

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

Financial Report
Including Supplemental Information
June 30, 2019

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, 2019 and 2018, 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, 2019 and 2018 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.

To the Board of Trustees
Northeast Ohio Medical University

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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northeast Ohio Medical University's basic financial statements. The other supplemental information, as identified in the table of contents, and 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*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 audits 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 other supplemental information and the schedule of expenditures of federal awards are 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 12, 2019 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 12, 2019

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, 2018, and 2017. 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

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

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, and ERS Contiguous Properties 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 developing, constructing, and equipping housing for students, faculty, staff, and guests of Northeast Ohio Medical University. ERS HWMEC LLC is operated for the purpose of development, construction, and 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 and ERS Contiguous Properties LLC are operated for the purpose of purchasing and developing property for the benefit of Northeast Ohio Medical University. ERS MOB LLC will be a medical office building for community physicians to give care to patients and be a resource for student clinical rotations.

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, as a whole, decreased during the fiscal year ended June 30, 2019 as compared to the previous year as evidenced by the following:

- The University's total assets increased over the prior year by \$1 million. Current assets increased by \$3.9 million primarily due to accounts receivable related to student tuition billed right at fiscal year-end, while noncurrent assets decreased by \$2.9 million primarily due to depreciation on capital assets and market changes with investments.
- Cash and cash equivalents decreased by \$2.6 million. This is due to timing mainly, as student loan disbursements and the related drawdown were processed in July in fiscal year 20. In the prior year, there was a large disbursement and drawdown that occurred in June.
- The University's net position decreased by \$2.9 million to \$56.3 million, of which \$47.2 million is invested in capital assets or is restricted.
- Operating revenue increased by \$525,000 compared to the prior year, primarily due to an increase of \$369,000 in tuition and fees.
- The University's operating expenses increased by \$8.1 million, which is primarily due to the change from pension income of \$6,317,000 in 2018 to pension expense of \$7,126,000 in 2019.
- Net nonoperating revenue increased by a net \$569,000 mostly due to a \$211,000 increase in state appropriations, a \$253,000 increase in investment income, and a \$123,000 decrease in interest expense.
- Other revenue, expenses, gains, or losses decreased by approximately \$1.5 million due to a decrease in capital appropriations and permanently restricted gifts.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Northeast Ohio Medical University
Condensed Statements of Net Position
as of June 30, 2019, 2018, and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current assets	\$52,939,552	\$48,990,179	\$47,865,634
Noncurrent			
Capital	83,504,096	85,344,660	87,370,483
Other	32,078,191	33,177,396	32,426,846
Total assets	<u>168,521,839</u>	<u>167,512,235</u>	<u>167,662,963</u>
DEFERRED OUTFLOWS	19,045,011	15,797,873	16,651,458
LIABILITIES			
Current liabilities	15,940,160	15,840,295	15,091,511
Noncurrent liabilities	110,566,472	101,417,976	95,125,396
Total liabilities	<u>126,506,632</u>	<u>117,258,271</u>	<u>110,216,907</u>
DEFERRED INFLOWS	4,729,810	6,858,302	185,394
NET POSITION			
Net Investment in			
Capital Assets	47,213,982	48,787,862	48,901,219
Restricted	13,397,676	12,193,617	11,371,587
Unrestricted	(4,281,250)	(1,787,944)	13,639,314
Total net position	<u>\$56,330,408</u>	<u>\$59,193,535</u>	<u>\$73,912,120</u>

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.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

2018 versus 2017 During the year ended June 30, 2018:

As of June 30, 2018, the University's 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, 2017, current assets of \$47.9 million were sufficient to cover current liabilities of \$15.1 million (current ratio of 3.17:1).

As of June 30, 2018, the University's capital assets decreased to \$85.3 million from \$87.3 million in fiscal year 2017, and other noncurrent assets increased to \$33.2 million from \$32.4 million.

At June 30, 2018, total University assets were \$167.5 million, compared to \$167.7 million in fiscal year 2017.

University liabilities totaled \$117.3 million at June 30, 2018, compared to \$110.2 million in fiscal year 2017. The increase is due the implementation of GASB 75 requiring the University to recognize the calculated portion of the OPEB liability. Current liabilities totaled \$15.8 million and consisted primarily of \$5.6 million in unearned revenue, accrued liabilities of \$3.3 million (\$786,000 owed to associated hospitals and pharmacies for clinical experiences, and \$701,000 owed to consortium universities for the collaborative academic programs), approximately \$4.4 million in accrued employee compensation and benefits, \$1.6 million in general accounts payable, \$18,000 in capital lease obligations, and \$940,000 in bonds payable.

Total net position decreased by \$14.7 million to \$59.2 million due to the implementation of GASB 75. Restricted net assets include \$6.6 million in student loans, \$4.6 million in endowments, and \$960,000 in current operations. Unrestricted net assets totaled \$(1.79) million, of which \$12.5 million was allocated to reserves for ongoing academic and research programs, capital projects, and other initiatives. The remaining (\$10.7) million consists of designated, undesignated, and unrestricted funds.

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, 2019, 2018, and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue			
Tuition and Fees	\$ 34,932,499	\$ 34,563,217	\$ 34,402,078
Federal and State Appropriations	24,993,177	24,782,041	24,579,036
Federal, state, local, and private grants and contracts	19,200,974	19,147,099	21,592,632
Auxiliary activities	2,847,929	2,660,592	2,590,820
Other	5,186,104	6,508,355	7,569,132
Total Revenue	<u>87,160,683</u>	<u>87,661,304</u>	<u>90,733,698</u>
Expenses			
Instruction	21,468,852	17,167,303	21,529,081
Research	13,746,143	13,017,991	14,401,248
Academic support	10,202,491	9,524,276	9,246,947
Institutional support	14,871,527	12,751,859	10,497,835
Other	29,734,797	29,537,134	33,531,752
Total Expenses	<u>90,023,810</u>	<u>81,998,563</u>	<u>89,206,863</u>
Increase (decrease) in net position	<u>\$ (2,863,127)</u>	<u>\$ 5,662,741</u>	<u>\$ 1,526,835</u>

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 \$1.5 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 the change from pension income of \$6,317,000 in 2018 to pension expense of \$7,126,000 in 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

2018 versus 2017 During the year ended June 30, 2018:

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 2018 as compared to 2017 by 0.5 percent primarily due to increased student enrollment and tuition rates. Grant revenue decreased by \$2.4 million or 11.3 percent, in 2018 due to a decrease in active federal awards.

Other revenue has decreased by \$1.0 million as compared to 2017 due to the decrease in capital appropriations and investment income during 2018.

Operating expenditures, including depreciation of \$6.8 million, totaled \$82 million, a decrease from the prior year of \$7.2 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 \$24.8 million, which was an increase from 2017 of 0.8 percent.

Northeast Ohio Medical University Condensed Statements of Cash Flows for the years ended June 30, 2019, 2018, and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cashed used in:			
Operating activities	\$ (25,638,212)	\$ (17,999,460)	\$ (14,925,140)
Investing activities	4,882,732	742,556	(1,527,595)
Capital and related financing activities	(6,370,099)	(6,343,831)	(6,093,227)
Noncapital financing activities	<u>24,993,177</u>	<u>24,782,041</u>	<u>24,579,036</u>
Net (decrease) increase in cash and cash equivalents	(2,132,402)	1,181,306	2,033,074
Cash and cash equivalents, beginning of year	<u>8,515,924</u>	<u>7,334,618</u>	<u>5,301,544</u>
Cash and cash equivalents, end of year	<u>\$ 6,383,522</u>	<u>\$ 8,515,924</u>	<u>\$ 7,334,618</u>

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

Major sources of cash included student tuition and fees \$33.3 million, state appropriations \$25 million, auxiliary activities \$2.9 million, and grants and contracts \$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

2018 versus 2017 During the year ended June 30, 2018:

Major sources of cash included student tuition and fees \$36 million, state appropriations \$24.8 million, auxiliary activities \$2.7 million, and grants and contracts \$19.7 million. The largest payments were for suppliers (\$27.8 million) and employees (\$47.5 million).

Asset and Debt Administration

Capital Assets

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.

At the end of 2018, the University had invested \$85.3 million in capital assets (net of accumulated depreciation of \$75.5 million); this amount represents a decrease of \$2.0 million, or 2.3 percent, over last year.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 2,149,470	\$ 2,149,470	\$ 2,149,470
Equipment, furnishings, library materials, and intangibles	35,454,196	33,192,482	33,812,050
Buildings, infrastructure, improvements, and construction in progress	<u>127,695,416</u>	<u>125,546,836</u>	<u>122,122,816</u>
Total	<u>\$ 165,299,082</u>	<u>\$ 160,888,788</u>	<u>\$ 158,084,336</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

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.

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.

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 and they have sustained minor reductions of 5 percent, but this source appears to have stabilized. 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.

