

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

Single Audit

For the Fiscal Year Ended
June 30, 2024



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, 2023 through June 30, 2024. 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

December 26, 2024

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NORTHEAST OHIO MEDICAL UNIVERSITY
JUNE 30, 2024

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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, 2024, 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, 2024, 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 of the financial statements, net position as of July 1, 2023 has been restated to correct a misstatement. 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 14, 2024 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.

Rea & Associates, Inc.
Independence, Ohio
October 14, 2024

**NORTHEAST OHIO MEDICAL UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024 and 2023. 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.)
Doctorate in Basic and Translational Biomedicine (Ph.D.)
Master of Public Health (M.P.H.)
Master of Science in Integrated Pharmaceutical Medicine (M.S.)
Master of Science in Basic and Translational Biomedicine (M.S.)
Master of Science in Basic and Translational Biomedicine Innovation (BTBI)
Master of Arts in Medical Ethics and Humanities (M.A.)
Master of Medical Science in Anesthesia (MMSc-A)
Master in Foundations of Medicine (MFM)
Master of Leadership in Health Systems Science (MLHSS)
Master of Global Health and Innovation (GLBHI)

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
FOR THE YEAR ENDED JUNE 30, 2024**

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
FOR THE YEAR ENDED JUNE 30, 2024**

Noteworthy Financial Activity

The University's financial position increased during the fiscal year ended June 30, 2024 as compared to the previous year as evidenced by the following:

- The University's total assets increased over the prior year by \$33.5 million. Current assets increased by \$29.3 million primarily due to an increase in investments of \$20.1 million, an increase in cash of \$6.8 million, and an increase in accounts receivable of \$2.9 million. Noncurrent assets increased by \$4.2 million primarily due to a \$6.4 million increase in investments and a \$3.5 million increase in notes receivable, offset by a decrease in capital assets of \$6.9 million.
- The University's total liabilities decreased over the prior year by \$10.1 million. Current liabilities increased by \$0.7 million primarily due to a \$1.1 million increase in unearned revenue, a \$0.9 million increase in accounts payable, and a \$0.5 million increase in other accrued liabilities offset by a \$1.7 million decrease in subscriptions payable. Noncurrent liabilities decreased over the prior year by \$10.8 million primarily due to a \$3.7 million decrease in net pension liability, a \$3.0 million decrease in lease obligations, and a \$2.6 million decrease in bonds payable.
- The University's net position increased by \$38.4 million to \$146.5 million, of which \$45.9 million is invested in capital assets.
- Operating revenue increased by \$29.2 million compared to the prior year, primarily due to a \$18.5 million increase in support from affiliates, a \$3.6 million increase in net tuition and fees, and a \$6.3 million increase in grants and contracts.
- The University's operating expenses increased by \$10.9 million compared to the prior year, which is primarily due to a \$9.1 million increase in public service due to an intergovernmental transfer to the Ohio Department of Medicaid.
- Net nonoperating revenue increased by \$4.1 million primarily due to a \$2.6 million increase in investment income and a \$1.1 million increase in state appropriations.
- Other revenue, expenses, gains, or losses decreased by \$0.3 million due to a decrease in capital appropriations and grants.

**NORTHEAST OHIO MEDICAL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

**Northeast Ohio Medical University
Condensed Statements of Net Position
as of June 30, 2024 and 2023**

	<u>2024</u>	<u>Restated 2023</u>
ASSETS		
Current assets	\$80,952,504	\$51,637,457
Noncurrent		
Capital	193,778,447	200,631,815
Other	<u>99,129,552</u>	<u>88,103,409</u>
Total assets	<u>373,860,503</u>	<u>340,372,681</u>
DEFERRED OUTFLOWS	13,976,599	19,856,834
LIABILITIES		
Current liabilities	23,421,511	22,765,679
Noncurrent liabilities	207,352,405	218,167,138
Total liabilities	<u>230,773,916</u>	<u>240,932,817</u>
DEFERRED INFLOWS	10,592,296	11,191,644
NET POSITION		
Net Investment in Capital Assets	45,926,765	44,300,240
Restricted	19,491,617	8,950,215
Unrestricted	81,052,508	54,854,599
Total net position	<u>\$146,470,890</u>	<u>\$108,105,054</u>

2024 versus 2023 During the year ended June 30, 2024:

As of June 30, 2024, the University's current assets of \$81 million were sufficient to cover current liabilities of \$23.4 million (current ratio of 3.5:1). As of June 30, 2023, 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, 2024, the University's capital assets decreased to \$193.8 million from \$200.6 million, and other noncurrent assets increased to \$99 million from \$88 million compared to fiscal year 2023.

**NORTHEAST OHIO MEDICAL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

At June 30, 2024, total University assets were \$373.9 million, compared to \$340.3 million in fiscal year 2023. The increase is primarily related to a \$26.5 million increase in investments, and a \$6.8 million increase in cash.

University liabilities totaled \$230.8 million at June 30, 2024, compared to \$240.9 million in fiscal year 2023. Current liabilities increased by \$0.7 million primarily due to a \$1.1 million increase in unearned revenue, a \$0.9 million increase in accounts payable, and a \$0.5 million increase in other accrued liabilities offset by a \$1.7 million decrease in subscriptions payable. Noncurrent liabilities decreased over the prior year by \$10.8 million primarily due to a \$3.7 million decrease in net pension liability, a \$3.0 million decrease in lease obligations, and a \$2.6 million decrease in bonds payable.

Total net position increased by \$38.4 million to \$146.5 million. Net investment in capital assets was \$45.9 million. Restricted net position includes \$10.6 million in student loans, \$0.7 million in endowments, \$3.0 million in pension and OPEB, \$5.3 million in current operations, and \$81 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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Revenue		
Tuition and Fees	\$ 46,424,033	\$ 42,853,226
State Appropriations	29,236,471	28,136,330
Federal, state, local, and private grants and contracts	24,149,664	17,854,750
Support from affiliates	23,480,000	5,000,000
Auxiliary activities	4,616,103	4,075,000
Other	<u>14,833,210</u>	<u>12,148,800</u>
Total Revenue	<u>142,739,481</u>	<u>110,068,106</u>
Expenses		
Instruction	24,550,438	25,108,632
Research	9,968,723	9,839,332
Academic support	10,647,537	9,121,260
Institutional support	12,613,659	10,237,098
Other	<u>46,593,288</u>	<u>39,555,995</u>
Total Expenses	<u>104,373,645</u>	<u>93,862,317</u>
Increase in net position	<u>\$ 38,365,836</u>	<u>\$ 16,205,789</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

2024 versus 2023 During the year ended June 30, 2024:

The most significant sources of operating revenue for the University are tuition and fees and grants and contracts. Tuition and fee revenue increased by \$3.6 million during fiscal year 2024 as compared to 2023. This increase of 8.3 percent was primarily due to increased tuition rates and increased enrollment in the College of Graduate Studies. Grant revenue increased by \$6.3 million, or 35.3 percent, in 2024 due to increases in federal, state, local and private awards.

In fiscal year 2024, revenue from the University's affiliation with University Hospitals increased \$18.5 million or 370 percent. Other revenue increased by \$4.3 million, or 10 percent as compared to 2023 primarily due to a \$2.6 million increase in investment income, a \$1.1 million increase in state appropriations, and a \$0.5 million increase in auxiliary activities.

Operating expenditures, including depreciation and amortization of \$13.1 million, totaled \$99.2 million, which was an increase of \$10.9 million from the prior year. The biggest contributor to this increase was a \$9.1 million increase in public service expense due to an intergovernmental transfer to the Ohio Department of Medicaid.

Noncapital state appropriations were the most significant nonoperating revenue totaling \$29.2 million, which was an increase of \$1.1 million compared to 2023.

**Northeast Ohio Medical University
Condensed Statements of Cash Flows
for the years ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash provided by/(used in):		
Operating activities	\$ 10,286,021	\$ (4,983,925)
Investing activities	(17,869,480)	(2,024,129)
Capital and related financing activities	(13,732,772)	(19,183,407)
Noncapital financing activities	<u>29,236,471</u>	<u>28,136,330</u>
Net increase in cash and cash equivalents	7,920,240	1,944,869
Cash and cash equivalents, beginning of year	<u>8,855,697</u>	<u>6,910,828</u>
Cash and cash equivalents, end of year	<u>\$ 16,775,937</u>	<u>\$ 8,855,697</u>

2024 versus 2023 During the year ended June 30, 2024:

Major sources of cash included student tuition and fees of \$43 million, state appropriations of \$29.2 million, support from affiliates of \$23.5 million, grants and contracts of \$22.9 million, investment income of \$4.6 million, and auxiliary activities of \$4.6 million. The largest payments were for employees (\$51.7 million) and suppliers (\$18.4 million).

**NORTHEAST OHIO MEDICAL UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Asset and Debt Administration

Capital Assets

At the end of 2024, the University had invested \$193.8 million in capital assets (net of accumulated depreciation and amortization of \$120.4 million).

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

	<u>2024</u>	<u>2023</u>
Land	\$ 2,549,470	\$ 2,549,470
Equipment, furnishings, library materials, and intangibles	32,909,095	31,979,784
Buildings, infrastructure, improvements, leasehold improvements, and construction in progress	176,769,331	173,318,677
Intangible Right to Use Equipment	2,813,679	3,095,389
Intangible Right to Use Buildings	94,352,843	94,352,843
Subscriptions	<u>4,750,861</u>	<u>5,603,787</u>
Total	<u>\$314,145,279</u>	<u>\$310,899,950</u>

More detailed information about the University’s capital assets is presented in Note 6 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 7 to the financial statements.

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 2024 budget was prepared using a zero-based budget methodology. This was presented to and approved by the Board of Trustees.

