

**NORTHEASTERN OHIO
UNIVERSITIES COLLEGE
OF MEDICINE**

*Single Audit Report
for the Year Ended
June 30, 2001*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Northeastern Ohio Universities College of Medicine
Rootstown, Ohio 44272-0095

We have reviewed the Independent Auditor's Report of the Northeastern Ohio Universities College of Medicine, Portage County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2000 to June 30, 2001. 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 Northeastern Ohio Universities College of Medicine is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 2, 2002

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NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

TABLE OF CONTENTS

	Page
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE:	
Independent Auditors' Report	1
Financial Statements as of and for the Year Ended June 30, 2001	2-6
Notes to Financial Statements	7-16
Supplemental Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2001	17-19
Notes to the Supplemental Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2001	20-21
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to the Major Federal Award Program	23-24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25
STATUS OF PRIOR YEAR FINDINGS	26

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northeastern Ohio Universities College of Medicine
4209 State Route 44
PO Box 95
Rootstown, Ohio 44272-0095

We have audited the accompanying balance sheets of the Northeastern Ohio Universities College of Medicine (the "College") as of June 30, 2001, and the related statement of changes in undesignated fund balances, statement of current funds revenues, expenditures and other changes, and statement of changes in current funds designated fund balances for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2001, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying supplemental schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This supplemental schedule is the responsibility of the management of the College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

November 2, 2001

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

BALANCE SHEET

JUNE 30, 2001

(With comparative amounts for June 30, 2000)

ASSETS	2001	2000	LIABILITIES AND FUND BALANCES	2001	2000
CURRENT FUNDS:			CURRENT FUNDS:		
Unrestricted:			Unrestricted:		
Educational and general:			Educational and general:		
Cash and temporary investments	\$ 9,119,101	\$ 7,276,773	Accounts payable	\$ 1,612,333	\$ 846,436
Accounts receivable	208,094	126,399	Accrued wages and benefits	746,514	698,335
Unbilled charges	247,684	472,405	Payroll withholdings payable	97,301	127,566
Inventories (at cost)	150,356	152,695	Compensated absences	908,417	835,956
Prepaid expenses and deferred charges	157,906	197,814	Deferred revenue	13,041	16,366
Due from auxiliary funds	<u>38,295</u>	<u> </u>	Other accrued liabilities	1,830,231	1,188,134
			Fund balances:		
			Designated	3,448,766	2,983,417
Total educational and general	<u>9,921,436</u>	<u>8,226,086</u>	Undesignated	<u>1,264,833</u>	<u>1,529,876</u>
			Total educational and general	<u>9,921,436</u>	<u>8,226,086</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and temporary investments		49,654	Accounts payable	9,258	5,337
Accounts receivable	10,426	12,765	Accrued wages and benefits	19,482	16,644
Inventories (at cost)	<u>58,004</u>	<u>60,732</u>	Compensated absences	12,790	10,843
			Other accrued liabilities	2,638	6,664
			Due to educational and general	38,295	
Total auxiliary enterprises	<u>68,430</u>	<u>123,151</u>	Fund balances:		
Total unrestricted	<u>9,989,866</u>	<u>8,349,237</u>	Designated		3,874
			Undesignated	<u>(14,033)</u>	<u>79,789</u>
			Total auxiliary enterprises	<u>68,430</u>	<u>123,151</u>
			Total unrestricted	<u>9,989,866</u>	<u>8,349,237</u>
Restricted:			Restricted:		
Cash and temporary investments	1,569,290	1,214,304	Accounts payable	289,725	365,480
Accounts receivable	634,034	691,809	Accrued wages and benefits	61,323	52,454
Unbilled charges	390,534	292,885	Compensated absences	56,778	45,570
Prepaid expenses	<u> </u>	<u>10,918</u>	Other accrued liabilities	304,103	287,373
			Fund balances:		
Total restricted	<u>2,593,858</u>	<u>2,209,916</u>	Restricted	<u>1,881,929</u>	<u>1,459,039</u>
			Total restricted	<u>2,593,858</u>	<u>2,209,916</u>
TOTAL CURRENT FUNDS	<u>\$ 12,583,724</u>	<u>\$ 10,559,153</u>	TOTAL CURRENT FUNDS	<u>\$ 12,583,724</u>	<u>\$ 10,559,153</u>

The accompanying notes to financial statements are an integral part of this statement.

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

BALANCE SHEET

JUNE 30, 2001

(With comparative amounts for June 30, 2000)