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current assets						
Cash and cash equivalents (Note 2)	\$ 3,916,268	\$ 6,586,779	\$ 3,957,444	\$ 502,049	\$ 400,231	\$ 554,324
Investments (Notes 2 & 3)	28,561,949	27,649,068	-	-	-	-
Accounts receivable (Note 4)	17,744,329	12,552,745	11,714	4,300	10,647	22,502
Inventories	176,319	172,884	-	-	-	-
Prepaid expenses and deferred charges	2,202,723	1,617,072	2,854	6,745	2,941	4,989
Pledges receivable	-	-	446,672	569,865	-	-
Notes receivable (Note 4)	337,964	411,631	46,569	42,753	-	-
Total current assets	52,939,552	48,990,179	4,465,253	1,125,712	413,819	581,815
Noncurrent assets						
Cash-restricted (Note 2)	2,467,254	1,929,145	-	-	-	-
Long-term investments (Notes 2 & 3)	24,987,032	26,939,093	19,056,671	17,958,688	-	-
Funds held in trust	-	-	75,117	72,669	2,132,210	1,906,212
Pledges receivable	-	-	559,027	828,226	-	-
Notes receivable (Note 4)	4,623,905	4,309,158	366,397	356,490	-	-
Capital assets, net (Note 5)	83,504,096	85,344,660	-	-	104,088,266	105,546,815
Total noncurrent assets	115,582,287	118,522,056	20,057,212	19,216,073	106,220,476	107,453,027
Total assets	168,521,839	167,512,235	24,522,465	20,341,785	106,634,295	108,034,842
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	17,220,505	14,603,062	-	-	-	-
Deferred outflows related to OPEB	1,824,506	1,194,811	-	-	-	-
Total deferred outflows of resources	19,045,011	15,797,873	-	-	-	-
Total assets and deferred outflow of resources	187,566,850	183,310,108	24,522,465	20,341,785	106,634,295	108,034,842
LIABILITIES						
Current liabilities						
Accounts payable	1,275,047	1,618,970	-	-	18,500	12,115
Accrued compensation and benefits (Note 6)	5,373,031	4,131,316	-	-	-	-
Unearned revenue	5,679,843	5,617,539	-	-	482,738	355,954
Other accrued liabilities	1,964,183	3,288,550	673,109	474,282	654,502	635,712
Net OPEB liability (Notes 6 and 9)	383,318	225,981	-	-	-	-
Capital lease obligations	289,738	17,939	-	-	-	-
Related party payable (Note 12)	-	-	-	-	74,343	-
Bonds payable (Note 10)	975,000	940,000	-	-	2,165,934	2,010,635
Total current liabilities	15,940,160	15,840,295	673,109	474,282	3,396,017	3,014,416
Noncurrent liabilities						
Compensated absences (Note 6)	2,220,604	3,405,823	-	-	-	-
Related party payable (Note 12)	-	-	-	-	6,929,939	5,855,295
Deferred rental income	-	-	-	-	1,410,259	-
Annuity obligations	-	-	99,800	89,866	-	-
Net OPEB liability (Notes 6 and 9)	18,458,759	21,198,775	-	-	-	-
Capital lease obligations	888,734	51,024	-	-	-	-
Bonds payable (Note 10)	35,240,106	36,208,918	-	-	107,699,031	109,758,697
Net pension liability (Note 8)	53,758,269	40,553,436	-	-	-	-
Total noncurrent liabilities	110,566,472	101,417,976	99,800	89,866	116,039,229	115,613,992
Total liabilities	126,506,632	117,258,271	772,909	564,148	119,435,246	118,628,408
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	1,954,098	5,415,955	-	-	-	-
Deferred inflows related to OPEB	2,775,712	1,442,347	-	-	-	-
Total deferred inflows of resources	4,729,810	6,858,302	-	-	-	-
NET POSITION						
Net investment in capital assets	47,213,982	48,787,862	-	-	-	-
Restricted						
Nonexpendable						
Student loans	7,531,116	6,607,544	959,510	940,375	-	-
Endowments	4,809,741	4,626,556	9,423,475	9,032,133	-	-
Annuity and life income	-	-	21,712	40,974	-	-
Expendable - programs	1,056,819	959,517	8,299,331	7,989,169	-	-
Unrestricted (deficit)	(4,281,250)	(1,787,944)	5,045,528	1,774,986	(12,800,951)	(10,593,566)
Total net position	56,330,408	59,193,535	23,749,556	19,777,637	(12,800,951)	(10,593,566)
Total liabilities, deferred inflow of resources, and net position	\$ 187,566,850	\$ 183,310,108	\$ 24,522,465	\$ 20,341,785	\$ 106,634,295	\$ 108,034,842

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, 2019 AND 2018

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2019	2018	2019	2018	2019	2018
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$2,088,662 and \$1,847,281, respectively)	\$ 34,932,499	\$ 34,563,217	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	13,412,637	12,933,187	-	-	-	-
State grants and contracts	1,225,016	1,484,366	-	-	-	-
Local grants and contracts	19,124	60,283	-	-	-	-
Private grants and contracts	4,544,197	4,669,263	-	-	-	-
Contributions and bequests	-	-	4,716,220	1,535,167	-	-
In-kind contributions from NEOMED	-	-	1,198,894	1,219,754	318,551	317,916
Sales and services of departments	335,392	334,273	-	-	-	-
Sales and services of auxiliary enterprises	2,847,929	2,660,592	-	-	8,755,316	8,583,387
Other	640,930	727,366	49,989	47,171	-	-
Total operating revenues	<u>57,957,724</u>	<u>57,432,547</u>	<u>5,965,103</u>	<u>2,802,092</u>	<u>9,073,867</u>	<u>8,901,303</u>
OPERATING EXPENSES						
Educational and general						
Instruction and departmental research	21,468,852	17,167,303	261,926	203,134	-	-
Separately budgeted research	13,746,143	13,017,991	338,801	571,111	-	-
Public service	2,883,417	2,034,654	32,392	41,548	-	-
Academic support	10,202,491	9,524,276	106,928	140,295	-	-
Student services	2,903,849	2,874,355	34,471	-	-	-
Institutional support	14,871,527	12,751,859	1,609,985	1,250,974	-	-
Operation and maintenance of plant	7,106,185	7,450,610	15,140	5,000	-	-
Scholarships and fellowships	1,894	-	886,703	854,677	-	-
Auxiliary enterprises	8,206,687	8,153,642	-	-	1,066,889	966,555
Depreciation	6,532,656	6,818,952	-	-	4,206,030	4,217,258
Total operating expenses	<u>87,923,701</u>	<u>79,793,642</u>	<u>3,286,346</u>	<u>3,066,739</u>	<u>5,272,919</u>	<u>5,183,813</u>
Operating (loss) income	(29,965,977)	(22,361,095)	2,678,757	(264,647)	3,800,948	3,717,490
NONOPERATING REVENUES (EXPENSES)						
State appropriations	24,993,177	24,782,041	-	-	-	-
Investment income	3,161,006	2,907,581	903,785	1,098,244	-	-
Interest expense	(1,980,286)	(2,103,324)	-	-	(6,008,333)	(6,098,908)
Loss on disposal of assets	(119,823)	(101,597)	-	-	-	-
Net nonoperating revenues (expenses)	<u>26,054,074</u>	<u>25,484,701</u>	<u>903,785</u>	<u>1,098,244</u>	<u>(6,008,333)</u>	<u>(6,098,908)</u>
(LOSS) GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(3,911,903)	3,123,606	3,582,542	833,597	(2,207,385)	(2,381,418)
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES						
Capital appropriations and grants	1,048,776	2,539,135	-	-	-	-
Contributions	-	-	389,377	419,354	-	-
Total other revenues, expenses, gains, or losses	<u>1,048,776</u>	<u>2,539,135</u>	<u>389,377</u>	<u>419,354</u>	<u>-</u>	<u>-</u>
(DECREASE) INCREASE IN NET POSITION	(2,863,127)	5,662,741	3,971,919	1,252,951	(2,207,385)	(2,381,418)
NET POSITION AT BEGINNING OF YEAR	59,193,535	73,912,120				
Adjustment for Change in Accounting Principle - GASB 75 (Note 8)	-	(20,381,326)				
NET POSITION AT BEGINNING OF YEAR, as restated	<u>59,193,535</u>	<u>53,530,794</u>	<u>19,777,637</u>	<u>18,524,686</u>	<u>(10,593,566)</u>	<u>(8,212,148)</u>
NET POSITION AT END OF YEAR	<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>

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 33,261,264	\$ 35,987,177
Grants and contracts	18,955,134	19,653,049
Employee compensation	(50,352,100)	(47,464,615)
Payments to suppliers	(28,612,118)	(27,809,290)
Payments for utilities	(2,014,769)	(2,197,326)
Payments for student financial aid	1,898	-
Student loan advances	(1,343,790)	(381,891)
Student loan repayments	998,387	1,043,608
Sales and services of auxiliary enterprises	2,874,876	2,653,395
Sales and services of departments	335,392	14,731
Other operating receipts	257,614	501,702
Net cash and cash equivalents used in operating activities	(25,638,212)	(17,999,460)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	24,993,177	24,782,041
Federal loan receipts	27,293,292	30,592,983
Federal loan disbursements	(27,293,292)	(30,592,983)
Net cash and cash equivalents provided by financing activities	24,993,177	24,782,041
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	1,048,776	2,539,135
Purchases of capital assets	(3,389,078)	(4,836,976)
Payments on capital lease	(1,109,511)	(1,027,666)
Principal paid on debt	(940,000)	(915,000)
Interest paid on debt	(1,980,286)	(2,103,324)
Net cash and cash equivalents used in capital and related financing activities	(6,370,099)	(6,343,831)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	3,161,006	2,907,581
Sale of investments	35,830,034	24,186,393
Purchase of investments	(34,108,308)	(26,351,418)
Net cash and cash equivalents provided by investing activities	4,882,732	742,556
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(2,132,402)	1,181,306
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,515,924	7,334,618
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 6,383,522	\$ 8,515,924
SIGNIFICANT NONCASH TRANSACTION - Acquisition of equipment financed through capital leases	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, 2019 and 2018**

CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES

	<u>2019</u>	<u>2018</u>
Operating loss	\$ (29,965,977)	\$ (22,361,095)
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities		
Depreciation	6,532,656	6,818,952
Loss on disposal of asset	119,823	101,597
Changes in assets and liabilities		
Receivables	(5,191,584)	892,523
Inventories	(3,435)	(4,488)
Prepaid expenses and deferred charges	(585,651)	21,781
Notes receivable	(241,080)	677,352
Accounts payable	(343,921)	(170,867)
Accrued compensation	56,494	1,719,158
Deferred revenue	62,304	896,662
Net OPEB liability	(2,582,679)	(297,749)
Net pension liability	13,204,835	(13,596,086)
Deferred inflow / outflow from OPEB / Pension liability	(5,375,630)	7,031,421
Other accrued liabilities	(1,324,367)	271,379
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	<u>\$ (25,638,212)</u>	<u>\$ (17,999,460)</u>

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, 2019 and 2018**

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 the NEOMED Research Corporation (the “Research Corp”), Clinical Initiatives Inc. (Clinical Initiatives), Northeast Ohio Medical University Foundation (Foundation), and ERS Strategic Properties, Inc. (ERS). The 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).

