pays 100 percent of the retirees’ life insurance. The University has chosen to fund the postemployment benefits on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Annual OPEB Cost and Net OPEB Obligation** - The University’s annual postemployment benefits expense is actuarially determined in accordance with GASB 75. Projections of benefits for financial reporting purposes are based on the plan as understood by 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.

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The Board of Directors is authorized to approve benefit plan changes.

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The University hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2020 the average monthly required employee contributions were between \$155.89 and \$194.86 and for the year ended June 30, 2019, the average monthly required employee contributions were between \$138.05 and \$172.57 and the University's average contribution rate was 7.67 percent and 17.24 percent, respectively as a percentage of covered employee payroll.

The following table shows the components of NEOMED's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in NEOMED's net OPEB obligation for the life and healthcare benefits based on an interest rate of 2.66 and 4 percent and amortizing the unfunded actuarial liability over 30 years for the year ended June 30, 2020 and 2019.

	June 30, 2020	June 30, 2019
Balance, beginning of the year	\$ 4,723,673	\$ 4,640,663
Service cost	23,361	19,165
Interest cost	122,842	181,151
Changes in assumptions	627,441	180,421
Difference between expected and actual plan experience	(977,538)	(74,696)
Benefit payments	(191,673)	(223,031)
Balance, end of year	4,328,106	4,723,673

For the years ended June 30, 2020 and 2019, respectively, the University estimated the costs of \$4,328,106 and \$4,723,673 based on actuarial valuation as of June 30, 2020 and 2019, respectively.

The components of postemployment benefits expense for the year ended June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Service cost	\$ 23,361	\$ 19,165
Interest cost	122,842	181,151
Total Expense	\$ 146,203	\$ 200,316

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Deferred outflows and inflows of resources are presented in the deferred outflows and inflows related to OPEB on the statement of net position. Deferred outflows and inflows of resources related to postemployment benefit obligations at June 30, 2020 are summarized as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Experience gains		(892,836)
Changes of assumptions	686,733	

Deferred outflows and inflows related to postemployment benefit obligations at June 30, 2019 are summarized as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Experience gains		(74,696)
Changes of assumptions	180,421	

Amounts reported as deferred outflows (inflows) of resources related to OPEBs will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ (38,269)
2022	(38,269)
2023	(38,269)
2024	(38,269)
2025	(38,269)
Thereafter	(14,758)

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**Actuarial Methods and Assumptions** - The total OPEB liability is based on results of an actuarial valuation were determined using the following actuarial assumptions for 2020:

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Actuarial cost Method	Entry age normal - level of percent of salary
Discount Rate	2.66% S&P Municipal Bond 20-Year
Health care costs	The monthly Company-paid costs of coverage valued per covered individual for 2020-2021 are \$680.57 prior to Medicare eligibility and \$419.14 after Medicare eligibility
Health care cost trend rate	Health Care Costs are assumed to increase as follows:
	2019 - 20                    7.00%
	2020 - 21                    6.50%
	2021 - 22                    6.00%
	2022 - 23                    5.90%
	2023 - 24                    5.80%
	2023 - 24 and later    5.70%
Employee cost trend rate	2.00%
Mortality basis	Healthy: PubG.H-2010 Mortality Projected with Scale MP2019 Disabled: PubG.H-2010 Disabled Mortality Projected with Scale MP2019

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The total OPEB liability is based on results of an actuarial valuation were determined using the following actuarial assumptions for 2019:

Valuation date	July 1, 2019
Measurement date	June 30, 2019
Actuarial cost Method	Entry age normal - level of percent of salary
Discount Rate	4% AA Rated Bonds - 20 years
Health care costs	The monthly Company-paid costs of coverage valued per covered individual for 2019-2020 are \$663.23 prior to Medicare eligibility and \$379.98 after Medicare eligibility
Health care cost trend rate	Health Care Costs are assumed to increase as follows:
	2018 - 19                    7.50%
	2019 - 20                    7.00%
	2020 - 21                    6.50%
	2021 - 22                    6.00%
	2022 - 23                    5.50%
	2023 - 24 and later    5.00%
Employee cost trend rate	2.00%
Mortality basis	Healthy: RP-2014 Mortality Tables (male and female) fully generational, projected by MP-2018 Disabled: RP-2014 Mortality Tables for disabled people (male and female) fully generational, projected by MP-2018

As part of the January 1 valuation, the discount rate changed from 4.00 percent to 2.66 percent and the new rate was determined using the S&P Municipal Bond 20-Year High Grade Rate Index yield to maturity rate as of June 30, 2020. Mortality was updated from the RP-2014 Mortality Tables projected using Scale MP-2018 to the Society of Actuaries PubG.H-2010 Mortality Table for General Employees projected using scale MP-2019. The trend was determined using the 2020 Getzen Model from the Society of Actuaries.

**Discount Rate** – The discount rate used to measure the total OPEB liabilities at June 30, 2020 and 2019 was 2.66 percent and 4.00 percent, respectively.

**Sensitivity of OPEB Liability to Changes in the Discount Rate** – The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were

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calculated using a discount rate that is 1.00 percent point lower or 1.00 percentage point higher than the current rate:

<b>2020</b>		
<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 5,014,174	\$ 4,328,106	\$ 3,783,088
<b>2019</b>		
<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 5,577,331	\$ 4,723,673	\$ 4,086,806

**Sensitivity of OPEB Liability to Changes in the Trend Rate** – The following represents the net OPEB liability using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the assumed trend rate:

<b>2020</b>		
<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 3,901,695	\$ 4,328,106	\$ 4,848,695
<b>2019</b>		
<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 4,180,515	\$ 4,723,673	\$ 5,443,029

**10. BONDS PAYABLE**

In FY 2011, the University was approved to issue an amount not to exceed \$42,000,000 in General Receipt Bonds. On November 10, 2010, the University issued General Receipt Bonds Series 2010 in the amount of \$15,000,000. On November 9, 2011, the remaining \$27,000,000 of General Receipt Bonds Series 2011 was issued. The proceeds were used for the construction, improvement, reconstruction, remodeling, renovation, and equipping of the University’s facilities, primarily for the construction of a new research and graduate education complex consisting of medical research, laboratory, graduate education, and related purposes. The bonds are in various denominations, with fixed interest rates of 4.0 to 4.5 percent and a maturity of 30 years. The balance outstanding as of June 30, 2020 and 2019 was \$35,246,294 and \$36,215,106, respectively.

The bond discount on the November 2011 bonds totaled \$194,911 with an accumulated amortized balance of \$56,204 and \$50,017 as of June 30, 2020 and 2019, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. There is no discount or premium on the 2010 bonds.