**NORTHEAST OHIO MEDICAL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024

	NEOMED 2024	Component Unit NEOMED Foundation 2024	Component Unit ERS Strategic Properties, Inc 2024
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,392,929	\$ 1,299,504	\$ 999,241
Investments	48,509,797	-	-
Leases receivable	1,190,905	-	-
Accounts receivable	12,378,153	6,306	42,455
Inventories	195,807	-	-
Prepaid expenses and deferred charges	2,873,360	20,652	6,287
Pledges receivable, net	-	800,375	-
Notes receivable, net	411,553	59,600	-
Total current assets	<u>80,952,504</u>	<u>2,186,437</u>	<u>1,047,983</u>
Noncurrent assets			
Cash-restricted	1,383,008	-	-
Long-term investments	70,142,632	38,614,281	-
Leases receivable	4,209,833	-	-
Accounts receivable	11,823,094	-	-
Net Pension Asset	440,382	-	-
Net OPEB Asset	2,551,802	-	-
Funds held in trust	-	80,606	901,868
Pledges receivable, net	-	5,030,966	-
Notes receivable, net	8,578,801	420,782	-
Capital assets, net	193,778,447	-	79,129,718
Total noncurrent assets	<u>292,907,999</u>	<u>44,146,635</u>	<u>80,031,586</u>
Total assets	<u>373,860,503</u>	<u>46,333,072</u>	<u>81,079,569</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	12,791,911	-	-
Deferred outflows related to OPEB	1,184,688	-	-
Total deferred outflows of resources	<u>13,976,599</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 387,837,102</u>	<u>\$ 46,333,072</u>	<u>\$ 81,079,569</u>

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

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2024

	NEOMED 2024	Component Unit NEOMED Foundation 2024	Component Unit ERS Strategic Properties, Inc 2024
LIABILITIES			
Current liabilities			
Accounts payable	3,171,462	-	53,757
Accrued compensation and benefits	2,233,310	20,836	-
Unearned revenue	6,791,483	-	1,543,774
Other accrued liabilities	4,008,109	108,575	1,319,811
Interest payable	256,971	-	-
Lease obligations	3,861,468	-	-
Subscriptions payable	888,708	-	-
Related party payable	-	1,040,329	607,580
Bonds payable	2,210,000	-	2,017,822
Total current liabilities	<u>23,421,511</u>	<u>1,169,740</u>	<u>5,542,744</u>
Noncurrent liabilities			
Compensated absences	2,698,750	-	-
Related party payable	-	-	10,988,439
Unearned revenue	-	-	9,423,352
Annuity obligations	-	61,887	-
Lease obligations	82,948,482	-	-
Subscriptions payable	324,963	-	-
Bonds payable	74,648,400	-	65,897,869
Net OPEB liability	-	-	-
Net pension liability	46,731,810	-	-
Total noncurrent liabilities	<u>207,352,405</u>	<u>61,887</u>	<u>86,309,660</u>
Total liabilities	<u>230,773,916</u>	<u>1,231,627</u>	<u>91,852,404</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	3,588,982	-	-
Deferred inflows related to OPEB	1,860,931	-	-
Deferred inflows related to leases	5,142,383	-	-
Total deferred inflows of resources	<u>10,592,296</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	45,926,765	-	-
Restricted			
Nonexpendable			
Student loans	10,565,029	1,214,898	-
Endowments	660,726	16,543,045	-
Expendable			
Current operations	5,273,678	22,874,612	-
Pension and OPEB	2,992,184	-	-
Unrestricted (deficit)	81,052,508	4,468,890	(10,772,835)
Total net position	<u>146,470,890</u>	<u>45,101,445</u>	<u>(10,772,835)</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 387,837,102</u>	<u>\$ 46,333,072</u>	<u>\$ 81,079,569</u>

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

NORTHEAST OHIO MEDICAL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	NEOMED 2024	Component Unit NEOMED Foundation 2024	Component Unit ERS Strategic Properties, Inc 2024
OPERATING REVENUES			
Student tuition and fees (net of scholarship allowances of \$1,620,503)	\$ 46,424,033	\$ -	\$ -
Federal grants and contracts	17,161,731	-	-
State grants and contracts	3,573,886	-	-
Local grants and contracts	98,613	-	-
Private grants and contracts	3,315,434	-	-
Support from affiliates	23,480,000	-	-
Contributions and bequests	-	3,100,372	277,359
In-kind contributions from NEOMED	-	1,168,082	889,483
Sales and services of departments	210,148	-	-
Sales and services of auxiliary enterprises	4,616,103	-	10,074,922
Other	440,588	36,287	-
Total operating revenues	<u>99,320,536</u>	<u>4,304,741</u>	<u>11,241,764</u>
OPERATING EXPENSES			
Educational and general			
Instruction and departmental research	24,550,438	545,776	-
Separately budgeted research	9,968,723	110,796	-
Public service	15,696,285	2,079	-
Academic support	10,647,537	1,177,982	-
Student services	2,647,360	-	-
Institutional support	12,613,659	2,051,076	-
Operation and maintenance of plant	7,064,049	-	-
Scholarships and fellowships	-	769,253	-
Auxiliary enterprises	2,937,272	-	4,312,188
Depreciation and amortization	13,113,390	-	2,565,486
Total operating expenses	<u>99,238,713</u>	<u>4,656,962</u>	<u>6,877,674</u>
Operating income (loss)	81,823	(352,221)	4,364,090
NONOPERATING REVENUES (EXPENSES)			
State appropriations	29,236,471	-	-
Investment income	9,911,629	4,304,677	-
Interest expense	(5,118,857)	-	(3,814,866)
Loss on disposal of assets	(16,075)	-	-
Net nonoperating revenues (expenses)	<u>34,013,168</u>	<u>4,304,677</u>	<u>(3,814,866)</u>
GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	34,094,991	3,952,456	549,224
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES			
Capital appropriations and grants	4,270,845	-	-
Contributions	-	1,323,670	-
Total other revenues, expenses, gains, or losses	<u>4,270,845</u>	<u>1,323,670</u>	<u>-</u>
INCREASE IN NET POSITION	38,365,836	5,276,126	549,224
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED	112,991,743	34,938,630	(11,322,059)
Error correction	(4,886,689)	4,886,689	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	<u>108,105,054</u>	<u>39,825,319</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 146,470,890</u>	<u>\$ 45,101,445</u>	<u>\$ (10,772,835)</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, 2024**

	2024
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 43,045,225
Grants and contracts	22,869,806
Employee compensation	(51,747,331)
Payments to suppliers	(18,394,058)
Intergovernmental transfers	(9,210,531)
Payments for utilities	(1,587,056)
Student loan advances	(4,464,226)
Student loan repayments	1,027,354
Support from affiliates	23,480,000
Sales and services of auxiliary enterprises	4,616,103
Sales and services of departments	210,148
Other operating receipts	440,587
Net cash and cash equivalents provided by operating activities	10,286,021
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	29,236,471
Federal loan receipts	40,634,031
Federal loan disbursements	(40,634,031)
Net cash and cash equivalents provided by financing activities	29,236,471
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State capital appropriations	4,270,845
Purchases of capital assets	(4,465,245)
Payments on leases and subscriptions	(6,314,515)
Principal paid on debt	(2,105,000)
Interest paid on debt and leases	(5,118,857)
Net cash and cash equivalents (used in) capital and related financing activities	(13,732,772)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	4,646,507
Sale of investments	78,973,086
Purchase of investments	(96,064,111)
Transfer to Foundation Endowment	(5,424,962)
Net cash and cash equivalents (used in) investing activities	(17,869,480)
NET INCREASE IN CASH AND EQUIVALENTS	7,920,240
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,855,697
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 16,775,937

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, 2024**

CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES

	2024
Operating income	\$ 81,823
Adjustments to reconcile operating loss to net cash and cash equivalents provided by operating activities	
Depreciation and amortization	13,113,390
Loss on disposal of asset	16,075
Changes in assets and liabilities	
Receivables	(2,727,363)
Inventories	(34,499)
Prepaid expenses and deferred charges	680,096
Notes receivable	(3,436,872)
Net pension asset	(3,024)
Net OPEB asset	(428,524)
Accounts payable	886,298
Accrued compensation	123,185
Unearned revenue	1,117,249
Net pension liability	(3,708,754)
Net OPEB liability	(705,557)
Deferred inflow / outflow from OPEB / Pension liability	4,921,447
Deferred inflow from financing leases	359,440
Other accrued liabilities	31,611
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	\$ 10,286,021

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

	2024
Cash and Cash Equivalents	\$ 15,392,929
Cash-Restricted	1,383,008
Total cash and equivalents at end of the year	\$ 16,775,937

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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. 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 13 and 14, respectively. The Research Corp, Clinical Initiatives, Foundation, and ERS are exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Furthermore, in accordance with GASB 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 statements for the Foundation may be obtained by writing to NEOMED Foundation, PO Box 95, Rootstown, Ohio 44272.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024 restricted cash and cash equivalents consists of \$1,383,008 of cash restricted for loan purposes.

Investments

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

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that entities communicate key information about

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024.

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.

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:

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Asset</u>	<u>Estimated Useful Life</u>
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.

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.

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Notes 9 and 10.

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 Notes 9 and 10. Deferred inflows of resources for certain financing leases are also reported. More information can be found in Note 5.

Net Position Classifications

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

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

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

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

Unrestricted - Component of net position that is not subject to externally imposed restrictions. Unrestricted net position may be designated for specific purposes by the Board of Trustees. Substantially all unrestricted net 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, 2024.

