

Northeast Ohio Medical University
(A COMPONENT UNIT OF THE STATE OF OHIO)
PORTAGE COUNTY, OHIO

Single Audit

For the Fiscal Year Ended
June 30, 2021



www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Northeast Ohio Medical University
4209 State Route 44
Rootstown, Ohio 44272

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Medical University, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 05, 2021

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NORTHEAST OHIO MEDICAL UNIVERSITY
JUNE 30, 2021

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Board of Trustees
Northeast Ohio Medical University
4209 State Route 44
Rootstown, Ohio 44272

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Northeast Ohio Medical University, (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 respective financial position of the business-type activities and the discretely presented components units of the University, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the University as of the year ended June 30, 2020, were audited by other auditors whose report dated October 13, 2020, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Cleveland, Ohio
October 14, 2021

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, 2021, 2020, and 2019. 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 Contiguous Properties LLC, ERS MOB LLC, and ERS RGE LLC were created under the umbrella of ERS Strategic Properties, Inc., a not-for-profit 501(c)(3). Specifically, ERS Housing LLC is operated for the purpose of equipping housing for students, faculty, and staff of Northeast Ohio Medical University. ERS HWMEC LLC is operated for the purpose of equipping a health, wellness, and medical education center to promote the educational, social, and physical well-being of students, faculty, and staff of Northeast Ohio Medical University and the local community. ERS Contiguous Properties LLC is operated for the purpose of purchasing and developing property for the benefit of Northeast Ohio Medical University. ERS MOB LLC houses the BioMed STEM high school and medical offices for community physicians to give care to patients and be a resource for student clinical rotations. ERS RGE LLC is operated for the purpose of remodeling the 4th floor of the RGE building for research.

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 increased during the fiscal year ended June 30, 2021 as compared to the previous year as evidenced by the following:

- The University's total assets increased over the prior year by \$31.6 million. Current assets decreased by \$6.1 million primarily due to a decrease in short term investment market changes offset by an increase in accounts receivable related to funding expenses for the MOB construction, while noncurrent assets increased by \$37.7 million primarily due to an increase in long term investment market changes offset by a decrease in capital assets related to disposals and depreciation.
- Cash and cash equivalents increased by \$1.5 million. This is mainly due to timing of student billing and loan disbursements.
- The University's net position increased by \$34.7 million to \$87.7 million, of which \$46.8 million is invested in capital assets.
- Operating revenue increased by \$8.9 million compared to the prior year, primarily due to a \$3.2 million increase in grants and contracts, a \$1.5 million increase in auxiliary sales and services, and an increase of \$4.3 million in tuition and fees.
- The University's operating expenses decreased by \$19 million compared to the prior year, primarily due to a \$21.1 million decrease in educational and general expenditures, of which approximately \$17.5 million relates to a reduction in GASB expense related to net pension liabilities and other post-retirement benefits, offset by an increase of \$2.1 million in auxiliary expenditures.
- Net nonoperating revenue increased by a \$9.4 million primarily due to a \$8.7 million increase in investment income.
- Other revenue, expenses, gains, or losses increased by \$767,000 due to an increase in capital appropriations.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Northeast Ohio Medical University
Condensed Statements of Net Position
as of June 30, 2021, 2020, and 2019**

	2021	2020	2019
ASSETS			
Current assets	\$50,839,550	\$56,912,034	\$52,939,552
Noncurrent			
Capital	78,799,955	83,488,878	83,504,096
Other	72,593,228	30,189,103	32,078,191
Total assets	202,232,733	170,590,015	168,521,839
DEFERRED OUTFLOWS	7,844,949	11,830,844	19,045,011
 LIABILITIES			
Current liabilities	13,490,442	15,162,416	15,940,160
Noncurrent liabilities	90,822,301	101,145,372	110,566,472
Total liabilities	104,312,743	116,307,788	126,506,632
DEFERRED INFLOWS	18,094,457	13,139,019	4,729,810
 NET POSITION			
Net Investment in			
Capital Assets	46,785,251	46,313,876	47,213,982
Restricted	14,074,436	12,305,201	13,397,676
Unrestricted	26,810,795	(5,645,025)	(4,281,250)
Total net position	\$87,670,482	\$52,974,052	\$56,330,408

2021 versus 2020 During the year ended June 30, 2021:

As of June 30, 2021, the University's current assets of \$50.8 million were sufficient to cover current liabilities of \$13.5 million (current ratio of 3.8:1). As of June 30, 2020, current assets of \$56.9 million were sufficient to cover current liabilities of \$15.2 million (current ratio of 3.7:1).

As of June 30, 2021, the University's capital assets decreased to \$78.8 million from \$83.5 million, and other noncurrent assets increased to \$71.4 million from \$30.2 million compared to fiscal year 2020.

At June 30, 2021, total University assets were \$202.2 million, compared to \$170.6 million in fiscal year 2020. The increase is primarily related to a \$27.5 million increase in investments.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

University liabilities totaled \$104.3 million at June 30, 2021, compared to \$116.3 million in fiscal year 2020. The decrease is mainly related to the decrease in the net pension liability offset by the increase in bonds payable. Current liabilities totaled \$13.5 million and consisted primarily of \$3.8 million in unearned revenue, accrued liabilities of \$2.9 million, \$1.8 million in accrued employee compensation and benefits, \$3.2 million in general accounts payable, \$593,000 in capital lease obligations, and \$1.3 million in bonds payable.

Total net position increased by \$34.7 million to \$87.7 million. Net investment in capital assets were \$46.8 million. Restricted net assets include \$6.5 million in student loans, \$6.3 million in endowments, \$1.3 million in current operations, and \$26.8 million in unrestricted net assets.

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

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

As of June 30, 2020, the University's capital assets decreased to \$83.49 million from \$89.5 million in fiscal year 2019, and other noncurrent assets decreased to \$28.6 million from \$32.1 million.

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

University liabilities totaled \$116.3 million at June 30, 2020, compared to \$126.5 million in fiscal year 2019. The decrease is mainly related to the decrease in the net pension liability. Current liabilities totaled \$15.2 million and consisted primarily of \$4 million in unearned revenue, accrued liabilities of \$3.3 million, \$2.9 million in accrued employee compensation and benefits, \$3 million in general accounts payable, \$602,000 in capital lease obligations, and \$1 million in bonds payable.

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

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, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue			
Tuition and Fees	\$ 40,544,021	\$ 36,200,418	\$ 34,932,499
Federal and State Appropriations	25,682,738	25,007,566	24,993,177
Federal, state, local, and private grants and contracts	20,817,183	17,644,272	19,200,974
Auxiliary activities	3,840,918	2,348,705	2,847,929
Other	14,677,162	5,322,490	5,186,104
Total Revenue	<u>105,562,022</u>	<u>86,523,451</u>	<u>87,160,683</u>
Expenses			
Instruction	19,651,024	24,672,789	21,468,852
Research	8,485,361	12,150,613	13,746,143
Academic support	6,944,071	8,970,336	10,202,491
Institutional support	4,956,732	11,743,077	14,871,527
Other	30,828,404	32,342,992	29,734,797
Total Expenses	<u>70,865,592</u>	<u>89,879,807</u>	<u>90,023,810</u>
Increase (decrease) in net position	<u>\$ 34,696,430</u>	<u>\$ (3,356,356)</u>	<u>\$ (2,863,127)</u>

2021 versus 2020 During the year ended June 30, 2021:

The most significant sources of operating revenue for the University are tuition and fees and grants and contracts. Tuition and fee revenue increased by \$4.3 million during fiscal year 2021 as compared to 2020. This increase by 12 percent was primarily due to increased tuition rates and increased enrollment in the College of Medicine. Grant revenue increased by \$3.2 million, or 18 percent, in 2021 due to increases in both federal and private awards.

Other revenue has increased by \$9.3 million, or 176% as compared to 2020 primarily due to an 8.7 million increase in investment income.

Operating expenditures, including depreciation of \$6.7 million, totaled \$68.9 million, which was a decrease of \$19 million from the prior year. The biggest contributor to this decrease was a \$17 million reduction in GASB expense related to net pension liabilities and other post-retirement benefits.

Noncapital state appropriations were the most significant nonoperating revenue totaling \$25.7 million, which was an increase from 2020 of 2.7 percent.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

Northeast Ohio Medical University Condensed Statements of Cash Flows for the years ended June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cashed used in:			
Operating activities	\$ (20,847,965)	\$ (37,509,221)	\$ (25,638,212)
Investing activities	(13,604,801)	18,254,187	4,882,732
Capital and related financing activities	10,283,024	(7,640,282)	(6,370,099)
Noncapital financing activities	<u>25,682,738</u>	<u>25,007,566</u>	<u>24,993,177</u>
Net (decrease) increase in cash and cash equivalents	1,512,996	(1,887,750)	(2,132,402)
Cash and cash equivalents, beginning of year	<u>4,495,772</u>	<u>6,383,522</u>	<u>8,515,924</u>
Cash and cash equivalents, end of year	<u>\$ 6,008,768</u>	<u>\$ 4,495,772</u>	<u>\$ 6,383,522</u>

2021 versus 2020 During the year ended June 30, 2021:

Major sources of cash included student tuition and fees of \$41 million, state appropriations of \$25.7 million, auxiliary activities of \$3.8 million, and grants and contracts of \$20.7 million. The largest payments were for suppliers (\$40.1 million) and employees (\$44.8 million).

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

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

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Asset and Debt Administration

Capital Assets

At the end of 2021, the University had invested \$78.8 million in capital assets (net of accumulated depreciation of \$92.1 million); this amount represents a decrease of \$4.7 million, or 5.62 percent, over last year.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 2,549,470	\$ 2,149,470	\$ 2,149,470
Equipment, furnishings, library materials, and intangibles	35,947,439	38,223,749	35,454,196
Buildings, infrastructure, improvements, leasehold improvements, and construction in progress	<u>132,365,978</u>	<u>131,035,712</u>	<u>127,695,416</u>
Total	<u>\$ 170,862,887</u>	<u>\$ 171,408,931</u>	<u>\$ 165,299,082</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 to be used toward a new Research and Graduate Education building. In November 2020, these bonds were eligible for refunding. The refunding transaction took place in February 2021. In November 2011, the University had its second bond issuance for \$27 million to be used toward this project. In February 2021, along with the refunding of the 2010 bonds, the University issued new bond debt in the amount of \$15 million to be used toward the Medical Office Building and the build out of the 4th floor of the Research and Graduate Education Building.

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

State appropriations are a major revenue source supporting the annual operations of Northeast Ohio Medical University. Consequently, changes in state support are important both for its direct impact on university revenue and its indirect impact on the cost of tuition. The fiscal year 2021 budget was prepared using a zero-based budget methodology for the first time. This was presented to and approved by the Board of Trustees, assuming an up to 20% reduction in state aid in relation to the COVID-19 pandemic. In July 2020, the University learned the actual reduction was 4.39 percent, significantly less than budgeted. Consequently, the University ended the year with an increase in unrestricted revenue of \$6.7 million over the budgeted amount.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. These recommendations have resulted in mandates from federal and state authorities. The University established safety protocols and currently updates those protocols and guidance in accordance with the CDC, state, and local health department guidance to mitigate the impact of COVID for faculty, staff, and students. The campus is fully functional with faculty and staff working onsite and students learning in person.

Since state support for higher education is susceptible to declines during tough economic times, the University is focused on growing academic programming in high demand areas in the College of Graduate Studies, and growing enrollment in the College of Medicine and College of Pharmacy through the work of the enrollment council established as part of the University's strategic plan. Additionally, the University is studying new professional education programming and will continue to grow its clinical practice footprint to enhance current revenue sources.