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The University's bonds and notes payable as of June 30, 2020 are summarized as follows:

	<u>July 1, 2019</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2020</u>	<u>Current</u>
General receipts bond					
Series 2010	\$ 12,505,000	\$ -	\$ 385,000	\$ 12,120,000	\$ 395,000
General receipts bond					
Series 2011	23,855,000	-	590,000	23,265,000	610,000
General receipts bond					
Series 2011-Discount	<u>(144,894)</u>	<u>-</u>	<u>(6,188)</u>	<u>(138,706)</u>	<u>-</u>
Total bonds and notes payable	<u>\$ 36,215,106</u>	<u>\$ -</u>	<u>\$ 968,812</u>	<u>\$ 35,246,294</u>	<u>\$ 1,005,000</u>

The University's bonds and notes payable as of June 30, 2019 are summarized as follows:

	<u>July 1, 2018</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2019</u>	<u>Current</u>
General receipts bond					
Series 2010	\$ 12,880,000	\$ -	\$ 375,000	\$ 12,505,000	\$ 385,000
General receipts bond					
Series 2011	24,420,000	-	565,000	23,855,000	590,000
General receipts bond					
Series 2011-Discount	<u>(151,082)</u>	<u>-</u>	<u>(6,188)</u>	<u>(144,894)</u>	<u>-</u>
Total bonds and notes payable	<u>\$ 37,148,918</u>	<u>\$ -</u>	<u>\$ 933,812</u>	<u>\$ 36,215,106</u>	<u>\$ 975,000</u>

In accordance with the Build America Bonds program, the University should receive semiannual federal credit payments equal to 45 percent of actual interest expense incurred on the outstanding principal balance of the Series 2010 bonds.

These obligations are secured by a gross pledge of and first lien on the General Receipts of the University. The General Receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted. The University has complied with all covenants of the Prior Indenture and its supplements.

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Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2020 are summarized as follows:

Year Ending June 30	Principal	Interest	Interest Subsidy *	Net Interest	Total
2021	1,005,000	1,885,503	(361,411)	1,524,092	2,529,092
2022	1,040,000	1,842,222	(351,527)	1,490,695	2,530,695
2023	1,080,000	1,795,110	(340,631)	1,454,479	2,534,479
2024	1,110,000	1,744,798	(329,408)	1,415,390	2,525,390
2025	1,155,000	1,691,533	(317,858)	1,373,675	2,528,675
2026-2030	6,490,000	7,514,519	(1,384,781)	6,129,738	12,619,738
2031-2035	8,015,000	5,529,245	(961,333)	4,567,912	12,582,912
2036-2040	10,030,000	2,945,799	(432,022)	2,513,777	12,543,777
2041-2043	5,460,000	384,330	(13,142)	371,188	5,831,188
	<u>\$ 35,385,000</u>	<u>\$ 25,333,059</u>	<u>\$ (4,492,113)</u>	<u>\$ 20,840,946</u>	<u>\$ 56,225,946</u>

\* The direct payment subsidy is received from federal government on the 2010 Build America Bonds.

**11. RISK MANAGEMENT**

The University is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Commercial insurance has been obtained to cover damage or destruction to the University's property and for public liability, personal injury, and third-party damage claims. The University is insured through the State of Ohio for workers' compensation benefits. To provide employee healthcare and other benefits (including dental, life insurance, and long-term disability benefits), the University implemented a self-insurance program for its medical benefits and has utilized the IUC contracts for its dental, life, and disability benefits. The University's healthcare plan is a self-funded benefit plan with a specific stop loss of \$100,000. Through December 31, 2019, the plan offered two levels of coverage to employees, the Core Plan and the Enhanced Plan. Effective January 1, 2020 the Enhanced Plan was no longer offered. All full-time NEOMED employees who work 40 hours or more per week are eligible for coverage. The U.S. Affordable Health Care Act (ACA) also allows any employee who works an average of 30 hours per week over a given measurement period of 12 months the option to choose to enroll in the medical coverage. The employee contributions vary depending upon the level of coverage elected.

The University has retained the services of a professional claims administrator to perform the day-to-day claims administration of the Plan. Settled claims have not exceeded the University's commercial insurance coverage for any of the past three years.

**Self Insurance** - During 2011, the University began providing medical coverage for its employees on a self-insurance basis. Expenses for claims are recorded on an accrual basis based on the date claims are incurred. The University applies GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.



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Changes in the self-insurance claims liability for the years ended June 30, 2020, 2019, and 2018, are summarized as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accrued claims liability - Beginning of year	\$ 881,336	\$ 671,542	\$ 824,359
Incurred claims - Net of favorable settlements	6,109,395	5,603,773	3,747,434
Claims paid	<u>(6,165,690)</u>	<u>(5,393,979)</u>	<u>(3,900,251)</u>
Accrued claims liability - End of year	<u>\$ 825,041</u>	<u>\$ 881,336</u>	<u>\$ 671,542</u>

**12. RELATED PARTY TRANSACTIONS**

**NEOMED Foundation** - The University has received distributions from the Foundation in the amount of \$2,132,800 for the year ended June 30, 2020 and \$1,952,519 for the year ended June 30, 2019, in direct support of charitable, educational, and scientific purposes benefiting the University and its students. In addition, the Foundation granted student loans of \$103,617 for the year ended June 30, 2020 and \$116,364 for the year ended June 30, 2019.

The University received reimbursements from the Foundation for management, fundraising, services, and office space of \$79,537 for the year ended June 30, 2020 and \$125,839 for the year ended June 30, 2019. The University will receive \$409,017 for the year ended June 30, 2020 and \$566,091 for the year ended June 30, 2019, related to unpaid reimbursements for similar purposes. Amounts for such services provided by the University, which are not reimbursed by the Foundation, are reported as in-kind contributions in the statements of revenue, expenses, and changes in net position. The University's in-kind support for these services was valued at \$1,236,105 for the year ended June 30, 2020 and \$1,198,894 for the year ended June 30, 2019.

**ERS Strategic Properties** - ERS Housing LLC is operated for the purpose of equipping housing for students, faculty, and staff of Northeast Ohio Medical University. ERS HWMEC LLC is operated for the purpose of equipping of a health, wellness, and medical education center to promote the educational, social, and physical well-being of students, faculty, and staff of Northeast Ohio Medical University. The Health and Wellness facility and many of its services are also available to the external community. ERS Bradley LLC was dissolved on October 15, 2019 and the related assets were transferred to ERS Contiguous Properties LLC. ERS Contiguous Properties LLC will provide additional land for the University's future needs. ERS MOB LLC will house the BioMed STEM high school and medical offices for community physicians to give care to patients and be a resource for student clinical rotations. ERS RGE LLC is operated for the purpose of remodeling the 4<sup>th</sup> floor of the RGE building to be leased to researchers.

NEOMED made payments to ERS HWMEC for the lease of the wellness center in the amount of \$5,733,331 for the year ended June 30, 2020 and \$5,741,030 for the year ended June 30, 2019.