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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Scholarship Discounts and Allowances

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

Support from affiliates

Northeast Ohio Medical University first entered into an affiliation agreement with University Hospitals Health System, Inc. (UHHS) effective July 1, 2022, to cooperate as Major Affiliates with joint strategic oversight of collaborative activity in six Key Pillars of Affiliation. The First Amendment to the Agreement was effective July 1, 2023, and acknowledges the joint efforts of the parties with meaningful accomplishments under the Agreement, including significant increase in core clinical clerkships of NEOMED at UHHS, the addition of NEOMED in the Northeast Ohio Clinical Translational Research Consortium, the development of the Ideator healthcare innovation program and others.

The parties agreed in the Amendment to build upon the early success as Major Affiliates and identified opportunities to collaborate in the 2023-2024 academic year and beyond to create additional value for both organizations. UHHS and its subsidiary hospitals and physician practice groups employing faculty and NEOMED are components of an "academic medical center" as defined in 42 C.F.R. Paragraph 411.355(e)(2) and its governing boards have duly authorized its management to enter into the terms of the Agreement and Amendment. Academic and other support payments due to NEOMED under the agreement received in fiscal year 2024 totaled \$23,480,000.

Intergovernmental Agreement/Memorandum of Understanding Ohio Department of Medicaid, University Hospitals and Northeast Ohio Medical University

42 C.F.R. 433.51(b) and this Memorandum of Understanding authorized the Ohio Department of Medicaid to make payments to University Hospitals that consists of total computable amount through the use of intergovernmental transfers (IGT) as the source of state share. NEOMED will submit the IGT and will pay the state share. NEOMED received and paid an IGT invoice from the Ohio Department of Medicaid during fiscal year 2024 in the amount of \$9,210,531, which is included in public service operation expenses. The NEOMED Board of Trustees authorized the payment of the IGT. The IGT was paid from NEOMED reserves for strategic growth.

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 and Restatement of Net Position

For the fiscal year ended June 30, 2024, the University has implemented certain provisions of GASB Statement No. 99, Omnibus 2022 and GASB Statement No. 100, Accounting Changes and Error Corrections.

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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 did not have an effect on the financial statements of the University.

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide a more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessment accountability. The implementation of GASB Statement No. 100 was incorporated into the financial statements of the University.

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the University and Foundation management discovered that one of the endowment funds related to the Foundation was erroneously reported as an endowment of the University. Therefore, investments and restricted net position were misstated for both the University and the Foundation, a discretely presented component unit, by \$4,886,689 for the fiscal year ended June 30, 2023. The University did not liquidate investments to correct the error but instead transferred cash to the Foundation in the amount equal to the original contribution plus all earnings associated with the endowment. The donor's intent for the use of the funds has been honored and handled under the shared endowment guidelines of the University and Foundation since inception.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

The University's bank deposits and cash on hand for all fund groups at June 30, 2024 are summarized as follows:

	June 30, 2024
University's book value	\$ 16,775,937
Cash on hand	2,814
Bank balances	17,995,470

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

NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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, 2024 \$1,151,159 was covered by federal depository insurance and \$16,844,311 was uncollateralized as defined by the GASB.

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

	June 30, 2024
Money market funds	\$ 1,980,018
U.S. government obligations	7,319,375
U.S. government agency obligations	258,464
Corporate bonds and notes	7,061,726
Fixed-income mutual funds	15,940,325
Equities	40,433,223
State Treasury Asset Reserve of Ohio	36,075,436
Alternative investments	9,583,862
Total Investments	\$ 118,652,429

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

The maturities of the University's interest-bearing investments at June 30, 2024 are as follows:

Investment	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 7,319,374	\$ 2,826,567	\$ 4,492,807	\$ -	\$ -
U.S. government agency obligations	258,464	-	-	-	258,464
Corporate bonds and notes	7,061,726	2,484,136	4,429,124	148,466	-
Fixed income mutual funds	15,940,325	-	-	6,088,169	9,852,156
Total	\$ 30,579,889	\$ 5,310,703	\$ 8,921,931	\$ 6,236,635	\$ 10,110,620

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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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The credit ratings for the University's interest-bearing investments, as rated by Standard & Poor's, at June 30, 2024 were as follows:

Credit Rating (S&P)	Total	Government Obligations	Agency Obligations	Bonds and Notes	Mutual Funds
AAA	\$ 2,479,107	\$ -	\$ -	\$ -	\$ 2,479,107
AA	8,162,321	7,319,374	258,464	584,483	-
A	15,112,109	-	-	5,259,953	9,852,156
BBB	1,217,290	-	-	1,217,290	-
Not Rated	3,609,062	-	-	-	3,609,062
Total	\$ 30,579,889	\$ 7,319,374	\$ 258,464	\$ 7,061,726	\$ 15,940,325

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, 2024 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, 2024 the University had no exposure to foreign currency risk.

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.

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The University has the following recurring fair value measurements as of June 30, 2024:

	Balance at June 30, 2024	Fair Value Measurements Using			Measured at Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by fair value level:					
Debt securities ^(b) :					
U.S. government obligations	\$ 7,319,375	\$ -	\$ 7,319,375	\$ -	\$ -
U.S. government agency obligations	258,464	-	258,464	-	-
Corporate bonds	7,061,726	-	7,061,726	-	-
Total debt securities	14,639,565	-	14,639,565	-	-
Equity securities ^(a)	36,300,294	32,518,647	-	3,781,647	-
Mutual funds:					
Fixed-income mutual funds	15,940,325	15,940,325	-	-	-
Total mutual funds	15,940,325	15,940,325	-	-	-
Total investments by fair value level	\$ 66,880,184	\$ 48,458,972	\$ 14,639,565	\$ 3,781,647	\$ -
Real estate and infrastructure funds ^(c)	4,866,770	-	-	-	4,866,770
Equity securities ^(d)	4,132,929	-	-	-	4,132,929
Hedge funds ^(d)	4,717,092	-	-	-	4,717,092
Total investments measured at NAV	13,716,791	-	-	-	13,716,791
Total investments measured at fair value	\$ 80,596,975	\$ 48,458,972	\$ 14,639,565	\$ 3,781,647	\$ 13,716,791

- 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 and infrastructure investments are valued at NAV, which is expected to be a practical expedient of fair value. The NAV is updated periodically (generally quarterly) and may be impacted by appreciation/depreciation, income, and fees related to the underlying investments and fund structures.
- 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, 2024 include investments in STAR Ohio of \$36,075,436. 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, advance notice of 24 hours for deposits and withdrawals exceeding \$100 million is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Investments on the statements of net position also include money market mutual funds of \$1,980,018 as of June 30, 2024.

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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:

	Fair Value	June 30, 2024		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate and Infrastructure Funds	\$ 4,866,770	-	Quarterly	N/A
Equity Securities	4,132,929	-	Monthly	N/A
Hedge Funds	4,717,092	-	Monthly	N/A
Total	<u>\$ 13,716,791</u>	<u>\$ -</u>		

4. ACCOUNTS AND NOTES RECEIVABLE

The following is a summary of accounts and student notes receivable at June 30, 2024:

	June 30, 2024
Student notes	\$ 8,990,354
Grants and contracts	4,164,863
Sales and services	2,594,192
NEOMED Foundation	1,040,329
ERS Strategic Properties, Inc.	11,823,094
Tuition and fees	<u>4,578,769</u>
Total accounts and notes receivable	33,191,601
Less current portion	<u>(12,789,706)</u>
Accounts and notes receivable, noncurrent portion	<u>\$ 20,401,895</u>

Federal Direct Loans Program processed for students by the University during the years ended June 30, 2024 totaled \$40,634,031. 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. LEASE AGREEMENTS

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 University is reporting leases receivable of \$5,400,738. This amount represents the discounted future lease payments. This discount is being amortized using the interest method. The University reported lease revenue of \$1,209,479 and interest revenue of \$165,696 during the fiscal year.

A summary of future payments to be received is as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 1,190,905	\$ 146,872	\$ 1,337,777
2026	1,194,322	111,036	1,305,358
2027	876,399	78,240	954,639
2028	785,743	54,543	840,286
2029	806,753	30,511	837,264
2030-2031	546,616	10,094	556,710
	<u>\$ 5,400,738</u>	<u>\$ 431,296</u>	<u>\$ 5,832,034</u>