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets						
Cash and cash equivalents (Note 2)	\$ 4,684,212	\$ 2,856,193	\$ 579,575	\$ 413,095	\$ 418,288	\$ 1,056,470
Investments (Notes 2 & 3)	18,639,668	31,457,540	-	-	-	-
Accounts receivable (Note 4)	24,310,710	20,377,442	-	500,000	33,301	41,657
Inventories	264,228	168,555	-	-	-	-
Prepaid expenses and deferred charges	2,650,324	1,793,640	71,419	3,267	1,500	4,689
Pledges receivable, net	-	-	20,484	267,575	-	-
Notes receivable, net (Note 4)	290,408	258,664	230,465	29,038	-	-
Total current assets	50,839,550	56,912,034	901,943	1,212,975	453,089	1,102,816
Noncurrent assets						
Cash-restricted (Note 2)	1,324,556	1,639,579	-	-	-	-
Long-term investments (Notes 2 & 3)	62,343,531	21,998,323	31,160,670	25,113,843	-	-
Net Pension Asset (Note 8)	705,621	485,749	-	-	-	-
Net OPEB Asset (Note 8)	3,595,499	1,596,000	-	-	-	-
Funds held in trust	-	-	88,681	74,092	1,757,866	1,623,322
Pledges receivable, net	-	-	155,058	321,833	-	-
Notes receivable, net (Note 4)	4,624,021	4,469,452	443,751	356,989	-	-
Capital assets, net (Note 5)	78,799,955	83,488,878	-	-	120,018,575	118,822,452
Total noncurrent assets	151,393,183	113,677,981	31,848,160	25,866,757	121,776,441	120,445,774
Total assets	202,232,733	170,590,015	32,750,103	27,079,732	122,229,530	121,548,590
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	5,771,859	8,272,863	-	-	-	-
Deferred outflows related to OPEB	2,073,090	3,557,981	-	-	-	-
Total deferred outflows of resources	7,844,949	11,830,844	-	-	-	-
Total assets and deferred outflow of resources	210,077,682	182,420,859	32,750,103	27,079,732	122,229,530	121,548,590

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

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2021 AND 2020

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2021	2020	2021	2020	2021	2020
LIABILITIES						
Current liabilities						
Accounts payable	3,202,005	3,038,782	-	-	3,860	-
Accrued compensation and benefits (Note 6)	1,773,262	2,871,445	-	-	-	-
Unearned revenue	3,755,258	4,030,252	-	-	1,193,328	607,315
Other accrued liabilities	2,852,236	3,275,947	570,108	499,467	753,544	1,885,765
Net OPEB liability (Notes 6 and 9)	-	339,297	-	-	-	-
Capital lease obligations	592,681	601,693	-	-	-	-
Related party payable (Note 12)	-	-	-	-	31,323	356,448
Bonds payable (Note 10)	1,315,000	1,005,000	-	-	2,508,016	2,329,998
Total current liabilities	13,490,442	15,162,416	570,108	499,467	4,490,071	5,179,526
Noncurrent liabilities						
Compensated absences (Note 6)	2,392,687	2,339,638	-	-	-	-
Related party payable (Note 12)	-	-	-	-	18,304,760	14,198,951
Unearned revenue	-	-	-	-	10,816,724	11,465,426
Annuity obligations	-	-	75,673	95,289	-	-
Net OPEB liability (Notes 6 and 9)	983,548	19,794,841	-	-	-	-
Capital lease obligations	1,078,220	1,670,901	-	-	-	-
Bonds payable (Note 10)	48,352,925	34,241,293	-	-	103,073,556	105,475,303
Net pension liability (Note 8)	38,014,921	43,098,699	-	-	-	-
Total noncurrent liabilities	90,822,301	101,145,372	75,673	95,289	132,195,040	131,139,680
Total liabilities	104,312,743	116,307,788	645,781	594,756	136,685,111	136,319,206
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	9,078,422	7,483,348	-	-	-	-
Deferred inflows related to OPEB	9,016,035	5,655,671	-	-	-	-
Total deferred inflows of resources	18,094,457	13,139,019	-	-	-	-
NET POSITION						
Net investment in capital assets	46,785,251	46,313,876	-	-	-	-
Restricted						
Nonexpendable						
Student loans	6,485,360	6,456,345	1,021,996	947,042	-	-
Endowments	6,336,219	4,892,983	10,500,373	10,071,928	-	-
Annuity and life income	-	-	45,456	14,462	-	-
Expendable	1,252,857	955,873	14,522,161	9,991,512	-	-
Unrestricted (deficit)	26,810,795	(5,645,025)	6,014,336	5,460,032	(14,455,581)	(14,770,616)
Total net position	87,670,482	52,974,052	32,104,322	26,484,976	(14,455,581)	(14,770,616)
Total liabilities, deferred inflow of resources, and net position	\$ 210,077,682	\$ 182,420,859	\$ 32,750,103	\$ 27,079,732	\$ 122,229,530	\$ 121,548,590

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, 2021 AND 2020

	NEOMED		Component Unit NEOMED Foundation		Component Unit ERS Strategic Properties, Inc	
	2021	2020	2021	2020	2021	2020
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$2,002,074 and \$2,088,662, respectively)	\$ 40,544,021	\$ 36,200,418	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	16,033,873	12,970,360	-	-	-	-
State grants and contracts	1,740,410	903,402	-	-	-	-
Local grants and contracts	59,520	14,189	-	-	-	-
Private grants and contracts	2,983,380	3,756,321	-	-	-	-
Contributions and bequests	-	-	1,371,909	3,679,378	-	-
In-kind contributions from NEOMED	-	-	971,507	1,236,105	170,855	307,068
Sales and services of departments	246,320	267,012	-	-	-	-
Sales and services of auxiliary enterprises	3,840,918	2,348,705	-	-	11,864,935	9,434,708
Other	313,435	422,216	19,244	23,585	-	-
Total operating revenues	<u>65,761,877</u>	<u>56,882,623</u>	<u>2,362,660</u>	<u>4,939,068</u>	<u>12,035,790</u>	<u>9,741,776</u>
OPERATING EXPENSES						
Educational and general						
Instruction and departmental research	19,651,024	24,672,789	200,820	241,039	-	-
Separately budgeted research	8,485,361	12,150,613	220,739	296,444	-	-
Public service	5,308,358	5,148,533	198,151	17,100	-	-
Academic support	6,944,071	8,970,336	147,553	95,816	-	-
Student services	178,540	2,547,307	-	65,130	-	-
Institutional support	4,956,732	11,743,077	2,666,487	2,135,095	-	-
Operation and maintenance of plant	6,511,490	7,902,944	-	-	-	-
Scholarships and fellowships	-	-	708,155	669,582	-	-
Auxiliary enterprises	10,174,285	8,071,678	-	-	1,119,440	1,590,869
Depreciation	6,662,526	6,692,627	-	-	4,616,887	4,210,974
Total operating expenses	<u>68,872,387</u>	<u>87,899,904</u>	<u>4,141,905</u>	<u>3,520,206</u>	<u>5,736,327</u>	<u>5,801,843</u>
Operating (loss) income	(3,110,510)	(31,017,281)	(1,779,245)	1,418,862	6,299,463	3,939,933
NONOPERATING REVENUES (EXPENSES)						
State appropriations	25,682,738	25,007,566	-	-	-	-
Investment income	12,131,660	3,414,403	6,971,781	696,954	-	-
Interest expense	(1,984,327)	(1,922,539)	-	-	(5,802,563)	(5,909,598)
Loss on disposal of assets	(8,878)	(57,364)	-	-	(181,865)	-
Net nonoperating revenues (expenses)	<u>35,821,193</u>	<u>26,442,066</u>	<u>6,971,781</u>	<u>696,954</u>	<u>(5,984,428)</u>	<u>(5,909,598)</u>
(LOSS) GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	32,710,683	(4,575,215)	5,192,536	2,115,816	315,035	(1,969,665)
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES						
Capital appropriations and grants	1,985,747	1,218,859	-	-	-	-
Contributions	-	-	426,810	619,604	-	-
Total other revenues, expenses, gains, or losses	<u>1,985,747</u>	<u>1,218,859</u>	<u>426,810</u>	<u>619,604</u>	<u>-</u>	<u>-</u>
(DECREASE) INCREASE IN NET POSITION	34,696,430	(3,356,356)	5,619,346	2,735,420	315,035	(1,969,665)
NET POSITION AT BEGINNING OF YEAR	<u>52,974,052</u>	<u>56,330,408</u>	<u>26,484,976</u>	<u>23,749,556</u>	<u>(14,770,616)</u>	<u>(12,800,951)</u>
NET POSITION AT END OF YEAR	\$ 87,670,482	\$ 52,974,052	\$ 32,104,322	\$ 26,484,976	\$ (14,455,581)	\$ (14,770,616)

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

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 41,046,418	\$ 35,082,073
Grants and contracts	20,694,673	20,911,974
Employee compensation	(44,822,771)	(50,519,813)
Payments to suppliers	(40,083,871)	(44,247,098)
Payments for utilities	(1,896,774)	(1,938,643)
Student loan advances	(633,398)	(592,231)
Student loan repayments	447,085	756,584
Sales and services of auxiliary enterprises	3,840,918	2,348,705
Sales and services of departments	246,320	267,012
Other operating receipts	313,435	422,216
Net cash and cash equivalents used in operating activities	(20,847,965)	(37,509,221)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	25,682,738	25,007,566
Federal loan receipts	39,458,191	32,322,338
Federal loan disbursements	(39,458,191)	(32,322,338)
Net cash and cash equivalents provided by financing activities	25,682,738	25,007,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	1,985,747	1,218,859
Purchases of capital assets	(2,004,246)	(4,867,480)
Payments on capital lease	601,693	(1,094,122)
Principal paid on debt	(12,730,000)	(975,000)
Interest paid on debt	(1,984,327)	(1,922,539)
Bond issuance costs paid	(200,843)	-
Proceeds from bond issuance	24,615,000	-
Net cash and cash equivalents provided by/(used in) capital and related financing activities	10,283,024	(7,640,282)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	12,131,660	3,414,403
Sale of investments	16,523,272	106,791,551
Purchase of investments	(42,259,733)	(91,951,767)
Net cash and cash equivalents (used in)/provided by investing activities	(13,604,801)	18,254,187
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	1,512,996	(1,887,750)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,495,772	6,383,522
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 6,008,768	\$ 4,495,772
SIGNIFICANT NONCASH TRANSACTION - Acquisition of equipment financed through capital leases	-	1,694,520

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED June 30, 2021 and 2020**

CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES

	<u>2021</u>	<u>2020</u>
Operating loss	\$ (3,110,509)	\$ (31,017,281)
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities		
Depreciation	6,662,526	6,692,627
Loss on disposal of asset	8,878	57,364
Changes in assets and liabilities		
Receivables	(3,943,112)	(2,633,113)
Inventories	(95,673)	7,764
Prepaid expenses and deferred charges	(846,839)	409,083
Notes receivable	(186,313)	233,753
Net pension asset	(219,872)	(485,749)
Net OPEB asset	(366,695)	(1,596,000)
Accounts payable	163,224	1,763,735
Accrued compensation	(1,045,133)	(2,382,552)
Deferred revenue	(274,994)	(1,649,591)
Net pension liability	(5,083,778)	(10,659,570)
Net OPEB liability	(20,783,394)	1,292,061
Deferred inflow / outflow from OPEB / Pension liability	8,941,333	1,146,484
Other accrued liabilities	(667,614)	1,311,764
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	<u>\$ (20,847,965)</u>	<u>\$ (37,509,221)</u>

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

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 4,684,212	\$ 2,856,193
Cash-Restricted	1,324,556	1,639,579
Total cash and equivalents at end of the year	<u>\$ 6,008,768</u>	<u>\$ 4,495,772</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, 2021 and 2020**

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 is a public University of the State of Ohio focused on the interprofessional training of health professionals. The University is accredited by the Higher Learning Commission (HLC). The University consists of three colleges, including Medicine, Pharmacy, and Graduate Studies focused on diversity, innovation, and collaboration to create transformative leaders and improve health through education, discovery, and service.

