

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

Single Audit

For the Fiscal Year Ended
June 30, 2023



Rea & associates

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, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

November 01, 2023

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NORTHEAST OHIO MEDICAL UNIVERSITY
JUNE 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1, effective July 1, 2022, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of GASB Statement No. 96 resulted in the University recognizing certain assets and liabilities not previously reported; however, there was no impact on beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 GAAS. 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 18, 2023 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 solely 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.

Independence, Ohio
October 18, 2023

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, 2023 and 2022. 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.)
Doctorate in Integrated Pharmaceutical Medicine (Ph.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.)
Master of Medical Science in Anesthesia (MMSc-A)
Master of Foundations of Medicine
Master of Leadership in Health Systems Science

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 harness diversity, innovation, and collaboration to create transformative leaders and improve health through education, discovery, and service. The University's vision is to be the model of excellence in innovative education and impactful research to create transformational health care leaders of tomorrow. The University incorporates the following values in all that it does:

Leadership | Excellence | Advocacy | Diversity | Equity | Respect

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 various provisions of GASB pronouncements, 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 position (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

The University's financial position increased during the fiscal year ended June 30, 2023 as compared to the previous year as evidenced by the following:

- The University's total assets increased over the prior year by \$47.6 million. Current assets increased by \$19.5 million primarily due to an increase in investments of \$10.8 million, and an increase in accounts receivable of \$4.7 million, of which \$2 million was related to tuition receivables for billings that took place near the end of the fiscal year. Noncurrent assets increased by \$28.1 million primarily due to a \$29.9 million increase in capital assets related to a \$33.4 million increase in building purchases from ERS Housing, LLC and a \$5.6 million increase in subscription obligations, offset by depreciation. The remainder of the change in noncurrent assets relates to a \$4.9 million increase in investments, offset by decreases in leases receivable of \$1.1 million, accounts receivable of \$1.6 million, and net pension assets of \$3.5 million.
- The University's total liabilities increased over the prior year by \$67.2 million. Current liabilities increased by \$7.5 million primarily due to a \$2.8 million increase in unearned revenue, and a \$2.6 million increase in subscription obligations. Noncurrent liabilities increased over the prior year by \$59.7 million primarily due to a \$29.7 million increase in bonds payable related to the new debt issuance, a \$31.2 million increase in net pension liability, offset by a \$3.2 million decrease in lease obligations.
- Cash and cash equivalents increased by \$1.9 million.
- The University's net position increased by \$16.2 million to \$113 million, of which \$44.3 million is invested in capital assets.
- Operating revenue increased by \$2 million compared to the prior year, primarily due to a \$5 million increase in support from affiliates, offset by a decrease of \$2.8 million in auxiliary sales and services, and a decrease of \$743,000 in grants and contracts.
- The University's operating expenses increased by \$15.9 million compared to the prior year, which is primarily due to the change from a negative pension expense of \$10.5 million in 2022 to a positive pension expense of \$628,000 in 2023.
- Net nonoperating revenue increased by \$17.4 million primarily due to a \$16.3 million increase in investment income, a \$2.4 million increase in state appropriations, offset by a \$1.4 million increase in interest expense.
- Other revenue, expenses, gains, or losses increased by \$3.5 million due to an increase in capital appropriations and grants.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northeast Ohio Medical University
Condensed Statements of Net Position
as of June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets	\$51,637,457	\$32,172,868
Noncurrent		
Capital	200,631,815	170,761,535
Other	92,990,098	94,770,654
Total assets	345,259,370	297,705,057
DEFERRED OUTFLOWS	19,856,834	8,217,003
LIABILITIES		
Current liabilities	22,765,679	15,239,056
Noncurrent liabilities	218,167,138	158,462,227
Total liabilities	240,932,817	173,701,283
DEFERRED INFLOWS	11,191,644	35,434,823
NET POSITION		
Net Investment in		
Capital Assets	44,300,240	44,940,575
Restricted	13,836,904	12,412,173
Unrestricted	54,854,599	39,433,206
Total net position	\$112,991,743	\$96,785,954

The 2022 column above was not restated to reflect implementation of GASB 96.

2023 versus 2022 During the year ended June 30, 2023:

As of June 30, 2023, the University's current assets of \$51.6 million were sufficient to cover current liabilities of \$22.8 million (current ratio of 2.3:1). As of June 30, 2022, current assets of \$32.2 million were sufficient to cover current liabilities of \$15.2 million (current ratio of 2.1:1).

As of June 30, 2023, the University's capital assets increased to \$200.6 million from \$170.8 million, and other noncurrent assets decreased to \$93 million from \$94.8 million compared to fiscal year 2022.

At June 30, 2023, total University assets were \$345.3 million, compared to \$297.7 million in fiscal year 2022. The increase is primarily related to a \$29.9 million increase in capital assets related to the purchase of buildings from ERS Housing, LLC, and a \$15.7 million increase in investments.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

University liabilities totaled \$240.9 million at June 30, 2023, compared to \$173.7 million in fiscal year 2022. Current liabilities increased by \$7.5 million primarily due to a \$2.8 million increase in unearned revenue, and a \$2.6 million increase in subscription obligations. Noncurrent liabilities increased over the prior year by \$59.7 million primarily due to a \$29.7 million increase in bonds payable related to the new debt issuance, a \$31.2 million increase in net pension liability, offset by a \$3.2 million decrease in lease obligations.

Total net position increased by \$16.2 million to \$113 million. Net investment in capital assets was \$44.3 million. Restricted net position includes \$6.2 million in student loans, \$5.5 million in endowments, \$2.1 million in current operations, and \$54.9 million in unrestricted net position.

Northeast Ohio Medical University Condensed Statements of Revenue, Expenses, and Changes in Net Position for the Years Ended June 30, 2023 and 2022

	2023	2022
Revenue		
Tuition and Fees	\$ 42,853,226	\$ 42,170,385
State Appropriations	28,136,330	25,705,174
Federal, state, local, and private grants and contracts	17,854,750	18,597,535
Support from affiliates	5,000,000	-
Auxiliary activities	4,075,000	6,885,991
Other	12,148,800	(7,559,330)
Total Revenue	110,068,106	85,799,755
Expenses		
Instruction	25,108,632	21,702,480
Research	9,839,332	8,978,444
Academic support	9,121,260	7,125,831
Institutional support	10,237,098	7,777,152
Other	39,555,995	31,100,376
Total Expenses	93,862,317	76,684,283
Increase (decrease) in net position	\$ 16,205,789	\$ 9,115,472

2023 versus 2022 During the year ended June 30, 2023:

The most significant sources of operating revenue for the University are tuition and fees and grants and contracts. Tuition and fee revenue increased by \$683,000 during fiscal year 2023 as compared to 2022. This increase by 1.6 percent was primarily due to increased tuition rates and increased enrollment in the College of Graduate Studies. Grant revenue decreased by \$743,000, or 4.0 percent, in 2023 due to decreases in federal, state, local and private awards.

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

In fiscal year 2023, the University entered into an affiliation with University Hospitals. This brought in revenue of \$5 million. Other revenue has increased by \$19.3 million, or 177.2% as compared to 2022 primarily due to a \$16.3 million increase in investment income, a \$2.4 million increase in state appropriations, and a \$3.5 million increase in capital appropriations and gifts, offset by a \$2.8 million decrease in auxiliary activities.

Operating expenditures, including depreciation and amortization of \$13 million, totaled \$88.3 million, which was an increase of \$15.9 million from the prior year. The biggest contributor to this increase was a \$11.1 million increase in GASB expense related to net pension liabilities and other post-retirement benefits.

Noncapital state appropriations were the most significant nonoperating revenue totaling \$28.1 million, which was an increase of \$2.4 million compared to 2022.

Northeast Ohio Medical University Condensed Statements of Cash Flows for the years ended June 30, 2023 and 2022

	2023	2022
Cash provided by/(used in):		
Operating activities	\$ (4,983,925)	\$ 1,753,015
Investing activities	(2,024,129)	(7,805,816)
Capital and related financing activities	(19,183,407)	(18,750,313)
Noncapital financing activities	28,136,330	25,705,174
Net increase in cash and cash equivalents	1,944,869	902,060
Cash and cash equivalents, beginning of year	6,910,828	6,008,768
Cash and cash equivalents, end of year	\$ 8,855,697	\$ 6,910,828

2023 versus 2022 During the year ended June 30, 2023:

Major sources of cash included student tuition and fees of \$37.6 million, state appropriations of \$28.1 million, auxiliary activities of \$4.1 million, support from affiliates of \$5 million, and grants and contracts of \$18.4 million. The largest payments were for suppliers (\$18.1 million) and employees (\$50 million).

Asset and Debt Administration

Capital Assets

At the end of 2023, the University had invested \$200.6 million in capital assets (net of accumulated depreciation and amortization of \$110.3 million).

NORTHEAST OHIO MEDICAL UNIVERSITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

At the end of 2022, the University had invested \$170.8 million in capital assets (net of accumulated depreciation of \$98.3 million).

	2023	2022
Land	\$ 2,549,470	\$ 2,549,470
Equipment, furnishings, library materials, and intangibles	31,979,784	31,609,551
Buildings, infrastructure, improvements, leasehold improvements, and construction in progress	173,318,677	137,949,590
Right to Use Assets	97,448,232	96,936,822
Subscriptions	5,603,787	-
Total	\$ 310,899,950	\$ 269,045,433

The 2022 column above was not restated to reflect implementation of GASB 96.

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 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. In November 2011, the University had its second bond issuance for \$27 million to be used toward this project. In 2021, these bonds were eligible for refunding. This refunding transaction took place in August 2021. In September 2022, the University issued general receipts bonds for \$29.85 million to purchase The Village student housing project from ERS Housing LLC, a component unit of the University. In turn, ERS Housing, LLC used proceeds from the sale of The Village to redeem all outstanding maturities of the Series 2012 Port Authority Bonds.