NORTHEAST OHIO MEDICAL UNIVERSITY
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6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	July 1, 2023 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2024 Ending Balance
Land - Nondepreciable	\$ 2,549,470	\$ -	\$ -	\$ 2,549,470
Infrastructure	2,572,284	-	-	2,572,284
Buildings	167,844,976	2,709,608	1,184,879	171,739,463
Leasehold improvements	1,703,700	-	-	1,703,700
Furnishings and movable equipment	28,679,583	1,892,743	(702,172)	29,870,154
Library materials	3,170,326	301,727	(562,987)	2,909,066
Intangible Right to Use Equipment	3,095,389	923,505	(1,205,215)	2,813,679
Intangible Right to Use Buildings	94,352,843	-	-	94,352,843
Subscriptions	5,603,787	-	(852,926)	4,750,861
Intangibles	129,875	-	-	129,875
Construction in progress - Nondepreciable	1,197,717	749,046	(1,192,879)	753,884
Total historical cost	310,899,950	6,576,629	(3,331,300)	314,145,279
Less accumulated depreciation/amortization				
Infrastructure	2,419,216	105,846	-	2,525,062
Buildings	66,521,657	4,652,780	-	71,174,437
Leasehold improvements	340,740	170,370	-	511,110
Furnishings and movable equipment	26,219,170	1,121,772	(763,695)	26,577,247
Library materials	2,393,500	241,456	(562,987)	2,071,969
Intangible Right to Use Equipment	2,183,639	733,364	(1,205,215)	1,711,788
Intangible Right to Use Buildings	8,058,606	4,029,303	-	12,087,909
Subscriptions	2,001,731	2,058,499	(482,795)	3,577,435
Intangibles	129,875	-	-	129,875
Total accumulated depreciation/amortization	110,268,134	13,113,390	(3,014,692)	120,366,832
Total capital assets, net of depreciation/amortization	<u>\$ 200,631,816</u>	<u>\$ (6,536,761)</u>	<u>\$ (316,608)</u>	<u>\$ 193,778,447</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY
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7. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Bonds</u>					
General receipts bonds:					
Series 2021A	\$ 23,225,000	\$ -	\$ (725,000)	\$ 22,500,000	\$ 755,000
Series 2021A Premium	2,328,008	-	(101,217)	2,226,791	-
Series 2021B	18,310,000	-	(575,000)	17,735,000	605,000
Series 2021B Premium	3,450,328	-	(172,517)	3,277,811	-
Series 2022	29,260,000	-	(805,000)	28,455,000	850,000
Series 2022 Premium	2,796,988	-	(133,190)	2,663,798	-
Total Bonds	<u>79,370,324</u>	<u>-</u>	<u>(2,511,924)</u>	<u>76,858,400</u>	<u>2,210,000</u>
Net Pension Liability	50,440,564	(3,708,754)	-	46,731,810	-
Net OPEB Liability	705,557	-	(705,557)	-	-
Leases Payable	89,728,965	923,505	(3,842,520)	86,809,950	3,861,468
Subscriptions Payable	3,685,666	-	(2,471,995)	1,213,671	888,708
Compensated Absences	3,163,538	-	(104,136)	3,059,402	360,652
Total Other Long-Term Debt	<u>147,724,290</u>	<u>(2,785,249)</u>	<u>(7,124,208)</u>	<u>137,814,833</u>	<u>5,110,828</u>
Total Long-Term Liabilities	<u>\$ 227,094,614</u>	<u>\$ (2,785,249)</u>	<u>\$ (9,636,132)</u>	<u>\$ 214,673,233</u>	<u>\$ 7,320,828</u>

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.

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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, Series 2021B bonds, and Series 2022 bonds totaled \$2,564,183, \$3,795,361, and \$2,930,178, respectively. The premiums are being amortized as a credit to interest expense over the life of the bonds.

These obligations are secured by a gross pledge of and first lien on the General Receipts of the University. The General Receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted. The University 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, 2024 are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 2,210,000	\$ 3,028,400	\$ 5,238,400
2026	2,325,000	2,915,025	5,240,025
2027	2,435,000	2,796,025	5,231,025
2028	2,555,000	2,671,275	5,226,275
2029	2,690,000	2,540,150	5,230,150
2030-2034	15,560,000	10,557,500	26,117,500
2035-2039	19,330,000	6,732,125	26,062,125
2040-2044	19,950,000	2,425,525	22,375,525
2045-2046	1,635,000	66,100	1,701,100
	<u>\$ 68,690,000</u>	<u>\$ 33,732,125</u>	<u>\$ 102,422,125</u>

**NORTHEAST OHIO MEDICAL UNIVERSITY
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Lease Obligations

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

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

As of June 30, 2024	Principal	Interest	Total
2025	\$ 3,861,468	\$ 2,546,175	\$ 6,407,643
2026	3,515,771	2,443,989	5,959,760
2027	3,377,647	2,336,844	5,714,491
2028	3,464,642	2,234,155	5,698,797
2029	3,539,602	2,129,221	5,668,823
2030-2034	19,007,557	8,991,387	27,998,944
2035-2039	22,079,498	5,919,447	27,998,945
2040-2044	25,647,917	2,351,029	27,998,946
2045	2,315,848	17,398	2,333,246
	<u>\$ 86,809,950</u>	<u>\$ 28,969,645</u>	<u>\$ 115,779,595</u>

Subscriptions

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.

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

As of June 30, 2024	Principal	Interest	Total
2025	\$ 888,708	\$ 60,531	\$ 949,239
2026	224,079	16,555	240,634
2027	100,884	5,161	106,045
	<u>\$ 1,213,671</u>	<u>\$ 82,247</u>	<u>\$ 1,295,918</u>

Compensated Absences

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

8. 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, 2024, these expenses relating to contracts totaled \$13,938,656. At June 30, 2024, the University had recorded accrued liabilities of \$1,081,928 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

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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.

9. DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions – between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the University's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the University's obligation for the liability to annually required payments. The University cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the University does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* and *net OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the fiscal year is included in other accrued liabilities on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

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Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - University employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377. Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. A death benefit of \$500 to \$2,500 determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2024 Statutory Maximum Contribution Rates

Employer	14.0	%
Employee	10.0	%

2024 Actual Contribution Rates

Employer

Pension	14.0	%
Post-employment Health Care Benefits	0.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The University’s contractually required pension contribution was \$2,886,574 for fiscal year 2024. The entire amount was used to fund pension benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – University employees participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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 August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board’s actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility charges will be phased in until August 1, 2023 when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 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.

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The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent 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 Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent 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 Combined 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 Combined 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined 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 ten 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.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The University's contractually required contribution to STRS was \$1,286,777 for fiscal year 2024. The entire amount was used to fund pension benefits.

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension asset and net pension liability for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension asset and net pension liability was determined by an actuarial valuation as of that date. STRS net pension liability was measured as of June 30, 2023, and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability and net pension asset were based on the University's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	OPERS Traditional Plan	OPERS Combined Plan	STRS Plan
Proportion of the Net Pension Liability (Asset):			
Current Measurement Period	0.11482%	0.14327%	0.07742%
Prior Measurement Period	0.10904%	0.18557%	0.08200%
Change in Proportion	<u>0.00577%</u>	<u>-0.04230%</u>	<u>-0.00458%</u>
Proportionate Share of the Net			
Pension Liability (Asset)	\$ 30,059,037	\$ (440,382)	\$ 16,672,773
Pension Expense	\$ 2,595,370	\$ 27,471	\$ 379,430

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	STRS Plan	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 491,290	\$ 17,894	\$ 607,853	\$ 1,117,037
Net difference between projected and actual earnings on pension plan investments	6,067,125	71,626	-	6,138,751
Changes of assumptions	-	16,444	1,373,092	1,389,536
Changes in proportionate share	720,421	246,166	449,936	1,416,523
University contributions subsequent to the measurement date	<u>1,401,468</u>	<u>41,819</u>	<u>1,286,777</u>	<u>2,730,064</u>
Total Deferred Outflows of Resources	<u>\$8,680,304</u>	<u>\$ 393,949</u>	<u>\$3,717,658</u>	<u>\$12,791,911</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ -	\$ 43,522	\$ 36,998	\$ 80,520
Net difference between projected and actual earnings on pension plan investments	-	-	49,968	49,968
Changes of assumptions	-	-	1,033,545	1,033,545
Changes in proportionate share	-	52,287	2,372,662	2,424,949
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 95,809</u>	<u>\$3,493,173</u>	<u>\$ 3,588,982</u>

\$2,730,064 reported as deferred outflows of resources related to pension resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	OPERS Traditional Plan	OPERS Combined Plan	STRS Plan	Total
2025	\$ 2,031,803	\$ 29,298	\$ (976,675)	\$ 1,084,426
2026	2,239,235	37,991	(1,247,361)	1,029,865
2027	3,871,744	60,089	1,453,611	5,385,444
2028	(863,946)	10,857	(291,867)	(1,144,956)
2029	-	32,488	-	32,488
Thereafter	-	85,598	-	85,598
Total	<u>\$ 7,278,836</u>	<u>\$ 256,321</u>	<u>\$ (1,062,292)</u>	<u>\$ 6,472,865</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions and methods applied to all periods included in the measurement:

Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent including wage inflation at 2.75 percent
COLA or Ad Hoc COLA	Pre-1/7/13 Retirees: 3% Simple; Post 1/7/13 Retirees: 2.30% Simple through 2024, then 2.05% Simple
Investment Rate of Return	6.90 percent
Actuarial Cost Method	Individual entry age normal

The most recent experience study was for the 5-year period ended December 31, 2020.

For 2024 and 2023, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables for males and females. Post-retirement mortality rates are based on 115 percent of the Pub-2010 Retiree Mortality Tables for males and females. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables for males and females. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales for males and females to these tables.

Discount Rate The discount rate used to measure the total pension liability (asset) was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. 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 allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a

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long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return 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 rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summaries in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	2.85 %
Domestic Equities	21.00	4.27
Real Estate	13.00	4.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	<u>100.00 %</u>	

Sensitivity of the University's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the University's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
University's proportionate share of the net pension liability (asset)			
Traditional Plan	\$ 47,321,002	\$ 30,059,037	\$ 15,702,099
Combined Plan	(266,480)	(440,382)	(577,374)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 and 2022, actuarial valuation, are presented below:

Inflation	2.50 percent
Salary Increases	
Current Measurement Period	Varies by service from 2.50 percent to 8.50 percent
Prior Measurement Period	
Payroll Increases	3.00 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent

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Post-retirement mortality rates for healthy retirees are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

*Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the University's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	University's Proportionate Share of the Net Pension Liability	\$ 25,639,035	\$ 16,672,773

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Assumption and Benefit Changes Since the Prior Measurement Date The discount rate remained at 7.00 percent for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

10. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

See Note 9 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS). OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features.

OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Effective January 1, 2022, retirees must generally be at least age 65 with a minimum of 20 years of qualifying service credit, or a minimum of 30 years of qualifying service credit at any age, to qualify for health care benefits.