ASSETS	2001	2000	LIABILITIES AND FUND BALANCES	2001	2000
LOAN FUNDS:			LOAN FUNDS:		
Cash and temporary investments	\$ 295,290	\$ 240,931	Fund balances:		
Notes receivable	<u>2,956,238</u>	<u>2,862,092</u>	U.S. government grants refundable:		
			Perkins student loan fund	\$ 1,564,775	\$ 1,480,787
			Health professionals student loan fund	1,364,718	1,315,494
			Health professionals loans to disadvantaged students	216,068	210,261
			College funds - restricted	<u>105,967</u>	<u>96,481</u>
Total loan funds	<u>\$ 3,251,528</u>	<u>\$ 3,103,023</u>	Total loan funds	<u>\$ 3,251,528</u>	<u>\$ 3,103,023</u>
ENDOWMENT FUNDS:			ENDOWMENT FUNDS:		
Cash and temporary investments	<u>\$ 378,579</u>	<u>\$ 371,708</u>	Fund balances - restricted	<u>\$ 378,579</u>	<u>\$ 371,708</u>
Total endowment funds	<u>\$ 378,579</u>	<u>\$ 371,708</u>	Total endowment funds	<u>\$ 378,579</u>	<u>\$ 371,708</u>
PLANT FUNDS:			PLANT FUNDS:		
Unexpended plant funds:			Unexpended plant funds:		
Cash and temporary investments	\$ 2,783,612	\$ 2,967,667	Accounts payable	\$ 136,297	\$ 52,774
Escrow funds held by trustee	1,290,073		Accrued liabilities	104,383	
Unbilled charges	235,534	9,449	Capital lease obligations	1,215,538	
Prepaid expenses	<u>89,732</u>	<u>146,668</u>	Fund balances - unrestricted	<u>2,942,733</u>	<u>3,071,010</u>
Total unexpended plant funds	<u>4,398,951</u>	<u>3,123,784</u>	Total unexpended plant funds	<u>4,398,951</u>	<u>3,123,784</u>
Investment in plant:			Investment in plant:		
Land and improvements other than buildings	1,163,313	1,163,313	Capital lease obligations	542,430	
Buildings	44,846,289	43,836,902	Fund balances - net investment in plant	<u>67,630,669</u>	<u>65,793,322</u>
Movable equipment, furniture and library books	21,843,415	20,793,107			
Construction in progress	<u>320,082</u>				
Total investment in plant	<u>68,173,099</u>	<u>65,793,322</u>	Total investment in plant	<u>68,173,099</u>	<u>65,793,322</u>
TOTAL PLANT FUNDS	<u>\$ 72,572,050</u>	<u>\$ 68,917,106</u>	TOTAL PLANT FUNDS	<u>\$ 72,572,050</u>	<u>\$ 68,917,106</u>
AGENCY FUNDS:			AGENCY FUNDS:		
Cash and temporary investments	\$ 224,293	\$ 198,346	Accounts payable	\$ 1,192	\$ 10,462
Accounts receivable		65	Other accrued liabilities	42,749	42,160
Unbilled charges		<u>975</u>	Deposits held in custody for others	<u>180,352</u>	<u>146,764</u>
TOTAL AGENCY FUNDS	<u>\$ 224,293</u>	<u>\$ 199,386</u>	TOTAL AGENCY FUNDS	<u>\$ 224,293</u>	<u>\$ 199,386</u>

The accompanying notes to financial statements are an integral part of this statement.

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

STATEMENT OF CHANGES IN UNDESIGNATED FUND BALANCES YEAR ENDED JUNE 30, 2001

	Current Funds					Loan Funds	Endowment Funds	Plant Funds	
	Unrestricted			Restricted				Unexpended	Investment in Plant
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Total Current Funds				
REVENUES AND OTHER ADDITIONS:									
Unrestricted current fund revenues	\$ 26,431,074	\$ 790,142	\$ 27,221,216		\$ 27,221,216				
State appropriations-restricted				\$ 2,231,017	2,231,017			\$ 339,889	
Federal grants and contracts-restricted				2,616,346	2,616,346	\$ 104,928		132,431	
State grants and contracts-restricted				498,727	498,727				
Local grants and contracts-restricted				81,974	81,974				
Private gifts, grants, and contracts-restricted				1,827,405	1,827,405		\$ 6,871	352,280	\$ 22,705
Endowment income-restricted				12,912	12,912	9,107			
Investment income-restricted						11,420		29,269	
Interest on loans receivable						50,828			
Expended for plant facilities (including \$783,302 charged to current fund expenditures)									2,429,089
Retirement of indebtedness									108,228
State of Ohio projects capitalized									532,473
Total revenues and other additions	<u>26,431,074</u>	<u>790,142</u>	<u>27,221,216</u>	<u>7,268,381</u>	<u>34,489,597</u>	<u>176,283</u>	<u>6,871</u>	<u>853,869</u>	<u>3,092,495</u>
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general expenditures	24,667,531		24,667,531	6,079,334	30,746,865				
Auxiliary enterprises expenditures		887,838	887,838		887,838				
Indirect costs recovered				764,808	764,808				
Refunded to grantors				1,349	1,349	41,520			
Loan cancellations and write-offs						2,606			
Administrative and collection costs						150			
Expended for plant facilities (including \$542,172 not capitalized)								2,187,958	
Retirement of indebtedness	45,442		45,442		45,442			62,786	
Interest on indebtedness	18,208		18,208		18,208			46,884	
OPFC capital debt service deduction	167,607		167,607		167,607				
Disposal and write-offs of plant facilities									1,255,148
Total expenditures and other deductions	<u>24,898,788</u>	<u>887,838</u>	<u>25,786,626</u>	<u>6,845,491</u>	<u>32,632,117</u>	<u>44,276</u>		<u>2,297,628</u>	<u>1,255,148</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):									
Mandatory - Loan fund matching grants	(16,498)		(16,498)		(16,498)	16,498			
Nonmandatory:									
Change in current designated fund balances	(465,349)	3,874	(461,475)		(461,475)				
Capital improvements	(1,030,747)		(1,030,747)		(1,030,747)			1,030,747	
Principal and interest	(284,735)		(284,735)		(284,735)			284,735	
Total transfers	<u>(1,797,329)</u>	<u>3,874</u>	<u>(1,793,455)</u>		<u>(1,793,455)</u>	<u>16,498</u>		<u>1,315,482</u>	
NET INCREASE/(DECREASE) FOR THE YEAR	(265,043)	(93,822)	(358,865)	422,890	64,025	148,505	6,871	(128,277)	1,837,347
UNDESIGNATED FUND BALANCE, BEGINNING OF YEAR	<u>1,529,876</u>	<u>79,789</u>	<u>1,609,665</u>	<u>1,459,039</u>	<u>3,068,704</u>	<u>3,103,023</u>	<u>371,708</u>	<u>3,071,010</u>	<u>65,793,322</u>
UNDESIGNATED FUND BALANCE (DEFICIENCY), END OF YEAR	<u>\$ 1,264,833</u>	<u>\$ (14,033)</u>	<u>\$ 1,250,800</u>	<u>\$ 1,881,929</u>	<u>\$ 3,132,729</u>	<u>\$ 3,251,528</u>	<u>\$ 378,579</u>	<u>\$ 2,942,733</u>	<u>\$ 67,630,669</u>

The accompanying notes to financial statements are an integral part of this statement.