The University made payments on behalf of ERS for expenses in the amount of \$88,818 for the year ended June 30, 2020 and \$118,150 for the year ended June 30, 2019. Reimbursements and payments for naming rights were received in ERS Companies in the amount of \$709,553 for the year ended June 30, 2020 and

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\$294,889 for the year ended June 30, 2019, and used to offset current and prior year expenses paid by NEOMED. For the years ended June 30, 2020 and 2019, \$42,322 and \$15,562 respectively, related to legal fees relating to the Medical Office Building and 4<sup>th</sup> Floor RGE construction and ERS Contiguous property acquisitions. Amounts for such services provided by the University which are not reimbursed by ERS are reported as in-kind contributions in the Statements of Revenue, Expenses, and Changes in Net Position. The University's in-kind support for these services was valued at \$307,068 for the year ended June 30, 2020 and \$318,551 for the year ended June 30, 2019. Additional support for the MOB building construction in the amounts of \$10,055,167 for the year ended June 30, 2020 and \$1,410,259 for the year ended June 30, 2019 were received from BioMed, and was recorded in unearned revenue.

ERS had amounts due to NEOMED for construction, equipment, consulting, and legal fees totaling \$14,555,399 for the year ended June 30, 2020 and \$7,004,282 for the year ended June 30, 2019, which were paid by NEOMED on behalf of ERS.

ERS Board Members are employees from the University's management team.

**13. COMPONENT UNIT - THE NEOMED FOUNDATION**

The NEOMED Foundation (hereinafter referred to as the "Foundation") was incorporated on April 14, 1978 as a nonprofit tax-exempt corporation. The Foundation is a legally separate nonprofit entity organized for the purpose to serve as the gift-receiving arm of the Northeast Ohio Medical University (hereinafter referred to as the "University"), and to assist in developing and increasing its resources to provide broader educational opportunities and services for charitable, educational and scientific purposes. The Foundation is governed by a volunteer board of directors consisting of a maximum 42 members. The Foundation had no unrelated business income in fiscal years 2020 or 2019.

The Foundation has adopted the accrual method of accounting in accordance with not-for-profit accounting principles generally accepted in the United States of America. The Foundation reports net assets based on the existence or absence of donor-imposed restrictions.

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the University's financial report to account for these differences. Complete financial statements for the Foundation may be obtained by writing to NEOMED Foundation, PO Box 95, Rootstown, Ohio 44272.

The following is a summary of Foundation investments at June 30:

	2020		2019	
	Cost	Market	Cost	Market
Money Market Funds	\$ 183,314	\$ 183,314	\$ 271,441	\$ 271,441
Cash Surrender Value of Life insurance	14,948	14,948	216,790	216,790
Equities	18,311,906	18,758,013	9,432,225	10,857,356
Other	-	-	250,394	252,934
Fixed Income	6,037,836	6,157,568	6,589,959	7,458,150
Total long-term investments	<u>\$ 24,548,004</u>	<u>\$ 25,113,843</u>	<u>\$ 16,760,809</u>	<u>\$ 19,056,671</u>

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The Foundation's board of directors has adopted an investment policy, which is reviewed and updated on an annual basis and is used to determine asset allocation.

Assets measured as of June 30, 2020:

	Balance at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets - Investments</b>				
Domestic fixed income	\$ 5,705,082	\$ 5,705,082	\$ -	\$ -
International fixed income	452,486	452,486	-	-
Domestic equities	13,101,220	13,101,220	-	-
International equities	5,656,793	5,656,793	-	-
Money market	183,314	-	183,314	-
<b>Total Investments</b>	<b>\$ 25,098,895</b>	<b>\$ 24,915,581</b>	<b>\$ 183,314</b>	<b>\$ -</b>
<b>Assets - Beneficial Interest in Trust</b>				
Total Beneficial Interest in Trust	\$ 74,092	\$ -	\$ -	\$ 74,092
<b>Total Fair Value Measurements</b>	<b>\$ 25,172,987</b>	<b>\$ 24,915,581</b>	<b>\$ 183,314</b>	<b>\$ 74,092</b>

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Assets measured as of June 30, 2019:

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets - Investments</b>				
Domestic Fixed Income	\$ 5,587,837	\$ 5,587,837	\$ -	\$ -
International Fixed Income	1,870,313	1,870,313	-	-
Domestic Equities	7,288,743	7,288,743	-	-
International Equities	2,567,359	2,567,359	-	-
Money market	271,441	-	271,441	-
Emerging market equities	1,001,254	1,001,254	-	-
Other investments	250,016	250,016	-	-
<b>Total Investments</b>	<b>\$ 18,836,963</b>	<b>\$ 18,565,522</b>	<b>\$ 271,441</b>	<b>\$ -</b>
<b>Assets - Beneficial Interest in Trusts</b>				
Total Beneficial Interests in Trusts	\$ 75,117	\$ -	\$ -	\$ 75,117
Investments measured at NAV	\$ 2,916	\$ -	\$ -	\$ -
<b>Total Fair Value Measurements</b>	<b>\$ 18,914,996</b>	<b>\$ 18,565,522</b>	<b>\$ 271,441</b>	<b>\$ 75,117</b>

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Details of the Foundation's restricted net assets at June 30, 2020 and 2019 are as follows:

With Donor Restrictions as of June 30:

	<u>2020</u>	<u>2019</u>
Instruction and departmental research	\$ 2,092,882	\$ 2,156,263
Separately budgeted research	352,545	446,714
Public service	159,808	159,708
Academic support	712,930	832,452
Institutional support	2,456,491	950,507
Plant operation and maintenance	(2,211)	(5,205)
Student Services	27,626	25,354
Student scholarships and other student aid	10,101,433	9,317,925
Deferred gift annuity	529,409	237,502
Anatomy endowed chair	1,002,471	1,002,471
Psychiatry endowed chair	2,000,000	2,000,000
General and other	1,603,527	1,595,054
Allowance for uncollectible pledges	<u>(11,967)</u>	<u>(14,717)</u>
 Total net assets with donor restrictions, June 30	 <u>\$ 21,024,944</u>	 <u>\$ 18,704,028</u>

Total net assets with donor restrictions include \$11,033,432 as of June 30, 2020 and \$10,404,696 as of June 30, 2019 of assets held in perpetuity. The remainder of funds are either purpose or time restricted. The assets are held for the following purpose:

	<u>2020</u>	<u>2019</u>
Student loans	\$ 947,042	\$ 959,510
Endowments requiring earnings only to be made available for:		
Student scholarships and awards	5,377,661	4,740,430
Student loans	100,236	100,236
Anatomy endowed chair	1,002,471	1,002,471
Psychiatry endowed chair	2,000,000	2,000,000
General and other	1,603,527	1,595,054
Deferred gift annuity	14,462	21,712
Allowance for uncollectible pledges	<u>(11,967)</u>	<u>(14,717)</u>
 Total net assets with donor restrictions to be held in perpetuity, June 30	 <u>\$ 11,033,432</u>	 <u>\$ 10,404,696</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY  
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FOR THE YEARS ENDED JUNE 30, 2020 and 2019**

**14. COMPONENT UNIT - ERS STRATEGIC PROPERTIES, INC.**

ERS Strategic Properties, Inc. (hereinafter referred to as “ERS”) was incorporated on March 23, 2012 as a nonprofit tax-exempt corporation. ERS is governed by a volunteer board of directors consisting of seven members of NEOMED staff.