Beginning 2016 for Medicare retirees enrolled in Medicare A and B, and beginning 2022 for non-Medicare retirees, eligible retirees were able to participate in the OPERS Connector (Connector) in lieu of comprehensive health care coverage. The Connector, a vendor selected by OPERS, assists eligible retirees in the evaluation, selection and purchase of a health care plan on the open market. Eligible retirees may receive a monthly allowance in their health care reimbursement arrangement (HRA) account that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2024, the University contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. A portion of each

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employer contribution may be set aside for the funding of post-employment health care coverage. The portion of employer contributions allocated to health care was zero for 2024.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Asset, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB asset for OPERS was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The net OPEB liability (asset) for STRS was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability (asset) was based on the University's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	STRS
Proportion of the Net OPEB Asset:		
Current Measurement Period	0.11590%	0.07742%
Prior Measurement Period	0.11190%	0.08200%
Change in Proportion	0.00400%	-0.00458%
 Proportionate Share of the Net		
OPEB Asset	\$ (1,046,052)	\$ (1,505,750)
OPEB Expense	\$ (155,881)	\$ (40,738)

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At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 2,348	\$ 2,348
Net difference between projected and actual earnings on pension plan investments	628,213	2,689	630,902
Changes of assumptions	269,307	221,821	491,128
Changes in proportionate share	-	60,310	60,310
Total Deferred Outflows of Resources	<u>\$ 897,520</u>	<u>\$ 287,168</u>	<u>\$ 1,184,688</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 148,901	\$ 229,666	\$ 378,567
Changes of assumptions	449,667	993,475	1,443,142
Changes in proportionate share	25,166	14,056	39,222
Total Deferred Inflows of Resources	<u>\$ 623,734</u>	<u>\$ 1,237,197</u>	<u>\$ 1,860,931</u>

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

Fiscal Year Ending June 30:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2025	\$ (42,766)	\$ (404,636)	\$ (447,402)
2026	39,669	(204,076)	(164,407)
2027	489,007	(76,585)	412,422
2028	(212,124)	(103,564)	(315,688)
2029	-	(93,439)	(93,439)
Thereafter	-	(67,729)	(67,729)
Total	<u>\$ 273,786</u>	<u>\$ (950,029)</u>	<u>\$ (676,243)</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023.

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The actuarial valuation used the following key actuarial assumptions and methods applied to all periods included in the measurement:

	June 30, 2023	June 30, 2022
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation at 2.75 percent	2.75 to 10.75 percent including wage inflation at 2.75 percent
Single Discount Rate	5.70 percent	5.22 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	3.77 percent	4.05 percent
Health Care Cost Trend Rate	5.50 percent, initial 3.50 percent, ultimate in 2038	5.50 percent, initial 3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal

For 2023 and 2022, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables for males and females. Post-retirement mortality rates are based on 115 percent of PubG-2010 Retiree Mortality Tables for males and females. Post-retirement mortality rates for disables retirees are based on the PubNS-2010 Disables Retiree Mortality Tables for males and females. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying MP-2020 mortality improvement scales for males and females to all of these tables.

Discount Rate A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. 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 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, the duration of the projected period through which projected health care payments are fully funded.

The allocation of investment assets within the OPERS Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant.

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For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	37.00 %	2.82 %
Domestic Equities	25.00	4.27
REITs	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other investments	5.00	2.43
Total	<u>100.00 %</u>	

Sensitivity of the University's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following table presents the University's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70 percent, and the expected net OPEB liability (asset) if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	<u>1% Decrease (4.70%)</u>	<u>Single Discount Rate (5.70%)</u>	<u>1% Increase (6.70%)</u>
University's proportionate share of the net OPEB liability (asset)	\$ 574,879	\$ (1,046,052)	\$ (2,388,761)

Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
University's proportionate share of the net OPEB asset	\$ (1,089,488)	\$ (1,046,052)	\$ (996,766)

Retiree health care valuations use a health care cost-trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease at a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 and 2022, actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Projected Salary Increases	Varies by service from 2.50 percent to 8.50 percent	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

*Final target weights reflected at October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS 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, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

Sensitivity of the University's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
University's Proportionate Share of the Net OPEB (Asset)	\$ (1,274,421)	\$ (1,505,750)	\$ (1,707,214)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
University's Proportionate Share of the Net OPEB (Asset)	\$ (1,716,563)	\$ (1,505,750)	\$ (1,251,830)

Assumption Changes Since the Prior Measurement Date The discount rate remained unchanged at 7.00 percent for the June 30, 2023 valuation.

Benefit Term Changes Since the Prior Measurement Date Healthcare trends were updated to reflect emerging claims and recoveries experiences as well as benefit changes effective January 1, 2024.

**NORTHEAST OHIO MEDICAL UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2024**

11. RISK MANAGEMENT

The University is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Commercial insurance has been obtained to cover damage or destruction to the University's property and for public liability, personal injury, and third-party damage claims. The University is insured through the State of Ohio for workers' compensation benefits. To provide employee healthcare and other benefits (including dental, life insurance, and long-term disability benefits), the University implemented a fully insured program for its medical benefits and has utilized the IUC contracts for its dental, life, and disability benefits. The University's healthcare plan is a fully insured benefit plan through SummaCare. All full-time NEOMED employees who work 40 hours or more per week are eligible for coverage. The U.S. Affordable Health Care Act (ACA) also allows any employee who works an average of 30 hours per week over a given measurement period of 12 months the option to choose to enroll in the medical coverage. The employee contributions vary depending upon the level of coverage elected.

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

12. RELATED PARTY TRANSACTIONS

NEOMED Foundation - The University has received distributions from the Foundation in the amount of \$2,658,614 for the year ended June 30, 2024, in direct support of charitable, educational, and scientific purposes benefiting the University and its students. In addition, the Foundation granted student loans of \$87,951 for the year ended June 30, 2024.

The University received reimbursements from the Foundation for payroll, management, fundraising, services, and office space of \$612,198 for the year ended June 30, 2024. The University will receive \$1,040,329 for the year ended June 30, 2024, 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 \$1,168,082 for the year ended June 30, 2024.

ERS Strategic Properties – The University made payments to ERS HWMEC, LLC for the lease of the wellness center in the amount of \$5,698,486 for the year ended June 30, 2024. The University made payments to ERS MOB, LLC for the lease of the medical office building in the amount of \$1,036,214 for the year ended June 30, 2024.

The University made payments on behalf of ERS for legal and other expenses in the amount of \$39,393 for the year ended June 30, 2024. Reimbursements and payments for naming rights were received in ERS Companies in the amount of \$19,000 for the year ended June 30, 2024 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 \$2,270,771 for the year ended June 30, 2024. 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 \$889,483 for the year ended June 30, 2024. The Ohio Facilities Commission (OFCC) entered into an agreement with the BioMed Science Academy STEM School (BioMed) to contribute \$11.7 million 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

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

continue until August 2045. For the year ended June 30, 2024, \$469,649 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 \$11,596,019 for the year ended June 30, 2024, 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.

13. COMPONENT UNIT - THE NEOMED FOUNDATION

The NEOMED Foundation (hereinafter referred to as the “Foundation”) was incorporated on April 14, 1978 as a nonprofit tax-exempt corporation. The Foundation is a legally separate nonprofit entity organized for the purpose to serve as the gift-receiving arm of the Northeast Ohio Medical University (hereinafter referred to as the “University”), and to assist in developing and increasing its resources to provide broader educational opportunities and services for charitable, educational and scientific purposes. The Foundation is governed by a volunteer board of directors consisting of a maximum 42 members. The Foundation had no unrelated business income in fiscal year 2024.

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:

	2024	
	Cost	Market
Money market fund	\$ 7,230,107	\$ 7,231,462
Cash surrender value of life insurance	36,665	36,665
Equities	15,785,539	18,447,062
Alternative investment	1,193,032	1,441,608
Fixed income	11,195,725	11,457,484
Total long-term investments	\$ 35,441,068	\$ 38,614,281

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.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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Assets measured as of June 30, 2024:

	Balance at June 30, 2024	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	\$ 11,440,245	\$ 11,440,245	\$ -	\$ -	\$ -
International fixed income	17,239	17,239	-	-	-
Domestic equities	13,592,606	13,592,606	-	-	-
International equities	4,854,456	4,854,456	-	-	-
Money market	7,231,462	-	7,231,462	-	-
Alternative investments	1,441,608	-	-	-	1,441,608
Total Investments	\$ 38,577,616	\$ 29,904,546	\$ 7,231,462	\$ -	\$ 1,441,608
Assets - Beneficial Interest in Trust					
Total Beneficial Interest in Trust	80,606	\$ -	\$ -	\$ 80,606	\$ -
Total Fair Value Measurements	\$ 38,658,222	\$ 29,904,546	\$ 7,231,462	\$ 80,606	\$ 1,441,608

Details of the Foundation's restricted net assets at June 30, 2024 are as follows:

With Donor Restrictions as of June 30:

	2024
Instruction and departmental research	\$ 5,779,466
Separately budgeted research	2,566,336
Public service	144,558
Academic support	3,182,128
Institutional support	5,427,549
Plant operation and maintenance	37,503
Student services	67,628
Student scholarships and other student aid	15,123,378
Deferred gift annuity	2,233
Anatomy endowed chair	1,506,812
Psychiatry endowed chair	2,000,000
Integrated medical sciences endowed chair	2,609,988
General and other	2,195,462
Allowance for uncollectible pledges	(10,486)
Total with donor restrictions net assets, June 30	\$ 40,632,555

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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Total net assets with donor restrictions include \$17,757,943 as of June 30, 2024 of assets held in perpetuity. The remainder of funds are either purpose or time restricted. The assets are held for the following purpose:

	2024
Student loans	\$ 1,114,662
Endowments requiring earnings only to be made available for:	
Student scholarships and awards	8,275,700
Student loans	100,236
Anatomy endowed chair	1,506,812
Psychiatry endowed chair	2,000,000
Integrated medical sciences endowed chair	2,609,988
General and other	2,195,463
Deferred gift annuity	(34,432)
Allowance for uncollectible pledges	(10,486)
Total net assets with donor restrictions to be held in perpetuity, June 30	\$ 17,757,943

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 years ended June 30, 2024.