More detailed information about the University’s long-term debt is presented in Note 11 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 2023 budget was prepared using a zero-based budget methodology. This was presented to and approved by the Board of Trustees.

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, will continue to grow its clinical practice footprint, and strengthen major hospital affiliations to enhance current revenue sources.

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF NET POSITION
JUNE 30, 2023

	NEOMED 2023	Component Unit NEOMED Foundation 2023	Component Unit ERS Strategic Properties, Inc 2023
ASSETS			
Current assets			
Cash and cash equivalents (Note 2)	\$ 8,559,013	\$ 165,296	\$ 961,947
Investments (Notes 2 & 3)	28,443,858	-	-
Leases receivable (Note 9)	949,093	-	-
Accounts receivable (Note 4)	9,454,653	-	25,088
Accrued Interest receivable (Note 9)	24,786	-	-
Inventories	161,308	-	-
Prepaid expenses and deferred charges	3,553,456	21,301	5,510
Pledges receivable, net	-	625,195	-
Notes receivable, net (Note 4)	491,290	50,265	-
Total current assets	<u>51,637,457</u>	<u>862,057</u>	<u>992,545</u>
Noncurrent assets			
Cash-restricted (Note 2)	296,684	-	-
Long-term investments (Notes 2 & 3)	68,624,496	28,591,054	-
Leases receivable (Note 9)	3,989,717	-	-
Accounts receivable (Note 4)	12,456,373	-	-
Net Pension Asset (Note 8)	437,358	-	-
Net OPEB Asset (Note 8)	2,123,278	-	-
Funds held in trust	-	77,503	858,620
Pledges receivable, net	-	5,474,301	-
Notes receivable, net (Note 4)	5,062,192	567,600	-
Capital assets, net (Note 5)	200,631,815	-	80,876,430
Total noncurrent assets	<u>293,621,913</u>	<u>34,710,458</u>	<u>81,735,050</u>
Total assets	<u>345,259,370</u>	<u>35,572,515</u>	<u>82,727,595</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	17,520,231	-	-
Deferred outflows related to OPEB	2,336,603	-	-
Total deferred outflows of resources	<u>19,856,834</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>365,116,204</u>	<u>35,572,515</u>	<u>82,727,595</u>

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2023**

	NEOMED 2023	Component Unit NEOMED Foundation 2023	Component Unit ERS Strategic Properties, Inc 2023
LIABILITIES			
Current liabilities			
Accounts payable	2,285,164	-	15,241
Accrued compensation and benefits (Note 6)	2,043,393	10,183	-
Unearned revenue	5,674,234	-	1,427,353
Other accrued liabilities	3,554,667	128,417	467,617
Interest payable	678,801	-	-
Lease obligations (Note 9)	3,824,926	-	-
Subscriptions payable (Note 10)	2,599,494	-	-
Related party payable (Note 12)	-	459,826	599,053
Bonds payable (Note 11)	2,105,000	-	1,921,715
Total current liabilities	<u>22,765,679</u>	<u>598,426</u>	<u>4,430,979</u>
Noncurrent liabilities			
Compensated absences (Note 6)	2,765,482	-	-
Related party payable (Note 12)	-	-	11,857,321
Unearned revenue	-	-	9,895,088
Annuity obligations	-	35,459	-
Lease obligations (Note 9)	85,904,039	-	-
Subscriptions payable (Note 10)	1,086,172	-	-
Bonds payable (Note 11)	77,265,324	-	67,866,266
Net OPEB liability (Notes 8)	705,557	-	-
Net pension liability (Note 8)	50,440,564	-	-
Total noncurrent liabilities	<u>218,167,138</u>	<u>35,459</u>	<u>89,618,675</u>
Total liabilities	<u>240,932,817</u>	<u>633,885</u>	<u>94,049,654</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	4,333,317	-	-
Deferred inflows related to OPEB	2,075,384	-	-
Deferred inflows related to leases	4,782,943	-	-
Total deferred inflows of resources	<u>11,191,644</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	44,300,240	-	-
Restricted			
Nonexpendable			
Student loans	6,185,318	1,074,273	-
Endowments	5,547,415	12,670,089	-
Expendable	2,104,171	17,418,545	-
Unrestricted (deficit)	54,854,599	3,775,723	(11,322,059)
Total net position	<u>112,991,743</u>	<u>34,938,630</u>	<u>(11,322,059)</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 365,116,204</u>	<u>\$ 35,572,515</u>	<u>\$ 82,727,595</u>

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

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	NEOMED 2023	Component Unit NEOMED Foundation 2023	Component Unit ERS Strategic Properties, Inc 2023
OPERATING REVENUES			
Student tuition and fees (net of scholarship allowances of \$1,891,036)	\$ 42,853,226	\$ -	\$ -
Federal grants and contracts	14,162,652	-	-
State grants and contracts	1,046,784	-	-
Local grants and contracts	46,242	-	-
Private grants and contracts	2,599,072	-	-
Support from affiliates	5,000,000	-	-
Contributions and bequests	-	6,209,594	4,285,767
In-kind contributions from NEOMED	-	1,118,161	877,017
Sales and services of departments	223,994	-	-
Sales and services of auxiliary enterprises	4,075,000	-	10,398,855
Other	73,725	12,036	-
Total operating revenues	<u>70,080,695</u>	<u>7,339,791</u>	<u>15,561,639</u>
OPERATING EXPENSES			
Educational and general			
Instruction and departmental research	25,108,632	251,580	-
Separately budgeted research	9,839,332	212,659	-
Public service	6,548,575	12,832	-
Academic support	9,121,260	677,209	-
Student services	2,743,205	-	-
Institutional support	10,237,098	1,703,840	-
Operation and maintenance of plant	8,256,609	1,120	-
Scholarships and fellowships	-	849,356	-
Auxiliary enterprises	3,431,406	-	3,954,991
Depreciation and amortization	13,026,426	-	2,797,862
Total operating expenses	<u>88,312,543</u>	<u>3,708,596</u>	<u>6,752,853</u>
Operating (loss) income	(18,231,848)	3,631,195	8,808,786
NONOPERATING REVENUES (EXPENSES)			
State appropriations	28,136,330	-	-
Investment income	7,294,458	2,694,710	-
Interest expense	(5,549,774)	-	(4,459,734)
Net nonoperating revenues (expenses)	<u>29,881,014</u>	<u>2,694,710</u>	<u>(4,459,734)</u>
(LOSS) GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	11,649,166	6,325,905	4,349,052
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES			
Capital appropriations and grants	4,556,623	-	-
Contributions	-	542,435	-
Total other revenues, expenses, gains, or losses	<u>4,556,623</u>	<u>542,435</u>	<u>-</u>
(DECREASE) INCREASE IN NET POSITION	16,205,789	6,868,340	4,349,052
NET POSITION AT BEGINNING OF YEAR	<u>96,785,954</u>	<u>28,070,290</u>	<u>(15,671,111)</u>
NET POSITION AT END OF YEAR	<u>\$ 112,991,743</u>	<u>\$ 34,938,630</u>	<u>\$ (11,322,059)</u>

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 37,607,846
Grants and contracts	18,426,606
Employee compensation	(49,933,735)
Payments to suppliers	(18,112,677)
Payments for utilities	(1,939,079)
Student loan advances	(893,110)
Student loan repayments	487,505
Support from affiliates	5,000,000
Sales and services of auxiliary enterprises	4,075,000
Sales and services of departments	223,994
Other operating receipts	73,725
Net cash and cash equivalents used in operating activities	(4,983,925)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	28,136,330
Federal loan receipts	47,009,568
Federal loan disbursements	(47,009,568)
Net cash and cash equivalents provided by financing activities	28,136,330
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State capital appropriations	4,556,623
Purchases of capital assets	(37,292,920)
Payments on leases and subscriptions	(8,412,668)
Principal paid on debt	(1,845,000)
Interest paid on debt and leases	(5,549,774)
Bond issuance costs paid	(489,668)
Proceeds from bond issuance	29,850,000
Net cash and cash equivalents (used in) capital and related financing activities	(19,183,407)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	3,353,469
Sale of investments	7,777,722
Purchase of investments	(13,155,320)
Net cash and cash equivalents (used in) investing activities	(2,024,129)
NET INCREASE IN CASH AND EQUIVALENTS	1,944,869
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,910,828
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 8,855,697

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES

	2023
Operating loss	\$ (18,231,848)
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities	
Depreciation and amortization	13,026,426
Changes in assets and liabilities	
Receivables	(2,071,883)
Inventories	(10,090)
Prepaid expenses and deferred charges	(1,081,184)
Notes receivable	(405,605)
Net pension asset	502,423
Net OPEB asset	3,026,324
Accounts payable	(543,192)
Accrued compensation	391,143
Deferred revenue	2,841,805
Net pension liability	31,163,031
Net OPEB liability	705,557
Deferred inflow / outflow from OPEB / Pension liability	(34,755,255)
Deferred inflow from financing leases	(1,127,755)
Other accrued liabilities	1,586,178
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	\$ (4,983,925)

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

	2023
Cash and Cash Equivalents	\$ 8,559,013
Cash-Restricted	296,684
Total cash and equivalents at end of the year	\$ 8,855,697

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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) Statements, are described more fully in Notes 14 and 15, 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 Statements, 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 YEAR ENDED JUNE 30, 2023**

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. 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, 2023 restricted cash and cash equivalents consists of \$296,684 of cash restricted for loan purposes.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023.

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, related party receivables, 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. The University is reporting intangible right to use assets related to leased buildings, equipment, vehicles, and subscription assets. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease/subscription term or the useful life of the asset.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Subscription Liabilities

The University has outstanding subscription-based information technology arrangements. Due to the implementation of GASB 96, these arrangements plus existing prior year subscription-based information technology arrangements have met the criteria of subscription liabilities thus requiring them to be recorded by the University. The future subscription payments were discounted based on the interest rate implicit in the lease or by using the University's incremental borrowing rate. This discount is being amortized using the straight-line method over the life of the arrangements.