ERS has adopted the accrual method of accounting in accordance with not-for-profit accounting principles generally accepted in the United States of America. ERS is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to ERS’ financial information included in the University’s financial report to account for these differences. Complete financial statements for ERS may be obtained by writing to ERS Strategic Properties, Inc., PO Box 95, Rootstown, Ohio 44272.

**ERS Capital Assets**

ERS sold bonds to construct apartments for members of the University community and to construct a health, wellness, and medical education building that will be available to the University and outside community.

Capital asset activity for the year ended June 30, 2020 was as follows:

	July 1, 2019 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2020 Ending Balance
Land - Nondepreciable	\$ 169,349	\$ 104,273	\$ -	\$ 273,622
Infrastructure	10,377,241	-	-	10,377,241
Buildings	110,519,635	817,587	11,497	111,348,719
Furnishings and movable equipment	126,421	-	-	126,421
Construction in progress - Nondepreciable	2,747,481	18,023,300	(11,497)	20,759,284
Total historical cost	123,940,127	18,945,160	-	142,885,287
Less accumulated depreciation				
Infrastructure	6,125,251	1,362,718	-	7,487,969
Buildings	13,600,190	2,848,257	-	16,448,447
Furnishings and movable equipment	126,420	-	-	126,420
Total accumulated depreciation	19,851,861	4,210,975	-	24,062,836
Total capital assets, net of depreciation	<u>\$ 104,088,266</u>	<u>\$ 14,734,185</u>	<u>\$ -</u>	<u>\$ 118,822,451</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY  
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Capital asset activity for the year ended June 30, 2019 was as follows:

	July 1, 2018 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2019 Ending Balance
Land - Nondepreciable	\$ 169,349	\$ -	\$ -	\$ 169,349
Infrastructure	10,377,241	-	-	10,377,241
Buildings	110,519,635	-	-	110,519,635
Furnishings and movable equipment	126,421	-	-	126,421
Construction in progress - Nondepreciable	-	2,747,481	-	2,747,481
Total historical cost	<u>121,192,646</u>	<u>2,747,481</u>	-	<u>123,940,127</u>
Less accumulated depreciation				
Infrastructure	4,762,533	1,362,718	-	6,125,251
Buildings	10,767,309	2,832,881	-	13,600,190
Furnishings and movable equipment	115,989	10,431	-	126,420
Total accumulated depreciation	<u>15,645,831</u>	<u>4,206,030</u>	-	<u>19,851,861</u>
Total capital assets, net of depreciation	<u>\$105,546,815</u>	<u>\$ (1,458,549)</u>	\$ -	<u>\$104,088,266</u>

**FUNDS HELD BY TRUSTEE**

Funds held by trustee represent cash and cash equivalents that, under the terms of the bond agreement, are restricted for various purposes. These assets are being held with a large financial institution (the "Trustee"). In accordance with the terms of the related agreements, the proceeds from the bonds not used to construct the student wellness center and certain equipment and improvements were deposited with the Trustee. The Trustee is then authorized, through direction from ERS, to transfer funds out of the revenue funds to other funds. Funds held by the Trustee consist of interest-bearing cash accounts.

At June 30, 2020 and 2019, fund balances held by the Trustee were as follows:

<u>ERS HWMEC LLC</u>	2020	2019
Bond proceeds fund	\$ 832,793	\$ 1,490,666
<u>ERS Housing LLC</u>		
Revenue fund	10,685	18,218
Repair & Replace fund	377,526	331,004
Sinking Fund	208,641	199,036
Surplus Fund	193,677	93,286
	<u>790,529</u>	<u>641,544</u>
Total	<u>\$ 1,623,322</u>	<u>\$ 2,132,210</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY  
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**BONDS PAYABLE**

In 2012, ERS Housing LLC worked with the Portage County Port Authority to issue tax-exempt bonds in the amount of \$36,680,000. As of June 2012, when the bonds were issued, ERS did not yet have tax-exempt status, and ERS partnered with Portage County Port Authority to issue tax-exempt bonds. The proceeds from this issuance were used for the construction of NEOMED apartments. The bonds were assumed from the Portage County Port Authority by ERS in November 2012 when ERS received its tax-exempt status. The bonds are in various denominations, with fixed interest rates of 2.0 to 5.0 percent and a maturity date of June 1, 2044. The balance outstanding was \$34,295,000 as of June 30, 2020 and \$34,880,000 as of June 30, 2019, and the principal payments started on December 1, 2014.

In November 2012, ERS HWMEC LLC issued a senior secured note in the amount of \$84,000,000. The proceeds from this issuance were used for the construction of a health, wellness, and medical education building. The bonds are in various denominations, with a fixed interest rate of 4.89 percent (and an additional .042 percent if NEOMED's credit rating was downgraded in 2013) and a maturity date of November 8, 2044. The balance outstanding was \$76,083,423 as of June 30, 2020 and \$77,664,357 as of June 30, 2019 and the principal payments started on December 8, 2014.

The original bond discount for the ERS Housing bonds totaled \$633,830, with an unamortized balance of \$473,723 as of June 30, 2020 and \$493,530 as of June 30 2019. The discount is being amortized straight line over the life of the bonds and is included in interest expense in the accompanying Statements of Revenue, Expenses, and Changes in Net Position. There is no discount or premium on the ERS HWMEC bonds. ERS Bonds payable as of June 30, 2020 are summarized as follows:

	July 1, 2019	Borrowed	Retired	June 30, 2020	Current
ERS Housing LLC	\$ 34,880,000	\$ -	\$ 585,000	\$ 34,295,000	\$ 670,000
ERS Housing LLC Discount	(493,530)	-	(19,808)	(473,722)	-
ERS HWMEC LLC	77,664,357	-	1,580,934	76,083,423	1,659,998
Total bonds and notes payable	\$ 112,050,827	\$ -	\$ 2,146,126	\$ 109,904,701	\$ 2,329,998

ERS Bonds payable as of June 30, 2019 are summarized as follows:

	July 1, 2018	Borrowed	Retired	June 30, 2019	Current
ERS Housing LLC	\$ 35,385,000	\$ -	\$ 505,000	\$ 34,880,000	\$ 585,000
ERS Housing LLC Discount	(513,336)	-	(19,806)	(493,530)	-
ERS HWMEC LLC	79,169,992	-	1,505,635	77,664,357	1,580,934
Total bonds and notes payable	\$ 114,041,656	\$ -	\$ 1,990,829	\$ 112,050,827	\$ 2,165,934