Pledges receivable at June 30, 2024 are expected to be realized in the following periods:

	2024
Less than one year	\$ 837,561
Between one and five years	1,898,150
More than five years	8,200,000
Total outstanding pledges	10,935,711
Less net present value discount	(4,805,784)
Less allowance for uncollectible pledges	(298,586)
Net outstanding pledges	\$ 5,831,341

14. COMPONENT UNIT - ERS STRATEGIC PROPERTIES, INC.

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

ERS has adopted the accrual method of accounting in accordance with not-for-profit accounting principles generally accepted in the United States of America. ERS is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024 was as follows:

	July 1, 2023 <u>Beginning Balance</u>	<u>Additions</u>	Retirements and <u>CIP Transfers</u>	June 30, 2024 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	97,520,478	818,774	-	98,339,252
Furnishings and movable equipment	198,845	-	-	198,845
Total historical cost	<u>108,390,017</u>	<u>818,774</u>	<u>-</u>	<u>109,208,790</u>
Less: accumulated depreciation				
Infrastructure	9,541,751	991	-	9,542,742
Buildings	17,828,054	2,530,605	-	20,358,659
Furnishings and movable equipment	143,781	33,890	-	177,671
Total accumulated depreciation	<u>27,513,586</u>	<u>2,565,486</u>	<u>-</u>	<u>30,079,072</u>
Net property and equipment	<u>\$ 80,876,430</u>	<u>\$ (1,746,712)</u>	<u>\$ -</u>	<u>\$ 79,129,718</u>

Funds Held by Trustee

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

At June 30, 2024, fund balances held by the Trustee for ERS HWMEC LLC bond proceeds fund was \$901,868.

Bonds Payable

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 \$68,928,508 as of June 30, 2024.

**NORTHEAST OHIO MEDICAL UNIVERSITY
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There is no discount or premium on the ERS HWMEC bonds.

ERS Bonds payable as of June 30, 2024 are summarized as follows:

		July 1, 2023		Borrowed		Retired		June 30, 2024		Current
ERS HWMEC LLC	\$	70,850,223	\$	-	\$	1,921,715	\$	68,928,508	\$	2,017,822

Total bonds and notes payable in the chart above is not shown net of bond financing costs of \$1,012,817 for the year ended June 30, 2024.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2024 are summarized as follows:

Year Ending June 30		Principal		Interest		Total
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		2,452,778		3,186,407		5,639,185
2030-2034		14,231,267		13,763,496		27,994,763
2035-2039		18,164,055		9,428,583		27,592,638
2040-2044		23,183,662		3,895,724		27,079,386
2045		2,199,538		29,719		2,229,257
	\$	68,928,508	\$	44,277,359	\$	113,205,867

Subsequent Events

On July 31, 2024, NEOMED issued a loan of \$542,108 to ERS Contiguous Properties, LLC to purchase property on August Drive in Rootstown, Ohio. Interest shall be charged on the outstanding principal balance of the loan at a rate of 4.61% per annum.

**NORTHEAST OHIO MEDICAL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
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*Schedule of the University's Proportionate Share of the Net Pension Liability (Asset)
Last Ten Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ohio Public Employees' Retirement System (OPERS)										
Proportion of the Net Pension Liability (Asset)										
Traditional Plan	0.11482%	0.10904%	0.10770%	0.10491%	0.11020%	0.11797%	0.12044%	0.11078%	0.11033%	0.10406%
Combined Plan	0.14327%	0.18557%	0.23852%	0.24444%	0.23063%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Proportionate Share of the Net Pension Liability (Asset)										
Traditional Plan	\$ 30,059,037	\$ 32,211,645	\$ 9,369,901	\$ 15,535,183	\$ 21,782,371	\$ 32,119,570	\$ 18,694,402	\$ 25,083,580	\$ 19,046,195	\$ 12,492,034
Combined Plan	\$ (440,382)	\$ (437,358)	\$ (939,781)	\$ (705,621)	\$ (480,919)	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$ 20,618,388	\$ 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
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	143.65%	177.85%	47.99%	89.13%	123.43%	184.94%	118.89%	161.95%	129.37%	89.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability										
Traditional Plan	79.01%	75.74%	92.62%	86.88%	82.44%	74.91%	86.85%	77.39%	81.19%	86.53%
Combined Plan	144.55%	137.14%	169.88%	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%
State Teachers Retirement System (STRS)										
Proportion of the Net Pension Liability	0.07742%	0.08200%	0.07749%	0.09291%	0.09639%	0.09841%	0.09202%	0.08683%	0.08185%	0.07478%
Proportionate Share of the Net Pension Liability	\$ 16,672,773	\$ 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	\$ 9,670,079	\$ 9,463,397	\$ 8,322,657	\$ 9,968,001	\$ 10,158,336	\$ 9,049,107	\$ 8,037,482	\$ 7,564,093	\$ 8,894,530
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	172.42%	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	80.02%	78.90%	87.80%	75.50%	77.40%	77.30%	75.29%	66.78%	72.10%	74.70%

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See the accompanying notes to the required supplementary information.

**NORTHEAST OHIO MEDICAL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

*Schedule of the University's Contributions - Pension
Last Ten Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>										
Contractually Required Contribution	\$ 2,886,574	\$ 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										
Contractually Required Contribution	<u>(2,886,574)</u>	<u>(2,501,179)</u>	<u>(2,450,562)</u>	<u>(2,332,527)</u>	<u>(2,416,122)</u>	<u>(2,431,441)</u>	<u>(2,351,111)</u>	<u>(2,044,099)</u>	<u>(2,013,482)</u>	<u>(1,193,930)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered Payroll	\$20,618,388	\$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%	14.00%	13.50%	13.00%	13.00%	13.00%
<i>State Teachers Retirement System (STRS)</i>										
Contractually Required Contribution	\$ 1,286,777	\$ 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										
Contractually Required Contribution	<u>\$ (1,286,777)</u>	<u>\$ (1,353,811)</u>	<u>\$ (1,324,876)</u>	<u>\$ (1,165,172)</u>	<u>\$ (1,395,520)</u>	<u>\$ (1,422,167)</u>	<u>\$ (1,380,988)</u>	<u>\$ (1,266,875)</u>	<u>\$ (1,125,247)</u>	<u>\$ (1,058,973)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered Payroll	\$ 9,191,264	\$ 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%	14.00%

See the accompanying notes to the required supplementary information.

**NORTHEAST OHIO MEDICAL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

*Schedule of the University's Proportionate Share of the Net OPEB Liability (Asset)
Last Seven Fiscal Years (1)*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ohio Public Employees' Retirement System (OPERS)							
University's Proportion of the Net OPEB Liability (Asset)	0.11590%	0.11190%	0.11225%	0.11017%	0.11443%	0.12042%	0.12358%
University's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,046,052)	\$ 705,557	\$ (3,515,810)	\$ (1,962,695)	\$ 15,806,032	\$ 15,699,404	\$ 13,419,878
University's Covered Payroll	\$ 20,618,388	\$ 17,865,566	\$ 17,567,453	\$ 16,660,907	\$ 16,660,907	\$ 17,415,640	\$ 15,723,837
University's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.07%	3.95%	-20.01%	-11.78%	94.87%	90.15%	85.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%	47.80%	46.33%	77.25%
State Teachers Retirement System (STRS)							
University's Proportion of the Net OPEB Liability (Asset)	0.07742%	0.08200%	0.07749%	0.09291%	0.09636%	0.09857%	0.09202%
University's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,505,750)	\$ (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	\$ 9,670,079	\$ 9,453,397	\$ 8,322,657	\$ 8,322,687	\$ 9,864,200	\$ 9,049,107
University's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-15.57%	-21.96%	-17.26%	-19.62%	-19.18%	-16.03%	39.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	168.52%	230.70%	174.73%	182.10%	174.70%	176.00%	47.11%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2018 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

*Schedule of the University's Contributions - OPEB
Last Seven Fiscal Years (1)*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ohio Public Employees' Retirement System (OPERS)							
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,078
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	(87,078)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll (2)	20,618,388	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%	0.00%	0.50%
State Teachers Retirement System (STRS)							
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$ 9,191,264	\$ 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%	0.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2018 is not available.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See the accompanying notes to the required supplementary information.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

1. NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

Changes in Assumptions – OPERS

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019	2018 and 2017	2016 and prior
Wage Inflation	2.75%	3.25%	2.75%	2.75%
Future Salary Increases, including wage inflation COLA or Ad Hoc COLA	2.75% to 10.75%	3.25% to 10.75%	3.25% to 10.75%	4.25% to 10.05%
Pre-January 7, 2013 Retirees	3.00%, simple	3.00%, simple	3.00%, simple	3.00%, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.90%	7.20%	7.50%	8.00%
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, retirees are as follows:

2023	2.30%, simple through 2024, then 2.05%, simple
2022	3.00%, simple through 2022, then 2.05%, simple
2021	0.50%, simple through 2021, then 2.15%, simple
2020	1.40%, simple through 2020, then 2.15%, simple
2017-2019	3.00%, simple through 2018, then 2.15%, simple
2016 and prior	3.00%, simple through 2018, then 2.80%, simple 5.50% to 5.00%

Changes in Assumptions – STRS

For fiscal year 2022, the Retirement Board approved several changes to the actuarial assumptions. The salary increases were where changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent. The healthy and disabled mortality assumptions were updated to the Pub-2010 mortality tables with generational improvement scale MP-2020.