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

YEAR ENDED JUNE 30, 2001

(With comparative amounts for the year ended June 30, 2000)

	Unrestricted			Restricted Educational and General	Total Current Funds 2001	Total Current Funds 2000
	Educational and General	Auxiliary Enterprises	Total Unrestricted			
REVENUES:						
Tuition, fees and other student charges	\$ 6,401,282		\$ 6,401,282		\$ 6,401,282	\$ 5,742,805
State appropriations	17,231,437		17,231,437	\$ 2,045,340	19,276,777	19,139,167
Federal grants and contracts	689,736		689,736	1,931,035	2,620,771	2,674,544
State grants and contracts	783,533		783,533	453,879	1,237,412	1,406,275
Local grants and contracts				80,704	80,704	77,211
Private gifts, grants and contracts	199,525		199,525	1,555,076	1,754,601	1,548,293
Endowment income				13,300	13,300	10,500
Sales and services	365,855	\$ 790,142	1,155,997		1,155,997	1,140,986
Investment income	741,453		741,453		741,453	727,456
Other sources	<u>18,253</u>		<u>18,253</u>		<u>18,253</u>	<u>46,170</u>
Total revenues	<u>26,431,074</u>	<u>790,142</u>	<u>27,221,216</u>	<u>6,079,334</u>	<u>33,300,550</u>	<u>32,513,407</u>
EXPENDITURES AND MANDATORY TRANSFERS:						
Educational and general:						
Instruction and departmental research	8,856,772		8,856,772	2,537,188	11,393,960	11,272,843
Separately budgeted research	699,393		699,393	2,266,601	2,965,994	2,810,193
Public service	4,579		4,579	187,103	191,682	168,043
Academic support	4,373,379		4,373,379	888,395	5,261,774	4,757,339
Student services	1,695,629		1,695,629	3,353	1,698,982	1,554,986
Institutional support	5,970,971		5,970,971	1,274	5,972,245	5,776,102
Operation and maintenance of plant	3,029,138		3,029,138		3,029,138	2,990,039
Scholarships and fellowships	<u>37,670</u>		<u>37,670</u>	<u>195,420</u>	<u>233,090</u>	<u>316,879</u>
Total educational and general expenditures	24,667,531		24,667,531	6,079,334	30,746,865	29,646,424
Auxiliary enterprises - expenditures		887,838	887,838		887,838	834,044
Mandatory transfers for loan fund matching grants	<u>16,498</u>		<u>16,498</u>		<u>16,498</u>	<u>18,155</u>
Total expenditures and mandatory transfers	<u>24,684,029</u>	<u>887,838</u>	<u>25,571,867</u>	<u>6,079,334</u>	<u>31,651,201</u>	<u>30,498,623</u>
NONMANDATORY TRANSFERS AND OTHER ADDITIONS (DEDUCTIONS):						
Nonmandatory transfers for:						
Change in current designated fund balances	(465,349)	3,874	(461,475)		(461,475)	(596,454)
Capital improvements	(1,030,747)		(1,030,747)		(1,030,747)	(1,445,678)
Principal and interest	(348,385)		(348,385)		(348,385)	
OPFC capital debt service deduction	(167,607)		(167,607)		(167,607)	
Excess/(deficiency) of restricted receipts over transfers to revenue				1,189,047	1,189,047	1,092,364
Indirect costs recovered				(764,808)	(764,808)	(675,422)
Refunded to grantors				<u>(1,349)</u>	<u>(1,349)</u>	<u>(3,915)</u>
NET INCREASE/(DECREASE) IN UNDESIGNATED FUND BALANCE						
	\$ (265,043)	\$ (93,822)	\$ (358,865)	\$ 422,890	\$ 64,025	\$ 385,679

The accompanying notes to financial statements are an integral part of this statement.

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

STATEMENT OF CHANGES IN CURRENT FUNDS DESIGNATED FUND BALANCES YEAR ENDED JUNE 30, 2001

	Balances Julv 1. 2000	Undesignated Fund Balance		Balances June 30. 2001
		Transfer from	Transfer to	
EDUCATIONAL AND GENERAL:				
Reserve for encumbrances	\$ 233,047	\$ 142,129	\$ 233,047	\$ 142,129
Reserve for subsequent year operations	197,814	144,398	197,814	144,398
Continuing medical education conferences	109,729		16,552	93,177
Recruitment of faculty/staff	257,899	117,945	155,056	220,788
Intramural research support	672,500		672,500	
Recruitment of students	85,000	85,396	89,079	81,317
General liability	75,000			75,000
Unemployment compensation	40,000	1,976	1,994	39,982
Fire/theft loss	50,000			50,000
Collaborative research support	125,501		101,889	23,612
Departmental carryover	111,000	64,202	31,357	143,845
Legal support	125,000	38,349	38,349	125,000
Faculty leaves	137,972	163,890	14,431	287,431
Course development	102,176	38,884	38,884	102,176
Sick leave donation program	20,000	2,581	2,581	20,000
Training and development	120,000	47,090	47,700	119,390
Education and technology development-operating	455,779	266,758	315,054	407,483
CHS faculty development	15,000	15,805	2,965	27,840
Special initiatives	50,000			50,000
Minority scholarships		30,822		30,822
Marketing/public relations		200,000		200,000
Research support		896,769		896,769
OPFC debt service		<u>167,607</u>		<u>167,607</u>
TOTAL AND EDUCATIONAL AND GENERAL	<u>\$2,983,417</u>	<u>\$ 2,424,601</u>	<u>\$ 1,959,252</u>	<u>\$ 3,448,766</u>
AUXILIARY ENTERPRISES:				
Reserve for encumbrances:				
Bookstore	\$ 999	\$	\$ 999	\$
Parking	<u>2,875</u>	<u></u>	<u>2,875</u>	<u></u>
TOTAL AUXILIARY ENTERPRISES	<u>\$ 3,874</u>	<u>\$</u>	<u>\$ 3,874</u>	<u>\$</u>