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

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 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 developing, constructing, and equipping housing for students, faculty, staff, and guests of Northeast Ohio Medical University. ERS HWMEC LLC is operated for the development, construction, and 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 will also be available to the external community. ERS Bradley LLC and ERS Contiguous Properties LLC will provide additional land for the University's future needs. ERS MOB LLC will be a medical office building for community physicians to give care to patients and be a resource for student clinical rotations. 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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

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

As of June 30, 2019, and 2018, restricted cash and cash equivalents consists of \$2,467,254 and \$1,929,145, 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.

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, 2019 and 2018.

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 receivables 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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

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 an estimated fair value at the date of 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 work or, within certain limitations, be paid to employees upon retirement from the University.

Operating Revenue

Operating revenue of the University primarily 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.

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, 2019 and 2018**

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees' Retirement System/State Teachers' Retirement System of Ohio Pension Plan (OPERS/STRS) and additions to/deductions from OPERS'/STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS 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 OPEB Lan (OPERS/STRS) and additions to deduction from OPERS/STRS fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS use the economic resources measurement focus and the full accrual basis of accounting. For this purpose, OPERS/STRS 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 University 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 University 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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

Net Position Classifications

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

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.

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.

Adopted Accounting Pronouncements

Effective for the fiscal year ended June 30, 2019, the University adopted GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement, ("GASB 88"). This statement requires additional information related to debt be disclosed in the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance related consequences, and significant subjective acceleration clauses. The adoption of GASB 88 has been applied retroactively and impacts note 10 of the financial statements.

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 are effective for the College's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB 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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

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 University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2021.

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 are effective for the University's financial statements for the June 30, 2020 fiscal year.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

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
- 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

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 at State Street Bank & Trust Company in "book entry" form. 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, 2019 and 2018 are summarized as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
University's book value	\$ 6,383,522	\$ 8,515,924
Cash on hand	2,979	2,979
Bank balances	7,776,400	7,535,113

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, 2019 and 2018, \$903,008 and \$803,923, respectively, was covered by federal depository insurance and \$6,873,392 and \$6,731,190, respectively, was uncollateralized as defined by the GASB.

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The University's investments, at fair value, at June 30, 2019 and 2018 are summarized as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Money market funds	\$ 1,058,215	\$ 1,920,341
U.S. government obligations	14,267,976	10,510,419
U.S. government agency obligations	3,377,334	5,275,392
Corporate bonds and notes	2,593,301	2,552,534
Fixed-income mutual funds	9,695,567	8,558,663
Equities	21,521,012	20,671,697
Other	250,906	325,008
State Treasury Asset Reserve of Ohio	454,119	2,497,739
State Treasury Asset Reserve of Ohio Plus	330,551	2,276,368
Total Investments	<u>\$ 53,548,981</u>	<u>\$ 54,588,161</u>

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, 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
Total	<u>\$ 20,238,611</u>	<u>\$ 5,198,053</u>	<u>\$ 1,807,168</u>	<u>\$ 7,618,561</u>	<u>\$ 5,614,829</u>

The maturities of the University's interest-bearing investments at June 30, 2018 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	\$ 10,510,419	\$ -	\$ 6,333,854	\$ 1,682,192	\$ 2,494,373
U.S. government agency obligations	5,275,392	-	2,054,237	442,404	2,778,751
Corporate bonds and notes	2,552,534	282,926	1,767,974	393,127	108,507
Total	<u>\$ 18,338,345</u>	<u>\$ 282,926</u>	<u>\$ 10,156,065</u>	<u>\$ 2,517,723</u>	<u>\$ 5,381,631</u>

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.

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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>

The credit ratings for the University's interest-bearing investments, as rated by Standard & Poor's, at June 30, 2018 were as follows:

Credit Rating (S&P)	Total	U.S. Government Obligations	U.S. Agency Obligations	Corporate Bonds and Notes
AAA	\$ 15,760,326	\$ 10,510,419	\$ 5,249,907	\$ -
AA	96,971	-	25,485	71,486
A	338,899	-	-	338,899
BBB	2,142,149	-	-	2,142,149
Total	<u>\$ 18,338,345</u>	<u>\$ 10,510,419</u>	<u>\$ 5,275,392</u>	<u>\$ 2,552,534</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, 2019 and 2018, 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, 2019 and 2018, the University had no exposure to foreign currency risk.

**NORTHEAST OHIO MEDICAL UNIVERSITY
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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, 2019 and 2018:

	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)
Investments by fair value level:				
Debt securities ^(b) :				
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 ^(a)	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	\$ -

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	Balance at June 30, 2018	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)
Investments by fair value level:				
Debt securities ^(b) :				
U.S. government obligations	\$ 10,510,419	\$ -	\$ 10,510,419	\$ -
U.S. government agency obligations	5,275,392	-	5,275,392	-
Corporate bonds	2,552,534	-	2,552,534	-
Total debt securities	18,338,345	-	18,338,345	-
Equity securities ^(a)	20,671,697	20,671,697	-	-
Mutual funds:				
Fixed-income mutual funds	8,558,663	8,558,663	-	-
Total mutual funds	8,558,663	8,558,663	-	-
Total investments by fair value level	\$ 47,568,705	\$ 29,230,360	\$ 18,338,345	\$ -

- 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.

Short-term investments and investments on the statements of net position at June 30, 2019 and 2018 include investments in STAR Ohio of \$784,670 and \$4,774,107, 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.

Investments on the statements of net position also include money market mutual funds of \$1,058,215 and \$1,920,341 as of June 30, 2019 and June 30, 2018, respectively.

**NORTHEAST OHIO MEDICAL UNIVERSITY
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4. ACCOUNTS AND NOTES RECEIVABLE

The following is a summary of accounts and student notes receivable at June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Student notes	\$ 4,961,869	\$ 4,720,789
Grants and contracts	4,357,715	3,680,971
Sales and services	1,804,255	1,086,371
ERS Strategic Properties, Inc.	8,253,986	5,855,295
Tuition and fees	<u>3,328,373</u>	<u>1,930,108</u>
Total accounts and notes receivable	22,706,198	17,273,534
Less current portion	<u>(18,082,293)</u>	<u>(12,964,376)</u>
Accounts and notes receivable, noncurrent portion	<u>\$ 4,623,905</u>	<u>\$ 4,309,158</u>

Federal Direct Loans Program processed for students by the University during the years ended June 30, 2019 and 2018 totaled \$27,293,292 and \$30,592,983, 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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
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5. CAPITAL ASSETS

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	\$ 85,344,660	\$(1,790,638)	\$ (49,926)	\$ 83,504,096

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Capital asset activity for the year ended June 30, 2018 was as follows:

	July 1, 2017 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2018 Ending Balance
Land - Nondepreciable	\$ 2,149,470	\$ -	\$ -	\$ 2,149,470
Infrastructure	2,643,234	85,325	(185,883)	2,542,676
Buildings	118,979,872	3,607,014	100,898	122,687,784
Furnishings and movable equipment	27,570,919	822,364	(1,447,830)	26,945,453
Library materials	6,111,256	5,898	-	6,117,154
Intangibles	129,875	-	-	129,875
Construction in progress - Nondepreciable	499,710	316,375	(499,709)	316,376
Total historical cost	158,084,336	4,836,976	(2,032,524)	160,888,788
Less accumulated depreciation				
Infrastructure	1,001,174	294,546	(138,515)	1,157,205
Buildings	44,755,919	3,382,890	(37,476)	48,101,333
Furnishings and movable equipment	21,676,445	2,556,558	(1,812,686)	22,420,317
Library materials	3,258,669	541,666	-	3,800,335
Intangibles	21,646	43,292	-	64,938
Total accumulated depreciation	70,713,853	6,818,952	(1,988,677)	75,544,128
Total capital assets, net of depreciation	\$ 87,370,483	\$ (1,981,976)	\$ (43,847)	\$ 85,344,660

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NOTES TO FINANCIAL STATEMENTS
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6. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2019 and 2018 are as follows:

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2019</u>	Current <u>Portion</u>	Noncurrent <u>Portion</u>
Compensated absences	\$ 2,782,459	\$ 158,322	\$ 232,581	\$ 2,708,200	\$ 650,039	\$ 2,058,161
Voluntary Separation Program	1,346,027	197,188	-	1,543,215	1,380,772	162,443
Postemployment benefits (Note 9)	4,640,663	380,737	297,727	4,723,673	383,318	4,340,355
Total long-term liabilities	<u>\$ 8,769,149</u>	<u>\$ 736,247</u>	<u>\$ 530,308</u>	<u>\$ 8,975,088</u>	<u>\$ 2,414,129</u>	<u>\$ 6,560,959</u>

	Balance June 30, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2018</u>	Current <u>Portion</u>	Noncurrent <u>Portion</u>
Compensated absences	\$ 2,623,272	\$ 468,441	\$ 309,254	\$ 2,782,459	\$ 535,411	\$ 2,247,048
Voluntary Separation Program	-	1,346,027	-	\$ 1,346,027	187,252	1,158,775
Postemployment benefits (Note 9)	1,567,160	3,073,503	-	4,640,663	225,981	\$ 4,414,682
Total long-term liabilities	<u>\$ 4,190,432</u>	<u>\$ 4,887,971</u>	<u>\$ 309,254</u>	<u>\$ 8,769,149</u>	<u>\$ 948,644</u>	<u>\$ 7,820,505</u>

The current portion of compensated absence and the voluntary separation program (VSP) liabilities is 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 promises to pay the VSP benefit to eligible employees who agree 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 University may request that certain employees postpone their elected exit date for up to one year based on critical and essential operation 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

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election forms 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. Twenty-five participants had separated as of June 30, 2019, with the remainder to separate 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, 2019 and 2018, these instructional expenses relating to contracts totaled \$3,433,381 and \$3,936,866 respectively. At June 30, 2019 and 2018, the University had recorded accrued liabilities of \$1,098,187 and \$1,768,170, 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.