**NORTHEAST OHIO MEDICAL UNIVERSITY  
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These obligations are secured by a gross pledge of and first lien on the General Receipts of NEOMED. The General Receipts include the full amount of every type and character of campus receipts, except for state appropriations and receipts previously pledged or otherwise restricted. NEOMED has complied with all covenants as of June 30, 2020 and 2019. Total bonds and notes payable in the chart above is not shown net of bond financing costs of \$2,099,400 for the year ended June 30, 2020 and \$2,185,862 for the year ended June 30, 2019.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2020 are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2021	2,329,998	5,703,611	8,033,609
2022	2,508,016	5,588,855	8,096,871
2023	2,700,186	5,465,359	8,165,545
2024	2,831,715	5,323,696	8,155,411
2025	2,972,822	5,171,762	8,144,584
2026-2030	17,232,608	23,328,323	40,560,931
2031-2035	21,872,987	18,357,554	40,230,541
2036-2040	27,917,457	11,894,422	39,811,879
2041-2045	30,012,634	3,681,398	33,694,032
	<u>\$ 110,378,423</u>	<u>\$ 84,514,980</u>	<u>\$ 194,893,403</u>

Other Required Supplemental Information for GASB 68 and GASB 75

Schedule of University's Proportionate Share of the Net Pension Liability:

	2020	2019	2018	2017	2016	2015
District's proportion of the collective OPERS net pension liability:	0.11020%	0.11797%	0.12044%	0.11078%	0.11033%	0.10406%
As a percentage						
Amount	\$ 21,782,371	\$ 32,119,570	\$ 18,694,402	\$ 25,083,580	\$ 19,046,195	\$ 12,492,034
University's covered payroll	\$ 17,258,016	\$ 17,367,434	\$ 15,723,837	\$ 15,488,321	\$ 14,722,542	\$ 13,919,290
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered employee payroll	126.22%	184.94%	118.89%	161.95%	129.37%	89.75%
Plan fiduciary net position as a percentage of the total pension liability	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

	2020	2019	2018	2017	2016	2015
District's proportion of the collective STRS net pension liability:	0.09639%	0.09841%	0.09202%	0.08683%	0.08185%	0.07478%
As a percentage						
Amount	\$ 21,316,328	\$ 21,638,699	\$ 21,859,034	\$ 29,065,942	\$ 22,621,327	\$ 18,190,132
University's covered payroll	\$ 9,968,001	\$ 10,158,336	\$ 9,049,107	\$ 8,037,482	\$ 7,564,093	\$ 8,894,530
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered employee payroll	213.85%	213.01%	241.56%	361.63%	299.06%	204.51%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.30%	75.29%	66.78%	72.10%	74.70%

Schedule of University's Pension Contributions OPERS:

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,416,122	\$ 2,431,441	\$ 2,351,111	\$ 2,044,099	\$ 2,013,482	\$ 1,193,930
Contributions in relation to the actuarially determined contractually required contribution	\$ 2,416,122	\$ 2,431,441	\$ 2,351,111	\$ 2,044,099	\$ 2,013,482	\$ 1,193,930
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	\$ 17,258,016	\$ 17,367,434	\$ 17,415,640	\$ 15,723,837	\$ 15,488,321	\$ 14,722,542
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.00%	13.00%	13.00%

Schedule of University's Pension Contributions STRS:

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,395,520	\$ 1,422,167	\$ 1,380,988	\$ 1,266,875	\$ 1,125,247	\$ 1,058,973
Contributions in relation to the actuarially determined contractually required contribution	\$ 1,395,520	\$ 1,422,167	\$ 1,380,988	\$ 1,266,875	\$ 1,125,247	\$ 1,058,973
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	\$ 9,968,001	\$ 10,158,336	\$ 9,864,200	\$ 9,049,107	\$ 8,037,482	\$ 7,564,093
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Notes to required supplemental information:

*Changes of benefit terms.* There were no changes in benefit terms affecting the STRS and OPERS pension plans.

*Changes of assumptions.*

STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2018, the discount rate was reduced from 7.5 percent to 7.2 percent.

During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

Schedule of University's Proportionate Share of the Net OPEB liability:

	2020	2019	2018
District's proportion of the collective OPERS net pension liability:			
As a percentage	0.11443%	0.12042%	0.012358%
Amount	\$ 15,806,032	\$ 15,699,404	\$ 13,419,878
University's covered payroll	\$ 17,258,016	\$ 17,415,640	\$ 15,723,837
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered payroll	91.59%	90.15%	85.35%
Plan fiduciary net position as a percentage of the total pension liability	47.80%	46.33%	77.25%

	2020	2019	2018
District's proportion of the collective STRS net pension liability:			
As a percentage	0.09636%	0.09857%	0.09202%
Amount	\$ (1,596,000)	\$ (1,581,000)	\$ 3,590,196
University's covered payroll	\$ 9,968,001	\$ 9,864,200	\$ 9,049,107
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered payroll	-16.01%	-16.03%	39.67%
Plan fiduciary net position as a percentage of the total pension liability	174.70%	176.00%	47.11%

University's Proportionate Share of OPEB Contributions OPERS:

	2020	2019	2018
Statutorily required contribution	\$ -	\$ -	\$ 87,078
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ 87,078
Contribution deficiency (excess)	-	-	-
Covered payroll	\$ 17,258,016	\$ 17,367,434	\$ 17,415,640
Contributions as a percentage of covered payroll	0.00%	0.00%	0.50%

University's Proportionate Share of OPEB Contributions STRS:

	2020	2019	2018
Statutorily required contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -
Contribution deficiency (excess)	-	-	-
Covered payroll	\$ 9,968,001	\$ 10,158,336	\$ 9,864,200
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

Notes to required supplementary information:

*Changes of benefit terms.* There were no significant changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2019 and December 31, 2019, respectively.

*Changes of assumptions.*

STRS: During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate for plan year ended June 30, 2017, to (5.23) percent to 9.62 percent initial and 4 percent ultimate for plan year ended June 30, 2018. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent based on the cash flow analysis.

OPERS: During the plan year ended December 31, 2019, there were changes to several assumptions for OPERS. The health care cost trend rates decreased from 10.0 percent initial and 3.25 percent ultimate to 10.5 percent initial and 3.5 percent ultimate. The discount rate was reduced from 3.96 percent to 3.16 percent.

Schedule of changes in the University's total OPEB liability and related ratios

The historical reconciliation of the total reported liability for Post-retirement Welfare plan benefit obligations (Note 9) for the years ended June 30, 2020, 2019 and 2018, respectively, is summarized as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	23,361	19,165	18,428
Interest cost	122,842	181,151	180,000
Changes in assumptions	627,441	180,421	2,989,480
Difference between expected and	(977,538)	(74,696)	-
Benefit payments	<u>(191,673)</u>	<u>(223,031)</u>	<u>(114,405)</u>
Net Changes	<u>\$ (395,567)</u>	<u>\$ 83,010</u>	<u>\$ 3,073,503</u>
Total liability, beginning of the year	\$ 4,723,673	\$ 4,640,663	\$ 1,567,160
Total liability, end of year	\$ 4,328,106	\$ 4,723,673	\$ 4,640,663
Covered employee payroll	\$ 1,116,723	\$ 1,293,970	\$ 1,492,279
Total liability as a percentage of covered employee payroll	388%	365%	311%

Discount rates used in determining the total reported liability for postemployment benefits obligations were 2.66%, 4% and 4% at the measurement dates of June 30, 2020, 2019, and 2018, respectively. The new rate was determined using the S&P Municipal Bond 20-Year High Grade Rate Index yield to maturity rate as of June 30, 2020. Mortality was updated from the RP-2014 Mortality Tables projected using Scale MP-2018 to the Society of Actuaries PubG.H-2010 Mortality Table for General Employees projected using scale MP-2019. The trend was determined using the 2020 Getzen Model from the Society of Actuaries.