NEOMED’s College of Medicine admits students in a traditional, four-year manner called “Direct Entry” and accepts transfer students from other medical schools. The College of Medicine collaborates with nine Ohio Universities and a two year college, and 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, founded in 2005, 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. A Trustee Emeritus was approved by the Board of Trustees at its September 2021 meeting.

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

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

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

statements for the Foundation may be obtained by writing to NEOMED Foundation, PO Box 95, Rootstown, Ohio 44272.

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

Basis of Presentation

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

Management's Discussion and Analysis

Basic financial statements:

Statements of Net Position

Statements of Revenue, Expenses, and Changes in Net Position

Statements of Cash Flows

Notes to the financial statements

Basis of Accounting

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

As of June 30, 2021, and 2020, restricted cash and cash equivalents consists of \$1,324,556 and \$1,639,579, respectively, of cash restricted for loan purposes.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

Investments

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

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

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2021 and 2020.

Fair Value Measurements

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

Accounts Receivable

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

Inventories

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

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Capital Assets

Capital assets include land and infrastructure assets such as roads and sidewalks, buildings and improvements, equipment with an original cost of \$5,000 or more, and all library materials. Such assets are recorded at cost at the date of acquisition, or if acquired by gift, at the acquisition value at the date of donation. Interest expense relating to construction is capitalized net of interest income on resources set aside for that purpose.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

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

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

Compensated Absences

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

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

Operating and Nonoperating Revenue

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

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

Unearned Revenue

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Pensions

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio) Pension

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

Plan (STRS/OPERS) and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

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

The University provides certain healthcare benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of the University's employees hired prior to 1992 may become eligible for those benefits if they reach the normal retirement age while working for the University. Effective July 1, 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The liability for these benefits is actuarially determined and based on a number of assumptions used to calculate the liability. The healthcare benefits for dependents of retired employees will be terminated effective January 1, 2022. 13 eligible participants will receive a one-time payment of \$2,400. The reduction in liability related to this change is reflected in the balance at June 30, 2021.

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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Deferred Inflows of Resources

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

Net Position Classifications

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

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.

NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

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

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

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

Donor Restricted Endowments

Under Ohio law set forth in the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. The University has a policy of appropriating for distribution each year up to five percent of its endowment fund’s average fair value over the prior three years through the preceding fiscal year for which the distribution is planned. The University utilized a distribution rate of 4.0 percent for the year ended June 30, 2021 and 3.5 percent for the year ended June 30, 2020.

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

For the fiscal year ended June 30, 2021, the University has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. Statement No. 93, *Replacement of Interbank Offered Rates*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the University.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the University.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain

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provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the University.

Upcoming Accounting Pronouncements

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

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

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

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2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

The University's bank deposits and cash on hand for all fund groups at June 30, 2021 and 2020 are summarized as follows:

	June 30, 2021	June 30, 2020
University's book value	\$ 6,008,768	\$ 4,495,772
Cash on hand	2,690	2,979
Bank balances	7,216,235	5,894,368

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, 2021 and 2020, \$1,407,671 and \$984,328, respectively, was covered by federal depository insurance and \$5,808,564 and \$4,910,040, respectively, was uncollateralized as defined by the GASB.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Money market funds	\$ 1,777,343	\$ 1,939,671
U.S. government obligations	6,940,056	4,570,367
U.S. government agency obligations	446,032	577,304
Corporate bonds and notes	4,872,116	3,039,287
Fixed-income mutual funds	9,213,735	9,707,916
Equities	35,685,751	25,824,123
State Treasury Asset Reserve of Ohio	14,355,247	1,483,787
State Treasury Asset Reserve of Ohio Plus	-	667,083
Alternative investments	7,692,919	5,646,325
Total Investments	<u>\$ 80,983,199</u>	<u>\$ 53,455,863</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, 2021 are as follows:

	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>More than 10</u>
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	
U.S. government obligations	\$ 6,940,056	\$ 2,507,078	\$ 4,163,711	\$ 269,267	\$ -
U.S. government agency obligations	446,032	-	-	-	446,032
Corporate bonds and notes	4,872,116	-	4,765,298	106,818	-
Fixed income mutual funds	9,213,735	-	3,298,421	5,915,314	-
Total	<u>\$ 21,471,939</u>	<u>\$ 2,507,078</u>	<u>\$ 12,227,430</u>	<u>\$ 6,291,399</u>	<u>\$ 446,032</u>

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

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

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

The credit ratings for the University's interest-bearing investments, as rated by Standard & Poor's, at June 30, 2021 were as follows:

Credit Rating (S&P)	Total	U.S. Government Obligations	U.S. Agency Obligations	Corporate Bonds and Notes	Fixed Income Mutual Funds
AA	7,643,813	6,940,056	446,032	257,725	-
A	3,572,754	-	-	3,572,754	-
B	1,651,410	-	-	-	1,651,410
BBB	8,603,962	-	-	1,041,637	7,562,325
Total	<u>\$ 21,471,939</u>	<u>\$ 6,940,056</u>	<u>\$ 446,032</u>	<u>\$ 4,872,116</u>	<u>\$ 9,213,735</u>

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

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

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, 2021 and 2020, 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, 2021 and 2020, the University had no exposure to foreign currency risk.

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3. FAIR VALUE MEASUREMENTS

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

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

The University has the following recurring fair value measurements as of June 30, 2021 and 2020:

	Balance at June 30, 2021	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	\$ 6,940,056	\$ -	\$ 6,940,056	\$ -
U.S. government agency obligations	446,032	-	446,032	-
Corporate bonds	4,872,116	-	4,872,116	-
Total debt securities	<u>12,258,204</u>	<u>-</u>	<u>12,258,204</u>	<u>-</u>
Equity securities ^(a)	<u>35,685,751</u>	<u>35,685,751</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Fixed-income mutual funds	<u>9,213,735</u>	<u>9,213,735</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>9,213,735</u>	<u>9,213,735</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 57,157,690</u>	<u>\$ 44,899,486</u>	<u>\$ 12,258,204</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Real estate funds and other ^(c)	2,145,914	-	-	-
Hedge funds ^(d)	<u>5,547,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments measured at NAV	<u>7,692,919</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 64,850,609</u>	<u>\$ 44,899,486</u>	<u>\$ 12,258,204</u>	<u>\$ -</u>

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	Balance at June 30, 2020	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	\$ 4,570,367	\$ -	\$ 4,570,367	\$ -
U.S. government agency obligations	577,304	-	577,304	-
Corporate bonds	3,039,287	-	3,039,287	-
Total debt securities	8,186,958	-	8,186,958	-
Equity securities ^(a)	25,824,123	25,824,123	-	-
Mutual funds:				
Fixed-income mutual funds	9,707,916	9,707,916	-	-
Total mutual funds	9,707,916	9,707,916	-	-
Total investments by fair value level	\$ 43,718,997	\$ 35,532,039	\$ 8,186,958	\$ -
Investments measured at the net asset value (NAV)				
Real estate funds and other ^(c)	2,011,999	-	-	-
Hedge funds ^(d)	3,634,326	-	-	-
Total investments measured at the NAV	5,646,325	-	-	-
Total investments measured at fair value	\$ 49,365,322	\$ 35,532,039	\$ 8,186,958	\$ -

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

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Short-term investments and investments on the statements of net position at June 30, 2021 and 2020 include investments in STAR Ohio of \$14,355,247 and \$2,150,870, 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 \$1,777,343 and \$1,939,671 as of June 30, 2021 and June 30, 2020, respectively.

Investments in Entities that Calculate Net Asset Value per Share

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

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

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Funds	\$2,145,914	-	Quarterly	N/A
Hedge Funds	5,547,005	-	Monthly	N/A
Total	\$7,692,919	\$ -		

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

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4. ACCOUNTS AND NOTES RECEIVABLE

The following is a summary of accounts and student notes receivable at June 30, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Student notes	\$ 4,914,429	\$ 4,728,116
Grants and contracts	3,599,620	3,011,760
Sales and services	1,708,888	1,538,218
NEOMED Foundation	481,651	409,017
ERS Strategic Properties, Inc.	18,336,083	14,555,399
Tuition and fees	<u>184,468</u>	<u>863,048</u>
Total accounts and notes receivable	29,225,139	25,105,558
Less current portion	<u>(24,601,118)</u>	<u>(20,636,106)</u>
Accounts and notes receivable, noncurrent portion	<u>\$ 4,624,021</u>	<u>\$ 4,469,452</u>

Federal Direct Loans Program processed for students by the University during the years ended June 30, 2021 and 2020 totaled \$39,458,191 and \$32,322,338, 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. All Perkins loans that have been in default for more than two years as of June 30, 2022 must either be purchased or assigned back to the Department.

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5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	July 1, 2020 <u>Beginning Balance</u>	<u>Additions</u>	Retirements and CIP <u>Transfers</u>	June 30, 2021 <u>Ending Balance</u>
Land - Nondepreciable	\$ 2,149,470	\$ 400,000	\$ -	\$ 2,549,470
Infrastructure	2,572,284	-	-	2,572,284
Buildings	128,414,468	471,569	-	128,886,037
Leasehold improvements	-	851,850	-	851,850
Furnishings and movable equipment	31,973,240	244,682	(399,087)	31,818,835
Library materials	6,120,634	7,533	(2,129,438)	3,998,729
Intangibles	129,875	-	-	129,875
Construction in progress - Nondepreciable	48,960	28,612	(21,765)	55,807
Total historical cost	<u>171,408,931</u>	<u>2,004,246</u>	<u>(2,550,290)</u>	<u>170,862,887</u>
Less accumulated depreciation				
Infrastructure	1,714,009	248,247	-	1,962,256
Buildings	55,128,214	3,673,507	-	58,801,721
Leasehold improvements	-	42,592	-	42,592
Furnishings and movable equipment	26,237,250	2,330,024	(390,209)	28,177,065
Library materials	4,710,705	368,156	(2,129,438)	2,949,423
Intangibles	129,875	-	-	129,875
Total accumulated depreciation	<u>87,920,053</u>	<u>6,662,526</u>	<u>(2,519,647)</u>	<u>92,062,932</u>
Total capital assets, net of depreciation	<u>\$ 83,488,878</u>	<u>\$ (4,658,280)</u>	<u>\$ (30,643)</u>	<u>\$ 78,799,955</u>

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

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

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6. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2021 and 2020 are as follows:

	Balance July 1, <u>2020</u>			Balance June 30, <u>2021</u>		
	<u>Additions</u>	<u>Reductions</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>		
Compensated absences	\$ 27,399	\$ -	\$ 398,166	\$ 2,392,687		
Voluntary Separation Program	-	399,763	-	-		
Postemployment benefits (Note 9)	373,168	3,717,726	983,548	-		
Total long-term liabilities	<u>\$ 400,567</u>	<u>\$ 4,117,489</u>	<u>\$ 1,381,714</u>	<u>\$ 2,392,687</u>		

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

The current portion of compensated absence liabilities are included in accrued compensation and benefits on the Statements of Net Position. The postemployment benefits are included in the net OPEB liabilities on the Statements of Net Position.