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
Right to Use Asset	Lease term
Subscriptions	Lease term

Compensated Absences

The University records a liability for vacation accrued by full and part-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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 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.

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 assets 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 assets 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. Deferred inflows of resources for certain financing leases are also reported. More information can be found in Note 9.

Net Position Classifications

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

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

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

Unrestricted - Component of net position that is not subject to externally imposed restrictions. Unrestricted net position may be designated for specific purposes by the Board of Trustees. Substantially all unrestricted net position is 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 4.25 percent for the year ended June 30, 2023.

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.

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2023, the University has implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 93, paragraphs 13 and 14, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the University.

GASB Statement No. 93, paragraphs 13 and 14, provide an exception to the lease modifications guidance in GASB Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The implementation of GASB Statement No. 93 paragraphs 13 and 14, did not have an effect on the financial statements of the University.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

GASB Statement No. 94 improves financial reporting by establishing the definitions of public-private and public-public partnership arrangements and availability payment arrangements as well as provides uniform guidance on accounting and financial reporting for transactions that meet the definitions. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the University.

GASB Statement No. 96 improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement also enhances the relevance and reliability of the financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and discloses essential information about the arrangement. The note disclosures also allow the users to understand the scale and important aspects of the SBITA activities and evaluate the obligations and assets resulting from the SBITAs. These changes were incorporated into the University's fiscal year 2023 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the University.

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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The University's bank deposits and cash on hand for all fund groups at June 30, 2023 are summarized as follows:

	June 30, 2023
University's book value	\$ 8,855,697
Cash on hand	2,587
Bank balances	8,355,037

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

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, 2023 \$1,272,466 was covered by federal depository insurance and \$7,082,571 was uncollateralized as defined by the GASB.

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

	June 30, 2023
Money market funds	\$ 3,625,580
U.S. government obligations	7,207,203
U.S. government agency obligations	283,946
Corporate bonds and notes	6,457,889
Fixed-income mutual funds	8,514,712
Equities	40,581,679
State Treasury Asset Reserve of Ohio	22,296,456
Alternative investments	8,100,891
Total Investments	\$ 97,068,356

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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The maturities of the University's interest-bearing investments at June 30, 2023 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 7,207,203	\$ 1,446,711	\$ 5,456,909	\$ 303,583	\$ -
U.S. government agency obligations	283,946	-	-	-	283,946
Corporate bonds and notes	6,457,889	1,075,113	5,189,419	193,357	-
Fixed income mutual funds	8,514,712		1,816,852	6,697,860	
Total	<u>\$ 22,463,750</u>	<u>\$ 2,521,824</u>	<u>\$ 12,463,180</u>	<u>\$ 7,194,800</u>	<u>\$ 283,946</u>

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

The credit ratings for the University's interest-bearing investments, as rated by Standard & Poor's, at June 30, 2023 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	\$ 1,130,134	\$ -	\$ -	\$ -	\$ 1,130,134
AA	13,732,593	7,207,203	283,946	673,718	5,567,726
A	6,576,263	-	-	4,759,411	1,816,852
BBB	1,024,760	-	-	1,024,760	-
Total	<u>\$ 22,463,750</u>	<u>\$ 7,207,203</u>	<u>\$ 283,946</u>	<u>\$ 6,457,889</u>	<u>\$ 8,514,712</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, 2023 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, 2023 the University had no exposure to foreign currency risk.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023:

	<u>Fair Value Measurements Using</u>				
	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)
Investments by fair value level:					
Debt securities ^(b) :					
U.S. government obligations	\$ 7,207,203	\$ -	\$ 7,207,203	\$ -	\$ -
U.S. government agency obligations	283,946	-	283,946	-	-
Corporate bonds	6,457,889	-	6,457,889	-	-
Total debt securities	<u>13,949,038</u>	<u>-</u>	<u>13,949,038</u>	<u>-</u>	<u>-</u>
Equity securities ^(a)	<u>37,022,265</u>	<u>33,678,437</u>	<u>-</u>	<u>3,343,828</u>	<u>-</u>
Mutual funds:					
Fixed-income mutual funds	8,514,712	8,514,712	-	-	-
Total mutual funds	<u>8,514,712</u>	<u>8,514,712</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 59,486,015</u>	<u>\$ 42,193,149</u>	<u>\$ 13,949,038</u>	<u>\$ 3,343,828</u>	<u>\$ -</u>
Real estate funds and other ^(c)	2,480,671	-	-	-	2,480,671
Equity securities ^(d)	3,559,414	-	-	-	3,559,414
Hedge funds ^(d)	5,620,220	-	-	-	5,620,220
Total investments measured at NAV	<u>11,660,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,660,305</u>
Total investments measured at fair value	<u>\$ 71,146,320</u>	<u>\$ 42,193,149</u>	<u>\$ 13,949,038</u>	<u>\$ 3,343,828</u>	<u>\$ 11,660,305</u>

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- 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 and certain equity securities are valued using the latest available reported NAV of the respective portfolio fund.

Short-term investments and investments on the statements of net position at June 30, 2023 include investments in STAR Ohio of \$22,296,456. 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 \$50 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 \$3,625,580 as of June 30, 2023.

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 practical expedient.

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

	June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Funds	\$ 2,480,671	-	Quarterly	N/A
Equity Securities	3,559,414	-	Monthly	N/A
Hedge Funds	5,620,220	-	Monthly	N/A
Total	\$ 11,660,305	\$ -		

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

The following is a summary of accounts and student notes receivable at June 30, 2023:

	<u>June 30, 2023</u>
Student notes	\$ 5,553,482
Grants and contracts	3,245,117
Sales and services	3,779,017
NEOMED Foundation	459,826
ERS Strategic Properties, Inc.	12,456,373
Tuition and fees	1,970,693
Total accounts and notes receivable	27,464,508
Less current portion	(9,945,943)
Accounts and notes receivable, noncurrent portion	<u>\$ 17,518,565</u>

Federal Direct Loans Program processed for students by the University during the year ended June 30, 2023 totaled \$47,009,568. 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, 2024 must either be purchased or assigned back to the Department.

**NORTHEAST OHIO MEDICAL UNIVERSITY
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5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	July 1, 2022 Beginning Balance <u>Restated</u>	Additions	Retirements and CIP Transfers	June 30, 2023 Ending Balance
Land - Nondepreciable	\$ 2,549,470	\$ -	\$ -	\$ 2,549,470
Infrastructure	2,572,284	-	-	2,572,284
Buildings	132,976,123	34,868,853	-	167,844,976
Leasehold improvements	1,703,700	-	-	1,703,700
Furnishings and movable equipment	28,043,192	1,108,283	(471,892)	28,679,583
Library materials	3,436,484	304,141	(570,299)	3,170,326
Right to Use Assets	96,936,822	511,410	-	97,448,232
Subscriptions	5,603,787	-	-	5,603,787
Intangibles	129,875	-	-	129,875
Construction in progress - Nondepreciable	<u>697,483</u>	<u>527,553</u>	<u>(27,319)</u>	<u>1,197,717</u>
Total historical cost	274,649,220	37,320,240	(1,069,510)	310,899,950
Less accumulated depreciation/amortization				
Infrastructure	2,203,877	215,339	-	2,419,216
Buildings	62,401,697	4,119,960	-	66,521,657
Leasehold improvements	170,370	170,370	-	340,740
Furnishings and movable equipment	25,645,812	1,045,250	(471,892)	26,219,170
Library materials	2,693,049	270,750	(570,299)	2,393,500
Right to Use Assets	5,039,218	5,203,027	-	10,242,245
Subscriptions	-	2,001,731	-	2,001,731
Intangibles	<u>129,875</u>	<u>-</u>	<u>-</u>	<u>129,875</u>
Total accumulated depreciation/amortization	<u>98,283,898</u>	<u>13,026,427</u>	<u>(1,042,191)</u>	<u>110,268,134</u>
Total capital assets, net of depreciation/amortization	<u>\$ 176,365,322</u>	<u>\$ 24,293,813</u>	<u>\$ (27,319)</u>	<u>\$ 200,631,816</u>

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6. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2023 are as follows:

	Balance July 1, <u>2022</u>			Balance June 30, <u>2023</u>		
	<u>Additions</u>	<u>Reductions</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>		
Compensated absences	\$2,696,983	\$466,555	\$ -	\$3,163,538	\$ 398,056	\$ 2,765,482
Total long-term liabilities	<u>\$ 2,696,983</u>	<u>\$ 466,555</u>	<u>\$ -</u>	<u>\$ 3,163,538</u>	<u>\$ 398,056</u>	<u>\$ 2,765,482</u>

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

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 year ended June 30, 2023, these instructional expenses relating to contracts totaled \$3,979,356. At June 30, 2023, the University had recorded accrued liabilities of \$911,720 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 145 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' 2023 employer and member contribution rates on covered payroll to each system are:

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

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

	For the Year ended 6/30	
	2023	
	Pension	OPEB
STRS	\$ 1,353,811	\$ -
OPERS	2,501,179	-
TOTAL	\$ 3,854,990	\$ -

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.

New members have a choice of three retirement plan options: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective Aug. 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until Aug. 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the CO Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

OPERS - Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2013. The requirements to retire depends on years of service (5-25 years) and from attaining the age of 55 to 62, depending on when the employee became a member. Members retiring before age 60 with less than 25 years' service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (5-25 years), age (55-62 years) and final average salary, using a factor ranging from 2.2 percent to 2.5 percent.

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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.

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, 2023, the University reported a liability for its proportionate share of the net pension asset of STRS/OPERS. For June 30, 2023, the net pension asset was measured as of June 30, 2022 for STRS, and December 31, 2022 for the OPERS plan. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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.