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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:

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
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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' 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post- Retirement Healthcare	Death Benefits	Total	Total
	STRS	14.00%	0.00%	0.00%	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%

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The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post- Retirement Healthcare		Death Benefits	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS-State/Local (through 12/31/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS-State/Local (beginning 1/1/18)	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS- Law Enforcement and Public Safety (through 12/31/17)	17.10%	1.00%	0.00%	18.10%	13.00%
OPERS- Law Enforcement and Public Safety (beginning 1/1/18)	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			
	2019		2018	
	Pension	OPEB	Pension	OPEB
STRS	\$ 1,422,167	\$ -	\$ 1,380,988	\$ -
OPERS	2,084,092	-	2,089,877	23,774
TOTAL	\$ 3,506,259	\$ -	\$ 3,470,865	\$ 23,774

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 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.

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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, 2019 and 2018, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. 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. For June 30, 2018, the net pension liability was measured as of June 30, 2017 for STRS and December 31, 2017 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 was dated July 1, 2018 and 2017, respectively, 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		Proportionate Share		Percentage	Percentage
		2019	2018	2019	2018	Change 2018-2019	Change 2017-2018
STRS	July 1	\$ (21,638,699)	\$ (21,859,034)	0.09841%	0.09202%	0.00639%	0.00519%
OPERS	December 31	\$ (32,119,570)	\$ (18,694,402)	0.11797%	0.12044%	-0.00247%	0.00966%

For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$7,125,535 and pension income of \$6,317,127, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 514,549	\$ (641,951)	\$ 875,960	\$ (606,026)
Changes of assumptions	6,690,222	-	7,056,398	-
Net difference between projected and actual earnings of pension plan investments	4,426,723	(1,312,147)	-	(4,809,929)
Changes in proportion and differences between University contributions and proportionate share of contributions	3,027,149	-	3,937,244	-
University contributions subsequent to the measurement date	2,561,862	-	2,733,460	-
Total	<u>\$ 17,220,505</u>	<u>\$ (1,954,098)</u>	<u>\$ 14,603,062</u>	<u>\$ (5,415,955)</u>

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

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$6,317,030
2021	\$3,316,972
2022	\$1,075,347
2023	\$2,008,465
2024	\$ (5,636)
Thereafter	\$ (7,633)

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

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense – At June 30, 2019, the University reported a liability/(asset) for its proportionate share of the net OPEB liability of STRS/OPERS. 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. For June 30, 2018, the net OPEB liability/(asset) was

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measured as of June 30, 2017 for STRS, and December 31, 2017 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, 2017 and 2016, 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, 2018 and 2017, 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, 2018 and 2017, OPERS allocated 0.0% and 1% of the total 14% 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 Change 2018-2019
		2019	2018	2019	2018	
STRS	June 30	\$ (1,581,000)	\$ 3,590,196	0.09857%	0.09202%	0.00655%
OPERS	December 31	\$ 15,699,404	\$ 13,419,878	0.12042%	0.12358%	-0.00316%

Each plan above used the same proportionate share to allocate the net OPEB liability for recording the beginning balance at July 1, 2018, therefore, there was not change in proportionate share from July 1, 2017 to June 30, 2018.

For the year ended June 30, 2019 and June 30, 2018, the University recognized OPEB income of \$2,082,275 and \$134,235. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 190,316	\$ (134,597)	\$ 217,702	\$ -
Changes of assumptions	506,168	(2,155,000)	977,109	(289,202)
Net difference between projected and actual earnings of OPEB plan investments	719,725	(181,000)	-	(1,153,145)
Changes in proportion and differences between University contributions and proportionate share of contributions	227,876	(230,419)	-	-
University contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 1,644,085</u>	<u>\$ (2,701,016)</u>	<u>\$ 1,194,811</u>	<u>\$ (1,442,347)</u>

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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
2020	\$ 85,651
2021	\$ (332,275)
2022	\$ (248,489)
2023	\$ 40,025
2024	\$ (308,154)
Thereafter	\$ (293,689)

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

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, 2019:

	STRS	OPERS
Valuation Date - Pensions	July 1, 2018	December 31, 2018
Valuation Date - OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual Entry Age
Cost of living	None	2.15 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return- Pensions	7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return- OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	-5.23 percent to 9.62 percent initial, 4.00 percent ultimate	10.00 percent initial, 3.25 percent ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	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, 2018:

	<u>STRS</u>	<u>OPERS</u>
Valuation Date - Pensions	July 1, 2017	December 31, 2017
Valuation Date - OPEB	June 30, 2017	December 31, 2016
Actuarial cost method	Entry age normal	Individual Entry Age
Cost of living	None	3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return- Pensions	7.45 percent, net of pension plan investment expense	7.50 percent, net of plan investment expense
Investment rate of return- OPEB	4.51 percent, net of investment expense, including inflation	6.50 percent, net of plan investment expense
Health care cost trend rates	6.00 percent to 11.00 percent initial, 4.50 percent ultimate	7.50 percent initial, 3.25 percent ultimate in 2028
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	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, 2018 and 2017. The discount rates used to measure the total pension liability for OPERS were 7.20 percent and 7.50 percent for the plan years ended December 31, 2018 and 2017, respectively.

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 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).

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STRS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 7.45 percent and 4.13 percent for the plan years ended June 30, 2018 and 2017, respectively. At June 30, 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). At June 30, 2017, 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 and the Bond Buyer 20-year municipal bond rate of 3.58 percent. At June 30, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2037, and the municipal bond rate was applied to all health care costs after that date.

OPERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 3.96 percent and 3.85 percent for the plan years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, 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 and 6.50 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 3.71 percent and 3.31 percent at December 31, 2018 and December 31, 2017, respectively. 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. At December 31, 2017, 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.

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:

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STRS - as of 7/1/18			OPERS - as of 12/31/18				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
			Investment Category	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	23.00%	2.79%	34.00%	2.42%
International Equity	23.00%	7.55%	Domestic Equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	7.09%	Real Estate	10.00%	4.90%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Private Equity	10.00%	10.81%	0.00%	0.00%
Real Estate	10.00%	6.00%	International Equities	20.00%	7.83%	22.00%	7.83%
Liquidity Reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.98%
			Other Investments	18.00%	5.50%	17.00%	5.57%
Total	100.00%		Total	100.00%		100.00%	

STRS - as of 7/1/17			OPERS - as of 12/31/17				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
			Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Fixed Income	23.00%	2.20%	34.00%	1.88%
International Equity	23.00%	5.30%	Domestic Equities	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Real Estate	10.00%	5.26%	0.00%	0.00%
Fixed Income	21.00%	0.75%	Private Equity	10.00%	8.97%	0.00%	0.00%
Real Estate	10.00%	3.75%	International Equities	20.00%	7.88%	22.00%	7.88%
Liquidity Reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.91%
			Other Investments	18.00%	5.26%	17.00%	5.39%
Total	100.00%		Total	100.00%		100.00%	

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, 2019 and 2018, respectively:

Plan	2019		2018	
	1.00 percent decrease	Current Discount Rate	Current Discount Rate	1.00 percent increase
STRS	6.45% \$ 31,600,472	7.45% \$ 21,638,699	7.45% \$ 21,859,034	8.45% \$ 13,207,410
OPERS	6.20% 47,667,749	7.20% 32,119,570	7.50% 18,694,402	8.50% 6,411,404
	\$ 79,268,221	\$ 53,758,269	\$ 40,553,436	\$ 20,289,046

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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:

		2019		
<u>Plan</u>	<u>1.00 percent decrease</u>	<u>Current Discount Rate</u>	<u>1.00 percent increase</u>	
STRS	6.45% \$ (1,355,398)	7.45% \$ (1,581,000)	8.45%	\$ (1,771,323)
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>

		2018		
<u>Plan</u>	<u>1.00 percent decrease</u>	<u>Current Discount Rate</u>	<u>1.00 percent increase</u>	
STRS	3.13% \$ 4,819,781	4.13% \$ 3,590,196	5.13%	\$ 2,618,423
OPERS	2.85% 17,828,887	3.85% 13,419,878	4.85%	9,853,033
	<u>\$ 22,648,668</u>	<u>\$ 17,010,074</u>		<u>\$ 12,471,456</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:

		2019		
<u>Plan</u>	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>	
STRS	\$ (1,760,601)	\$ (1,581,000)		\$ (1,399,384)
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>

		2018		
<u>Plan</u>	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>	
STRS	\$ 2,494,314	\$ 3,590,196		\$ 5,032,505
OPERS	12,839,962	13,419,878		14,018,915
	<u>\$ 15,334,276</u>	<u>\$ 17,010,074</u>		<u>\$ 19,051,420</u>

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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 current measurement period, the STRS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of June 30, 2018. The most significant changes were an increase in the OPEB discount rate from 4.13 percent to 7.45 percent and a reduction in the health care cost trend rates.