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

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

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

Employees had seven additional days to revoke the decision to retire or separate. As of April 26, 2019, there were thirty-two participants who elected to voluntarily separate from the University. All participants had separated as of June 30, 2020 and the final payments were made as of June 30, 2021.

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, 2021 and 2020, these instructional expenses relating to contracts totaled \$3,296,554 and \$4,372,638 respectively. At June 30, 2021 and 2020, the University had recorded accrued liabilities of \$1,376,592 and \$2,731,771, respectively, which represented unbilled services rendered by the related organizations under these contracts.

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

8. EMPLOYEE BENEFIT PLANS

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

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

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

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

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

Member contributions are set at the maximums authorized by the ORC. The plans' 2021 and 2020 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%	14.00%
OPERS-State/Local	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS- Law Enforcement and Public Safety	18.10%	0.00%	0.00%	18.10%	13.00%

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

	For the Years ended 6/30			
	2021		2020	
	Pension	OPEB	Pension	OPEB
STRS	\$ 1,165,172	\$ -	\$ 1,395,520	\$ -
OPERS	2,332,527	-	2,416,122	-
TOTAL	\$ 3,497,699	\$ -	\$ 3,811,642	\$ -

Benefits Provided

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

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

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

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

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

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

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

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

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

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2021 and 2020, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2021, the net pension liability was measured as of June 30, 2020 for STRS, and December 31, 2020 for the OPERS plan. For June 30, 2020, the net pension liability was measured as of June 30, 2019 for STRS and December 31, 2019 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS' net pension liability's actuarial valuation for the June 30, 2019 measurement date was dated July 1, 2019, which was rolled forward to the measurement date. The University proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

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Plan	Measurement Date	Net Pension Liability		Net Pension Asset	
		2021	2020	2021	2020
STRS	June 30	\$ (22,479,738)	\$ (21,316,328)	\$ -	\$ -
OPERS	December 31	\$ (15,535,183)	\$ (21,782,371)	\$ 705,621	\$ 485,749

Proportionate Share		Percentage Change 2020-	Percentage Change 2019-
2021	2020	2021	2020
0.09291%	0.09639%	-0.00349%	-0.00202%
0.10491%	0.11020%	-0.00529%	-0.00777%

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$160,642 and \$3,331,571, respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,440	\$ (926,713)	\$ 189,692	\$ (480,586)
Changes of assumptions	1,250,793	-	3,717,819	-
Net difference between projected and actual earnings of pension plan investments	1,093,194	(6,160,097)	-	(5,450,816)
Changes in proportion and differences between University contributions and proportionate share of contributions	780,838	(1,991,612)	1,611,468	(1,551,946)
University contributions subsequent to the measurement date	2,596,594	-	2,753,884	-
Total	<u>\$ 5,771,859</u>	<u>\$ (9,078,422)</u>	<u>\$ 8,272,863</u>	<u>\$ (7,483,348)</u>

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

Year Ended June 30	Amount
2021	\$ (2,408,336)
2022	\$ (774,808)
2023	\$ (2,140,338)
2024	\$ (512,488)
2025	\$ (25,189)
Thereafter	\$ (41,998)

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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, Deferrals, and OPEB Expense – At June 30, 2021, the University reported a liability/(asset) for its proportionate share of the net OPEB liability of STRS/OPERS. For June 30, 2021, the net OPEB liability/(asset) was measured as of June 30, 2020 for STRS, and December 31, 2020 for the OPERS plan. For June 30, 2020, the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated December 31, 2019 and 2018, 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, 2020 and 2019, 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, 2020 and 2019, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS’s calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

Plan	Measurement Date	Net OPEB Liability/(Asset)		Proportionate Share		Percent 2020-2021
		2021	2020	2021	2020	
STRS	June 30	\$ (1,632,804)	\$ (1,596,000)	0.09291%	0.09639%	-0.00349%
OPERS	December 31	\$ (1,962,695)	\$ 15,806,032	0.11017%	0.11443%	-0.00427%

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For the year ended June 30, 2021 and June 30, 2020, the University recognized OPEB negative expense of \$13,936,466 and expense of \$842,545. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,625	\$ (2,096,551)	\$ 145,424	\$ (1,526,534)
Changes of assumptions	991,835	(4,731,045)	2,535,927	(1,750,000)
Net difference between projected and actual earnings of OPEB plan investments	57,223	(1,045,359)	-	(904,839)
Changes in proportion and differences between University contributions and proportionate share of contributions	151,919	(547,861)	189,897	(581,462)
University contributions subsequent to the measurement date	-	(13,652)	-	-
Total	<u>\$ 1,305,602</u>	<u>\$ (8,434,468)</u>	<u>\$ 2,871,248</u>	<u>\$ (4,762,835)</u>

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

Year Ended June 30	Amount
2022	\$ (3,421,443)
2023	\$ (2,314,288)
2024	\$ (788,000)
2025	\$ (448,502)
2026	\$ (77,077)
Thereafter	\$ (79,556)

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

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Actuarial Assumptions - The total pension liability and OPEB liability is based on results of an actuarial valuation and were determined using the following actuarial assumptions for the University as of June 30, 2021:

	<u>STRS</u>	<u>OPERS</u>
Valuation Date - Pensions	June 30, 2020	December 31, 2020
Valuation Date - OPEB	June 30, 2020	December 31, 2019
Actuarial cost method	Entry age normal	Individual Entry Age
Cost of living	None	1.40 percent - 3.00 percent
Salary increases, including inflation	2.50 percent at age 65 - 12.50 percent at age 20	3.25 percent - 10.75 percent
Inflation	2.50 percent	3.25 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	-6.69 percent to 11.87 percent initial, 4.00 percent ultimate	8.50 percent initial, 3.50 percent ultimate in 2035
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, 2020:

	<u>STRS</u>	<u>OPERS</u>
Valuation Date - Pensions	June 30, 2019	December 31, 2019
Valuation Date - OPEB	June 30, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Individual Entry Age
Cost of living	None	1.40 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	3.25 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	4.93 percent to 9.62 percent initial, 4.00 percent ultimate	10.50 percent initial, 3.50 percent ultimate in 2030
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, 2020 and 2019. The discount rates used to measure the total pension liability for OPERS were 7.20 percent for the plan years ended December 31, 2020 and 2019.

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).

STRS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) was 7.45 percent for the plan years ended June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. At June 30, 2020 and 2019, the plan's fiduciary net position was projected to be available to make all projected future benefit

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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 health care costs to determine the total OPEB liability/(asset).

OPERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 6.00 percent and 3.16 percent for the plan years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.00 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.00 percent and 2.75 percent at December 31, 2020 and December 31, 2019, respectively. At December 31, 2020, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2019, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

STRS - as of 6/30/20			OPERS - as of 12/31/20				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Defined Benefit Portfolio		Health Care Portfolio	
				Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity	28.00%	7.35%	Fixed Income	25.00%	1.32%	34.00%	1.07%
International Equity	23.00%	7.55%	Domestic Equities	21.00%	5.64%	25.00%	5.64%
Alternatives	17.00%	7.09%	Real Estate	10.00%	5.39%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Private Equity	12.00%	10.42%	0.00%	0.00%
Real Estate	10.00%	6.00%	International Equities	23.00%	7.36%	25.00%	7.36%
Liquidity Reserves	1.00%	2.25%	REITs	0.00%	0.00%	7.00%	6.48%
			Other Investments	9.00%	4.75%	9.00%	4.02%
Total	100.00%		Total	100.00%		100.00%	

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

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, 2021 and 2020, respectively:

Plan	1.00 percent decrease		2021 Current Discount Rate		1.00 percent increase	
	STRS	6.45%	\$ 32,007,234	7.45%	\$ 22,479,738	8.45%
OPERS	6.20%	29,120,518	7.20%	14,804,959	8.20%	2,920,177
		\$ 61,127,752		\$ 37,284,697		\$ 17,326,156

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

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

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Plan	1.00 percent decrease		2021 Current Discount Rate		1.00 percent increase	
	STRS	6.45%	\$ (1,420,648)	7.45%	\$ (1,633,000)	8.45%
OPERS	5.00%	(488,035)	6.00%	(1,962,695)	7.00%	(3,174,984)
		<u>\$ (1,908,683)</u>		<u>\$ (3,595,695)</u>		<u>\$ (4,987,799)</u>

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

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:

Plan	1.00 percent decrease		2021 Current Trend Rate		1.00 percent increase	
	STRS		\$ (1,801,642)		\$ (1,633,000)	
OPERS		(2,010,530)		(1,962,695)		(1,909,177)
		<u>\$ (3,812,172)</u>		<u>\$ (3,595,695)</u>		<u>\$ (3,336,317)</u>

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

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

Assumption Changes – During the measurement periods ended June 30, 2020 and December 31, 2020, respectively, certain assumption changes were made by the plans. The OPERS OPEB discount rate was increased from 3.16 percent to 6.00 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2020.

During the measurement periods ended June 30, 2019 and December 31, 2019, respectively, certain assumption changes were made by the plans. The STRS OPEB discount rate remained constant at 7.45 percent. The OPERS pension discount rate remained constant at 7.20 percent.

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

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 benefit to spouses and dependents of retirees will terminate December 31, 2021.

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, 2021 and 2020 measurement date, the number of plan participants consisted of the following:

	2021	2020
Active employees	390	402
Retirees	169	167
Disabled	3	5
Retiree spouses and beneficiaries	27	32
Total plan participants	589	606

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

Annual OPEB Cost and Net OPEB Obligation - The University’s annual postemployment benefits expense is actuarially determined in accordance with GASB 75. Projections of benefits for financial reporting purposes are based on the plan as understood by employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

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

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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, 2021 and June 30, 2020 the average monthly required employee contributions were between \$155.89 and \$194.86 and the University's average contribution rate was (1.44) percent and 17.16 percent, respectively as a percentage of covered employee payroll.

The following table shows the components of NEOMED's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in NEOMED's net OPEB obligation for the life and healthcare benefits based on an interest rate of 2.66 and 4 percent and amortizing the unfunded actuarial liability over 30 years for the year ended June 30, 2021 and 2020.

	<u>June 30, 2021</u>		<u>June 30, 2020</u>
Balance, beginning of the year	\$ 4,328,106	Balance, beginning of the year	\$ 4,723,673
Service cost	23,361	Service cost	23,361
Interest cost	111,080	Interest cost	122,842
Changes in assumptions	238,727	Changes in assumptions	627,441
Difference between expected and actual plan experience	160,704	Difference between expected and actual plan experience	(977,538)
Plan Amendment	(3,525,049)		-
Benefit payments	<u>(353,381)</u>	Benefit payments	<u>(191,673)</u>
Balance, end of year	<u>983,548</u>	Balance, end of year	<u>4,328,106</u>

For the years ended June 30, 2021 and 2020, respectively, the University estimated the costs of \$983,548 and \$4,328,106 based on actuarial valuation as of June 30, 2021 and 2020, respectively.