Plan	Measurement Date	Net Pension Liability/(Asset)		Proportionate Share		Percentage Change in Proportionate Share
		2023	2022	2023	2022	
STRS	June 30	\$ 18,228,919		0.08200%	0.07749%	0.00451%
OPERS Traditional	December 31	\$ 32,211,645		0.10904%	0.10770%	0.00135%
OPERS Combined	December 31	\$ (437,358)		0.18557%	0.23852%	-0.05296%

For the year ended June 30, 2023, the University recognized a pension expense of \$4,982,203. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,330,220	\$ (132,189)
Changes of assumptions	2,550,744	(1,642,008)
Net difference between projected and actual earnings of pension plan investments	9,975,044	-
Changes in proportion and differences between University contributions and proportionate share of contributions	1,059,822	(2,559,120)
University contributions subsequent to the measurement date	2,604,401	-
Total	\$ 17,520,231	\$ (4,333,317)

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

<u>Year Ended June 30</u>	<u>Amount</u>
2024	\$ 796,344
2025	\$ 1,537,860
2026	\$ 1,765,654
2027	\$ 6,421,314
2028	\$ 10,031
Thereafter	\$ 51,310

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, 2023, the University reported a liability/(asset) for its proportionate share of the net OPEB liability of STRS/OPERS. For June 30, 2023, the net OPEB liability/(asset) was measured as of June 30, 2022 for STRS, and December 31, 2022 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, 2022, 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, 2022, 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, 2022, 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		Percentage Change in Proportionate Share
		2023	2023	2022	
STRS	June 30	\$ (2,123,278)	0.08200%	0.07749%	0.00451%
OPERS	December 31	\$ 705,557	0.11190%	0.11225%	-0.00035%

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For the year ended June 30, 2022, the University recognized an OPEB negative expense of \$1,735,722. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2023	
Deferred Outflows of Resources	Deferred Inflows of Resources
\$ 30,783	\$ (494,875)
779,578	(1,562,338)
1,438,222	-
88,020	(18,171)
\$ 2,336,603	\$ (2,075,384)

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
2023	\$ (211,005)
2024	\$ 65,517
2025	\$ 204,767
2026	\$ 579,660
2027	\$ (125,891)
Thereafter	\$ (251,829)

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, 2023:

	<u>STRS</u>	<u>OPERS</u>
Valuation Date - Pensions	June 30, 2022	December 31, 2022
Valuation Date - OPEB	June 30, 2022	December 31, 2021
Actuarial cost method	Entry age normal	Individual Entry Age
Cost of living	None	2.05 percent - 3.00 percent
Salary increases, including inflation	Varies by service from 2.5% to 8.5%	2.75 percent - 10.75 percent
Inflation	2.50 percent	2.75 percent
Investment rate of return- Pensions	7.00 percent, net of investment expense, including inflation	6.90 percent, net of investment expense, including inflation
Investment rate of return- OPEB	7.00 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	Medical: -68.78 percent initial to 3.94 percent ultimate Medicare, 7.50 percent initial to 3.94 percent ultimate pre-Medicare Prescription: -5.47 percent initial to 3.94 percent ultimate Medicare, 9.00 percent initial to 3.94 percent ultimate pre-Medicare	5.50 percent initial, 3.50 percent ultimate in 2036
Experience study date	Period of 5 years ended June 30, 2021	Period of 5 years ended December 31, 2020
Mortality basis	Post-retirement Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020.	Pre-retirement based on 130% of the Pub-2010 General Employee Mortality tables (both males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions.

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 7.00 percent for the plan years ended June 30, 2022. The discount rates used to measure the total pension liability (asset) for OPERS were 6.90 percent for the plan years ended December 31, 2022.

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 7.00 percent for the plan years ended June 30, 2022. The projection of

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cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

OPERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) was 5.22 percent for the plan year ended December 31, 2022. This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

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:

<u>STRS - as of 6/30/22</u>			<u>OPERS - as of 12/31/22</u>				
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Investment Category</u>	<u>Defined Benefit Portfolio</u>		<u>Health Care Portfolio</u>	
				<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	26.00%	6.60%	Fixed Income	22.00%	2.62%	34.00%	2.56%
International Equity	22.00%	6.80%	Domestic Equities	22.00%	4.60%	26.00%	4.60%
Alternatives	19.00%	7.38%	Real Estate	13.00%	3.27%	7.00%	4.70%
Fixed Income	22.00%	1.75%	Private Equity	15.00%	7.53%	0.00%	0.00%
Real Estate	10.00%	5.75%	International Equities	21.00%	5.51%	25.00%	5.51%
Liquidity Reserves	1.00%	1.00%	Risk Parity	2.00%	4.37%	2.00%	4.37%
			Other Investments	5.00%	3.27%	6.00%	1.84%
Total	<u>100.00%</u>		Total	<u>100.00%</u>		<u>100.00%</u>	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability (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 for the years ended June 30, 2023:

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Plan	2023		
	1.00 percent decrease	Current Discount Rate	1.00 percent increase
STRS	6.00% \$ 27,537,270	7.00% \$ 18,228,919	8.00% \$ 10,356,948
OPERS Traditional	5.90% 48,251,970	6.90% 32,211,645	7.90% 18,868,974
OPERS Combined	5.90% (228,245)	6.90% (437,358)	7.90% (603,086)
	\$ 75,560,995	\$ 50,003,206	\$ 28,622,836

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:

Plan	2023		
	1.00 percent decrease	Current Discount Rate	1.00 percent increase
STRS	6.00% \$ (1,962,915)	7.00% \$ (2,123,278)	8.00% \$ (2,260,644)
OPERS	4.22% 2,401,395	5.22% 705,557	6.22% (693,786)
	\$ 438,480	\$ (1,417,721)	\$ (2,954,430)

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	2023		
	1.00 percent decrease	Current Trend Rate	1.00 percent increase
STRS	\$ (2,202,357)	\$ (2,123,278)	\$ (2,023,462)
OPERS	661,335	705,557	755,332
	\$ (1,541,022)	\$ (1,417,721)	\$ (1,268,131)

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.

Benefit changes – There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for STRS.

9. LEASES

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

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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 implementation of this statement was effective June 30, 2022.

As Lessor – The University leases retail and office space in its facility to others. These leases have variable terms with payments required monthly or quarterly. In addition to license fees, the University receives variable payments for common area maintenance and utility reimbursements associated with spaces that are not included in the measurement of the lease receivable.

The total amount of inflows of resources recognized for the period ending June 30, 2023 is as follows:

Inflows:

Interest revenue leases	\$ 138,997
Lease revenue	82,329
	<u>\$ 221,326</u>

Lease balance summary:

Leases receivable	\$ 4,938,810
Accrued interest receivable	24,786
Deferred inflow leases	<u>(4,782,943)</u>
	<u>\$ 180,653</u>

Below is a schedule of future payments that are included in the measurement of the leases receivable:

<u>As of June 30, 2023</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	949,093	133,884	1,082,977
2025	989,271	104,847	1,094,118
2026	981,633	75,195	1,056,828
2027	652,230	48,920	701,150
2028	549,613	32,093	581,706
2029-2033	<u>816,970</u>	<u>19,597</u>	<u>836,567</u>
	<u>4,938,810</u>	<u>414,536</u>	<u>5,353,346</u>

As Lessee – The University leases facilities and equipment from others. These leases have variable terms and require monthly, quarterly, or annual payments.

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As of June 30, 2023 the total amount of Right to Use lease assets by major class, and the related accumulated amortization, is as follows:

	July 1, 2022 Beginning Balance	Additions	Deductions	June 30, 2023 Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Leased-Equipment	\$ 2,570,018	\$ 511,410	\$ -	\$ 3,081,428
Leased-Vehicles	13,961	-	-	13,961
Leased-Real Estate	94,352,843	-	-	94,352,843
Total Right to Use Assets	<u>96,936,822</u>	<u>511,410</u>	<u>-</u>	<u>97,448,232</u>
Less accumulated amortization				
Leased-Equipment	999,445	1,170,233	-	2,169,678
Leased-Vehicles	10,470	3,491	-	13,961
Leased-Real Estate	4,029,303	4,029,303	-	8,058,606
Total accumulated amortization	<u>5,039,218</u>	<u>5,203,027</u>	<u>-</u>	<u>10,242,245</u>
Total RTU assets, net of amortization	<u>\$91,897,604</u>	<u>\$ (4,691,617)</u>	<u>\$ -</u>	<u>\$87,205,987</u>

The total amount of cash lease payments for the period ending June 30, 2023 is as follows:

Cash lease payments

Leased-Equipment	\$ 907,981
Leased-Vehicles	1,778
Leased-Real Estate	5,599,789
	<u>\$ 6,509,548</u>

Lease balance summary:

Leases payable	\$ 89,728,965
Accrued interest payable	252,317
	<u>\$ 89,981,282</u>

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Below is a schedule of future payments that are included in the measurement of the leases payable:

<u>As of June 30, 2023</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	3,824,926	2,627,821	6,452,747
2025	3,556,400	2,522,856	6,079,256
2026	3,186,443	2,426,965	5,613,408
2027	3,269,668	2,330,121	5,599,789
2028	3,369,118	2,230,671	5,599,789
2029-2033	18,446,490	9,552,454	27,998,944
2034-2038	21,427,752	6,571,192	27,998,944
2039-2043	24,890,836	3,108,108	27,998,944
2044-2048	7,757,332	175,702	7,933,034
	<u>89,728,965</u>	<u>31,545,890</u>	<u>121,274,855</u>

10. SUBSCRIPTIONS

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, Subscription-Based Information Technology Arrangements, which improves accounting and financial reporting for subscriptions by governments. This statement requires recognition of certain subscription assets and liabilities for subscriptions 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 subscription accounting based on the foundational principle that subscriptions are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a subscription liability and an intangible right-to-use subscription asset. The implementation of this statement is effective June 30, 2023.