Payable to the Pension Plan - At June 30, 2019 and 2018, the University reported a payable of \$241,955 and \$331,093, respectively, for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, measurement date, the number of plan participants consisted of the following:

	2019	2018
Active employees	452	472
Retirees	158	145
Disabled	5	4
Retiree spouses and beneficiaries	38	38
Total plan participants	653	659

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

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include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The 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, 2019 and 2018, the average monthly required employee contributions were between \$172.57 to \$292.69 and the University's average contribution rate was approximately 17 and 8 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 4 percent and amortizing the unfunded actuarial liability over 30 years.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Balance, beginning of the year	\$ 4,640,663	\$ 1,567,160
Service cost	19,165	18,428
Interest cost	181,151	180,000
Changes in assumptions	180,421	2,989,480
Difference between expected and actual plan experience	(74,696)	-
Benefit payments	<u>(223,031)</u>	<u>(114,405)</u>
Balance, end of year	<u>4,723,673</u>	<u>4,640,663</u>

For the years ended June 30, 2019 and 2018, respectively, the University estimated the costs of \$4,723,673 and \$4,640,663 based on actuarial valuations as of June 30, 2019 and 2018, respectively.

The components of postemployment benefits expense for the year ended June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 19,165	\$ 18,428
Interest Cost	181,151	180,000
Total expense	<u>\$ 200,316</u>	<u>\$ 198,428</u>

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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, 2019 are summarized as follows:

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

The University did not have any deferred outflows or inflows of resources related to this OPEB plan for the year ended June 30, 2018.

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

Year ending June 30:	
2020	\$ 15,018
2021	15,018
2022	15,018
2023	15,018
2024	15,018
Thereafter	30,635

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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 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%												
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: <table border="0" style="margin-left: 40px;"> <tr> <td>2018 - 19</td> <td>7.50%</td> </tr> <tr> <td>2019 - 20</td> <td>7.00%</td> </tr> <tr> <td>2020 - 21</td> <td>6.50%</td> </tr> <tr> <td>2021 - 22</td> <td>6.00%</td> </tr> <tr> <td>2022 - 23</td> <td>5.50%</td> </tr> <tr> <td>2023 - 24 and later</td> <td>5.00%</td> </tr> </table>	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%
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												

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The total OPEB liability is based on results of an actuarial valuation were determined using the following actuarial assumptions for 2018:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Actuarial cost Method	Entry age normal - level of percent of salary
Discount Rate	4%
Health care costs	The monthly Company-paid costs of coverage valued per covered individual for 2018-2019 are \$637.47 prior to Medicare eligibility and \$361.20 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-2017
	Disabled: RP-2014 Mortality Tables for disabled people (male and female) fully generational, projected by MP-2017

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.

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Discount Rate – The discount rate used to measure the total OPEB liabilities at June 30, 2019 and 2018 was 4.00%.

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

2019		
<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
2018		
<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 5,501,304	\$ 4,640,663	\$ 4,007,561

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:

2019		
<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
2018		
<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 4,098,149	\$ 4,640,663	\$ 5,370,603

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, 2019 and 2018 was \$36,215,106 and \$37,148,918, respectively.

The bond discount on the November 2011 bonds totaled \$194,911 with an accumulated amortized balance of \$50,017 and \$43,829 as of June 30, 2019 and 2018, 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, 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>

The University's bonds and notes payable as of June 30, 2018 are summarized as follows:

	<u>July 1, 2017</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2018</u>	<u>Current</u>
General receipts bond Series 2010	\$ 13,250,000	\$ -	\$ 370,000	\$ 12,880,000	\$ 375,000
General receipts bond Series 2011	24,965,000	-	545,000	24,420,000	565,000
General receipts bond Series 2011-Discount	<u>(157,270)</u>	<u>-</u>	<u>(6,188)</u>	<u>(151,082)</u>	<u>-</u>
Total bonds and notes payable	<u>\$ 38,057,730</u>	<u>\$ -</u>	<u>\$ 908,812</u>	<u>\$ 37,148,918</u>	<u>\$ 940,000</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, 2019 are summarized as follows:

Year Ending June 30	Principal	Interest	Interest Subsidy *	Net Interest	Total
2020	975,000	1,924,617	(370,231)	1,554,386	2,529,386
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
2025-2029	6,235,000	7,845,448	(1,456,394)	6,389,054	12,624,054
2030-2034	7,675,000	5,971,552	(1,054,331)	4,917,221	12,592,221
2035-2039	9,590,000	3,510,970	(546,399)	2,964,571	12,554,571
2040-2043	7,650,000	737,456	(52,011)	685,445	8,335,445
	<u>\$ 36,360,000</u>	<u>\$ 27,257,676</u>	<u>\$ (4,862,343)</u>	<u>\$ 22,395,333</u>	<u>\$ 58,755,333</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. The plan offers two levels of coverage to employees: the Core Plan and the Enhanced Plan. 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, 2019, 2018, and 2017, are summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accrued claims liability - Beginning of year	\$ 671,542	\$ 824,359	\$ 514,860
Incurred claims - Net of favorable settlements	5,603,773	3,747,434	3,273,088
Claims paid	<u>(5,393,979)</u>	<u>(3,900,251)</u>	<u>(2,963,589)</u>
Accrued claims liability - End of year	<u>\$ 881,336</u>	<u>\$ 671,542</u>	<u>\$ 824,359</u>

12. RELATED PARTY TRANSACTIONS

NEOMED Foundation - For the years ended June 30, 2019 and 2018, the University has received distributions from the Foundation in the amount of \$1,952,519 and \$1,716,728, respectively, in direct support of charitable, educational, and scientific purposes benefiting the University and its students. In addition, the Foundation granted student loans of \$116,364 and \$131,107, respectively, for the years ended June 30, 2019 and 2018.

The University received reimbursements of \$125,839 and \$187,085, respectively, from the Foundation for management, fundraising, services, and office space during the years ended June 30, 2019 and 2018. The University will receive \$566,091 for the year ended June 30, 2019 and \$385,437 for the year ended June 30, 2018, 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 \$1,198,894 and \$1,219,754, respectively, for the years ended June 30, 2019 and 2018.

ERS Strategic Properties - ERS Housing LLC is operated for the purpose of developing, constructing, and equipping housing for students, faculty, staff, and guests of Northeast Ohio Medical University. ERS HWMEC LLC will provide for the development, construction and 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. ERS Bradley LLC and ERS Contiguous Properties LLC will provide additional land for the University's future needs. ERS MOB LLC will be a medical office building for community physicians to give care to patients and be a resource for student clinical rotations.

For the years ended June 30, 2019 and 2018, NEOMED made payments to ERS HWMEC in the amount of \$5,741,030 and \$5,748,363, respectively, for the lease of the wellness center.

For the years ended June 30, 2019 and 2018, the University made payments on behalf of ERS in the amount of \$118,150 and \$54,031, respectively, for expenses. Reimbursements and payments for naming rights in the amount \$294,889 and \$163,400 were received in ERS Companies during fiscal years 2019 and 2018, respectively, and used to offset current and prior year expenses paid by NEOMED. For the years ended June 30, 2019 and 2018, \$15,562 and \$14,946 respectively,

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related to legal fees to attain property tax exemption and design tenant lease structures. 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 \$318,551 and \$317,916, respectively, for the years ended June 30, 2019 and 2018.

For the years ended June 30, 2019 and 2018, ERS had accounts payable to NEOMED totaling \$7,004,282 and \$5,855,295, respectively, for construction, equipment, consulting, and legal fees, which was paid by NEOMED on behalf of ERS.

Medical Office Building (MOB)

The Medical Office Building is currently being constructed on NEOMED's campus with an estimated completion date of Summer 2020. The Ohio Facilities Commission (OFCC) entered into an agreement with the BioMed Science Academy STEM School (BioMed) to financial contribute \$12,380,192 for a portion of the building. BioMed is managed by NEOMED, but is a separate not-for-profit entity and is not a component unit of NEOMED. The remainder of the building has been allocated for NEOMED/ERS usage, but the entire property will be gifted to ERS over time as expenses are incurred. In exchange for the assistance with financing the building, BioMed will occupy a portion of the building for 25 years. As such, the contribution is being recorded as deferred rental income which will be recognized as revenue over the 25-year period. ERS has recorded \$1,410,259 in deferred rental income as of June 30, 2019. In addition to the OFCC funding mentioned above, the remaining funding of the building will be in part from NEOMED reserves, amounting to \$2,575,430, of which, \$1,325,726 has been spent as of June 30, 2019, and temporary financing and debt issuances of \$7,723,200 by ERS. No debt has been issued related to this project as of June 30, 2019.

For the years ended June 30, 2019 and 2018, ERS had amounts due to NEOMED totaling \$7,004,282 and \$5,855,295, respectively, for construction, equipment, consulting, and legal fees, 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 2019 or 2018.