The components of postemployment benefits expense for the year ended June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 23,361	\$ 23,361
Interest cost	111,080	122,842
Total Expense	<u>\$ 134,441</u>	<u>\$ 146,203</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, 2021 are summarized as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Experience gains		(581,567)
Changes of assumptions	767,488	

Deferred outflows and inflows related to postemployment benefit obligations at June 30, 2020 are summarized as follows:

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

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

Year ending June 30:	
2023	\$ 23,372
2024	23,372
2025	23,372
2026	23,372
2027	31,865
Thereafter	60,568

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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 2021:

Valuation date	July 1, 2021
Measurement date	June 30, 2021
Actuarial cost Method	Entry age normal - level of percent of salary
Discount Rate	2.18% S&P Municipal Bond 20-Year
Health care costs	The monthly Company-paid costs of coverage valued per covered individual for 2021-2022 are \$816.50 prior to Medicare eligibility and \$492.78 after Medicare eligibility
Health care cost trend rate	Health Care Costs are assumed to increase as follows:
	2020 - 21 6.50%
	2021 - 22 6.00%
	2022 - 23 5.90%
	2023 - 24 5.80%
	2024 - 25 5.70%
	2024 - 25 and later 5.60%
Employee cost trend rate	2.00%
Mortality basis	Healthy: PubG.H-2010 Mortality Projected with Scale MP2020
	Disabled: PubG.H-2010 Disabled Mortality Projected with Scale MP2020

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The total OPEB liability is based on results of an actuarial valuation were determined using the following actuarial assumptions for 2020:

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

As part of the January 1 valuation, the discount rate changed from 2.66 percent to 2.18 percent and the new rate was determined using the S&P Municipal Bond 20-Year High Grade Rate Index yield to maturity rate as of June 30, 2021. Mortality was updated from the Society of Actuaries PubG.H-2010 Mortality Table for General Employees projected using scale MP2019 to the Society of Actuaries PubG.H-2010 Mortality Table for General Employees projected using scale MP2020. The trend was determined using the 2021 Getzen Model from the Society of Actuaries.

Discount Rate – The discount rate used to measure the total OPEB liabilities at June 30, 2021 and 2020 was 2.18 percent and 2.66 percent, respectively.

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

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

2021

<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 1,150,209	\$ 983,548	\$ 853,136

2020

<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 5,014,174	\$ 4,328,106	\$ 3,783,088

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:

2021

<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 983,548	\$ 983,548	\$ 983,548

2020

<u>1.00 percent decrease</u>	<u>Current Rate</u>	<u>1.00 percent increase</u>
\$ 3,901,695	\$ 4,328,106	\$ 4,848,695

10. BONDS PAYABLE

In FY 2011, the University was approved to issue an amount not to exceed \$42 million in General Receipt bonds. On November 10, 2010, the University issued General Receipt Bonds Series 2010 in the amount of \$15 million. On November 9, 2011, the remaining \$27 million 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.

On December 1, 2020, the University was approved to issue an amount not to exceed \$53.5 million in General Receipts bonds. This amount represents the refunding of the Series 2010 and 2011 bonds, as well as new debt issuance in the amount of \$15 million. On February 24, 2021, the University issued General Receipt and Refunding Bonds Series 2021A in the amount of \$24,615,000. This amount includes \$15 million in new debt, and refunding of the outstanding Series 2010 bonds. The proceeds were used for the purpose of reimbursing the University for costs of certain University facilities, primarily the Medical Office Building, refunding the outstanding 2010 bonds of the University, and paying costs of issuance of the Series 2021A bonds. The bonds are in various denominations, with fixed interest rates of 3.0 to 5.0 percent and a maturity of 26 to 30 years.

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The bond discount on the Series 2011 bonds totaled \$194,911 with an accumulated amortized balance of \$62,392 and \$56,204 as of June 30, 2021 and 2020, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bond premium on the Series 2021A bonds totaled \$2,564,183 with an accumulated amortized balance of \$2,530,444 as of June 30, 2021. The premium is being amortized as a credit to interest expense over the life of the bonds. The Series 2011 bonds are set to be refunded in fiscal year 2022.

The balance outstanding for all bonds as of June 30, 2021 and 2020 was \$49,667,925 and \$35,246,294, respectively.

The University's bonds and notes payable as of June 30, 2021 are summarized as follows:

	<u>July 1, 2020</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2021</u>	<u>Current</u>
General receipts bond Series 2010	\$ 12,120,000	\$ -	\$ 12,120,000	\$ -	\$ -
General receipts bond Series 2011	23,265,000	-	610,000	22,655,000	630,000
General receipts bond Series 2011-Discount	(138,706)	-	(6,187)	(132,519)	-
General receipts bond Series 2021A	-	24,615,000	-	24,615,000	685,000
General receipts bond Series 2021A-Premium	-	2,564,183	33,739	2,530,444	-
Total bonds and notes payable	<u>\$ 35,246,294</u>	<u>\$ 27,179,183</u>	<u>\$ 12,757,552</u>	<u>\$ 49,667,925</u>	<u>\$ 1,315,000</u>

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

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

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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.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2021 are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2022	1,315,000	1,912,945	3,227,945
2023	1,360,000	1,869,198	3,229,198
2024	1,400,000	1,822,376	3,222,376
2025	1,460,000	1,765,026	3,225,026
2026	1,525,000	1,697,120	3,222,120
2027-2031	8,765,000	7,307,784	16,072,784
2032-2036	10,965,000	5,044,393	16,009,393
2037-2041	13,460,000	2,475,349	15,935,349
2042-2046	7,020,000	61,218	7,081,218
	<u>\$ 47,270,000</u>	<u>\$ 23,955,409</u>	<u>\$ 71,225,409</u>

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 fully-insured 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 fully-insured benefit plan through SummaCare. 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.

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*. Effective January 1, 2021 the University began providing medical coverage for its employees on a fully-insured basis. In a fully-insured situation, claims are paid by the insurer and therefore there is no liability to the University on the date claims are incurred.

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Changes in the self-insurance claims liability for the years ended June 30, 2021, 2020, and 2019, are summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accrued claims liability - Beginning of year	\$ 825,041	\$ 881,336	\$ 671,542
Incurred claims - Net of favorable settlements		6,109,395	5,603,773
Claims paid	<u>(825,041)</u>	<u>(6,165,690)</u>	<u>(5,393,979)</u>
Accrued claims liability - End of year	<u>\$ -</u>	<u>\$ 825,041</u>	<u>\$ 881,336</u>

12. RELATED PARTY TRANSACTIONS

NEOMED Foundation - The University has received distributions from the Foundation in the amount of \$2,909,063 for the year ended June 30, 2021 and \$2,132,800 for the year ended June 30, 2020, in direct support of charitable, educational, and scientific purposes benefiting the University and its students. In addition, the Foundation granted student loans of \$169,073 for the year ended June 30, 2021 and \$103,617 for the year ended June 30, 2020.

The University received reimbursements from the Foundation for payroll, management, fundraising, services, and office space of \$154,871 for the year ended June 30, 2021 and \$79,537 for the year ended June 30, 2020. The University will receive \$481,651 for the year ended June 30, 2021 and \$409,017 for the year ended June 30, 2020, 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 \$971,507 for the year ended June 30, 2021 and \$1,236,105 for the year ended June 30, 2020.

ERS Strategic Properties - ERS Housing LLC is operated for the purpose of equipping housing for students, faculty, and staff of Northeast Ohio Medical University. ERS HWMEC LLC is operated for the purpose of equipping of a health, wellness, and medical education center to promote the educational, social, and physical well-being of students, faculty, and staff of Northeast Ohio Medical University. The Health and Wellness facility and many of its services are also available to the external community. ERS Contiguous Properties LLC will provide additional land for the University's future needs. ERS MOB LLC houses the BioMed STEM high school and medical offices for community physicians to give care to patients and be a resource for student clinical rotations. ERS RGE LLC is operated for the purpose of remodeling the 4th floor of the RGE building research purposes.

NEOMED made payments to ERS HWMEC for the lease of the wellness center in the amount of \$5,725,247 for the year ended June 30, 2021 and \$5,733,331 for the year ended June 30, 2020. In addition, a gift of \$2,575,430 was made to ERS MOB, LLC from NEOMED to assist with funding construction of the medical office building.

The University made payments on behalf of ERS for expenses in the amount of \$50,378 for the year ended June 30, 2021 and \$88,818 for the year ended June 30, 2020. Reimbursements and payments for naming

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rights were received in ERS Companies in the amount of \$166,131 for the year ended June 30, 2021 and \$709,553 for the year ended June 30, 2020, and used to offset current and prior year expenses paid by NEOMED. For the years ended June 30, 2021 and 2020, \$21,359 and \$42,322 respectively, related to legal fees relating to the Medical Office Building and 4th Floor RGE construction and ERS Contiguous property acquisitions. Amounts for such services provided by the University which are not reimbursed by ERS are reported as in-kind contributions in the Statements of Revenue, Expenses, and Changes in Net Position. The University's in-kind support for these services was valued at \$170,855 for the year ended June 30, 2021 and \$307,068 for the year ended June 30, 2020. Additional support for the MOB building construction in the amounts of \$223,655 for the year ended June 30, 2021 and \$10,055,167 for the year ended June 30, 2020 were received from BioMed, and was recorded in unearned revenue. For the year ended June 30, 2021, \$404,794 was recognized as earned revenue according to the straight-line schedule, effective August 2020-August 2045..

ERS had amounts due to NEOMED for construction, equipment, consulting, and legal fees totaling \$18,336,083 for the year ended June 30, 2021 and \$14,555,399 for the year ended June 30, 2020, which were paid by NEOMED on behalf of ERS for construction, operating expenses such as utilities and taxes, legal fees, and property acquisition costs. NEOMED advances monies to ERS, interest free, as needed to assist with cash flow. All payables are expected to be repaid in full as funds become available.

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 2021 or 2020.

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

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

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

	2021		2020	
	Cost	Market	Cost	Market
Money Market Funds	\$ 1,522,264	\$ 1,522,758	\$ 183,314	\$ 183,314
Cash Surrender Value of Life insurance	21,068	21,068	14,948	14,948
Equities	16,561,421	19,739,542	18,311,906	18,758,013
Other	1,119,776	1,277,478	-	-
Fixed Income	7,111,031	8,599,824	6,037,836	6,157,568
Total long-term investments	\$ 26,335,560	\$ 31,160,670	\$ 24,548,004	\$ 25,113,843

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, 2021:

	Balance at June 30, 2021	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	\$ 7,777,155	\$ 7,777,155	\$ -	\$ -
International Fixed Income	822,669	822,669	-	-
Domestic Equities	14,306,812	14,306,812	-	-
International Equities	5,432,730	5,432,730	-	-
Money market	1,522,757	-	1,522,757	-
Other investments	1,277,478	-	1,277,478	-
Total Investments	\$ 31,139,601	\$ 28,339,366	\$ 2,800,235	\$ -
Beneficial Interests in Trusts	\$ 88,681	\$ -	\$ -	\$ 88,681
Total Fair Value Measurements	\$ 31,228,282	\$ 28,339,366	\$ 2,800,235	\$ 88,681

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Assets measured as of June 30, 2020:

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

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Details of the Foundation's restricted net assets at June 30, 2021 and 2020 are as follows:

With Donor Restrictions as of June 30:

	<u>2021</u>	<u>2020</u>
Instruction and departmental research	\$ 3,544,480	\$ 2,092,882
Separately budgeted research	2,658,677	352,545
Public service	201,958	159,808
Academic support	1,057,423	712,930
Institutional support	282,552	2,456,491
Plant operation and maintenance	7,277	(2,211)
Student Services	65,115	27,626
Student scholarships and other student aid	13,095,363	10,101,433
Deferred gift annuity	570,864	529,409
Anatomy endowed chair	1,002,471	1,002,471
Psychiatry endowed chair	2,000,000	2,000,000
General and other	1,611,291	1,603,527
Allowance for uncollectible pledges	<u>(7,485)</u>	<u>(11,967)</u>
 Total net assets with donor restrictions, June 30	 <u><u>\$ 26,089,986</u></u>	 <u><u>\$ 21,024,944</u></u>

Total net assets with donor restrictions include \$11,567,825 as of June 30, 2021 and \$11,033,432 as of June 30, 2020 of assets held in perpetuity. The remainder of funds are either purpose or time restricted. The assets are held for the following purpose:

	<u>2021</u>	<u>2020</u>
Student loans	\$ 1,021,996	\$ 947,042
Endowments requiring earnings only to be made available for:		
Student scholarships and awards	5,793,860	5,377,661
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	1,611,291	1,603,527
Deferred gift annuity	45,456	14,462
Allowance for uncollectible pledges	<u>(7,485)</u>	<u>(11,967)</u>
 Total net assets with donor restrictions to be held in perpetuity, June 30	 <u><u>\$ 11,567,825</u></u>	 <u><u>\$ 11,033,432</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 issued debt, both bonds and private, 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. The Ohio Facilities Commission (OFCC) entered into an agreement with the BioMed Science Academy STEM School (BioMed) to financially contribute \$12.4 million towards the construction of the medical office building. In addition to the OFCC funding, NEOMED contributed \$2.6 million and issued debt for the remainder of the costs.