The University leases IT software from others. These subscriptions have variable terms and require annual payments.

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As of June 30, 2023 the total amount of Subscription assets, and the related accumulated amortization, is as follows:

	July 1, 2022 Beginning Balance <u>Restated</u>	<u>Additions</u>	<u>Deductions</u>	June 30, 2023 Ending Balance
Subscriptions	\$ 5,603,787	\$ -	\$ -	\$ 5,603,787
Total Subscriptions	<u>5,603,787</u>	<u>-</u>	<u>-</u>	<u>5,603,787</u>
Less accumulated amortization				
Subscriptions	<u>-</u>	<u>2,001,731</u>	<u>-</u>	<u>2,001,731</u>
Total accumulated amortization	<u>-</u>	<u>2,001,731</u>	<u>-</u>	<u>2,001,731</u>
Total Subscription assets, net of amortization	<u>\$ 5,603,787</u>	<u>\$ (2,001,731)</u>	<u>\$ -</u>	<u>\$ 3,602,056</u>

The total amount of cash subscription payments for the period ending June 30, 2023 is as follows:

Cash subscription payments

Subscriptions \$ 1,903,120

Lease balance summary:

Subscriptions payable \$ 3,685,666

Accrued interest payable 161,951

\$ 3,847,617

Below is a schedule of future payments that are included in the measurement of the subscriptions payable:

<u>As of June 30, 2023</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	2,599,494	101,694	2,701,188
2025	799,125	29,068	828,193
2026	186,050	5,825	191,875
2027	<u>100,997</u>	<u>421</u>	<u>101,418</u>
	<u>3,685,666</u>	<u>137,008</u>	<u>3,822,674</u>

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11. 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.

On August 11, 2021, the University issued General Receipts Refunding Bonds Series 2021B in the amount of \$19,095,000 for the refunding of the outstanding Series 2011 bonds. The bonds are in various denominations, with fixed interest rates of 4.0 to 5.0 percent and a maturity of 21 years.

On September 7, 2022 the University issued General Receipts Bonds Series 2022 in the amount of \$29,850,000 for the purchase of The Village student housing project from ERS Housing, LLC, a component unit of the University. The bonds are in various denominations, with fixed interest rates of 5.0 percent and a maturity of 22 years.

The bond premium on the Series 2021A bonds totaled \$2,564,183 with an accumulated amortized balance of \$2,328,008 as of June 30, 2023. The bond premium on the Series 2021B bonds totaled \$3,795,361 with an accumulated amortized balance of \$3,450,328 as of June 30, 2023. The bond premium on the Series 2022 bonds totaled \$2,930,178 with an accumulated amortized balance of \$2,796,988 as of June 30, 2023. The premiums are being amortized as a credit to interest expense over the life of the bonds.

The balance outstanding for all bonds as of June 30, 2023 was \$79,370,324.

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The University's bonds and notes payable as of June 30, 2023 are summarized as follows:

	<u>July 1, 2022</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2023</u>	<u>Current</u>
General receipts bond					
Series 2021A	\$ 23,930,000	\$ -	\$ 705,000	\$ 23,225,000	\$ 725,000
General receipts bond					
Series 2021A-Premium	2,429,226	-	101,218	2,328,008	-
General receipts bond					
Series 2021B	18,860,000	-	550,000	18,310,000	575,000
General receipts bond					
Series 2021B-Premium	3,622,845	-	172,517	3,450,328	-
General receipts bond					
Series 2022	-	29,850,000	590,000	29,260,000	805,000
General receipts bond					
Series 2022-Premium	<u>-</u>	<u>2,930,178</u>	<u>133,190</u>	<u>2,796,988</u>	<u>-</u>
Total bonds and notes payable	<u>\$ 48,842,071</u>	<u>\$ 32,780,178</u>	<u>\$ 2,251,925</u>	<u>\$ 79,370,324</u>	<u>\$ 2,105,000</u>

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 believes it 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, 2023 are summarized as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	2,105,000	3,129,025	5,234,025
2025	2,210,000	3,028,400	5,238,400
2026	2,325,000	2,915,025	5,240,025
2027	2,435,000	2,856,900	5,291,900
2028	2,555,000	2,671,275	5,226,275
2029-2033	14,845,000	11,276,875	26,121,875
2034-2038	18,550,000	7,532,775	26,082,775
2039-2043	21,170,000	3,309,975	24,479,975
2044-2048	4,600,000	201,775	4,801,775
	<u>\$ 70,795,000</u>	<u>\$ 36,922,025</u>	<u>\$ 107,717,025</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY
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12. 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.

13. RELATED PARTY TRANSACTIONS

NEOMED Foundation - The University has received distributions from the Foundation in the amount of \$2,086,841 for the year ended June 30, 2023, in direct support of charitable, educational, and scientific purposes benefiting the University and its students. In addition, the Foundation granted student loans of \$170,785 for the year ended June 30, 2023.

The University received reimbursements from the Foundation for payroll, management, fundraising, services, and office space of \$273,691 for the year ended June 30, 2023. The University will receive \$459,826 for the year ended June 30, 2023, related to unpaid reimbursements for similar purposes. Amounts for such services provided by the University, which are not reimbursed by the Foundation, are reported as in-kind contributions in the statements of revenue, expenses, and changes in net position. The University's in-kind support for these services was valued at \$1,118,161 for the year ended June 30, 2023.

ERS Strategic Properties – The University made payments to ERS HWMEC, LLC for the lease of the wellness center in the amount of \$5,707,845 for the year ended June 30, 2023. The University made payments to ERS MOB, LLC for the lease of the medical office building in the amount of \$1,524,852 for the year ended June 30, 2023. The University purchased the leasehold interest in The Village property from ERS Housing, LLC for \$32,288,113 using general receipts bond proceeds.

The University made payments on behalf of ERS for legal and other expenses in the amount of \$46,025 for the year ended June 30, 2023. Reimbursements and payments for naming rights were received in ERS Companies in the amount of \$57,000 for the year ended June 30, 2023 and were used to offset current and prior year expenses paid by the University. 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. ERS Housing made debt service payments to the University in the amount of \$2,261,250 for the year ended June 30, 2023. The University will use the cash from this service charge to pay the debt payment on the Series 2022 bonds. The University's in-kind support for these services was valued at \$877,017 for the year ended June 30, 2023. The Ohio Facilities Commission (OFCC) entered into an agreement with the BioMed Science Academy STEM School (BioMed) to contribute \$11.7 million

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towards the construction of the medical office building. In exchange for the assistance with financing a portion of the building BioMed will occupy a portion of the building for 25 years rent free. As such, BioMed’s contribution has been recorded as unearned rental income. Recognition of this revenue began as of August 2020 and will continue until August 2045. For the year ended June 30, 2023, \$467,563 was recognized as earned revenue according to the straight-line schedule, effective August 2020-August 2045.

ERS had amounts due to the University for construction, equipment, consulting, and legal fees totaling \$12,456,374 for the year ended June 30, 2023, which were paid by the University on behalf of ERS for construction, operating expenses such as utilities and taxes, legal fees, and property acquisition costs. The University advances funds 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.

14. 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 year 2023.

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

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

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

	2023	
	Cost	Market
Money market fund	\$ 583,728	\$ 583,728
Cash surrender value of life insurance	34,206	34,206
Equities	19,645,553	20,630,425
Alternative investment	1,197,772	1,352,155
Fixed income	6,768,097	5,990,540
Total long-term investments	\$ 28,229,356	\$ 28,591,054

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

Assets measured as of June 30, 2023:

	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)
Assets - Investments					
Domestic fixed income	\$ 5,969,513	\$ 5,969,513	\$ -	\$ -	\$ -
International fixed income	21,027	21,027	-	-	-
Domestic equities	13,835,255	13,835,255	-	-	-
International equities	6,795,170	6,795,170	-	-	-
Money market	583,728	-	583,728	-	-
Alternative investments	1,352,155	-	-	-	1,352,155
Total Investments	\$ 28,556,848	\$ 26,620,965	\$ 583,728	\$ -	\$ 1,352,155
Assets - Beneficial Interest in Trust					
Total Beneficial Interest in Trust	\$ 77,503	\$ -	\$ -	\$ 77,503	\$ 77,503
Total Fair Value Measurements	\$ 28,634,351	\$ 26,620,965	\$ 583,728	\$ 77,503	\$ 1,429,658

Details of the Foundation's restricted net assets at June 30, 2023 are as follows:

With Donor Restrictions as of June 30:

	2023
Instruction and departmental research	\$ 2,535,967
Separately budgeted research	2,411,188
Public service	146,637
Academic support	2,320,271
Institutional support	5,190,585
Plant operation and maintenance	27,167
Student services	53,659
Student scholarships and other student aid	13,262,039
Deferred gift annuity	3,735
Anatomy endowed chair	1,506,812
Psychiatry endowed chair	2,000,000
General and other	1,709,844
Allowance for uncollectible pledges	(4,997)
Total with donor restrictions net assets, June 30	\$ 31,162,907

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Total net assets with donor restrictions include \$13,720,197 as of June 30, 2023 of assets held in perpetuity. The remainder of funds are either purpose or time restricted. The assets are held for the following purpose:

	2023
Student loans	\$ 1,074,273
Endowments requiring earnings only to be made available for:	
Student scholarships and awards	7,358,194
Student loans	100,236
Anatomy endowed chair	1,506,812
Psychiatry endowed chair	2,000,000
General and other	1,709,844
Deferred gift annuity	(24,165)
Allowance for uncollectible pledges	(4,997)
Total net assets with donor restrictions to be held in perpetuity, June 30	\$ 13,720,197

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate value. The future expected cash flows from pledges receivable have been discounted using a discount rate of five percent for the year ended June 30, 2023.