The accompanying notes to financial statements are an integral part of this statement.

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis - The financial statements of the Northeastern Ohio Universities College of Medicine (hereinafter referred to as the "College") have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges as prescribed by the American Institute of Certified Public Accountants ("College Guide Model"). Depreciation of the College's plant and facilities is not recognized. The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Fund Accounting - Under this accounting method, resources for various purposes are classified into funds in accordance with specified activities or objectives with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups and all financial transactions are recorded and reported by such fund groups, described as follows:

Current funds include all funds available for current operations. They consist of unrestricted current funds which are available for general operating purposes, and restricted current funds which are restricted by the donor or external organization to specific operating purposes or departments. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Loan funds include resources, primarily from the federal government, available for loans to students. Loans granted are recorded as receivables of the fund until repaid, at which time the money becomes available for new loans. Interest on loans receivable is recorded when received.

Endowment and similar funds include resources subject to the restrictions of the gift instruments requiring in perpetuity that the principal be invested and the income only be utilized for donor specified purposes. These purposes include scholarships and loans.

Plant funds include unexpended funds for the purpose of acquiring, constructing or improving the physical property of the College.

Agency funds include amounts held in custody for College related organizations and others.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds designated to specific institutional purposes by action of the Board of Trustees.

All gains and losses arising from the sale, collection or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which is accounted for in the fund to which it is restricted, or if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds.

Investments - The College's investments are stated at fair value based on published market quotations. The College does not invest in derivatives.

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

Investment in Plant - Land, buildings and equipment are recorded at cost at the date of acquisition, or if acquired by gift, at an appraised value at the date of donation.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) as transfers of a nonmandatory nature for all other cases.

The College does not provide depreciation on assets in the investment in plant fund. As a public-sector entity, the College is not required to adopt the provisions of Financial Accounting Standards Board ("FASB") Statement No. 93, *Recognition of Depreciation by Not-For-Profit Organizations*.

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

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

Income Taxes - The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, with the exception of unrelated business income, which is not significant.

Gifts and Pledges - The College does not report pledges in the financial statements until the gifts are collected. The College's gift records indicate that no material pledges were outstanding on June 30, 2001. Since the pledges are often payable either at the discretion of the donors or through their estates, neither the realizable value nor the period of collection can be determined.

Nonexchange Transactions - Effective July 1, 2000, the College implemented Governmental Accounting Standards Board ("GASB") Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues* (an amendment of GASB Statement No.33). In general, GASB Statements No. 33 and 36 establish accounting and financial reporting standards about when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. The implementation of these statements did not materially affect the accompanying financial statements.

Recently Issued Accounting Pronouncements - During November 1999, the GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which establishes comprehensive, new financial reporting requirements for governmental colleges and universities throughout the United States. When implemented, it will provide additional information and restructure much of the financial information that the College has presented in the past in an effort to make the College's annual report more comprehensive and easier to understand and use. In this

regard, the College will be required to make certain accounting changes, such as the depreciation of its investment in plant (excluding land), prepare its annual financial statements in accordance with a revised format and include with the financial statements a management discussion and analysis and certain required supplementary information. The statement is effective for the College's fiscal year ending June 30, 2003, and management has not yet determined the impact that the implementation for the statement will have on its reported financial position and changes therein.

During June 2001, the GASB issued Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 amendments clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application, and modify other provisions that the GASB believes may have unintended consequences in some circumstances. Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. Both statements are effective for the College concurrent with the College's adoption of GASB Statement No. 35.

2. ORGANIZATION

The College 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 College's mission is to graduate qualified physicians oriented to the practice of medicine at the community level, with an emphasis on primary care.

The College is a free-standing, state-supported, community-based medical school, which offers a combined BS/MD program in an educational consortium with three state-funded institutions, namely, The University of Akron, Kent State University, and Youngstown State University. The College is governed by a nine-member Board of Trustees, three of whom are Presidents of the three consortium universities, three of whom are current trustees of the consortium universities and three public members appointed one each by the Board of Trustees of the consortium universities. The College is fully accredited by the Liaison Committee on Medical Education of the Association of American Medical Colleges and the American Medical Association, and by the North Central Association of Colleges and Schools.

Faculty at the three consortium universities provide the undergraduate arts and sciences curriculum, and the College faculty provide the MD curriculum on the Rootstown campus and in the associated clinical hospitals and health departments. Associated community hospitals serve as a base for clinical education with more than 1,600 practicing physicians providing the instruction during the clinical years.