Capital asset activity for the year ended June 30, 2021 was as follows:

	July 1, 2020			June 30, 2021
	Beginning		Retirements and	June 30, 2021
	Balance	Additions	CIP Transfers	Ending Balance
Land - Nondepreciable	\$ 273,622	\$ -	\$ -	\$ 273,622
Infrastructure	10,377,241	-	19,830	10,397,071
Buildings	111,348,719	5,897,995	20,398,589	137,645,303
Furnishings and movable equipment	126,421	96,880	153,458	376,759
Construction in progress - Nondepreciable	20,759,284		(20,756,044)	3,240
Total historical cost	142,885,287	5,994,875	(184,167)	148,695,995
Less accumulated depreciation				
Infrastructure	7,487,968	1,362,966	-	8,850,934
Buildings	16,448,447	3,242,000	(2,302)	19,688,145
Furnishings and movable equipment	126,420	11,921	-	138,341
Total accumulated depreciation	24,062,835	4,616,887	(2,302)	28,677,420
Total capital assets, net of depreciation	<u>\$ 118,822,452</u>	<u>\$ 1,377,988</u>	<u>\$ (181,865)</u>	<u>\$ 120,018,575</u>

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

	July 1, 2019 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2020 Ending Balance
Land - Nondepreciable	\$ 169,349	\$ 104,273	\$ -	\$ 273,622
Infrastructure	10,377,241	-	-	10,377,241
Buildings	110,519,635	817,587	11,497	111,348,719
Furnishings and movable equipment	126,421	-	-	126,421
Construction in progress - Nondepreciable	2,747,481	18,023,300	(11,497)	20,759,284
Total historical cost	<u>123,940,127</u>	<u>18,945,160</u>	<u>-</u>	<u>142,885,287</u>
Less accumulated depreciation				
Infrastructure	6,125,251	1,362,717	-	7,487,968
Buildings	13,600,190	2,848,257	-	16,448,447
Furnishings and movable equipment	126,420	-	-	126,420
Total accumulated depreciation	<u>19,851,861</u>	<u>4,210,974</u>	<u>-</u>	<u>24,062,835</u>
Total capital assets, net of depreciation	<u>\$ 104,088,266</u>	<u>\$ 14,734,186</u>	<u>\$ -</u>	<u>\$ 118,822,452</u>

FUNDS HELD BY TRUSTEE

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

At June 30, 2021 and 2020, fund balances held by the Trustee were as follows:

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

<u>ERS HWMEC LLC</u>	<u>2021</u>	<u>2020</u>
Bond proceeds fund	\$ 832,880	\$ 832,793
<u>ERS Housing LLC</u>		
Revenue fund	9,353	10,685
Repair & Replace fund	396,393	377,526
Sinking Fund	198,877	208,641
Surplus Fund	320,363	193,677
	<u>924,986</u>	<u>790,529</u>
Total	<u>\$ 1,757,866</u>	<u>\$ 1,623,322</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 was \$33,625,000 as of June 30, 2021 and \$34,295,000 as of June 30, 2020, and the principal payments started on December 1, 2014.

In November 2012, ERS HWMEC LLC issued a senior secured note in the amount of \$84,000,000. The proceeds from this issuance were used for the construction of a health, wellness, and medical education building. The bonds are in various denominations, with a fixed interest rate of 4.89 percent (and an additional .042 percent if NEOMED's credit rating was downgraded in 2013) and a maturity date of November 8, 2044. The balance outstanding was \$74,423,425 as of June 30, 2021 and \$76,083,423 as of June 30, 2020 and the principal payments started on December 8, 2014.

The original bond discount for the ERS Housing bonds totaled \$633,830, with an unamortized balance of \$453,915 as of June 30, 2021 and \$473,722 as of June 30 2020. The discount is being amortized straight line over the life of the bonds and is included in interest expense in the accompanying Statements of Revenue, Expenses, and Changes in Net Position. There is no discount or premium on the ERS HWMEC bonds.

ERS Bonds payable as of June 30, 2021 are summarized as follows:

	<u>July 1, 2020</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2021</u>	<u>Current</u>
ERS Housing LLC	\$ 34,295,000	\$ -	\$ 670,000	\$ 33,625,000	\$ 765,000
ERS Housing LLC Discount	(473,722)		(19,807)	(453,915)	
ERS HWMEC LLC	76,083,423	-	1,659,998	74,423,425	1,743,016
Total bonds and notes payable	<u>\$ 109,904,701</u>	<u>\$ -</u>	<u>\$ 2,310,191</u>	<u>\$ 107,594,510</u>	<u>\$ 2,508,016</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

ERS Bonds payable as of June 30, 2020 are summarized as follows:

	July 1, 2019	Borrowed	Retired	June 30, 2020	Current
ERS Housing LLC	\$ 34,880,000	\$ -	\$ 585,000	\$ 34,295,000	\$ 670,000
ERS Housing LLC Discount	(493,530)		(19,808)	(473,722)	
ERS HWMEC LLC	77,664,357	-	1,580,934	76,083,423	1,659,998
Total bonds and notes payable	<u>\$ 112,050,827</u>	<u>\$ -</u>	<u>\$ 2,146,126</u>	<u>\$ 109,904,701</u>	<u>\$ 2,329,998</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, 2021 and 2020. Total bonds and notes payable in the chart above is not shown net of bond financing costs of \$2,012,938 for the year ended June 30, 2021 and \$2,099,400 for the year ended June 30, 2020.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2021 are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2022	2,508,016	5,588,855	8,096,871
2023	2,700,186	5,465,359	8,165,545
2024	2,831,715	5,323,696	8,155,411
2025	2,972,822	5,171,762	8,144,584
2026	3,123,735	5,012,156	8,135,891
2027-2031	18,078,118	22,425,008	40,503,126
2032-2036	22,955,300	17,197,965	40,153,265
2037-2041	29,316,290	10,395,310	39,711,600
2042-2045	23,562,243	2,231,257	25,793,500
	<u>\$ 108,048,425</u>	<u>\$ 78,811,368</u>	<u>\$ 186,859,793</u>

15. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the University received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding as well as funding made available through the Consolidated Appropriations Act, 2021, passed by Congress and the American Rescue Plan Act, passed by Congress on March 11, 2021.

Other Required Supplemental Information for GASB 68 and GASB 75

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

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective OPERS net pension liability:							
As a percentage	0.10491%	0.11020%	0.11797%	0.12044%	0.11078%	0.11033%	0.10406%
Amount	\$ 15,535,183	\$ 21,782,371	\$ 32,119,570	\$ 18,694,402	\$ 25,083,580	\$ 19,046,195	\$ 12,492,034
University's covered payroll	\$ 16,638,634	\$ 17,258,016	\$ 17,367,434	\$ 15,723,837	\$ 15,488,321	\$ 14,722,542	\$ 13,919,290
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered employee payroll	93.37%	126.22%	184.94%	118.89%	161.95%	129.37%	89.75%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective STRS net pension liability:							
As a percentage	0.09291%	0.09639%	0.09841%	0.09202%	0.08683%	0.08185%	0.07478%
Amount	\$ 22,479,738	\$ 21,316,328	\$ 21,638,699	\$ 21,859,034	\$ 29,065,942	\$ 22,621,327	\$ 18,190,132
University's covered payroll	\$ 8,322,657	\$ 9,968,001	\$ 10,158,336	\$ 9,049,107	\$ 8,037,482	\$ 7,564,093	\$ 8,894,530
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered employee payroll	270.10%	213.85%	213.01%	241.56%	361.63%	299.06%	204.51%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	77.40%	77.30%	75.29%	66.78%	72.10%	74.70%

Schedule of University's Pension Contributions OPERS:

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,332,527	\$ 2,416,122	\$ 2,431,441	\$ 2,351,111	\$ 2,044,099	\$ 2,013,482	\$ 1,193,930
Contributions in relation to the actuarially determined contractually required contribution	\$ 2,332,527	\$ 2,416,122	\$ 2,431,441	\$ 2,351,111	\$ 2,044,099	\$ 2,013,482	\$ 1,193,930
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 16,660,907	\$ 17,258,016	\$ 17,367,434	\$ 17,415,640	\$ 15,723,837	\$ 15,488,321	\$ 14,722,542
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%	13.00%	13.00%	13.00%

Schedule of University's Pension Contributions STRS:

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,165,172	\$ 1,395,520	\$ 1,422,167	\$ 1,380,988	\$ 1,266,875	\$ 1,125,247	\$ 1,058,973
Contributions in relation to the actuarially determined contractually required contribution	\$ 1,165,172	\$ 1,395,520	\$ 1,422,167	\$ 1,380,988	\$ 1,266,875	\$ 1,125,247	\$ 1,058,973
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 8,322,657	\$ 9,968,001	\$ 10,158,336	\$ 9,864,200	\$ 9,049,107	\$ 8,037,482	\$ 7,564,093
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Information prior to 2015 is not available.

Notes to required supplemental information:

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

Changes of assumptions.

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

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

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

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

	2021	2020	2019	2018
University's proportion of the collective OPERS net pension liability:				
As a percentage	0.11017%	0.11443%	0.12042%	0.12358%
Amount	\$ (1,962,695)	\$ 15,806,032	\$ 15,699,404	\$ 13,419,878
University's covered payroll	\$ 16,660,907	\$ 17,258,016	\$ 17,415,640	\$ 15,723,837
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered payroll	-11.78%	91.59%	90.15%	85.35%
Plan fiduciary net position as a percentage of the total pension liability	115.57%	47.80%	46.33%	77.25%

	2021	2020	2019	2018
University's proportion of the collective STRS net pension liability:				
As a percentage	0.09291%	0.09636%	0.09857%	0.09202%
Amount	\$ (1,632,804)	\$ (1,596,000)	\$ (1,581,000)	\$ 3,590,196
University's covered payroll	\$ 8,322,657	\$ 9,968,001	\$ 9,864,200	\$ 9,049,107
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered payroll	-19.62%	-16.01%	-16.03%	39.67%
Plan fiduciary net position as a percentage of the total pension liability	182.10%	174.70%	176.00%	47.11%

Information prior to 2018 is not available.