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

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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:

	2019		2018	
	Cost	Market	Cost	Market
Money Market Funds	\$ 271,441	\$ 271,441	\$ 361,437	\$ 361,437
Cash Surrender Value of Life insurance	216,790	216,790	218,248	218,248
Equities	9,432,225	10,857,356	8,721,975	10,279,616
Other	250,394	252,934	236,330	247,292
Fixed Income	6,589,959	7,458,150	5,927,751	6,852,095
Total long-term investments	\$ 16,760,809	\$ 19,056,671	\$ 15,465,741	\$ 17,958,688

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, 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)
Assets - Investments				
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	-	-
Total Investments	\$ 18,836,963	\$ 18,565,522	\$ 271,441	\$ -
Beneficial Interests in Trusts	\$ 75,117	\$ -	\$ -	\$ 75,117
Investments measured at NAV	\$ 2,918	\$ -	\$ -	\$ -
Total Fair Value Measurements	\$ 18,914,998	\$ 18,565,522	\$ 271,441	\$ 75,117

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Assets measured as of June 30, 2018:

	<u>Balance at June 30, 2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets - Investments				
Domestic Fixed Income	\$ 5,111,988	\$ 5,111,988	\$ -	\$ -
International Fixed Income	1,740,107	1,740,107	-	-
Domestic Equities	6,836,769	6,836,769	-	-
International Equities	2,829,577	2,829,577	-	-
Money market	361,437	-	361,437	-
Emerging market equities	613,270	613,270	-	-
Other investments	243,759	243,759	-	-
Total Investments	<u>\$ 17,736,907</u>	<u>\$ 17,375,470</u>	<u>\$ 361,437</u>	<u>\$ -</u>
Assets - Beneficial Interest in Trusts				
Total Beneficial Interests in Trusts	\$ 72,669	\$ -	\$ -	\$ 72,669
Investments measured at NAV	\$ 3,533	\$ -	\$ -	\$ -
Total Fair Value Measurements	<u>\$ 17,813,109</u>	<u>\$ 17,375,470</u>	<u>\$ 361,437</u>	<u>\$ 72,669</u>

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Details of the Foundation's restricted net assets at June 30, 2019 and 2018 are as follows:

With Donor Restrictions as of June 30:

	<u>2019</u>	<u>2018</u>
Instruction and departmental research	\$ 2,156,263	\$ 2,054,321
Separately budgeted research	446,714	574,957
Public service	159,708	174,458
Academic support	832,452	824,243
Institutional support	950,507	772,115
Plant operation and maintenance	(5,205)	8,795
Student Services	25,354	18,372
Student scholarships and other student aid	9,317,925	8,825,647
Deferred gift annuity	237,502	259,222
Anatomy endowed chair	1,002,471	1,002,471
Psychiatry endowed chair	2,000,000	2,000,000
General and other	1,595,054	1,504,217
Allowance for uncollectible pledges	<u>(14,717)</u>	<u>(16,167)</u>
 Total net assets with donor restrictions, June 30	 <u><u>\$ 18,704,028</u></u>	 <u><u>\$ 18,002,651</u></u>

Total net assets with donor restrictions include \$10,404,696 and \$10,013,482 of assets held in perpetuity as of June 30, 2019 and 2018, respectively. The remainder of funds are either purpose or time restricted. The assets are held for the following purpose:

	<u>2019</u>	<u>2018</u>
Student loans	\$ 959,510	\$ 940,375
Endowments requiring earnings only to be made available for:		
Student scholarships and awards	4,740,430	4,441,376
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	1,595,054	1,504,217
Deferred gift annuity	21,712	40,974
Allowance for uncollectible pledges	<u>(14,717)</u>	<u>(16,167)</u>
 Total net assets with donor restrictions to be held in perpetuity, June 30	 <u><u>\$ 10,404,696</u></u>	 <u><u>\$ 10,013,482</u></u>

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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, 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	121,192,646	2,747,481	-	123,940,127
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	15,645,831	4,206,030	-	19,851,861
Total capital assets, net of depreciation	\$ 105,546,815	\$ (1,458,549)	\$ -	\$ 104,088,266

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Capital asset activity for the year ended June 30, 2018 was as follows:

	July 1, 2017 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2018 Ending Balance
Land - Nondepreciable	\$ 169,349	\$ -	\$ -	\$ 169,349
Infrastructure	10,377,241	-	-	10,377,241
Buildings	110,485,715	33,920	-	110,519,635
Furnishings and movable equipment	126,421	-	-	126,421
Construction in progress - Nondepreciable	-	-	-	-
Total historical cost	<u>121,158,726</u>	<u>33,920</u>	<u>-</u>	<u>121,192,646</u>
Less accumulated depreciation				
Infrastructure	3,399,815	1,362,718	-	4,762,533
Buildings	7,935,276	2,832,033	-	10,767,309
Furnishings and movable equipment	93,482	22,507	-	115,989
Total accumulated depreciation	<u>11,428,573</u>	<u>4,217,258</u>	<u>-</u>	<u>15,645,831</u>
Total capital assets, net of depreciation	<u>\$ 109,730,153</u>	<u>\$ (4,183,338)</u>	<u>\$ -</u>	<u>\$ 105,546,815</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.

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At June 30, 2019 and 2018, fund balances held by the Trustee were as follows:

<u>ERS HWMEC LLC</u>	<u>2019</u>	<u>2018</u>
Bond proceeds fund	\$ 1,490,666	\$ 1,464,047
<u>ERS Housing LLC</u>		
Revenue fund	18,218	7,641
Repair & Replace fund	331,004	249,990
Sinking Fund	199,036	184,534
Surplus Fund	93,286	-
	<u>641,544</u>	<u>442,165</u>
Total	<u>\$ 2,132,210</u>	<u>\$ 1,906,212</u>

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 as of June 30, 2019 and 2018 was \$34,880,000 and \$35,385,000, respectively, 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 were downgraded) and a maturity date of November 8, 2044. The balance outstanding as of June 30, 2019 and 2018 was \$77,664,357 and \$79,169,992, respectively, and the principal payments stated on December 8, 2014.

The original bond discount for the ERS Housing bonds totaled \$633,830, with an unamortized balance of \$493,530 and \$513,336 as of June 30, 2019 and 2018, respectively. 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.

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ERS Bonds 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>
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	<u>\$ 114,041,656</u>	<u>\$ -</u>	<u>\$ 1,990,829</u>	<u>\$ 112,050,827</u>	<u>\$ 2,165,934</u>

ERS Bonds payable as of June 30, 2018 are summarized as follows:

	<u>July 1, 2017</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2018</u>	<u>Current</u>
ERS Housing LLC	\$ 35,815,000	\$ -	\$ 430,000	\$ 35,385,000	\$ 505,000
ERS Housing LLC Discount	(533,143)		(19,807)	(513,336)	
ERS HWMEC LLC	80,603,915	-	1,433,923	79,169,992	1,505,635
Total bonds and notes payable	<u>\$ 115,885,772</u>	<u>\$ -</u>	<u>\$ 1,844,116</u>	<u>\$ 114,041,656</u>	<u>\$ 2,010,635</u>

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, 2019 and 2018. Total bonds and notes payable in the chart above is not shown net of bond financing costs of \$2,185,862 and \$2,272,324 for the years ended June 30, 2019 and 2018, respectively.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2019 are summarized as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	2,165,934	5,810,060	7,975,994
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
2025-2029	16,424,986	24,194,374	40,619,360
2030-2034	20,846,267	19,455,809	40,302,076
2035-2039	26,584,055	13,321,958	39,906,013
2040-2044	33,953,662	5,431,599	39,385,261
2045	2,199,538	29,719	2,229,257
	<u>\$ 112,544,357</u>	<u>\$ 90,325,040</u>	<u>\$ 202,869,397</u>

Other Required Supplemental Information for GASB 68 and GASB 75

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

	2019	2018	2017	2016	2015
District's proportion of the collective OPERS net pension liability: As a percentage	0.11797%	0.12044%	0.11078%	0.11033%	0.10406%
Amount	\$ 32,119,570	\$ 18,694,402	\$ 25,083,580	\$ 19,046,195	\$ 12,492,034
University's covered employee payroll	\$ 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	184.94%	118.89%	161.95%	129.37%	89.75%
Plan fiduciary net position as a percentage of the total pension liability	74.91%	84.85%	77.39%	81.19%	86.53%

	2019	2018	2017	2016	2015
District's proportion of the collective STRS net pension liability: As a percentage	0.09841%	0.09202%	0.08683%	0.08185%	0.07478%
Amount	\$ 21,638,699	\$ 21,859,034	\$ 29,065,942	\$ 22,621,327	\$ 18,190,132
University's covered employee payroll	\$ 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	213.01%	241.56%	361.63%	299.06%	204.51%
Plan fiduciary net position as a percentage of the total pension liability	77.30%	75.29%	66.78%	72.10%	74.70%

Schedule of University's Pension Contributions OPERS:

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,084,092	\$ 2,089,877	\$ 1,886,860	\$ 1,858,599	\$ 1,766,705
Contributions in relation to the actuarially determined contractually required contribution	\$ 2,084,092	\$ 2,089,877	\$ 1,886,860	\$ 1,858,599	\$ 1,766,705
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 17,367,434	\$ 17,415,640	\$ 15,723,837	\$ 15,488,321	\$ 14,722,542
contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	12.00%	12.00%

Schedule of University's Pension Contributions STRS:

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 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	\$ 1,422,167	\$ 1,380,988	\$ 1,266,875	\$ 1,125,247	\$ 1,058,973
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 10,158,336	\$ 9,864,200	\$ 9,049,107	\$ 8,037,482	\$ 7,564,093
contributions as a percentage of covered employee payroll	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 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, 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:

	2019	2018
District's proportion of the collective OPERS net pension liability:		
As a percentage	0.12042%	0.12358%
Amount	\$ 15,699,404	\$ 13,419,878
University's covered employee payroll	\$ 17,415,640	\$ 15,723,837
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered employee payroll	90.15%	85.35%
Plan fiduciary net position as a percentage of the total pension liability	46.33%	77.25%

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

Schedule of University's OPEB contributions OPERS:

	2019	2018
District's proportion of the collective OPERS net pension liability: As a percentage	0.12042%	0.12358%
Amount	\$ 15,699,404	\$ 13,419,878
University's covered employee payroll	\$ 17,367,434	\$ 15,723,837
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered employee payroll	90.40%	85.35%
Plan fiduciary net position as a percentage of the total pension liability	46.33%	77.25%

Schedule of University's OPEB Contributions STRS:

	2019	2018
District's proportion of the collective STRS net pension liability: As a percentage	0.09857%	0.09202%
Amount	\$ (1,581,000)	\$ 3,590,196
University's covered employee payroll	\$ 10,158,336	\$ 9,049,107
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered employee payroll	-15.56%	39.67%
Plan fiduciary net position as a percentage of the total pension liability	176.00%	47.11%

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, 2018 and December 31, 2018, respectively.