Pledges receivable at June 30, 2023 are expected to be realized in the following periods:

	2023
Less than one year	\$ 653,161
Between one and five years	2,044,500
More than five years	8,800,000
Total outstanding pledges	11,497,661
Less net present value discount	(5,090,006)
Less allowance for uncollectible pledges	(308,159)
Net outstanding pledges	\$ 6,099,496

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15. 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, the University contributed \$2.6 million and issued debt for the remainder of the costs. In September 2022, ERS Housing, LLC sold their leasehold interest in the Village property to the University.

Capital asset activity for the year ended June 30, 2023 was as follows:

	July 1, 2022 <u>Beginning Balance</u>	Additions	Retirements and CIP Transfers	June 30, 2023 Ending <u>Balance</u>
Land - Nondepreciable	\$ 273,622	\$ -	\$ -	\$ 273,622
Land improvements - Nondepreciable	838,217	-	-	838,217
Infrastructure	9,558,854	-	-	9,558,854
Buildings	133,461,712	-	(35,941,234)	97,520,478
Furnishings and movable equipment	325,266	-	(126,421)	198,845
Construction in progress - Nondepreciable	-	-	-	-
Total historical cost	<u>144,457,671</u>	-	(36,067,655)	<u>108,390,016</u>
Less: accumulated depreciation				
Infrastructure	9,537,270	4,481	-	9,541,751
Buildings	22,973,431	2,736,510	(7,881,887)	17,828,054
Furnishings and movable equipment	213,331	56,871	(126,421)	143,781
Total accumulated depreciation	<u>32,724,032</u>	<u>2,797,862</u>	<u>(8,008,308)</u>	<u>27,513,586</u>
Net property and equipment	<u>\$ 111,733,639</u>	<u>\$ (2,797,862)</u>	<u>\$ (28,059,347)</u>	<u>\$ 80,876,430</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023, fund balances held by the Trustee were as follows:

	2023
<u>ERS HWMEC LLC</u>	
Bond proceeds fund	\$ 858,620
Total	\$ 858,620

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, so ERS partnered with Portage County Port Authority. 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. On September 1, 2022, the University issued general receipts bonds, the proceeds of which were used to defease the Portage County Port Authority tax-exempt bonds.

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 the University’s credit rating was downgraded in 2013) and a maturity date of November 8, 2044. The balance outstanding was \$70,850,223 as of June 30, 2023.

The original bond discount for the ERS Housing bonds totaled \$633,830, with an unamortized balance of \$434,107 retired in fiscal year 2023. There is no discount or premium on the ERS HWMEC bonds.

ERS Bonds payable as of June 30, 2023 are summarized as follows:

	July 1, 2022	Borrowed	Retired	June 30, 2023	Current
ERS Housing LLC	\$ 32,860,000	\$ -	\$ 32,860,000	\$ -	\$ -
ERS Housing LLC Discount	(434,107)	-	(434,107)	-	-
ERS HWMEC LLC	72,680,409	-	1,830,186	70,850,223	1,921,715
Total bonds and notes payable	\$ 105,106,302	\$ -	\$ 34,256,079	\$ 70,850,223	\$ 1,921,715

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 as of June 30, 2023. Total bonds and notes payable in the chart above is not shown net of bond financing costs of \$1,062,241 for the year ended June 30, 2023.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2023 are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2024	1,921,715	3,771,771	5,693,486
2025	2,017,822	3,665,837	5,683,659
2026	2,118,735	3,554,606	5,673,341
2027	2,224,696	3,437,811	5,662,507
2028	2,335,955	3,315,176	5,651,131
2029-2033	13,553,446	14,510,624	28,064,070
2034-2038	17,298,919	10,382,179	27,681,098
2039-2043	22,079,447	5,112,844	27,192,291
2044-2045	7,299,488	298,282	7,597,770
	<u>70,850,223</u>	<u>48,049,130</u>	<u>118,899,353</u>

Required Supplementary Information for GASB 68 and GASB 75

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective OPERS net pension liability:									
As a percentage	0.10904%	0.10770%	0.10491%	0.11020%	0.11797%	0.12044%	0.11078%	0.11033%	0.10406%
Amount	\$31,774,287	\$ 8,407,303	\$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	\$17,865,566	\$17,567,453	\$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	177.85%	47.86%	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	75.74%	92.62%	86.88%	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective STRS net pension liability:									
As a percentage	0.08200%	0.07749%	0.09291%	0.09639%	0.09841%	0.09202%	0.08683%	0.08185%	0.07478%
Amount	\$18,228,919	\$ 9,907,632	\$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	\$ 9,670,079	\$ 9,463,397	\$ 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	188.51%	104.69%	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	78.90%	87.80%	75.50%	77.40%	77.30%	75.29%	66.78%	72.10%	74.70%

Schedule of University's Pension Contributions OPERS:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,501,179	\$ 2,450,562	\$ 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	\$ 2,501,179	\$ 2,450,562	\$ 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	\$17,865,566	\$17,567,453	\$16,638,634	\$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%	14.00%	14.00%	13.50%	13.00%	13.00%	13.00%

Schedule of University's Pension Contributions STRS:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,353,811	\$ 1,324,876	\$ 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	\$ 1,353,811	\$ 1,324,876	\$ 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	\$ 9,670,079	\$ 9,463,397	\$ 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%	14.00%	14.00%

Information prior to 2015 is not available.

Notes to required supplementary information:

Benefit term changes since the prior measurement date.

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

Assumption changes since the prior measurement date.

STRS: The salary increases was adjust to 2.5-8.5 percent from 2.5 percent at age 65-12.5 percent at age 20. The mortality basis was adjusted to using Pub-2010 Teachers Healthy Annuitant Mortality Table from using the RP-2014 Annuitant Mortality Table.

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

	2023	2022	2021	2020	2019	2018
University's proportion of the collective OPERS net pension liability/(asset):						
As a percentage	0.11190%	0.11225%	0.11017%	0.11443%	0.12042%	0.12358%
Amount	\$ 705,557	\$ (3,515,810)	\$ (1,962,695)	\$ 15,806,032	\$ 15,699,404	\$ 13,419,878
University's covered payroll	\$ 17,865,566	\$ 17,567,453	\$ 16,660,907	\$ 16,660,907	\$ 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	3.95%	-20.01%	-11.78%	94.87%	90.15%	85.35%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%	115.57%	47.80%	46.33%	77.25%

	2023	2022	2021	2020	2019	2018
University's proportion of the collective STRS net pension liability/(asset):						
As a percentage	0.08200%	0.07749%	0.09291%	0.09636%	0.09857%	0.09202%
Amount	\$ (2,123,278)	\$ (1,633,792)	\$ (1,632,804)	\$ (1,596,000)	\$ (1,581,000)	\$ 3,590,196
University's covered payroll	\$ 9,670,079	\$ 9,453,397	\$ 8,322,657	\$ 8,322,657	\$ 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	-21.96%	-17.26%	-19.62%	-19.18%	-16.03%	39.67%
Plan fiduciary net position as a percentage of the total OPEB liability	230.70%	174.73%	182.10%	174.70%	176.00%	47.11%

Information prior to 2018 is not available.

University's Proportionate Share of OPEB Contributions OPERS:

	2023	2022	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	\$ 17,865,566	\$ 17,567,453	\$ 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%	0.00%	0.00%	0.50%

University's Proportionate Share of OPEB Contributions STRS:

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	\$ 9,670,079	\$ 9,463,397	\$ 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%	0.00%	0.00%

Information prior to 2018 is not available.

Notes to required supplementary information:

Benefit term changes since the prior measurement date.

STRS: The medical pre-Medicare percentage changed to 7.50 percent initial to 3.94 percent ultimate from 5.00 percent initial to 4.00 percent ultimate. The Medicare percentage changed to -68.78 percent initial to 3.94 ultimate from -16.18 percent initial to 4.00 ultimate. The prescription pre-Medicare percentage changed to 9.00 percent initial to 3.94 percent ultimate from 6.50 percent initial to 4.00 percent ultimate. The Medicare percentage changed to -5.47 percent initial to 3.94 percent ultimate from 29.98 percent initial to 4.00 percent ultimate.

Assumption changes since the prior measurement date.

OPERS: The discount rate was adjusted to 5.22 percent from 6.00 percent. The OPERS municipal bond rate changed to 4.05 percent from 1.84 percent.

Supplementary Information

**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***

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

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 aggregate discretely presented component units of Northeast Ohio Medical University (the “University”), as of and for the year ended June 30, 2023, 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 18, 2023.

Report on 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 and significant deficiencies may exist that were not identified.

Report on 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*.

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.

Rea & Associates, Inc.

Independence, Ohio
October 18, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on 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, 2023. 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.