University's Proportionate Share of OPEB Contributions OPERS:

	2021	2020	2019	2018
Statutorily required contribution	\$ -	\$ -	\$ -	\$ 87,078
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -	\$ 87,078
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 16,660,907	\$ 17,258,016	\$ 17,367,434	\$ 17,415,640
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.50%

University's Proportionate Share of OPEB Contributions STRS:

	2021	2020	2019	2018
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 8,322,657	\$ 9,968,001	\$ 10,158,336	\$ 9,984,186
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Information prior to 2018 is not available.

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, 2020 and December 31, 2020, respectively.

Changes of assumptions.

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

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

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

The historical reconciliation of the total reported liability for Post-retirement Welfare plan benefit obligations (Note 9) for the years ended June 30, 2021, 2020 and 2019, respectively, is summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	23,361	23,361	19,165
Interest cost	111,080	122,842	181,151
Changes in assumptions	238,727	627,441	180,421
Difference between expected and actual plan experience	160,704	(977,538)	(74,696)
Benefit payments	<u>(353,381)</u>	<u>(191,673)</u>	<u>(223,031)</u>
Net Changes	<u>\$ 180,491</u>	<u>\$ (395,567)</u>	<u>\$ 83,010</u>
Total liability, beginning of the year	\$ 4,328,106	\$ 4,723,673	\$ 4,640,663
Total liability, end of year	\$ 983,548	\$ 4,328,106	\$ 4,723,673
Covered employee payroll	\$ 977,671	\$ 1,116,723	\$ 1,293,970

Discount rates used in determining the total reported liability for postemployment benefits obligations were 2.18%, 2.66% and 4% at the measurement dates of June 30, 2021, 2020, and 2019, respectively. The rate was determined using the S&P Municipal Bond 20-Year High Grade Rate Index yield to maturity rate as of June 30, 2021. Mortality was projected using the Society of Actuaries PubG.H-2010 Mortality Table for General Employees projected using scale MP-2020. The trend was determined using the 2021 Getzen Model from the Society of Actuaries. The mortality tables were updated to reflect the updated historical population mortality experience. No experience study has been completed.

Board of Trustees
Northeast Ohio Medical University
4209 State Route 44
Rootstown, Ohio 44272

Independent Auditor's 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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of Northeast Ohio Medical University (the "University"), as of and for the year ended June 30, 2021, 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 14, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Northeast Ohio Medical University
Independent Auditor's 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*
Page 2 of 2

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

Cleveland, Ohio
October 14, 2021

Board of Trustees
Northeast Ohio Medical University
4209 State Route 44
Rootstown, Ohio 44272

**Independent Auditor's Report on Compliance for Each Major Federal Program And
Report on Internal Control over Compliance Required by the Uniform Guidance**

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 *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. The University's major federal programs are 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 the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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; 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* (Uniform Guidance). Those standards and 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 of its major federal programs for the year ended June 30, 2021.

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 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.

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 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.

Hea & Associates, Inc.

Cleveland, Ohio
October 14, 2021

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
STUDENT FINANCIAL AID CLUSTER				
Department of Education				
<i>Office of Student Financial Assistance Program:</i>				
William D Ford Federal Direct Loan Program	84.268	N/A	\$ -	\$ 39,458,191
Federal Perkins Loan Program	84.038	N/A	-	491,928
<i>Total Office of Student Financial Assistance Program</i>			-	39,950,119
Total Department of Education			-	39,950,119
Department of Health & Human Services				
<i>Health Resources and Services Administration:</i>				
Health Prof Student Loan Prgm - Loans to Disadvantaged Students	93.342	N/A	-	3,569,119
Health Prof Student Loan Prgm - Primary Care Loans	93.342	N/A	-	781,595
Health Prof Student Loan Prgm - Pharmacy Loans	93.342	N/A	-	44,742
<i>Total Health Resources and Services Administration</i>			-	4,395,456
<i>Health Resources and Services Administration:</i>				
HRSA - NEOMED Scholarships for Disadvantaged Students	93.925	T08HP39276	-	650,000
<i>Total HRSA - NEOMED Scholarships for Disadvantaged Students</i>			-	650,000
Total Department of Health & Human Services			-	5,045,456
TOTAL STUDENT FINANCIAL AID CLUSTER			-	44,995,575
MEDICAID CLUSTER				
Department of Health and Human Services				
<i>Centers for Medicare and Medicaid Services:</i>				
<i>Passed through Ohio State University:</i>				
<i>Passed through Case Western Reserve University:</i>				
DHHS - OSU - CWRU - MEDTAPP Diabetes Consortium	93.778	RES515888	-	51,632
DHHS - OSU - CWRU - MEDTAPP Diabetes Quality Improvement Project	93.778	RES515835	-	17,346
<i>Passed through Ohio State University:</i>				
DHHS - OSU - MEDTAPP Ohio Systems of Care Project ECHO for Multi-System Youth FY21	93.778	60078062	-	64,573
<i>Total Centers for Medicare and Medicaid Services</i>			-	133,551
Total Department of Health and Human Services			-	133,551
TOTAL MEDICAID CLUSTER			-	133,551
RESEARCH AND DEVELOPMENT CLUSTER				
Department of Health and Human Services				
<i>National Institutes of Health:</i>				
NIH - ATP13A2 and Susceptibility to Neurodegeneration	93.113	1R01ES031124	-	154,183
<i>Total Assistance Listing #93.113</i>			-	154,183
<i>National Institutes of Health:</i>				
NIH - Age-related GABAergic loss in the central auditory circuits	93.173	1R01DC017708	-	265,059
NIH - Auditory Processing Deficits in Early-Onset Conductive Hearing Loss	93.173	5R01DC013314-04	-	40,530
NIH - Auditory Processing Deficits in Early-Onset Conductive Hearing Loss	93.173	2R01DC013314	-	394,955
NIH - Auditory Information Processing in the Amygdala	93.173	2R01DC000937	-	470,237
NIH - Auditory Information Processing in the Amygdala	93.173	R01DC000937	-	50,399
NIH-Cellular properties mediating specialization of lateral superior olive principal neuron types for timing and intensity based sound localization	93.173	1R21DC017819	-	132,274
NIH - Metabotropic Glutamate Receptor-Mediated Neuromodulation in Sound Localization Circuits	93.173	R01DC016054	-	351,997
NIH - Modulatory Circuits in the Auditory System	93.173	2R01DC004391	-	393,138
NIH - Neuronal Hyperactivity:Tinnitus and Distress	93.173	1R01DC016918-01A1	-	359,996
<i>Passed through University of Michigan:</i>				
NIH - University of Michigan - Circuit Mechanisms for Auditory Processing in the Inferior Colliculus	93.173	SUBK00012231	-	57,311
<i>Total Assistance Listing #93.173</i>			-	2,515,896
<i>National Institutes of Health:</i>				
NIH - Effect of Ethanol on Lipid Metabolism	93.273	5R01AA013623-16	-	181,713
NIH - Alcohol, Hedgehog Signal, and HSC Dysfunction in Host Defense Against Septicemia	93.273	5R01AA022816-05	-	1,544
NIH - Ethanol Regulation of Adiponectin and its Signaling	93.273	2R01AA015951	-	159,190
<i>Passed through Cleveland Clinic Lerner College of Medicine:</i>				
NIH - CCLCM - Alcohol and tissue injury from mechanisms to treatments	93.273	1345-SUB	-	102,371
<i>Total Assistance Listing #93.273</i>			-	444,818

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
RESEARCH AND DEVELOPMENT CLUSTER (CONTINUED)				
Department of Health and Human Services (Continued)				
<i>National Institutes of Health:</i>				
NIH - Myocardial Injury Associated with Mitochondria-Derived Oxygen Free Radical (s)	93.837	4R01HL083237-09	-	31,180
NIH - Identification of Novel Genes/Pathways That Regulate Atherosclerosis	93.837	1R01HL142086-01	-	298,829
NIH - Mechanical Control of Coronary Angiogenesis	93.837	1R01HL148585	17,550	269,337
NIH - Mechanism of Impaired Coronary Collateral Growth	93.837	1R01HL137008	-	367,589
NIH - Mechanism of TSP-1 in Metabolic Syndrome-Induced Vascular Disease	93.837	1R15HL147245-01	-	110,207
NIH - Mechanotransduction in Myocardial Adaption to Ischemia	93.837	5R01HL119705-04	-	114,758
NIH - NHLBI : Targeting Collagen 6 for Post-Infarction Recovery	93.837	1R15HL132312-01A1	-	139,306
NIH - Regulation of Lipid and Lipoprotein Metabolism by Nuclear Receptors	93.837	2R01HL103227-07	-	110,122
NIH - Regulation of Lipid and Lipoprotein Metabolism by Nuclear Receptors	93.837	2R01HL103227-07	-	89,574
NIH - Role of OGT in Diabetic Vascular Disease	93.837	1R56HL141409-01	-	116,600
NIH - The Critical Role of the Coronary Microcirculation in Heart Failure	93.837	5R01HL135024-03	101,936	500,408
NIH - What mechanisms underlie coronary collateral growth?	93.837	1R01HL135110-01	-	152,681
NIH - What mechanisms underlie coronary collateral growth?	93.837	1R01HL135110-01	-	249,769
<i>Passed through University of Louisville Research Foundation:</i>				
NIH - University of Louisville - Regulation of Coronary Blood Flow	93.837	ULRF_18-0313-01-1	-	223,942
Total Assistance Listing #93.837			119,486	2,774,302
<i>National Institutes of Health:</i>				
NIH - The Role of TRAPPC9 in Osteoclast Differentiation and Function	93.846	1R01AR077762	-	185,382
NIH - Uridylation of miRNAs by ZCCHC6 Regulates IL-6 Expression in Arthritis	93.846	5R01AR067056-03	-	7,982
<i>Passed through University of Akron:</i>				
NIH - University of Akron - Development of synergistic oxygenating antibacterial hydrogel dressings for reducing infection in diabetic wounds	93.846	04610_NEOMED	-	6,249
Total Assistance Listing #93.846			-	199,613
<i>National Institutes of Health:</i>				
NIH - Forkhead Box A3 and Bile Acid Metabolism	93.847	1R01DK121548	-	387,937
NIH - Hepatic ATF3 in the Development of NAFLD	93.847	1R01DK118941-01	-	343,269
NIH - Hepatic FOXA3 Links NAFLD to Atherosclerosis	93.847	1R01DK118805	-	402,964
NIH - Mechanisms Underlying the Pathogenesis of Non - alcoholic Fatty Liver Disease	93.847	5R01DK102619-04	-	161,113
NIH - Molecular Biology of Bile Acid Synthesis	93.847	2R01DK044442-22A1	-	443,564
NIH - Regulation of Bile Acid Synthesis by Nuclear Receptors	93.847	5R37DK058379-30	-	281,594
<i>Passed through Augusta University:</i>				
NIH - Augusta - Mitochondrial Acetylome Dynamics in NAFLD Assessed with Heavy Water-based Metabolic Labeling	93.847	35235-4	-	37,528
Total Assistance Listing #93.847			-	2,057,969
<i>National Institutes of Health:</i>				
NIH - Astrocytes in Retrovirus-Induced Spongiform Motor Neuron Disease	93.853	1R15NS108107	-	177,654
Total Assistance Listing #93.853			-	177,654
<i>National Institutes of Health:</i>				
NIH - Sca-1 signaling, EPC, and the inflammatory response to septic infection	93.859	1R01GM132449	-	271,948
<i>Passed through University of Wisconsin - Madison:</i>				
NIH - UofW - Genetics of the Island Rule	93.859	740K294	-	12,904
Total Assistance Listing #93.859			-	284,852
<i>National Institutes of Health:</i>				
NIH - The Effect of Preterm Birth and RLN Damage on Airway Protection and Maturation	93.865	1R01HD088561-01	-	336,796
NIH - The effect of sensory intervention on swallowing and respiration through neurological maturation in preterm infants	93.865	1R01HD096881-01A1	62,449	610,460
Total Assistance Listing #93.865			62,449	947,256
<i>National Institutes of Health:</i>				
NIH - Mechanism of ZCCHC6 Regulation of Mitochondrial Dysfunction in Alzheimer's Disease	93.866	1R56AG069116-01A1	-	104,997
<i>Passed through GPN Therapeutics:</i>				
NIH - GPN Therapeutics - Osteoactivin Treatment for Accelerating Spinal Fusion in Osteoporosis	93.866	1	-	43,835
Total Assistance Listing #93.866			-	148,832
<i>Passed through University of North Texas:</i>				
NIH - UNTHSC - Metabolic Vulnerability as a Disease Target for Glaucoma	93.867	RF00190-2020-0178	-	4,500
Total Assistance Listing #93.867			-	4,500
Total National Institutes of Health			181,935	9,709,875
<i>Substance Abuse and Mental Health Services Administration:</i>				
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through Prevention Action Alliance:</i>				
SAMHSA - OMHAS - PAA - Behavioral Health of Students in Ohio Colleges and Universities	93.959	N/A	-	2,527
Total Assistance Listing #93.959			-	2,527
<i>Total Substance Abuse and Mental Health Services Administration</i>			-	2,527
Total Department of Health and Human Services			181,935	9,712,402