As part of the January 1, 2019 valuation, Mortality was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2017 to table RP-2014 adjusted to 2006 and projected using scale MP-2018. The mortality tables were updated to reflect the updated historical population mortality experience. No experience study has been completed.

## Supplemental Information

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*

### **Independent Auditor's Report**

To Management and the Board of Trustees  
Northeast Ohio Medical University

We have audited, in accordance with 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 Northeast Ohio Medical University and its discretely presented component units (the "University") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 13, 2020.

#### **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) as a basis for designing 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.

#### **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 financial statements. 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*.

To Management and the Board of Trustees  
Northeast Ohio Medical University

**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 results 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.

*Plante & Moran, PLLC*

October 13, 2020



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance

### **Independent Auditor's Report**

To the Board of Trustees  
Northeast Ohio Medical University

#### **Report on Compliance for Each Major Federal Program**

We have audited Northeast Ohio Medical University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the University's major federal program for the year ended June 30, 2020. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

#### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

To the Board of Trustees  
Northeast Ohio Medical University

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 13, 2020

# Northeast Ohio Medical University

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				
<b>Department of Education</b>				
<i>Office of Student Financial Assistance Program:</i>				
William D Ford Federal Direct Loan Program	84.268	N/A		\$ 32,322,338
Federal Perkins Loan Program	84.038	N/A		710,414
<b>Total Department of Education</b>				<b>33,032,752</b>
<b>Department of Health and Human Services</b>				
<i>Health Resources and Services Administration:</i>				
Health Prof Student Loan Prgm - Loans to Disadvantaged Students	93.342	N/A		3,578,138
Health Prof Student Loan Prgm - Primary Care Loans	93.342	N/A		863,211
<b>Total Department of Health and Human Services</b>				<b>4,441,349</b>
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				<b>37,474,101</b>
<b>MEDICAID CLUSTER</b>				
<b>Department of Health and Human Services</b>				
<i>Centers for Medicare and Medicaid Services:</i>				
<i>Passed through Case Western Reserve University:</i>				
DHHS - CWRU - MEDTAPP Ohio Cardiovascular Health Collaborative	93.778	RES514876		42,753
DHHS - CWRU - MEDTAPP Ohio Cardiovascular Health Collaborative	93.778	RES513446		1,613
<i>Passed through Ohio State University -</i>				
DHHS - OSU - MEDTAPP Systems of Care Project ECHO for Multi-System Youth	93.778	60076010		5,834
<i>Passed through Case Western Reserve University:</i>				
DHHS - OSU - CWRU - MEDTAPP Ohio Diabetes Consortium	93.778	G-2021-05-0069		10,294
DHHS - OSU - CWRU - MEDTAPP Diabetes Quality Improvement Project	93.778	RES514879		9,577
<b>TOTAL MEDICAID CLUSTER</b>				<b>70,071</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
<b>Department of Health and Human Services</b>				
<i>National Institutes of Health -</i>				
NIH - Gene-Environment Interactions in Neurodegenerative Disease	93.113	1R15ES027998-01		5,279
<i>National Institutes of Health:</i>				
NIH - Modulatory Circuits in the Auditory System	93.173	2R01DC004391		592,051
NIH - Auditory Information Processing in the Amygdala	93.173	2R01DC000937		489,966
NIH - Neuronal Hyperactivity: Tinnitus and Distress	93.173	1R01DC016918-01A1		374,103
NIH - Metabotropic Glutamate Receptor-Mediated Neuromodulation in Sound Localization Circuits	93.173	R01DC016054		321,053
NIH - Auditory Processing Deficits in Early-Onset Conductive Hearing Loss	93.173	5R01DC013314-04		196,310
NIH - Cellular properties mediating specialization of lateral superior olive principal neuron types for timing and intensity based sound localization	93.173	1R21DC017819		140,499
NIH - Auditory Information Processing in the Amygdala	93.173	R01DC000937		107,320
NIH - The effects of social context on the basolateral amygdalar processing	93.173	1F31DC015943-01		4,281
<i>Passed through Gateway Biotechnology Inc -</i>				
NIH - Gateway - Developing a Nutraceutical Product against Ototoxicity	93.173	R41DC017108		27,811
Total CFDA #93.173				2,253,394
<i>National Institutes of Health:</i>				
NIH - Alcohol, Hedgehog Signal, and HSC Dysfunction in Host Defense Against Septicemia	93.273	5R01AA022816-05		251,679
NIH - Ethanol Regulation of Adiponectin and its Signaling	93.273	2R01AA015951		237,042
NIH - Effect of Ethanol on Lipid Metabolism	93.273	5R01AA013623-16		211,296
<i>Passed through Cleveland Clinic Lerner College of Medicine -</i>				
NIH - CCLCM - Alcohol and Tissue Injury from Mechanisms to Treatment	93.273	1163-SUB		197,596
Total CFDA #93.273				897,613
<i>National Institutes of Health -</i>				
NIH - Mechanism of Gene Environment Interactions in Alzheimer's Disease	93.311	5R01ES026057-03	\$ (6,108)	(6,108)
<i>National Institutes of Health -</i>				
NIH - Integration of Mechanical and Soluble Signaling in Tumor Angiogenesis	93.396	1R15CA202847-01		43,426