Changes of assumptions.

STRS: During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The investment rate of return increased from 4.51 percent to 7.45 percent. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate to -5.23 percent to 9.62 percent initial and 4 percent ultimate. 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.

OPERS: There were no significant changes in assumptions for the OPERS plan for the plan years ended June 30, 2018 and December 31, 2018, respectively.

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, 2019 and 2018, respectively, is summarized as follows:

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

Discount rates used in determining the total reported liability for postemployment benefits obligations were 4% at the measurement dates of June 30, 2019 and 2018 and 6% at the measurement date of June 30, 2017. 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, 2019 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 12, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The University's Response to the Finding

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 12, 2019

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, 2019. 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 each major federal program for the year ended June 30, 2019.

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 12, 2019

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
STUDENT FINANCIAL AID CLUSTER				
<i>Office of Student Financial Assistance Program:</i>				
William D Ford Federal Direct Loan Program	84.268	N/A	\$ 27,293,292	
Federal Perkins Loan Program	84.038	N/A	<u>1,079,230</u>	
Total Department of Education				28,372,522
Department of Health and Human Services				
<i>Health Resources and Services Administration:</i>				
Health Prof Student Loan Prgm - Loans to Disadvantaged Students	93.342	N/A	3,734,792	
Health Prof Student Loan Prgm - Primary Care Loans	93.342	N/A	<u>1,036,546</u>	
Total Department of Health and Human Services				<u>4,771,338</u>
TOTAL STUDENT FINANCIAL AID CLUSTER				\$ <u>33,143,860</u>
MEDICAID CLUSTER				
Department of Health and Human Services				
<i>Centers for Medicare and Medicaid Services:</i>				
<i>Passed through the Ohio Department of Medicaid -</i>				
<i>Passed through the Ohio State University -</i>				
DHHS - OSU - FY2017 MEDTAPP Community Health Worker Program	93.778	60055249	52,623	
<i>Passed through the the Ohio Department of Medicaid -</i>				
<i>Passed through Case Western Reserve University -</i>				
DHHS - CWRU - MEDTAPP Ohio Cardiovascular Health Collaborative	93.778	RES513446	<u>102</u>	
TOTAL MEDICAID CLUSTER				\$ <u>52,725</u>

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
Department of Health and Human Services				
<i>National Institutes of Health:</i>				
NIH - Gene - Environment Interactions in Neurodegenerative Disease	93.113	1R15ES027998-01	\$	107,557
NIH - Gene - Environment Interactions in Neurodegeneration	93.113	5R01ES021800-06	\$ 99,152	100,885
NIH - Pesticide Exposure and Neurogenesis-Role of ER stress	93.113	5R01ES027481-02	7,547	49,774
<i>Passed through Duke University -</i>				
NIH - Duke - Translational Studies on the Role of Pesticides in Cognitive Aging and AD	93.113	2035470	-	11,685
Total CFDA #93.113			106,699	269,901
<i>National Institutes of Health:</i>				
NIH - Auditory Information Processing in the Amygdala	93.173	2R01DC000937		460,306
NIH - Modulatory Circuits in the Auditory System	93.173	2R01DC004391		445,898
NIH - Metabotropic Glutamate Receptor-Mediated Neuromodulation in Sound Localization Circuits	93.173	R01DC016054		341,357
NIH - Auditory Processing Deficits in Early-Onset Conductive Hearing Loss	93.173	5R01DC013314-04		240,640
NIH - Neuronal Hyperactivity:Tinnitus and Distress	93.173	1R01DC016918-01A1		142,952
NIH - Auditory Information Processing in the Amygdala	93.173	R01DC000937		137,664
NIH - Cellular properties mediating specialization of lateral superior olive principal neuron types for timing and intensity based sound localization	93.173	1R21DC017819		31,304
NIH - The effects of social context on the basolateral amygdalar processing	93.173	1F31DC015943-01		25,404
NIH - Auditory Information Processing in the Amygdala	93.173	R01DC000937-25		(596)
<i>Passed through Gateway Biotechnology Inc -</i>				
NIH - Gateway - Developing a Nutraceutical Product against Ototoxicity	93.173	R41DC017108		21,701
Total CFDA #93.173				1,846,630
<i>National Institutes of Health -</i>				
NIH - Suppression of SHH Expression in Arthritis by Butea monosperma	93.213	4R01AT007373-04		177,379

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (CONTINUED)				
Department of Health and Human Services (Continued)				
<i>National Institutes of Health:</i>				
NIH - Ethanol Regulation of Adiponectin and its Signaling	93.273	2R01AA015951-14	\$ 5,833	\$ 271,561
NIH - Alcohol, Hedgehog Signal, and HSC Dysfunction in Host Defense Against Septicemia	93.273	5R01AA022816-05		270,663
NIH - Carboxylesterase 1 in Alcoholic Liver Disease	93.273	1R21AA024946-02		109,885
NIH - Effect of Ethanol on Lipid Metabolism	93.273	5R01AA013623-16		101,482
NIH - Ethanol Regulation of Adiponectin and its Signaling	93.273	5R01AA015951-12		44,090
<i>Passed through Cleveland Clinic Lerner College of Medicine -</i>				
NIH - CCLCM - Alcohol and Tissue Injury from Mechanisms to Treatment	93.273	1163-SUB		23,757
<i>Passed through Cleveland Clinic Lerner College of Medicine -</i>				
NIH - CCLCM - CWRU - Lipin-1 and the Development of Alcoholic Liver Disease	93.273	1032-SUB	-	365,984
Total CFDA #93.273			5,833	1,187,422
<i>National Institutes of Health -</i>				
NIH - Mechanism of Gene Environment Interactions in Alzheimer's Disease	93.311	5R01ES026057-03	55,215	70,686
<i>National Institutes of Health -</i>				
NIH - Integration of Mechanical and Soluble Signaling in Tumor Angiogenesis	93.396	1R15CA202847-01		127,831
<i>National Institutes of Health:</i>				
NIH - The Critical Role of the Coronary Microcirculation in Heart Failure	93.837	5R01HL135024-03	29,124	411,634
NIH - Identification of Novel Genes/Pathways That Regulate Atherosclerosis	93.837	1R01HL142086-01		373,493
NIH - Mechanism of Impaired Coronary Collateral Growth	93.837	1R01HL137008		338,390
NIH - Mechanotransduction in Myocardial Adaption to Ischemia	93.837	5R01HL119705-04		317,224
NIH - Regulation of Lipid and Lipoprotein Metabolism by Nuclear Receptors	93.837	2R01HL103227-07		249,371
NIH - Regulation of Lipid and Lipoprotein Metabolism by Nuclear Receptors	93.837	2R01HL103227-07		227,846
NIH - Myocardial Injury Associated with Mitochondria-Derived Oxygen Free Radical(s)	93.837	4R01HL083237-09		222,825
NIH - What mechanisms underlie coronary collateral growth?	93.837	1R01HL135110-01		160,765
NIH - What mechanisms underlie coronary collateral growth?	93.837	1R01HL135110-01		124,626
NIH - Role of OGT in Diabetic Vascular Disease	93.837	1R56HL141409-01		118,448
NIH - NHLBI-Targeting Collagen 6 for Post-Infraction Recovery	93.837	1R15HL132312-01A1		73,528
NIH - Mechanism of TSP-1 in Metabolic Syndrome-Induced Vascular Disease	93.837	1R15HL147245-01		20,419
<i>Passed through Temple University -</i>				
NIH - Temple - Follistatin - like protein 1 in cardiac and systemic metabolism	93.837	257816		39,268
<i>Passed through University of Louisville Research Foundation -</i>				
NIH - Louisville - Regulation of Coronary Blood Flow	93.837	ULRF 18-0313	-	162,709
Total CFDA #93.837			29,124	2,840,546