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
RESEARCH AND DEVELOPMENT CLUSTER (CONTINUED)				
National Science Foundation				
<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	8,784	54,269
Total Assistance Listing #47.074			8,784	54,269
<i>National Science Foundation:</i>				
NSF - Collaborative Research: Ecological Influences on Locomotor Performance in Free-Ranging Primates	47.075	1921314	-	4,242
NSF - Collaborative Research: Measuring leaping performance, evaluating its anatomical correlates, and reconsidering the importance of leaping in primate origins and early evolution	47.075	2020515	-	10,466
Total Assistance Listing #47.075			-	14,708
Total National Science Foundation			8,784	68,977
Department of Defense				
<i>Department of Defense:</i>				
DOD - Exercise Effects on Synuclein Aggregation, Neuroinflammation, and Neurodegeneration	12.420	W81XWH1910772	-	217,477
Total Department of Defense			-	217,477
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 190,719	\$ 9,998,856
TOTAL CLUSTERS			\$ 190,719	\$ 55,127,982
OTHER PROGRAMS				
Department of Health and Human Services				
<i>Passed through The University of Toledo:</i>				
HRSA - UT - AHEC Point of Service Maintenance and Enhancement Award FY20	93.107	F-2020-09	\$ 160,257	\$ 183,940
HRSA - UT - Area Health Education Center Point of Service Maintenance and Enhancement Award	93.107	F-2021-16	279,549	372,807
Total Assistance Listing #93.107			439,806	556,747
<i>Substance Abuse and Mental Health Services Administration:</i>				
SAMHSA - Expanding Access to Medication-Assisted Treatment for Opioid Use Disorder by Educating and Training Medical Students	93.243	H79TI081669	21,410	124,702
<i>Passed through Child guidance & Family Solutions:</i>				
<i>Passed through County of Summit Alcohol Drug Addiction & Mental Health Services Board:</i>				
SAMHSA - CGFS - CHR-CCAN Data Consultation	93.243	N/A	-	9,330
<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	-	24,775
Total Assistance Listing #93.243			21,410	158,807
<i>Passed through Ohio Department of Mental Health:</i>				
<i>SAMHSA - OMHAS - Addressing the opioid epidemic through an all-Ohio collaborative medical school training curriculum</i>				
SAMHSA - OMHAS - Addressing the opioid epidemic through an all-Ohio collaborative medical school	93.788	2000489	18,645	33,148
SAMHSA - OMHAS - Ohio Opiate Project ECHO	93.788	2100535	5,376	42,790
SAMHSA - OMHAS - Ohio Opiate Project ECHO	93.788	2000460	39,432	67,423
SAMHSA - OMHAS - Ohio Opiate Project ECHO	93.788	2100534	31,058	97,586
Total Assistance Listing #93.788			94,511	240,947
<i>Health Resources and Services Administration:</i>				
HRSA - Primary Care Training and Enhancement	93.884	4 T0BHP30006-05-02	87,605	513,984
HRSA - Training the Next Generation of Diverse Primary Care Providers to Learn and Serve in Rural and Medically Underserved Communities Through a New, Innovative Integrated Behavioral Health and Primary Care	93.884	T0BHP33103	75,360	465,800
Total Assistance Listing #93.884			162,965	979,784
<i>Passed through Ohio Department of Mental Health:</i>				
<i>Passed through Alta Behavioral Healthcare:</i>				
SAMHSA - OMHAS - ABH - Evidence Based Programs to Address First Episode Psychosis	93.958	N/A	-	25,668
<i>Passed through Ohio Department of Mental Health:</i>				
<i>Passed through Allwell Behavioral Health Services:</i>				
SAMHSA - OMHAS - ABHS - Evidence Based Programs to Address First Episode Psychosis	93.958	N/A	-	21,788
<i>Passed through Ohio Department of Mental Health:</i>				
<i>Passed through County of Summit Alcohol Drug Addiction & Mental Health Services Board:</i>				
SAMHSA - OMHAS - ADM - C.JCCoE	93.958	2000100	-	41,694
SAMHSA - OMHAS - ADM - Criminal Justice Coordinating Center of Excellence - FY21	93.958	N/A	28,490	164,926
<i>Passed through Ohio Department of Mental Health:</i>				
<i>Passed through Coleman Professional Services Inc.:</i>				
SAMHSA - OMHAS - CPS - Cognitive Remediation Consultation and Training start-up	93.958	N/A	-	50,721
<i>Passed through Ohio Department of Mental Health:</i>				
SAMHSA - OMHAS - First Episode Psychosis: ECHO and Fidelity Scale Development	93.958	2100238	-	140,647
SAMHSA - OMHAS - First Episode Psychosis: Project ECHO	93.958	2000331	-	34,542
<i>Passed through Ohio Department of Mental Health:</i>				
<i>Passed through TCN Behavioral Health:</i>				
SAMHSA - OMHAS - TCN - Evidence Based Programs for First Episode Psychosis	93.958	N/A	-	18,647
<i>Passed through State of Illinois Department of Mental Health:</i>				
<i>Passed through Thresholds:</i>				
SAMHSA - Thresholds - FIRST.IL Team Implementation and Sustainability	93.958	N/A	-	46,344
Total Assistance Listing #93.958			28,490	544,977
<i>Health Resources and Services Administration:</i>				
HRSA - Geriatrics Workforce Enhancement Program	93.969	U1QHP33073	507,879	819,571
HRSA - Geriatrics Workforce Enhancement Program COVID	93.969	T1MHP39064	-	62,293
Total Assistance Listing #93.969			507,879	881,864
Total Department of Health and Human Services			1,255,061	3,363,126

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
OTHER PROGRAMS (CONTINUED)				
Department of Justice				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
DOJ - OCJS - Sequential Intercept Mapping for Stepping Up Counties	16.738	2019-JG-E01-6963	-	33,855
DOJ - OCJS - Sequential Intercept Mapping for Stepping Up Counties	16.738	2020-JG-E01-6963	-	4,399
Total Assistance Listing #16.738			-	38,254
<i>Department of Justice</i>				
DOJ - NEOMED Police Department Body-Worn Camera Program Implementation	16.835	2019-BC-BX-0027	-	10,000
Total Assistance Listing #16.835			-	10,000
Total Department of Justice			-	48,254
Department of Education				
<i>Department of Education:</i>				
US DEP EDU - NEOMED CARES Act Higher Education Emergency Relief Fund - FIPSE - COVID-19, 84.425N	84.425N	P425N200890	-	113,387
US DEP EDU - NEOMED CARES Act Higher Education Emergency Relief Fund - FIPSE - COVID-19, 84.425N	84.425N	P425N200890	-	113,680
Total Assistance Listing #84.425N			-	227,067
<i>Department of Education:</i>				
US DEP EDU - NEOMED CARES Act Higher Education Emergency Relief Fund Direct-to-Student Allocation - COVID-19, 84.425E	84.425E	P425E202527 - 20B	-	267,350
<i>Department of Education:</i>				
US DEP EDU - NEOMED CARES Act Higher Education Emergency Relief Fund Institutional Allocation - COVID-19, 84.425F	84.425F	P425F202175 - 20B	-	566,996
Total Assistance Listing #84.425			-	1,061,413
Total Department of Education			-	1,061,413
Department of the Interior				
<i>Bureau of Ocean Energy Management:</i>				
BOEM - NSB - Summarize Bowhead Whales Knowledge	15.423	143728	-	3,751
Total Department of the Interior			-	3,751
Department of the Treasury				
<i>Passed through Ohio Department of Higher Educations:</i>				
DOT - ODHE - NEOMED CARES Act Coronavirus Relief Fund - Supplement	21.019	N/A	-	223,251
DOT - ODHE - NEOMED:ODHE CARES Act Coronavirus Relief Fund	21.019	N/A	-	446,503
DOT - ODHE - NEOMED:ODHE CARES Act Coronavirus Relief Fund - Mental Health Support	21.019	N/A	-	27,773
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through PreventionFIRST:</i>				
DOT - OMHAS - PFI - GEERs (Governor's Emergency Education Relief) Webinar Series	21.019	OMB0100137	-	6,087
Total Department of the Treasury			-	703,614
TOTAL OTHER PROGRAMS			\$ 1,255,061	\$ 5,180,158
TOTAL EXPENDITURES OF FEDERAL PROGRAMS			\$ 1,445,780	\$ 60,308,140

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

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, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Loan Balances

Loans outstanding at the beginning of the year and loans made during the year for campus-based programs are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balances of loans outstanding at June 30, 2021 consist of the following:

Cluster/Program Title	Assistance Listing Number	Loan Balances
Federal Perkins Loan Program	84.038	\$ 383,229
Health Professional Student Loan Program - Loans to Disadvantaged Students	93.342	3,332,882
Health Professional Student Loan Program - Primary Care Loan	93.342	683,391
Health Professional Student Loan Program - Pharmacy Loans	93.342	44,742
	Total	<u>\$ 4,444,244</u>

Northeast Ohio Medical University
Portage County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2021

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	None Reported
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster: Federal Direct Student Loans Federal Perkins Loans Health Professional Student Loan Program Scholarships for Disadvantaged Students Coronavirus Relief Fund	Assistance Listing #'s: 84.268 84.038 93.342 93.925 21.019
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$1,809,244 Type B: All others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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OHIO AUDITOR OF STATE KEITH FABER



NORTHEAST OHIO MEDICAL UNIVERSITY

PORTAGE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/18/2021

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

This report is a matter of public record and is available online at
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