# Northeast Ohio Medical University

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (CONTINUED)</b>				
<b>Department of Health and Human Services (Continued)</b>				
<i>National Institutes of Health:</i>				
NIH - The Critical Role of the Coronary Microcirculation in Heart Failure	93.837	5R01HL135024-03	\$ 61,659	\$ 528,022
NIH - Identification of Novel Genes/Pathways That Regulate Atherosclerosis	93.837	1R01HL142086-01		456,599
NIH - Mechanism of Impaired Coronary Collateral Growth	93.837	1R01HL137008		438,365
NIH - What mechanisms underlie coronary collateral growth?	93.837	1R01HL135110-01	60,540	323,866
NIH - Mechanical Control of Coronary Angiogenesis	93.837	1R01HL148585	23,677	223,369
NIH - What mechanisms underlie coronary collateral growth?	93.837	1R01HL135110-01		187,311
NIH - Mechanotransduction in Myocardial Adaptation to Ischemia	93.837	5R01HL119705-04		186,226
NIH - Regulation of Lipid and Lipoprotein Metabolism by Nuclear Receptors	93.837	2R01HL103227-07		163,092
NIH - Regulation of Lipid and Lipoprotein Metabolism by Nuclear Receptors	93.837	2R01HL103227-07		148,205
NIH - Role of OGT in Diabetic Vascular Disease	93.837	1R56HL141409-01		142,760
NIH - Mechanism of TSP-1 in Metabolic Syndrome-Induced Vascular Disease	93.837	1R15HL147245-01		103,039
NIH - Myocardial Injury Associated with Mitochondria-Derived Oxygen Free Radical (s)	93.837	4R01HL083237-09		93,518
NIH - NHLBI : Targeting Collagen 6 for Post-Infarction Recovery	93.837	1R15HL132312-01A1		58,087
<i>Passed through University of Louisville Research Foundation -</i>				
NIH - Univ of Louisville - Regulation of Coronary Blood Flow	93.837	ULRF 18-0313A		224,871
<i>Passed through Temple University -</i>				
NIH - Temple - Follistatin-like protein 1 in cardiac and systemic metabolism	93.837	257816		41,689
Total CFDA #93.837			145,876	3,318,819
<i>National Institutes of Health -</i>				
NIH - Uridylation of miRNAs by ZCCHC6 Regulates IL-6 Expression in Arthritis	93.846	5R01AR067056-03		481,264
<i>National Institutes of Health:</i>				
NIH - Molecular Biology of Bile Acid Synthesis	93.847	2R01DK04442-22A1		453,910
NIH - Hepatic FOXA3 Links NAFLD to Atherosclerosis	93.847	1R01DK118805		444,118
NIH - Hepatic ATF3 in the Development of NAFLD	93.847	1R01DK118941-01		410,562
NIH - Regulation of Bile Acid Synthesis by Nuclear Receptors	93.847	5R37DK058379-30		306,220
NIH - Mechanisms Underlying the Pathogenesis of Non-alcoholic Fatty Liver Disease	93.847	5R01DK102619-04		220,691
NIH - Forkhead Box A3 and Bile Acid Metabolism	93.847	1R01DK121548		62,547
<i>Passed through Augusta University -</i>				
NIH - Augusta - Mitochondrial Acetylome Dynamics in NAFLD Assessed with Heavy Water-based Metabolic Labeling	93.847	35235-4		14,903
Total CFDA #93.847				1,912,951
<i>National Institutes of Health -</i>				
NIH - Astrocytes in Retrovirus-Induced Spongiform Motor Neuron Disease	93.853	1R15NS108107		93,334
<i>National Institutes of Health -</i>				
NIH - Sca-1 signaling, EPC, and the inflammatory response to septic infection	93.859	1R01GM132449		312,663
<i>Passed through University of Wisconsin - Madison -</i>				
NIH - UofW - Genetics of the Island Rule	93.859	740K294		50,451
<i>Passed through University of Texas Medical Branch -</i>				
NIH - U. of Texas - Data-Driven Models of the Dynamic Proteome in NAFLD	93.859	15-036		17,284
Total CFDA #93.859				380,398
<i>National Institutes of Health:</i>				
NIH - The effect of sensory intervention on swallowing and respiration through neurological maturation in preterm infants	93.865	1R01HD096881-01A1		449,355
NIH - The Effect of Preterm Birth and RLN Damage on Airway Protection and Maturation	93.865	1R01HD088561-01		374,538
Total CFDA #93.865				823,893
<i>Passed through GPN Therapeutics -</i>				
NIH - GPN Therapeutics - Osteoactivin Treatment for Accelerating Spinal Fusion in Osteoporosis	93.866	1		21,406
<i>National Institutes of Health -</i>				
NIH - Metabolic vulnerability as a disease target for glaucoma	93.867	5R01EY026662-04		18,117
<i>Passed through University of North Texas -</i>				
NIH - UNTHSC - Metabolic Vulnerability as a Disease Target for Glaucoma	93.867	RF00190-2020-0178		1,504
Total CFDA #93.867			-	19,621
<b>Total Department of Health and Human Services</b>			<b>139,768</b>	<b>10,245,290</b>
<b>National Science Foundation</b>				
<i>National Science Foundation -</i>				
NSF - Mechanobiology of a Resilient Bone Extracellular Matrix: How Bats Achieve Exceptional Mechanical Properties in their Wings	47.041	1537745		64
<i>National Science Foundation -</i>				
NSF - Collaborative Research: Exceptions that Test the Rules-Establishing the Feasibility of Avian Feather Muscles as Study System for Neuromotor Control	47.074	IOS1838746	10,405	66,708
<i>National Science Foundation:</i>				
NSF - Kinematics of Quadrupedal Locomotion in Free Ranging Primates	47.075	BCS-1640552		24,229
NSF - Collaborative Research: Ecological Influences on Locomotor Performance in Free-Ranging Primates	47.075	1921314		11,161
Total CFDA #47.075			-	35,390
<b>Total National Science Foundation</b>			<b>10,405</b>	<b>102,162</b>