The associated community hospitals and health departments are:

Major Teaching Hospitals and Health Departments:

Akron General Medical Center
Akron Health Department
Aultman Hospital, Canton
Barberton Citizens Hospital
Children's Hospital Medical Center of Akron
Humility of Mary Health Partners, Youngstown
St. Elizabeth Health Center
Mercy Medical Center, Canton
Summa Health System Hospital, Akron
Akron City Hospitals
St. Thomas Hospital
Forum Health Organization
Northside Medical Center, Youngstown
Tod Children's Hospital, Youngstown

Other Associated Hospitals:

Edwin Shaw Hospital for Rehabilitation, Akron
Forum Health Organization
Hillside Rehabilitation Hospital, Warren
Trumbull Memorial Hospital, Warren
Heartland Behavioral Healthcare
Lodi Community Hospital
Massillon Psychiatric Center
Robinson Memorial Hospital, Ravenna
Salem Community Hospital
Wadsworth-Rittman Hospital, Wadsworth

The College has established collaborative arrangements with the consortium universities to offer graduate-level education in the biomedical sciences and biomedical engineering leading to masters and doctoral degrees. In addition, the Northeastern Ohio Universities Master of Public Health program is a partnership between The University of Akron, Cleveland State University, Kent State University, Youngstown State University, and the College. This program is a non-traditional course of study geared toward working professionals who seek to broaden their role in improving community health, enhance current job skills or seek career advancement.

The College and its associated hospitals co-sponsor continuing medical education programs for residents, physicians and allied health professionals.

3. STATE SUPPORT

The College is a state-assisted institution of higher education, which receives a student-based subsidy from the State of Ohio (the "State"). This subsidy is determined annually based upon a formula developed by the Ohio Board of Regents.

In addition to student subsidies, the state of Ohio provides the funding for construction of major plant facilities on the College's campus and medical education facilities at associated teaching hospitals. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"), which in turn causes the construction and subsequent transfer of the facility to the College by the Ohio Board of Regents. Upon completion of a facility, the Ohio Board of Regents turns control over to the College. Not included in these financial statements are medical education facilities financed by the state agencies which have been constructed at the locations of the associated hospitals.

College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

Plant facilities on the College's campus are reflected as buildings or construction in progress in the accompanying balance sheet. The State appropriations for these facilities are recognized as fund additions in the plant funds when funds are expended by the State. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly. Debt service charges allocated by the Ohio Board of Regents to the College are included in the accompanying financial statements.

4. CASH AND INVESTMENTS

Cash - The College's bank deposits and cash on hand for all fund groups at June 30, 2001 and 2000 are summarized as follows:

	<u>June 30.</u>	
	2001	2000
College's book value (overdraft)	\$ (807,726)	\$ (1,526,752)
Cash on hand	4,954	5,163
Bank balances	33,879	15,903

The difference in the College's book values and bank balances is caused by cash on hand and items in transit, consisting primarily of outstanding checks. All of the bank balances are covered by Federal depository insurance.

Investments - In accordance with the policies of the Board of Trustees of the College, the types of investments which may be purchased by the College are restricted to United States government securities, Federal agency securities, certificates of deposit and bank repurchase agreements. The practice of the College's management has been to invest in the short-term.

Statement No. 3 of the GASB requires government entities to categorize investments to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes investments that are insured or registered for which securities are held by the College or its agent in the name of the College. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the College. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the College's name.

The College's investments for all fund groups at June 30, 2001, and 2000 are summarized as follows:

	June 30, 2001 Carrying/Market Value	June 30, 2000 Carrying/Market Value
Money market funds:		
Risk Category 1	\$ -	\$ -
Risk Category 2	1,290,073	-
Risk Category 3	2,942,518	4,358,847
State Treasury Asset Reserve of Ohio	<u>12,230,419</u>	<u>9,487,288</u>
 Total investments	 <u>\$16,463,010</u>	 <u>\$13,846,135</u>

The College's investment in the State Treasury Asset Reserve of Ohio ("STAROhio") is not classified by custodial credit risk category because it represents an investment pool managed by the Treasurer of the State of Ohio and is not evidenced by securities that exist in physical or book entry form. STAROhio allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

5. COMMITMENTS AND CONTINGENCIES

The College has entered into various contractual service agreements with its associated hospitals and health departments primarily for clinical instruction, and for research and other services. For fiscal years ended June 30, 2001, and 2000, these contracts totaled \$3,597,499 and \$3,060,194, respectively. At June 30, 2001 and 2000, the College had recorded accrued liabilities in the current funds of \$1,141,630 and \$1,074,140, respectively, which represented unbilled services rendered by the associated hospitals under these contracts.

The College 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 Office of Management and Budget Circular A-133. 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 College's management that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

During July 2001, construction of the new Medical Education Conference and Learning Center was begun. Total construction costs for the 26,000 square foot center are estimated at \$6.6 million, which includes federal grant funds of \$2.6 million, state capital appropriations of \$2.0 million, and \$2.0 million expected to be raised from College and private sources. The Center will provide needed space to accommodate meetings for all six classes of 630 students in the BS/MD program, nearly half of the College's 1,600 basic and clinical sciences faculty, and numerous continuing education programs in medicine, nursing, and allied health.

Not included in these financial statements are unexpended capital appropriations due from the State for various construction and improvement projects as described in Note 3. During the year ended June 30, 2001, approximately \$0.5 million was expended from state capital appropriations and capitalized in the College's financial statements. On June 30, 2001, capital appropriations of approximately \$4.9 million remained unexpended; \$2.0 million for construction of the new Medical Education Conference and Learning Center; \$1.3 million for campus network infrastructure, and \$1.6 million for various capital improvements.