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (CONTINUED)				
Department of Health and Human Services (Continued)				
<i>National Institutes of Health -</i>				
NIH - Uridylation of miRNAs by ZCCHC6 Regulates IL-6 Expression in Arthritis	93.846	5R01AR067056-03	\$	692,516
<i>National Institutes of Health:</i>				
NIH - Regulation of Bile Acid Synthesis by Nuclear Receptors	93.847	5R37DK058379-30		389,181
NIH - Hepatic ATF3 in the Development of NAFLD	93.847	1R01DK118941-01		384,450
NIH - Molecular Biology of Bile Acid Synthesis	93.847	2R01DK044442-22A1		361,439
NIH - Mechanisms Underlying the Pathogenesis of Non - alcoholic Fatty Liver Disease	93.847	5R01DK102619-04		347,149
NIH - Molecular Biology of Bile Acid Synthesis	93.847	5R01DK044442-20		50,591
NIH - Hepatic FOXA3 Links NAFLD to Atherosclerosis	93.847	1R01DK118805		13,835
NIH - Hepatic Lipid Mobilization by Nuclear Hormone Receptors	93.847	5R01DK093774-05		<u>4,391</u>
Total CFDA #93.847				1,551,036
<i>National Institutes of Health -</i>				
NIH - Astrocytes in Retrovirus-Induced Spongiform Motor Neuron Disease	93.853	1R15NS108107		73,570
<i>Passed through Rutgers, The State University of New Jersey -</i>				
NIH - Rutgers - Developing Drugs to Mitigate Parathion Intoxication	93.853	8348		<u>36,897</u>
Total CFDA #93.853				110,467
<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	\$	6,487
<i>Passed through University of Wisconsin - Madison -</i>				
NIH - UofW - Genetics of the Island Rule	93.859	740K294	-	<u>4,822</u>
Total CFDA #93.859			6,487	172,549
<i>National Institutes of Health:</i>				
NIH - The Effect of Preterm Birth and RLN Damage on Airway Protection and Maturation	93.865	1R01HD088561-01		436,890
NIH - The effect of sensory intervention on swallowing and respiration through neurological maturation in preterm infants	93.865	1R01HD096881-01A1		11,739
Total CFDA #93.865				<u>448,629</u>
<i>National Institutes of Health -</i>				
NIH - Metabolic vulnerability as a disease target for glaucoma	93.867	5R01EY026662-04	-	<u>346,483</u>
Total Department of Health and Human Services			\$	<u>203,358</u>
				<u>9,842,075</u>

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)				
National Science Foundation				
<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	\$	5,358
<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		25,237
<i>National Science Foundation -</i>				
NSF - Kinematics of Quadrupedal Locomotion in Free Ranging Primates	47.075	BCS-1640552		<u>78,179</u>
Total National Science Foundation				108,774
Department of Commerce				
<i>Department of Commerce -</i>				
EDA - Accelerating Pharmaceutical Commercialization	11.020	FED16HDQ0200015		93,994
Department of Agriculture				
<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		53,968
Department of Defense				
<i>Passed through The Cleveland Clinic Foundation:</i>				
<i>Passed through Wake Forest University -</i>				
DOD - CC - Wake - Re-Establishing Homing to Regenerate an Injured Anal Sphincter to Aid Continence	12.420	428-SUB		7,783
Total Department of Defense				
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>\$ 203,358</u>	<u>10,106,594</u>
TOTAL CLUSTERS			<u>\$ 203,358</u>	<u>43,303,179</u>

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
OTHER PROGRAMS				
Department of Health and Human Services				
<i>Passed through The University of Toledo -</i> HRSA - UT - AHEC Point of Service Maintenance & Enhancement Award FY 18	93.107	F-2018-17	\$ 144,629	\$ 159,215
<i>Passed through The University of Toledo -</i> HRSA - UT - AHEC Point of Service Maintenance and Enhancement Award	93.107	F-2019-24	223,842	289,206
<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	<u>13,621</u>	<u>30,995</u>
Total CFDA #93.107			382,092	479,416
<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	1H79TI081669-01	7,786	74,086
<i>Passed through Summit County Alcohol Drug Addiction & 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	<u>-</u>	<u>18,443</u>
Total CFDA #93.243			7,786	92,529
<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		52,114
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - OH Opiate Project ECHO	93.788	1900352	36,810	92,606
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - Ohio Opiate Project ECHO	93.788	1900720		55,354
<i>Passed through Ohio Department of Mental Health -</i> SAMHSA - OMHAS - Opiate Mapping	93.788	1900466	<u>-</u>	<u>127,779</u>
Total CFDA #93.788			36,810	327,853
<i>National Institutes of Health -</i>				
HRSA - The Health Careers Opportunity Program (HCOP) of the Ohio Alliance	93.822	6 D18HP29040-02-01	213,016	411,459
<i>National Institutes of Health -</i>				
HRSA - Primary Care Training and Enhancement	93.884	5 T0BHP30006-04-00	172,177	593,940

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
OTHER PROGRAMS (Continued)				
<i>Passed through Summit County Alcohol Drug Addiction & Mental Health Services Board - SAMHSA - ADM - FY18 CCoE</i>	93.958	N/A	\$ 11,125	\$ 17,645
<i>Passed through The Thresholds - SAMHSA - ILDHS - Training, Consultation and Technical Assistance</i>	93.958	N/A		36,269
<i>Passed through Ohio Department of Mental Health - SAMHSA - OMHAS - First Episode Psychosis: Curriculum Development and Technical Assistance Events</i>	93.958	1800494		675
<i>Passed through Ohio Department of Mental Health - SAMHSA - OMHAS - First Episode Psychosis: Project ECHO</i>	93.958	1900121		97,690
<i>Passed through Ohio Department of Mental Health: Passed through Alta Behavioral Healthcare - SAMHSA - OMHAS - ABH - Evidence Based Programs to Address First Episode Psychosis-FIRST Mahoning County</i>	93.958	N/A		26,882
<i>Passed through Ohio Department of Mental Health: Passed through Allwell Behavioral Health Services - SAMHSA - OMHAS - ABHS - Evidence Based Programs to Address First Episode Psychosis</i>	93.958	N/A		22,266
<i>Passed through Ohio Department of Mental Health: Passed through Coleman Professional Services Inc - SAMHSA - OMHAS - CPS - Evidence Based Programs to Address First Episode Psychosis</i>	93.958	N/A		14,850
<i>Passed through Ohio Department of Mental Health: Passed through TCN Behavioral Health - SAMHSA - OMHAS - TCNBH-Evidence Based Programs to Address First Episode Psychosis</i>	93.958	N/A		29,881
<i>Passed through Ohio Department of Mental Health: Passed through University of Maryland - SAMHSA - UM - National Training & Technical Assistance Center Consulting</i>	93.958	PUR01-0000039821	-	6,793
Total CFDA #93.958			11,125	252,951
<i>Passed through Summa Health Corporate Health - HRSA - Summa - Geriatric Workforce Development through Interdisciplinary Team Learning</i>	93.969	89335-A	-	66,443
Total Department of Health and Human Services			\$ 823,006	2,224,591

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
OTHER PROGRAMS (Continued)				
Department of Justice				
<i>Passed through Ohio Office of Criminal Justice Services - DOJ - OCJS - Mental Illness and First Episode Incarceration</i>	16.738	2017-JG-E01-6026	\$	12,924
<i>Passed through Ohio Office of Criminal Justice Services - DOJ - OCJS - Sequential Intercept Mapping: Stepping Up Counties</i>	16.738	2018-JG-E01-6963		<u>12,561</u>
Total CFDA #16.738				25,485
<i>Passed through Ohio Office of Criminal Justice Services - DOJ - OCJS - CJCCoE Technical Assistance Expansion</i>	16.745	2017-CO-JMH-604		143,243
<i>Passed through Mental Health & Recovery Board of Union County - USDOJ - MHRBUC - Union Cty Sequential Intercept Mapping</i>	16.745	2017-MO-BX-0022		<u>21,114</u>
Total CFDA #16.745				<u>164,357</u>
Total Department of Justice				\$ 189,842
Corporation for National and Community Service				
<i>Passed through Ohio Commission on Service and Volunteerism - CNCS - Ohio - AmeriCorps FY18</i>	94.006	15AFH-1502-18-OC115	\$	20,372
Department of Education				
<i>Passed through Ohio Department of Education - ODE - Community Connectors 360 Mentoring</i>	84.184	N/A	\$	1,226
<i>Passed through Ohio Department of Education - USDE - ODE - 21st Century Community Learning Center - FY18</i>	84.287	7055		<u>39,120</u>
Total Department of Education				<u>39,290</u>
TOTAL OTHER PROGRAMS				<u>862,296</u>
TOTAL EXPENDITURES OF FEDERAL PROGRAMS			\$	<u>1,065,654</u>
				<u>45,778,330</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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, 2019. 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, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or 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. 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, 2019 consist of the following:

Cluster/Program Title	CFDA Number	Loan Balances
Federal Perkins Loan Program	84.038	\$ 708,825
Health Prof Student Loan Prgm - Loans to Disadvantaged Students	93.342	3,335,121
Health Prof Student Loan Prgm - Primary Care Loan	93.342	802,123
	Total	\$ 4,846,069

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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? X Yes 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
84.268, 84.038, 93.342	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,373,350

Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings

Reference Number	Finding
2019-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - Inappropriate fiduciary account access</p> <p>Condition - Noted that the former controller, former director of the board of trustees, and former chief operating officer still have access to certain bank accounts in ERS and investment accounts in the University.</p> <p>Context - Access to the accounts was never removed for these individuals subsequent to their departure from the University. Note, that the controller, director of the board of trustees, and chief operating officer have drawdown access.</p> <p>Cause - Lack of controls surrounding access removal</p> <p>Effect - Improper access to bank and investment accounts</p> <p>Recommendation - We recommend ERS and the University create a workflow or checklist upon employee termination to ensure all access is removed from bank accounts.</p> <p>Views of Responsible Officials and Planned Corrective Actions - ERS and the University will create a workflow or checklist upon employee termination to ensure all account access is removed from banking and investment accounts. Please note that the University investment accounts to which the former controller and chief operating officer had access have since been liquidated and closed.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	