# Northeast Ohio Medical University

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (CONTINUED)</b>				
<b>Department of Commerce</b>				
<i>Department of Commerce -</i> EDA - Accelerating Pharmaceutical Commercialization	11.020	FED16HDQ0200015	\$	160,462
<b>Department of Defense</b>				
<i>Department of Defense -</i> DOD - Exercise Effects on Synuclein Aggregation, Neuroinflammation, and Neurodegeneration	12.420	W81XWH1910772		158,918
<b>Department of Agriculture</b>				
<i>Passed through North Carolina State University -</i> USDA - NC State - A Comprehensive Understanding of the Role of Flavor and Texture in the Eating Experience and Satiety	10.310	2013-1755-01	-	16,890
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>			<b>150,173</b>	<b>10,683,722</b>
<b>TOTAL CLUSTERS</b>			<b>150,173</b>	<b>48,227,894</b>
<b>OTHER PROGRAMS</b>				
<b>Department of Health and Human Services</b>				
<i>Passed through The University of Toledo -</i> HRSA - UT - AHEC Point of Service Maintenance and Enhancement Award FY20	93.107	F-2020-09	198,205	274,468
<i>Passed through The University of Toledo -</i> HRSA - UT - AHEC Point of Service Maintenance and Enhancement Award	93.107	F-2019-24	115,033	129,890
<i>Passed through The University of Toledo -</i> HRSA - UT - Area Health Education Center Point of Service Maintenance and Enhance Award Opioid Supplement	93.107	F-2019-34	72,582	74,238
Total CFDA #93.107			385,820	478,596
<i>National Institutes of Health -</i> SAMHSA - Expanding Access to Medication-Assisted Treatment for Opioid Use Disorder by Educating and Training Medical Students	93.243	6H79TI081669-02M002	21,412	129,712
<i>Passed through Summit County Alcohol Drug Addiction &amp; Mental Health Services Board -</i> SAMHSA - SADM : Community Programs for Outreach and Intervention with Youth and Young Adults at Clinical High Risk for Psychosis	93.243	16520 CHR-P		24,953
Total CFDA #93.243			21,412	154,665
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - Addressing the opioid epidemic through an all-Ohio collaborative medical school training curriculum	93.788	1900822	216,415	373,962
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - Ohio Opiate Project ECHO	93.788	2000460	47,500	123,492
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - Ohio Opiate Project ECHO	93.788	1900720	61,760	93,623
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - Addressing the opioid epidemic through an all-Ohio collaborative medical school training curriculum	93.788	2000489	655	29,138
Total CFDA #93.788			326,330	620,215
<i>National Institutes of Health:</i> HRSA - Primary Care Training and Enhancement	93.884	5 T0BHP30006-05-00	90,704	388,215
<i>HRSA - Training the Next Generation of Diverse Primary Care Providers to Learn and Serve in Rural and Medically Underserved Communities Through a New, Innovative Integrated Behavioral Health and Primary Care</i>	93.884	T0BHP33103	5,338	179,974
Total CFDA #93.884			96,042	568,189
<i>Passed through Ohio Department of Mental Health -</i> <i>Passed through Allwell Behavioral Health Services -</i> SAMHSA - OMHAS - ABHS - Evidence Based Programs to Address First Episode Psychosis	93.958	N/A		30,227
<i>Passed through Ohio Department of Mental Health -</i> <i>Passed through Allwell Behavioral Health Services -</i> SAMHSA - OMHAS - ABH - Evidence Based Programs to Address First Episode Psychosis - FIRST Mahoning County	93.958	N/A		25,681
<i>Passed through Ohio Department of Mental Health -</i> <i>Passed through County of Summit Alcohol Drug Addiction &amp; Mental Health Services Board -</i> SAMHSA - OMHAS - ADM - CJCCoE	93.958	2000100	13,500	148,306
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - First Episode Psychosis: Project ECHO	93.958	2000331		65,632
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - TCN - Evidence Based Programs for First Episode Psychosis	93.958	N/A		21,602
<i>Passed through State of Illinois Department of Mental Health-</i> <i>Passed through Thresholds -</i> SAMHSA - State of Illinois - Thresholds - FIRST.IL Team Implementation and Sustainability	93.958	N/A		46,998
<i>Passed through University of Maryland -</i> SAMHSA - UM - National Training & Technical Assistance Center Consulting	93.958	PUR01-0000039821		(3,293)
Total CFDA #93.958			13,500	335,153

See notes to schedule of expenditures of federal awards.

# Northeast Ohio Medical University

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>OTHER PROGRAMS (CONTINUED)</b>				
<b>Department of Health and Human Services (Continued)</b>				
<i>National Institutes of Health - HRSA - Geriatrics Workforce Enhancement Program</i>	93.969	U1QHP33073	\$ 189,947	\$ 328,040
<i>Passed through Summa Health Corporate Health - HRSA - Summa - Geriatric Workforce Development through Interdisciplinary Team Learning</i>	93.969	89335-A		8,446
Total CFDA #93.969			189,947	336,486
<b>Total Department of Health and Human Services</b>			<b>1,033,051</b>	<b>2,493,304</b>
<b>Department of Justice</b>				
<i>Passed through Ohio Office of Criminal Justice Services - DOJ - OCJS - Sequential Intercept Mapping: Stepping Up Counties</i>	16.738	2018-JG-E01-6963		37,514
<i>Passed through Ohio Office of Criminal Justice Services - DOJ - OCJS - Sequential Intercept Mapping for Stepping Up Counties</i>	16.738	2019-JG-E01-6963		3,976
Total CFDA #16.738				41,490
<i>Passed through Ohio Office of Criminal Justice Services - DOJ - OCJS - CJCCoE Technical Assistance Expansion</i>	16.745	2017-CO-JMH-604		24,859
<i>Passed through Mental Health &amp; Recovery Board of Union County - USDOJ - MHRBUC - Union Cty Sequential Intercept Mapping</i>	16.745	2017-MO-BX-0022		902
Total CFDA #16.745				25,761
<b>Total Department of Justice</b>				<b>67,251</b>
<b>Department of Education</b>				
<i>Department of Education - COVID-19 - US DEP EDU - NEOMED CARES Act Higher Education Emergency Relief Fund Direct-to-Student Allocation</i>	84.425E	P425E202527		4,967
<i>Department of Education - COVID-19 - US DEP EDU - NEOMED CARES Act Higher Education Emergency Relief Fund Institutional Allocation</i>	84.425F	P425F202175		99,724
Total CFDA #84.425				104,691
<b>Total Department of Education</b>				<b>104,691</b>
<b>Department of the Interior</b>				
<i>Bureau of Ocean Energy Management - BOEM - NSB - Summarize Bowhead Whales Knowledge</i>	15.423	143728		4,791
<b>Department of Veteran Affairs</b>				
<i>Department of Veteran Affairs - LVAMC - Psychosis Training for VA in Lexington, Kentucky</i>	64.U01	N/A		2,658
<b>TOTAL OTHER PROGRAMS</b>			<b>1,033,051</b>	<b>2,672,695</b>
<b>TOTAL EXPENDITURES OF FEDERAL PROGRAMS</b>			<b>\$ 1,183,224</b>	<b>\$ 50,900,589</b>

See notes to schedule of expenditures  
of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Northeast Ohio Medical University (the "University") under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The University has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

**Note 3 - Loan Balances**

Loans outstanding at the beginning of the year and loans made during the year for campus-based programs are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balances of loans outstanding at June 30, 2020 consist of the following:

Cluster/Program Title	CFDA Number	Loan Balances
Federal Perkins Loan Program	84.038	\$ 491,509
Health Professional Student Loan Program - Loans to Disadvantaged Students	93.342	3,049,759
Health Professional Student Loan Program - Primary Care Loan	93.342	<u>748,969</u>
	Total	<u>\$ 4,290,237</u>

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**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2020**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,527,018

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Audit Findings**

Reference Number	Finding
Current Year	None

**Section III - Federal Program Audit Findings**

Reference Number	Finding	Questioned Costs
Current Year	None	

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**Northeast Ohio Medical University**  
**September 4, 2020**  
**Summary Schedule of Prior Audit Findings**

**Prior Year Finding Number:**

2019-001

**Fiscal Year in Which the Finding Initially Occurred:**

2019

**Federal Program, CFDA Number and Name:**

N/A

**Original Finding Description:**

During the testing of cash, it was noted that the former Controller and former Director of the Board of Trustees still have access to the US bank accounts in ERS. It was also noted the former Controller and former Chief Operating Office still have access to the investment accounts in the University.

Account access was never removed subsequent to these individuals' departures from the University. These individuals have drawdown access.

**Status/Partial Corrective Action (as applicable):**

Fully corrected.

**Planned Corrective Action:**

N/A

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# OHIO AUDITOR OF STATE KEITH FABER



**NORTHEAST OHIO MEDICAL UNIVERSITY (NEOMED)**

**PORTAGE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/10/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)