In our opinion, the University complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Independence, Ohio
October 18, 2023

Northeast Ohio Medical University

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings Number	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
STUDENT FINANCIAL ASSISTANCE CLUSTER				
Department of Education				
<i>Office of Student Financial Assistance Program:</i>				
William D Ford Federal Direct Loan Program	84.268	N/A	\$ -	\$ 47,009,568
Federal Perkins Loan Program	84.038	N/A	-	322,807
<i>Total Office of Student Financial Assistance Program</i>			-	47,332,375
Total Department of Education			-	47,332,375
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	-	4,181,047
Health Prof Student Loan Prgm - Primary Care Loans	93.342	N/A	-	583,134
Health Prof Student Loan Prgm - Loans to Disadvantaged Students	93.342	N/A	-	338,196
Health Prof Student Loan Prgm - Pharmacy Loans	93.342	N/A	-	172,519
<i>Total Health Resources and Services Administration</i>			-	5,274,896
<i>Health Resources and Services Administration:</i>				
HRSA - NEOMED Scholarships for Disadvantaged Students	93.925	T08HP39276	-	650,000
<i>Total AL #93.925</i>			-	650,000
Total Department of Health & Human Services			-	5,924,896
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			\$ -	\$ 53,257,271
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 Ohio Cardiovascular Health Collaborative	93.778	RES600471	\$ 212	\$ 46,969
<i>Passed through Ohio Department of Medicaid:</i>				
<i>Passed through Ohio State University:</i>				
CMS - ODM - OSU - MEDTAPP Ohio Systems of Care Project ECHO for Youth Involved in Multiple Systems	93.778	SPC-100006973 GR127461	-	56,891
CMS - ODM - OSU - MEDTAPP Ohio College of Medicine Regional Quality Improvement Hub (QI Hub) - Federal	93.778	SPC-1000007490 GR130298	-	20,235
<i>Total Centers for Medicare and Medicaid Services</i>			212	124,095
Total Department of Health and Human Services			212	124,095
TOTAL MEDICAID CLUSTER			\$ 212	\$ 124,095
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	\$ -	\$ 307,038
<i>Total AL #93.113</i>			-	307,038
<i>National Institutes of Health:</i>				
NIH - Metabotropic Glutamate Receptor-Mediated Neuromodulation in Sound Localization Circuits	93.173	R01DC016054	-	84,351
NIH - Auditory Information Processing in the Amygdala	93.173	2R01DC000937	-	365,182
NIH - Auditory Information Processing in the Amygdala	93.173	R01DC000937	-	4,328
NIH - Neuronal Hyperactivity:Tinnitus and Distress	93.173	1R01DC016918-01A1	-	344,788
NIH-Cellular properties mediating specialization of lateral superior olive principal neuron types for timing and intensity based sound localization	93.173	1R21DC017819	-	39,439
NIH - Auditory Processing Deficits in Early-Onset Conductive Hearing Loss	93.173	2R01DC013314	-	450,363
NIH - Age-related GABAergic loss in the central auditory circuits	93.173	1R01DC017708	-	273,432
NIH - NIDCD - Modulatory Circuits in the Auditory System	93.173	2R01DC004391-A1	-	573,695
NIH - Cellular Diversity Underlying timing and intensity based sound localization in the superior olivary complex	93.173	1R56DC020937	-	986
<i>Passed through University of Michigan:</i>				
NIH - University of Michigan - Circuit Mechanisms for Auditory Processing in the Inferior Colliculus	93.173	SUBK00012231	-	54,135
<i>Passed through Carnegie Mellon University:</i>				
NIH - CMU - Cortical processing of informational masking	93.173	1090699-451458	-	168,634
<i>Total AL #93.173</i>			-	2,359,333
<i>National Institutes of Health:</i>				
<i>Passed through Florida State University:</i>				
NIH - FSU - Axonal FMRP in Synaptic Development	93.242	R000002944	-	45,705
<i>Passed through The University of North Carolina at Chapel Hill:</i>				
NIH - UNC - Forging New Paths: Building Interventions to Treat Criminogenic Needs in Community Based Mental Health Settings	93.242	5125977	-	9,710
<i>Total AL #93.242</i>			-	55,415
<i>National Institutes of Health:</i>				
NIH - Ethanol Regulation of Adiponectin and its Signaling	93.273	2R01AA015951	-	295,434
NIH-Mitochondrial Acetylation and Acetyloyme Dynamics in Alcoholic Liver Disease assessed with Heavy Water	93.273	1R21AA029784	-	68,076
<i>Passed through Cleveland Clinic Lerner College of Medicine of CWRU:</i>				
NIH - CCF_CWRU - Alcohol and tissue injury from mechanisms to treatments	93.273	CCF22706432	-	24,422
<i>Passed through Coriell Institute for Medical Research:</i>				
NIH - Coriell - NRF2-ACSS2 Axis in Alcohol-induced Metabolic Reprogramming and Esophageal Pathology	93.273	A23-0005-5002	-	6,300
<i>Total AL #93.273</i>			-	394,232

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings Number	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 - The Critical Role of the Coronary Microcirculation in Heart Failure	93.837	5R01HL135024-03	(6,987)	(6,987)
NIH - NHLBI : Targeting Collagen 6 for Post-Infarction Recovery	93.837	1R15HL132312-01A1	-	(10,636)
NIH - Mechanism of Impaired Coronary Collateral Growth	93.837	1R01HL137008	-	105,804
NIH - Identification of Novel Genes/Pathways That Regulate Atherosclerosis	93.837	1R01HL142086-01	-	493,077
NIH - Mechanism of TSP-1 in Metabolic Syndrome-Induced Vascular Disease	93.837	1R15HL147245-01	-	110,435
NIH - The Role of MicroRNA-21 in Regulating the Coronary Microcirculation in Diabetes	93.837	1F31HL156726	-	5,359
NIH - NHLBI - Mechanisms Underlying Takotsubo Syndrome	93.837	R01HL161512	-	309,336
NIH - NHLBI - Mechanisms Underlying Takotsubo Syndrome	93.837	1R01HL161512-01A1	40,298	204,230
NIH - Insights into Coronary Microvascular Dysfunction in Diabetic Cardiomyopathy	93.837	1R56HL165207	-	342,399
<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	-	205,223
<i>Passed through The Board of Trustees of the University of Alabama for the University of Alabama at Birmingham:</i>				
NIH - UAB - Dysregulated Adiponectin Transmembrane signaling in Diabetic Coronary Vascular Injury and Heart Failure	93.837	000538895-SC002	-	32,471
Total AL #93.837			33,311	1,790,711
<i>National Institutes of Health:</i>				
NIH - The Role of TRAPP9 in Osteoclast Differentiation and Function	93.846	1R01AR077762	-	245,581
Total AL #93.846			-	245,581
<i>National Institutes of Health:</i>				
NIH - Regulation of Bile Acid Synthesis by Nuclear Receptors	93.847	5R37DK058379-30	-	12,502
NIH - Hepatic ATF3 in the Development of NAFLD	93.847	1R01DK118941-01	-	356,917
NIH - Molecular Biology of Bile Acid Synthesis	93.847	2R01DK044442-22A1	-	235,499
NIH - Hepatic FOXA3 Links NAFLD to Atherosclerosis	93.847	1R01DK118805	-	365,470
NIH - Forkhead Box A3 and Bile Acid Metabolism	93.847	1R01DK121548	-	413,142
NIH - Mechanisms Underlying the Pathogenesis of Non-alcoholic Fatty Liver Disease	93.847	R01DK102619	-	137,434
<i>Passed through Augusta University:</i>				
NIH - Augusta - Mitochondrial Acetylome Dynamics in NAFLD Assessed with Heavy Water-based Metabolic Labeling	93.847	35235-4	-	11,705
Total AL #93.847			-	1,532,669
<i>National Institutes of Health:</i>				
NIH - Astrocytes in Retrovirus-Induced Spongiform Motor Neuron Disease	93.853	1R15NS108107	-	(222)
Total AL #93.853			-	(222)
<i>National Institutes of Health:</i>				
<i>Passed through Kent State University:</i>				
NIH - KSU - A board spectrum antimicrobial cream containing Bi203 NPs for skin and soft tissue infections by multidrug-resistant bacteria	93.855	403077-NEOMED	-	6,676
Total AL #93.855			-	6,676
<i>National Institutes of Health:</i>				
NIH - Sca-1 signaling, EPC, and the inflammatory response to septic infection	93.859	1R01GM132449	-	251,344
Total AL #93.859			-	251,344
<i>National Institutes of Health:</i>				
NIH - The effect of sensory intervention on swallowing and respiration through neurological maturation in preterm infants	93.865	1R01HD096881-01A1	9,426	609,210
NIH - The impact of sensory intervention on motor output and feeding performance in term and preterm infants	93.865	1K99HD105922	-	27,753
NIH - The impact of a biomimetic nipple on infant performance during breast and bottle feeding	93.865	1R21HD105294	5,441	39,125
NIH - Biology at birth: the role of infancy in providing the foundation for lifetime success	93.865	1R13HD111225	-	10,000
Total AL #93.865			14,867	686,088
<i>National Institutes of Health:</i>				
NIH - Mechanism of ZCCHC6 Regulation of Mitochondrial Dysfunction in Alzheimer's Disease	93.866	1R56AG069116-01A1	-	63,278
NIH - The development effects of sex chromosomes and hormones specify microglial inflammation in Alzheimer's disease	93.866	1R01AG075897	-	337,133
<i>Passed through GPN Therapeutics:</i>				
NIH - GPN Therapeutics - Osteoactivin Treatment for Accelerating Spinal Fusion in Osteoporosis	93.866	1	-	11,242
NIH - GPN - The Therapeutic Role of GPNMB in Osteoarthritis	93.866	SUBAWARD 002	-	49,083
<i>Passed through Kent State University:</i>				
NIH - KSU - Magneto-thermal brain stimulation towards the rescue of beta-amyloid pathology	93.866	403073-NEOMED	-	59,630
Total AL #93.866			-	520,366
<i>Total National Institutes of Health</i>			48,178	8,149,231
<i>Substance Abuse and Mental Health Services Administration:</i>				
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
SAMHSA - OMHAS - Ohio Program for Campus Safety - FY23	93.959	2300085	-	29,997
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through Ohio University:</i>				
SAMHSA - OMHAS - OU - Center of Excellence for Behavioral Health Prevention and Promotion	93.959	UT22313	-	40,197
Total AL #93.959			-	70,194
<i>Total Substance Abuse and Mental Health Services Administration</i>			-	70,194
Total Department of Health and Human Services			48,178	8,219,425
National Science Foundation				
<i>National Science Foundation:</i>				
NSF - Collaborative Research: The Origins of the Large Brains of Cetaceans	47.050	2142526	-	13,162
NSF - Collaborative Research: The Origin of the Large Brains of Cetaceans	47.050	2142526	-	101,261
Total AL #47.050			-	114,423
<i>National Science Foundation:</i>				
<i>Passed through University of Utah:</i>				
NSF - Utah - I-Corps Site University of Utah Center for Medical Innovation	47.070	10044791-01-NOMU	-	58,312
Total AL #47.070			-	58,312