Not included in these financial statements are the following outstanding contractual commitments at June 30, 2001, in the form of College purchase orders:

	Amount
To be funded by College current funds and unexpended plant funds	\$1,978,506
To be funded by State of Ohio capital appropriations	<u>664,838</u>
Total	<u>\$2,643,344</u>

6. CAPITAL LEASE AGREEMENTS

The College has entered into various noncancelable lease agreements to finance the purchase of energy conservation improvements (under the provisions of Ohio House Bill 7) and duplicating equipment. These leases are accounted for as capital leases and payments of \$173,320 were made under the agreements during the year ended June 30, 2001. Future minimum lease payments under these agreements subsequent to June 30, 2001 are summarized as follows:

Fiscal Year	Principal	Interest	Total
2002	\$ 174,682	\$ 99,845	\$ 274,527
2003	186,095	88,432	274,527
2004	176,262	76,933	253,195
2005	187,709	65,486	253,195
2006	164,608	54,733	219,341
Thereafter	<u>868,612</u>	<u>118,423</u>	<u>987,035</u>
Total	<u>\$1,757,968</u>	<u>\$ 503,852</u>	<u>\$2,261,820</u>

The funds received under the House Bill 7 lease were placed in escrow at a financial institution and are included in restricted cash equivalents in the unexpended plant funds. The balance of the escrow accounts (approximately \$1.29 million at June 30, 2001) will be utilized to satisfy a portion of the commitments described in Note 5. The improvements financed by the leases through June 30, 2001 totaled \$542,430 and are included in investment in plant in the accompanying balance sheet.

7. EMPLOYEE BENEFIT PLANS

Retirement Plans - Retirement benefits are available to substantially all College employees by participation in either the Public Employers Retirement System of Ohio (“PERS”), the State Teachers Retirement System of Ohio (“STRS”), or an Alternative Retirement Plan (“ARP”).

PERS and STRS are statewide, cost-sharing, multiple-employer defined benefit pension plans. PERS and STRS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Both PERS and STRS issue separate, publicly available financial reports that include financial statements and required supplementary information. The PERS financial report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085, or 1-800-222 PERS (7377) or visiting their website at www.opers.org. The STRS financial report may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090 or visiting their website at www.strsoh.org.

The Ohio Revised Code provides statutory authority for employee and employer contributions to PERS and STRS. For PERS, the required, actuarially determined, contribution rates for plan members and the College are 8.50% and 13.31% of covered payroll, respectively. During the first half of the year ended June 30, 2001, the PERS employer contribution rate was rolled back 20% to 10.65%. The required, actuarially determined contribution rates for STRS plan members and the College are 9.30% and 14.00% of covered payroll, respectively.

Eligible College employees may choose an Alternative Retirement Plan (ARP) in lieu of PERS or STRS. For employees electing an ARP, the College is required to make employer contributions of 6% of earned compensation to PERS or STRS. In addition, the College contributes 8% or 7.31% of earned compensation for PERS or STRS-eligible employees, respectively, to the employee’s account with the ARP provider.

The ARP is a defined contribution pension plan available to full-time administrative and professional staff in lieu of PERS or STRS. For the employees who elected participation in ARP, prior employee contributions to PERS and STRS were transferred from those plans and invested in individual accounts established with selected external investment managers.

The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

The College’s contributions, including employer contributions for pensions and other postretirement benefits, for the year ended June 30, 2001 and for each of the two preceding years are:

Year Ended June 30	PERS Annual Required Contribution	STRS Annual Required Contribution	ARP Annual Contribution
2001	\$ 939,061	\$ 562,907	\$ 220,700
2000	1,075,747	555,978	193,163
1999	1,101,098	547,771	72,949

Postretirement Benefits Other Than Pensions (OPEB) - In addition to basic retirement benefits, both the Public Employees and State Teachers Retirement Systems also provide eligible members with disability, health care, survivor and death benefits based on eligible credited service. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care benefits through their contributions to PERS and STRS.

PERS provides postretirement health care coverage to eligible retirants and their dependents with ten or more years of qualifying Ohio service. Employer contributions equal to 4.3% of member covered payroll are set aside to fund health care expenses.

The OPEB is advanced-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 1999 actuarial computations (latest available) were as follows:

Funding Method. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment return assumption rate for 1999 was 7.75%.

Active Employee Total Payroll. An annual increase of 4.75%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from .54% to 5.1%.

Health Care. Health care costs were assumed to increase 4.75%.

At December 31, 1999 (latest information available), there were 401,339 active participants contributing to the plan. The College's actuarially required OPEB contribution for 1999 equaled the actual amount contributed to PERS by the College. In addition, at December 31, 1999, the actuarial value of the plan's net assets available for OPEB approximated \$10.8 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$12.5 billion and \$1.7 billion, respectively.

The PERS contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

STRS' postretirement health care benefits are advance funded, but not on an actuarially determined basis. Of the total required employer contributions of 14% for STRS, 8% is the portion used to fund postretirement health care benefits for the fiscal year ended June 30, 2000 (latest information available). Net health care costs paid by the Plan were \$283 million for the year ended June 30, 2000. Eligible benefit recipients totaled 99,011 at June 30, 2000 and the balance in STRS' health care reserve fund was \$3.4 billion.

8. RISK MANAGEMENT

The College 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 College's property and for public liability, personal injury, and third-party damage claims. The College is insured through the State of Ohio for workers' compensation benefits. To provide employee health care and other benefits (including dental, life insurance and long-term disability benefits), the College participates in the University of Akron health care program. Premiums paid to the University of Akron by the College cover employee claims pertaining to these benefits.

Settled claims have not exceeded the College's commercial insurance coverage for any of the past three years.

9. RELATED ORGANIZATION

Not included in the accompanying financial statements is the NEOUCOM Foundation ("Foundation"), a legally separate, not-for-profit organization incorporated in 1978 and operated exclusively for the benefit of the College. The primary purpose of the Foundation is to provide developmental support to increase resources benefiting all groups of the College including students, faculty, and employees.