For fiscal year 2021, the long term expected rate of return was reduced from 7.45 percent to 7.00 percent.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

2. NET OPEB LIABILITY (ASSET)

Changes in Assumptions - OPERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

<u>Assumption</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Wage Inflation	2.75%	2.75%	2.75%	3.25%	3.25%	3.25%	3.25%
Discount Rate	5.70%	5.22%	6.00%	6.00%	3.16%	3.96%	3.85%
Municipal Bond Rate	3.77%	4.05%	1.84%	2.00%	2.75%	3.71%	3.31%
Health Care Cost Trend Rate	5.50%	5.50%	5.50%	8.50%	10.50%	10.00%	7.50%

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms – OPERS

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Assumptions – STRS

For fiscal year 2023, the following changes were made to the actuarial assumptions:

- Pre-Medicare health care cost trends from 3.94 ultimate to 4.14 percent ultimate
- Medicare medical health care cost trends from -68.78 percent initial to -10.94 percent initial and 3.94 percent ultimate to 4.14 percent ultimate.
- Pre-Medicare prescription drug health care cost trends from 9.00 percent initial to -11.95 percent initial and 3.94 percent ultimate to 4.14 percent ultimate .
- Medicare prescription drug health care cost trends from -5.47 percent initial to 1.33 percent initial and 3.94 percent ultimate to 4.14 percent ultimate

NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

For fiscal year 2022, the healthy and disabled mortality assumptions were updated to the RPub-2010 mortality tables with generational improvement scale MP-2020. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

For fiscal year 2022, the following changes were made to the actuarial assumptions:

- Projected salary increases from 3.25 to 10.75 percent, including wage inflation to varying by service from 2.50 to 8.50 percent
- Medicare medical health care cost trends from -16.18 percent initial to -68.78 percent initial and 4.00 percent ultimate to 3.94 percent ultimate
- Medicare prescription drug health care cost trends from 29.98 percent initial to -5.47 percent initial and 4.00 percent ultimate to 3.94 percent ultimate

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

**NORTHEAST OHIO MEDICAL UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

**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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements, and have issued our report thereon dated October 14, 2024, wherein we noted that net position as of July 1, 2023 has been restated to correct a misstatement.

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; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

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*.

The University's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the finding identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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 14, 2024

**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, 2024. 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, 2024.

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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 14, 2024

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing 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	\$ -	\$ 40,634,031
Federal Perkins Loan Program	84.038	N/A	-	238,872
<i>Total Office of Student Financial Assistance Program</i>			-	40,872,903
Total Department of Education			-	40,872,903
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	-	7,280,633
Health Prof Student Loan Prgm - Primary Care Loans	93.342	N/A	-	537,817
Health Prof Student Loan Prgm - Loans to Disadvantaged Students	93.342	N/A	-	554,681
Health Prof Student Loan Prgm - Pharmacy Loans	93.342	N/A	-	1,059,876
<i>Total Health Resources and Services Administration</i>			-	9,433,007
<i>Health Resources and Services Administration:</i> HRSA - NEOMED Scholarships for Disadvantaged Students	93.925	T08HP39276	-	675,000
Total Assistance Listings #93.925			-	675,000
Total Department of Health & Human Services			-	10,108,007
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			\$ -	\$ 50,980,910
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	\$ 1,060	\$ 1,166
<i>Passed through Ohio State University:</i> CMMS - OSU - Ohio Systems of Care Projects ECHO for Youth Involved with Multiple Systems FY24 - Federal	93.778	SPC-1000012308 GR132329	-	66,555
<i>Passed through Ohio Department of Medicaid:</i> <i>Passed through Ohio State University:</i> <i>Passed through Case Western Reserve University:</i> CMS - ODM - OSU - CWRU - MEDTAPP-Ohio Cardiovascular Health Collaborative	93.778	RES601921	-	55,844
ODM - OSU - CWRU - MEDTAPP Ohio Colleges of Medicine Regional Quality Improvement Hub - Federal	93.778	GR132128	-	91,019
<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-1000006973 GR127461	-	2,200
CMS - ODM - OSU - MEDTAPP Ohio College of Medicine Regional Quality Improvement Hub (QI Hub) - Federal	93.778	SPC-1000007490 GR130298	48,182	51,112
<i>Total Centers for Medicare and Medicaid Services</i>			49,242	267,896
Total Department of Health and Human Services			49,242	267,896
TOTAL MEDICAID CLUSTER			\$ 49,242	\$ 267,896
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	10,919	512,510
Total Assistance Listings #93.113			10,919	512,510
<i>National Institutes of Health:</i> NIH - Auditory Information Processing in the Amygdala	93.173	2R01DC000937	-	326,680
NIH - Auditory Information Processing in the Amygdala	93.173	R01DC000937	-	156
NIH - Neuronal Hyperactivity, Tinnitus and Distress	93.173	1R01DC016918-01A1	-	429,176
NIH - Auditory Processing Deficits in Early-Onset Conductive Hearing Loss	93.173	2R01DC013314	-	407,311
NIH - Age-related GABAergic loss in the central auditory circuits	93.173	1R01DC017708	-	354,787
NIH - NIDCD - Modulatory Circuits in the Auditory System	93.173	2R01DC004391-A1	-	570,540
NIH - Cellular Diversity Underlying timing and intensity based sound localization in the superior olivary complex	93.173	1R56DC020937	7,019	199,189
NIH - Metabotropic Glutamate Receptor-Mediated Neuromodulation in Sound Localization Circuits	93.173	R56DC016054	25,208	439,812
<i>Passed through University of Michigan:</i> NIH - University of Michigan - Circuit Mechanisms for Auditory Processing in the Inferior Colliculus	93.173	SUBK00012231	-	68,684
<i>Passed through Carnegie Mellon University:</i> NIH - CMU - Cortical processing of informational masking	93.173	1090699-451458	-	139,796
Total Assistance Listings #93.173			32,227	2,936,131
<i>National Institutes of Health:</i> <i>Passed through Florida State University:</i> NIH - FSU - Axonal FMRP in Synaptic Development	93.242	R000002944	-	37,466
<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	-	10,569
Total Assistance Listings #93.242			-	48,035
<i>National Institutes of Health:</i> NIH - Ethanol Regulation of Adiponectin and its Signaling	93.273	2R01AA015951	-	288,439
NIH - Mitochondrial Acetylation and Acetylene Dynamics in Alcoholic Liver Disease assessed with Heavy Water	93.273	1R21AA029784	4,739	135,535
<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	-	56,031
Total Assistance Listings #93.273			4,739	480,005

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing 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 - Defining the Autonomic Cerebellum in Autism	93.310	1DP5OD036148-01	-	23,418
<i>Passed through The Curators of the University of Missouri:</i>				
NIH - Univ Missouri - A Novel Drug to promote mucosal healing and combat aspirin ad NSAID mucosal damage	93.310	U01HL152410	-	73,533
Total Assistance Listings #93.310			-	96,951
<i>National Institutes of Health:</i>				
<i>Passed through Case Western Reserve University:</i>				
NIH - CWRU - Clinical and Translational Science Collaborative of Northern Ohio, Catalyzing Linkages to Equity in Health	93.350	22-0106-01	-	59,765
Total Assistance Listings #93.350			-	59,765
<i>National Institutes of Health:</i>				
NIH - Identification of Novel Genes/Pathways That Regulate Atherosclerosis	93.837	1R01HL142086-01	-	191,012
NIH - NHLBI - Mechanisms Underlying Takotsubo Syndrome	93.837	R01HL161512	-	350,658
NIH - NHLBI - Mechanisms Underlying Takotsubo Syndrome	93.837	1R01HL161512-01A1	205,703	291,430
NIH - Insights into Coronary Microvascular Dysfunction in Diabetic Cardiomyopathy	93.837	1R56HL165207	-	57,109
NIH - Insights into Coronary Microvascular Dysfunction in Diabetic Cardiomyopathy	93.837	R01HL165207	-	362,700
<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	-	35,954
<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	-	284,630
Total Assistance Listings #93.837			205,703	1,573,493
<i>National Institutes of Health:</i>				
NIH - The Role of TRAPPC9 in Osteoclast Differentiation and Function	93.846	1R01AR077762	99,947	403,991
NIH - Delivery of GPNMB Therapeutics for Bone Regeneration	93.846	R01AR083763	-	22,867
NIH - Delivery of GPNMB Therapeutics for Bone Regeneration	93.846	R01AR083763	-	31,559
Total Assistance Listings #93.846			99,947	458,417
<i>National Institutes of Health:</i>				
NIH - Hepatic ATF3 in the Development of NAFLD	93.847	1R01DK118941-01	-	68,664
NIH - Molecular Biology of Bile Acid Synthesis	93.847	2R01DK044442-22A1	-	69,789
NIH - Hepatic FOXA3 Links NAFLD to Atherosclerosis	93.847	1R01DK118805	-	166,814
NIH - Forkhead Box A3 and Bile Acid Metabolism	93.847	1R01DK121548	-	187,452
NIH - Mechanisms Underlying the Pathogenesis of Non-alcoholic Fatty Liver Disease	93.847	R01DK102619	-	386,401
<i>Passed through Case Western Reserve University:</i>				
NIH - CWRU - Mechanisms of Tubular Atrophy	93.847	RES516537	-	13,074
Total Assistance Listings #93.847			-	892,194
<i>National Institutes of Health:</i>				
NIH - Rational Design and testing of blood-brain-barrier shuttle peptide	93.853	R03NS135326	-	14,276
Total Assistance Listings #93.853			-	14,276
<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	-	45,438
Total Assistance Listings #93.855			-	45,438
<i>National Institutes of Health:</i>				
NIH - Sca-1 signaling, EPC, and the inflammatory response to septic infection	93.859	1R01GM132449	-	250,995
Total Assistance Listings #93.859			-	250,995
<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	30,496	365,147
NIH - The impact of a biomimetic nipple on infant performance during breast and bottle feeding	93.865	1R21HD105294	152,374	202,545
Total Assistance Listings #93.865			182,870	567,692
<i>National Institutes of Health:</i>				
NIH - The development effects of sex chromosomes and hormones specify microglial inflammation in Alzheimer's disease	93.866	1R01AG075897	-	395,409
NIH - Rates of brain acetylome remodeling in a mouse model of diabetes and tauopathy	93.866	1R21AG085590-01	-	40,803
NIH - Disruption of Sensory Pathways in Dementia Pathogenesis	93.866	R03AG087423	-	5,702
<i>Passed through GPN Therapeutics:</i>				
NIH - GPN Therapeutics - Osteoactivin Treatment for Accelerating Spinal Fusion in Osteoporosis	93.866	001	-	6,671
NIH - GPN - The Therapeutic Role of GPNMB in Osteoarthritis	93.866	SUBAWARD 002	-	19,756
<i>Passed through Kent State University:</i>				
NIH - KSU - Magnetothermal brain stimulation towards the rescue of beta-amyloid pathology	93.866	403073-NEOMED	-	33,925
NIH - KSU - Role of the ubiquitin E3 ligase HUWE1 in age-associated nonalcoholic fatty liver disease	93.866	403080-NEOMED	-	28,649
Total Assistance Listings #93.866			-	530,915
<i>Total National Institutes of Health</i>			536,405	8,466,817
<i>Substance Abuse and Mental Health Services Administration:</i>				
<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	-	24,755
Total Assistance Listings #93.959			-	24,755
<i>Total Substance Abuse and Mental Health Services Administration</i>			-	24,755
Total Department of Health and Human Services			536,405	8,491,572