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings Number	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
RESEARCH AND DEVELOPMENT CLUSTER (Continued)				
National Science Foundation (Continued)				
<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	-	46,294
Total AL #47.074			-	46,294
<i>National Science Foundation:</i>				
NSF - Collaborative Research: Ecological Influences on Locomotor Performance in Free-Ranging Primates	47.075	1921314	-	129,074
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	-	119,202
Total AL #47.075			-	248,276
Total National Science Foundation			-	467,305
Department of Defense				
<i>Department of Defense:</i>				
DOD - Exercise Effects on Synuclein Aggregation, Neuroinflammation, and Neurodegeneration	12.420	W81XWH1910772	-	246,510
<i>Passed through Cleveland Clinic Foundation:</i>				
DOD - CCF - ApolipoproteinA1 modifications related to cognitive decline in type 2 diabetes and preclinical Alzheimers disease	12.420	CCF22967038	-	14,860
Total Department of Defense			-	261,370
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 48,178	\$ 8,948,100
TOTAL CLUSTERS			\$ 48,390	\$ 62,329,466
OTHER PROGRAMS				
Department of Health and Human Services				
<i>Health Resources and Services Administration:</i>				
<i>Passed through The University of Toledo:</i>				
HRSA - UT - Area Health Education Center Point of Service Maintenance and Enhancement Award FY 2021	93.107	F-2022-16	308,035	340,230
HRSA - UT - Area Health Education Point of Service Maintenance and Enhancement Award FY23	93.107	F-2023-14	278,345	374,916
Total AL #93.107			586,380	715,146
<i>Substance Abuse and Mental Health Services Administration:</i>				
SAMHSA - Expanding Access Medication-Assisted Treatment Services for Opioid Use Disorder by Education and Training Medical Students	93.243	H79TI084092	2,913	165,750
<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	-	1,378
<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	-	3,748
Total AL #93.243			2,913	170,876
<i>Health Resources and Services Administration:</i>				
HRSA - Resiliency: Caring for Ourselves While Caring for Others	93.732	U3NHP45402	\$ 197,082	\$ 767,427
Total AL #93.732			197,082	767,427
<i>Substance Abuse and Mental Health Services Administration:</i>				
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
training curriculum	93.788	1900822	(7,899)	(8,689)
Total AL #93.788			(7,899)	(8,689)
<i>Health Resources and Services Administration:</i>				
<i>HRSA - Primary Care Training and Enhancement</i>				
HRSA - Training the Next Generation of Diverse Primary Care Providers to Learn and Serve in Rural and Medically Underserved Communities Through a New, Innovative Integrated Behavioral Health and Primary Care	93.884	4 T0BHP30006-05-02	-	(1,950)
Total AL #93.884			51,962	396,891
			51,962	394,941
<i>Substance Abuse and Mental Health Services Administration:</i>				
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through Alta Behavioral Healthcare:</i>				
SAMHSA - OMHAS - ABH - Evidence Based Programs to Address First Episode Psychosis - FIRST Mahoning County	93.958	N/A	-	5
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
SAMHSA - OMHAS - First Episode Psychosis: ECHO and Fidelity Scale Development	93.958	2200222	-	6,372
SAMHSA - OMHAS - FEP (OMHAS) Virtual Team FY22 - Training Videos, Hybrid Site Team Plan, LoC	93.958	2200478	-	47,337
SAMHSA - OMHAS - CIT Support and Expansion - FY22	93.958	N/A	-	4,386
SAMHSA - OMHAS - FEP (OMHAS) Implementation Packages	93.958	2300327	-	199,955
SAMHSA - OMHAS - FEP (OMHAS) Cost of Care Rate-setting (FY2023)	93.958	2300304	-	11,492
SAMHSA - OMHAS - FEP Training Video Library (FY2023)	93.958	2300303	-	158,768
SAMHSA - OMHAS - FEP ECHO, Fidelity, Statewide Promotion (ESMI Curriculum FY23)	93.958	2300339	-	135,488
SAMHSA - OMHAS - CIT Support and Expansion - Federal FY23	93.958	N/A	224,119	496,595
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through County of Summit Alcohol Drug Addiction & Mental Health Services Board:</i>				
SAMHSA - OMHAS - ADM - Criminal Justice Coordinating Center of Excellence - FY23	93.958	2300206	24,475	169,034
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through Coleman Professional Services Inc.:</i>				
SAMHSA - Coleman - Coleman Cognitive Remediation Consultation and Training	93.958	N/A	-	32,750
<i>Passed through Center for Families and Children:</i>				
SAMHSA - CFC - CMHC at The Centers for Families and Children	93.958	CFC-2	-	68,946
<i>Passed through State of Illinois Department of Mental Health:</i>				
<i>Passed through Thresholds:</i>				
SAMHSA - IDHS - Thresholds - First.IL Team Implementation & Sustainability (FY 2023)	93.958	N/A	-	59,992
Total AL #93.958			248,594	1,391,120
<i>Health Resources and Services Administration:</i>				
<i>HRSA - Geriatrics Workforce Enhancement Program</i>				
Total AL #93.969	93.969	U1QHP33073	464,612	691,329
			464,612	691,329
Total Department of Health and Human Services			1,543,644	4,122,150

Total Department of Health and Human Services
See Notes to Schedule of Expenditures
of Federal Awards.

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings Number	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenses
OTHER PROGRAMS (Continued)				
Department of Justice				
<i>Department of Justice</i>				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
Development	16.738	2021-JG-E01-6963	-	26,255
DOJ - OCJS - Piloting a Systems Collaboration Measure	16.738	2022-JG-E01-6963	-	29,757
Total AL #16.738			-	56,012
Total Department of Justice			-	56,012
Department of Education				
<i>Department of Education:</i>				
<i>Passed through Ohio Department of Higher Education:</i>				
COVID-19 ED - ODHE - Ohio Wellness Campus Collaborative	84.425C	N/A	-	4,086
Total AL #84.425C			-	4,086
Total Department of Education			-	4,086
Department of the Treasury				
<i>Department of the Treasury:</i>				
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through PreventionFIRST!</i>				
COVID-19 DOT - OMHAS - PFI - GEERs (Governor's Emergency Education Relief) Webinar Series	21.019	OMB0100137	-	18,159
Total AL #21.019			-	18,159
Total Department of the Treasury			-	18,159
TOTAL OTHER PROGRAMS			\$ 1,543,644	\$ 4,200,407
TOTAL EXPENDITURES OF FEDERAL PROGRAMS			\$ 1,592,034	\$ 66,529,873

Northeast Ohio Medical University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

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, 2023. 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, 2023 consist of the following:

Cluster/Program Title	Assistance	Loan
	Listing	Loan
	Number	Balances
Federal Perkins Loan Program	84.038	\$ 233,045
Health Professional Student Loan Program - Loans to Disadvantaged Students	93.342	4,171,551
Health Professional Student Loan Program - Primary Care Loans	93.342	526,273
Health Professional Student Loan Program - Pharmacy Loans	93.342	163,253
Total		<u>\$ 5,094,122</u>

Northeast Ohio Medical University
Portage County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2023

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)?	No
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(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 Research and Development Cluster Mental and Behavioral Health Education and Training Grants	Assistance Listing #s: 84.268 84.038 93.342 93.925 Various 93.732
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

Northeast Ohio Medical University
Portage County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2023

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number: 2023-001

Federal Program: Mental and Behavioral Health Education and Training Grants

Federal Award Identification Number and Year: U3NHP45402, 2022

Assistance Listing Number (ALN): 93.732

Federal Awarding Agency: Human Resources and Services Administration

Pass-through Entity: None

Repeat Finding: No

Significant Deficiency and Noncompliance – FFATA Reporting

Criteria: Prime recipients awarded a new federal grant greater than or equal to \$30,000 are subject to FFATA sub-award reporting requirements as outlined in the Office of Management and Budgets guidance issued August 13, 2020. The prime recipient is required to file a Federal Funding Accountability and Transparency Act (FFATA) sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000 (Pub. L. No. 109-282 [FFATA] and Pub. L. No. 113-101 [DATA Act]).

Condition: The University did not file the required FFATA reports within the required timeframe.

Questioned Costs: None.

Identification of How Questioned Costs Were Computed: N/A

Context: For three out of three FFATA reports selected for testing, none of the reports was filed by the end of the month following the month in which the University awarded the sub-grant. All three reports were filed one month late.

Cause and Effect: The errors occurred due to the restrictions within the FSRS system, which allows only one FFATA submission per month per award. The University delayed submissions to ensure that all reports of sub-award activity were entered together. As a result, other grant reports were filed in the subsequent month and the University missed filing the reports for this grant within the required timeframe.

Recommendation: The University should implement controls and processes to ensure that the required FFATA reports are submitted timely.

Views of Responsible Officials and Corrective Action Plan: See Corrective Action Plan.

Corrective Action Plan
2 CFR§ 200.511(c)
June 30, 2023

Finding Number: 2023-001
Anticipated Completion Date: October 16, 2023
Responsible Contact Person: Bianka Hernandez, Director of Grants Accounting

Planned Corrective Action: All FFATA reporting will be entered onto the FSRS website immediately after full execution. The report will be saved and submitted monthly as new subaward agreements are fully executed. The FFATA report will be monitored and reviewed three business days before the end of the current month, so that the report may be submitted in a timely manner.

NORTHEAST OHIO MEDICAL UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2023

Finding Number	Finding Summary	Status	Additional Information
2022-001	Material Weakness and Material Noncompliance: Student Financial Assistance Cluster Enrollment Reporting	Corrective Action Taken and Finding is Fully Corrected	N/A

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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 11/14/2023

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

This report is a matter of public record and is available online at
www.ohioauditor.gov