Management of the College has determined that the Foundation is not a component unit of the College as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

Foundation funds available for student scholarships and loans are disbursed directly to the recipients by the Foundation. Amounts received by the College directly from the Foundation are included in private gifts, grants, and contracts in the accompanying financial statements.

The College provides accounting and various other services and office space for the Foundation at no charge.

Unaudited summary financial information of the Foundation as of and for the years ended June 30, 2001 and 2000 is as follows:

	2001	2000
Net assets, June 30:		
Unrestricted	\$ 223,785	\$ 861,407
Temporarily restricted	1,304,625	2,155,325
Permanently restricted	<u>4,593,050</u>	<u>2,938,405</u>
Total net assets	<u>\$ 6,121,460</u>	<u>\$ 5,955,137</u>
Change in net assets, year ended June 30:		
Contributions, gains, and other support*	\$ 2,139,470	\$ 2,069,975
Expenditures*	<u>(1,973,147)</u>	<u>(1,452,667)</u>
Increase in net assets	166,323	617,308
Net assets - beginning	<u>5,955,137</u>	<u>5,337,829</u>
Net assets - ending	<u>\$ 6,121,460</u>	<u>\$ 5,955,137</u>

*Includes \$374,669 and \$341,206, respectively, of in-kind support from the College for years ended June 30, 2001 and 2000.

10. AGENCY FUNDS

The College provides banking services for various student activities, clubs and groups.

In addition, the College serves as the fiscal agent for the Canton Area Regional Health Education Network (“CARHEN”) and the Summit-Portage Area Regional Health Education Network (“SPAHEN”). Both CARHEN and SPAHEN are separately incorporated not-for-profit organizations.

Net assets held in custody by the College on June 30, 2001 and 2000, were as follows:

	June 30, 2001	June 30, 2000
CARHEN	\$ 67,354	\$ 61,104
SPAHEN	78,459	53,256
Student activities and clubs	29,461	27,317
Other organizations	<u>5,078</u>	<u>5,087</u>
Total agency net assets	<u>\$ 180,352</u>	<u>\$ 146,764</u>

11. DEFICIT FUND BALANCE

The auxiliary funds have a deficit undesignated fund balance at June 30, 2001 of \$14,033 primarily due to having incurred expenses in excess of charges for services. User charges will be assessed to eliminate the deficits.

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NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
STUDENT FINANCIAL AID CLUSTER (SFA)			
U.S. Department of Education (Direct Programs):			
Federal Family Education Loans (FFEL)	84.032		\$ -
Federal Perkins Loans (FPL)	84.038		-
Federal Work Study (FWS)	84.033		<u>19,770</u>
Total U.S. Department of Education			<u>19,770</u>
U.S. Department of Health and Human Services (Direct Programs):			
Health Professions Student Loans -			
Health Professions Student Loans (HPSL)	93.342		150
Loans to Disadvantaged Students	93.342		<u>-</u>
Total CFDA #93.342			150
Scholarship Program for Students of Exceptional Need (EFN)	93.820		14,200
Scholarships to Disadvantaged Students (SDS)	93.925		<u>47,350</u>
Total U.S. Department of Health and Human Services			<u>61,700</u>
TOTAL STUDENT FINANCIAL AID			<u>81,470</u>
RESEARCH AND DEVELOPMENT CLUSTER			
U.S. Department of Health and Human Services:			
National Institutes of Health (Direct Programs):			
Natural Immunity and Bone Resorption	93.121		106,605
Downstream Effectors of Growth Hormone on Alveolar Bone	93.121		<u>39,564</u>
Total CFDA #93.121			<u>146,169</u>
Auditory Tecto-Thalamic Pathways Information Processing	93.173		83,046
Analyses of Communication Sounds in Auditory Midbrain (\$7,500 passed through to subrecipients)	93.173		65,515
Auditory Information Processing in Midbrain (\$2,500 passed through to subrecipients)	93.173		<u>42,237</u>
Total CFDA #93.173			<u>190,798</u>
LTP and Spatial Learning	93.242		115,108
Mechanisms of Resolution of Neurogenic Pulmonary Edema	93.838		26,410
Mineral-Matrix Relations in Calcifying Tissues	93.846		171,268
The Role of BCL-2 Proteins in Chondrocyte Biology	93.846		232,964
Mouse Model for Cartilage Degeneration and Repair	93.846		<u>28,678</u>
Total CFDA#93.846			<u>432,910</u>
Molecular Biology of Bile Acid Synthesis	93.848		<u>180,508</u>

(Continued)

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
U.S. Department of Health and Human Services:			
Female Reproductive Organs and Their Innervation	93.854		139,651
Neurochemical Spinal Circuitry and Uterine Innervation	93.854		128,817
Intrafusal Fiber Expression of Cardiac Sarcomeric Genes	93.854		15,172
Microglia in Retrovirus-Induced Neurodegeneration	93.854		97,703
Function and Role of HSV-1 ICP 34.5 in Encephalitis	93.854		43,258
Mechanisms of Synaptic Modulation in Sympathetic Neurons	93.854		<u>57,073</u>
Total CFDA#93.854			<u>481,674</u>
Regulation of Bile Acid Synthesis	93.859		57,992
Thermal Hyperalgesia in Aged Rats	93.866		45,780
Heteroconjugate Vaccines Against Herpes Simplex Virus	93.856		85,925
Planning a Conference to Convene a Panel to Evaluate Findings on Research Exploring the Value Added by Educational Activities to Clinical Care	*	98-BHPR-A262737	<u>3,623</u>
Total National Institutes of Health			<u>1,766,897</u>
Passed through Akron Health Department:			
Evaluation of a Lead Hazard Program	14.900	OHL0098-98	15,040
Passed through Summa Health System:			
A Primary Care Intervention for Obesity	93.226	R01H508803	<u>30,272</u>
Total U.S. Department of Health and Human Services			<u>1,812,209</u>
National Science Foundation (Direct Programs):			
Paleobiology of the First Whales: Radiation of Pakicetid Ceraceansin Eocene Pakistan	47.050		64,715
The Ecomorphology of Mammalian Frugivores: A Test of Congruence Between Cranial Morphology and Feeding Behavior	47.074		45,630
Ecomorphological Analysis of Nectar-Feeding Performance in Flower-Visiting Bats	47.074		<u>6,581</u>
Total CFDA#47.074			<u>52,211</u>
Total National Science Foundation			<u>116,926</u>
National Aeronautics and Space Administration (Direct Program):			
The Effect of Hypergravity on Bone Cell Cultures	*	NAG5-7789	<u>146,472</u>
TOTAL RESEARCH AND DEVELOPMENT			<u>2,075,607</u>