Northeast Ohio Medical University

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	
			Expenses	
RESEARCH AND DEVELOPMENT CLUSTER (Continued)				
National Science Foundation				
<i>National Science Foundation:</i>				
NSF - Collaborative Research: The Origins of the Large Brains of Cetaceans	47.050	2142526	-	17,947
NSF - Collaborative Research: The Origin of the Large Brains of Cetaceans	47.050	2142526	-	118,946
Total Assistance Listings #47.050			-	136,893
<i>National Science Foundation:</i>				
NSF - Collaborative Research: Ecological Influences on Locomotor Performance in Free-Ranging Primates	47.075	1921314	-	65,755
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	-	3,355
NSF - Doctoral Dissertation Research: How primates assess risk while moving in the trees	47.075	2316841	-	7,182
Total Assistance Listings #47.075			-	76,292
Total National Science Foundation			-	213,185
Department of Defense				
<i>Department of Defense:</i>				
DOD - Exercise Effects on Synuclein Aggregation, Neuroinflammation, and Neurodegeneration	12.420	W81XWH1910772	10,000	63,458
DOD - USAMRAA - Modeling Cognitive Dysfunction in Parkinson's Disease and the Impact of Exercise	12.420	HT94252310540	-	221,246
<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	-	28,113
Total Department of Defense			10,000	312,817
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 546,405	\$ 9,017,574
TOTAL CLUSTERS			\$ 595,647	\$ 60,266,380
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 Point of Service Maintenance and Enhancement Award FY23	93.107	F-2023-14	153,620	179,364
HRSA - UT - Area Health Education Center Point of Service Maintenance and Enhancement Award	93.107	F-2023-14	314,764	418,505
Total Assistance Listings #93.107			468,384	597,869
<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	-	133,293
Total Assistance Listings #93.243			-	133,293
<i>Health Resources and Services Administration:</i>				
HRSA-Congressionally Directed Spending for Construction Projects-School of Dentistry	93.493	CE2C552860	-	85,707
Total Assistance Listings #93.493			-	85,707
<i>Health Resources and Services Administration:</i>				
HRSA - Resiliency: Caring for Ourselves While Caring for Others	93.732	U3NHP45402	219,487	703,819
Total Assistance Listings #93.732			219,487	703,819
<i>Health Resources and Services Administration:</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	T0BHP33103	50,140	343,659
Total Assistance Listings #93.884			50,140	343,659
<i>Substance Abuse and Mental Health Services Administration:</i>				
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
SAMHSA - OMHAS - FEP (OMHAS) Implementation Packages	93.958	2300327	-	(98)
SAMHSA - OMHAS - FEP (OMHAS) Implementation Packages (FY24)	93.958	2400187	-	199,657
SAMHSA - OMHAS - FEP (OMHAS) ECHO FY24	93.958	2400186	-	57,537
<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	-	20,990
SAMHSA - SUMMIT ADM - Criminal Justice Coordinating Center of Excellence - FY24	93.958	2400178	28,780	165,972
<i>Passed through Ohio Department of Mental Health and Addiction Services:</i>				
<i>Passed through Coleman Professional Services Inc.:</i>				
SAMHSA - OMHAS - COLEMAN - Coleman ABCR Consultation and Training Proposal (FY2024)	93.958	N/A	-	9,533
<i>Passed through Center for Families and Children:</i>				
SAMHSA - CFC - CMHC at The Centers for Families and Children	93.958	CFC-2	-	29,519
<i>Passed through State of Illinois Department of Mental Health:</i>				
<i>Passed through The Trilogy Inc:</i>				
SAMHSA - IDHS - Trilogy - Frist IL - Consultant and Training (FY24)	93.958	N/A	-	24,695
Total Assistance Listings #93.958			28,780	507,805
<i>Health Resources and Services Administration:</i>				
HRSA - Geriatrics Workforce Enhancement Program	93.969	U1QHP33073	557,098	798,730
Total Assistance Listings #93.969			557,098	798,730
Total Department of Health and Human Services			1,323,889	3,170,882

Northeast Ohio Medical University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Grant Number	Total Amount Provided to Subrecipients	
			Subrecipients	Expenses
OTHER PROGRAMS (Continued)				
Department of Justice				
<i>Department of Justice</i>				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
DOJ - OCJS - Byrne SCIP CJ CCoE	16.554	2022-SC-CIT-7024	-	58,730
Total Assistance Listings #16.554			-	58,730
<i>Department of Justice</i>				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
DOJ - OCJS - Piloting a Systems Collaboration Measure	16.738	2022-JG-E01-6963	-	25,333
DOJ - OCJS - JAG - CIT Training Expansion and Juvenile SIM Planning	16.738	2022-JG-C01-V6963	-	49,631
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
<i>Passed through University of Cincinnati:</i>				
DOJ - OCJS - UC - Montgomery County Familiar Faces Initiative Needs Assessment	16.738	015216-00002	-	15,526
Total Assistance Listings #16.738			-	90,490
<i>Department of Justice</i>				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
DOJ - OCJS - Criminal Justice CCoE/Substance Use Deflection - COSSUP	16.838	2023-CS-OTH-515	-	9,757
Total Assistance Listings #16.838			-	9,757
Total Department of Justice			-	158,977
TOTAL OTHER PROGRAMS			\$ 1,323,889	\$ 3,329,859
TOTAL EXPENDITURES OF FEDERAL PROGRAMS			\$ 1,919,536	\$ 63,596,239

Northeast Ohio Medical University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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, 2024. 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, 2024 consist of the following:

Cluster/Program Title	Assistance	Loan
	Listing	Loan
	Number	Balances
Federal Perkins Loan Program	84.038	\$ 132,371
Health Professional Student Loan Program - Loans to Disadvantaged Students	93.342	7,081,858
Health Professional Student Loan Program - Primary Care Loans	93.342	436,149
Health Professional Student Loan Program - Pharmacy Loans	93.342	1,031,263
Total		<u>\$ 8,681,641</u>

Northeast Ohio Medical University
Portage County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2024

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)?	Yes
(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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster: Federal Direct Student Loans Federal Perkins Loans Health Professional Student Loan Program Scholarships for Disadvantaged Students	Assistance Listing #s: 84.268 84.038 93.342 93.925
(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, 2024

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2024-001
Material Weakness – Recording of Endowments

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Generally accepted accounting principles (GAAP) require that, when permanent endowments or permanent fund principal amounts are included, restricted net position should be displayed in two additional components—expendable and nonexpendable. Nonexpendable net position is required to be retained in perpetuity.

Condition: In fiscal year 2003, management for the University did not properly identify an endowment agreement that should have been reported at the Northeast Ohio Medical University Foundation (Foundation) and was instead reported as an endowment of the University.

Context: A restatement of beginning net position was required to properly account for the endowment activity as if it were always recorded on the Foundation's books. As of July 1, 2023, the adjustment decreased restricted nonexpendable net position by \$4.8 million. Management posted the adjustment in the financial statements as a restatement of beginning net position as of July 1, 2023.

Cause: In fiscal year 2003, controls were not in place to ensure that an endowment was recorded properly on the books and records of the entity that received the donation. However, management did complete an assessment of its endowments and identified the error during the fiscal year 2024 audit.

Effect: The restatement described above was necessary to properly present the financial statements in accordance with GAAP.

Recommendation: We recommend that management implement policies and procedures for endowment funds that ensure that activity is recorded in accordance with GAAP.

Management's Response: During fiscal year 2024 new leadership of the Foundation undertook a review of University and Foundation endowments and discovered an endowment from fiscal year 2003 that was recorded on the University books and should have been recorded on the Foundation books. After consultation with the University Sr. Vice President of Operations and Finance, General Counsel, Controller, and the Foundation Board, it was determined that the endowment should be moved from the University to the Foundation to correct a mistake made in 2003 to properly account for the endowment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

NORTHEAST OHIO MEDICAL UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2024

Finding Number	Finding Summary	Status	Additional Information
2023-001	Significant Deficiency and Material Noncompliance: Mental and Behavioral Health Education and Training Grants	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 1/7/2025

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

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