(Continued)

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
OTHER PROGRAMS			
U.S. Department of Health and Human Services:			
Direct Programs:			
Grants for Faculty Development in Family Medicine	93.895		52,802
Grants for Predoctoral Development in Family Medicine	93.896		51,907
Grants for Establishment of Depts in Family Medicine	93.984		41,350
Financial Aid to Disadvantaged Health Professions Students (FADHPS)	93.139		14,200
Construction of and Movable Equipment for a Medical Education Conference and Learning Center	93.887		132,431
Passed through from the Medical College of Ohio - Toledo:			
Model State Supported AHEC Program (\$155,242 passed through to subrecipients)	93.107	HP03029	226,781
Passed through from the Ohio Department of Mental Health:			
Women's Health Month	93.991	PO99I340	3,929
Women's Health Month	93.991	WP04KK	<u>9,100</u>
Total CFDA#93.991			<u>13,029</u>
Community Mental Health Services Block Grant	93.958	45-MHCJCCOE- BG01-01	19,895
Passed through Case Western Reserve University:			
Grants for Geriatric Education Centers	93.969	HP70113	35,000
Grants for Geriatric Education Centers	93.969	AH70041	<u>9,064</u>
Total CFDA#93.969			<u>44,064</u>
TOTAL OTHER PROGRAMS			
(ALL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES)			<u>596,459</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,753,536</u>

* - CFDA number not available.

See notes to Supplemental Schedule of Expenditures of Federal Awards.

(Concluded)

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Northeastern Ohio Universities College of Medicine (the "College") under programs financed by the U.S. government for the year ended June 30, 2001. The Schedule has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for state-assisted colleges and universities.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

All programs are presented by federal department or agency. Pass-through programs are also presented by the entity through which the College received the federal award. Catalog of Federal Domestic Assistance (CFDA) Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

2. FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the College during the year ended June 30, 2001, totaled \$6,436,563. The College is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the College's financial statements or the Schedule.

3. OTHER FEDERAL LOAN PROGRAMS

The College administers the following additional federal loan programs:

	CFDA Number	Outstanding Balance at June 30, 2001
Federal Perkins Loan Program	84.038	\$ 1,455,542
Health Professions Student Loan Program - Loans to Disadvantaged Students	93.342	177,995
Health Professions Student Loan Program - Primary Care Loans	93.342	1,258,087

Total loan expenditures and disbursements under the U.S. Department of Education and the U.S. Department of Health and Human Services student financial assistance loan programs for the year ended June 30, 2001 are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	\$ 198,056
Health Professions Student Loan Program - Loans to Disadvantaged Students	93.342	18,717
Health Professions Student Loan Program - Primary Care Loans	93.342	244,509

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule only includes administrative costs of the loan programs because no new federal monies were used to issue loans during the year.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE
AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Northeastern Ohio Universities College of Medicine
4209 State Route 44
PO Box 95
Rootstown, Ohio 44272-0095

We have audited the financial statements of the Northeastern Ohio Universities College of Medicine (the "College") as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated November 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated November 2, 2001.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

November 2, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE MAJOR FEDERAL AWARD PROGRAM

Board of Trustees
Northeastern Ohio Universities College of Medicine
4209 State Route 44
PO Box 95
Rootstown, Ohio 44272-0095

Compliance

We have audited the compliance of the Northeastern Ohio Universities College of Medicine (the "College") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The College's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the College's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 2, 2001

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2001

Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended June 30, 2001 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A.
- Noncompliance Noted that is Material to the Financial Statements of the College - None.
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the Financial Statements - N/A.
- Type of Report Issued on Compliance for Major Federal Award Programs - Unqualified.
- The audit did not disclose any audit findings that are required to be reported under section .510(a) of OMB Circular A-133.
- Major Federal Award Program Identified for the Year Ended June 30, 2001:
 - Student Financial Aid Cluster
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$300,000.
- The College is not considered to be a Low Risk Auditee as defined under OMB Circular A-133.

Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards*

None

Findings and Questioned Costs Relating to Federal Awards

None

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

STATUS OF PRIOR YEAR FINDINGS

Prior Year Finding (00-1) Account Reconciliations - During the year ended June 30, 2000, the College utilized an accounting software application (Advantage) that served as an interim solution to the College's year 2000 remediation efforts. Because this system lacked many of the features available to the College under previously used packages, the College's accounting department (excluding the grants and student financial aid functions) did not perform, on a timely basis, many of its customary account reconciliations. As a result, certain processing errors went undetected until four to five months subsequent to year end with respect to cash and cash equivalents, fixed assets, and accounts payable.

Current Year Status - In July of 2000, the College implemented a new accounting information system (Banner). This new system has reduced the problems in existence under the previous system to a normal or more tolerable level.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**