

Northeast Ohio Medical University

FY24 Annual Filing

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NORTHEAST OHIO MEDICAL UNIVERSITY

General

Northeast Ohio Medical University (the “University”) is a public university of the State of Ohio (the “State”) focused on the interprofessional training of health professionals. The University, one of 14 state universities in the State, was created in 1973 pursuant to Ohio Revised Code Chapter 3350, and the University is accredited by The Higher Learning Commission (HLC). The University is located approximately 38 miles southeast of Cleveland, Ohio and approximately 14 miles east of Akron, Ohio. Located in the State of Ohio, County of Portage, Rootstown’s territory is roughly 27 square miles with a population of 8,602. Interstate highways I-76, I-77, state routes 14, 43, 44, 5 and 88 are all major thoroughfares for residents. Both the cities of Cleveland and Akron are easily accessible from Rootstown, Ohio. The University’s campus sits on over 120 acres.

The University consists of four colleges, including Medicine, Pharmacy, Dentistry and Graduate Studies, and offers the following degrees:

- Doctor of Medicine (M.D.)
- Doctor of Pharmacy (Pharm.D.)
- Doctor of Dental Surgery (D.D.S.)
- 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, the College of Dentistry was accredited in 2024, and the College of Graduate Studies was founded in 2010. The College of Dentistry received accreditation approval from the Commission on Dental Accreditation in August 2024. The first cohort of the College of Dentistry will begin classes in the Fall of 2025.

The University’s mission statement is: NEOMED harnesses diversity, innovation, and collaboration to create transformative leaders and improve health through education, discovery, and service.

Admissions and Enrollment

The University receives applications in excess of available seats for the Colleges of Medicine. The following table compares applications, new enrollment and total enrollment at the College of Medicine and College of Pharmacy, and enrollment for the College of Graduate Studies over the past five academic years:

	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023
College of Medicine					
Applications	4,112	4,095	4,671	5,108	4,659
Acceptances	188	261	305	343	346
Selectivity	5%	6%	7%	7%	7%
New Enrollment	149	165	158	172	174
Matriculations	79%	63%	52%	50%	50%
Total Enrollment	586	605	623	615	642
College of Pharmacy					
Applications	479	308	223	202	148
Acceptances	171	119	132	134	111
Selectivity	36%	39%	59%	66%	75%
Enrolled	92	90	55	64	47
Matriculations	54%	76%	42%	48%	42%
Total Enrollment	340	345	327	297	248
College of Graduate Studies					
Applications	21	70	108	92	192
Acceptances	21	46	65	81	114
Selectivity	100%	66%	60%	88%	59%
Enrolled	21	28	53	54	98
Matriculations	100%	61%	82%	67%	86%
Total Enrollment	33	34	61	70	115

Financial Information

General

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The statements utilize the flow of economic resources measurement focus and the accrual basis of accounting. Resources are classified into funds that reflect the specific activities, purpose, or restriction of the resources. Financial transactions are recorded into separate accounts within each fund.

The following Summary of Revenues, Expenses, and Changes in Net Assets for Fiscal Years 2020 through 2024 was derived from the University's audited financial statements. The Summary of Revenues, Expenses, and Changes in Net Assets should be interpreted in conjunction with the entire Audited Financial Statements for the Fiscal Year ended June 30, 2024, which has been provided separately.

Summary of Revenues, Expenses, and Changes in Net Position

	Fiscal Year				
	2020	2021	2022	2023	2024
OPERATING REVENUES					
Student tuition and fees ¹	\$36,200,418	\$40,544,021	\$42,170,385	\$42,853,226	\$46,424,033
Federal grants and contracts	12,970,360	16,033,873	14,283,305	14,162,652	17,161,731
State grants and contracts	903,402	1,740,410	1,222,532	1,046,784	3,573,886
Local grants and contracts	14,189	59,520	36,796	46,242	98,613
Private grants and contracts	3,756,321	2,983,380	3,054,902	2,599,072	3,315,434
Support from affiliates	--	--	--	5,000,000	23,480,000
Sales and services of departments	267,012	246,320	199,954	223,994	210,148
Sales and services of auxiliary enterprises	2,348,705	3,840,918	6,885,991	4,075,000	4,616,103
Other	422,216	313,435	224,262	73,725	440,588
Total operating revenues	\$56,882,623	\$65,761,877	\$68,078,127	\$70,080,695	\$99,320,536
OPERATING EXPENSES					
Educational and general					
Instruction and departmental research	\$24,672,789	\$19,651,024	\$21,702,480	\$25,108,632	\$24,550,438
Separately budgeted research	12,150,613	8,485,361	8,978,444	9,839,332	9,968,723
Public service	5,148,533	5,308,358	5,514,213	6,548,575	15,696,285
Academic support	8,970,336	6,944,071	7,125,831	9,121,260	10,647,537
Student services	2,547,307	178,540	1,555,600	2,743,205	2,647,360
Institutional support	11,743,077	4,956,732	7,777,152	10,237,098	12,613,659
Operation and maintenance of plant	7,902,944	6,511,490	6,826,879	8,256,609	7,064,049
Auxiliary enterprises	8,071,678	10,174,285	2,278,964	3,431,406	2,937,272
Depreciation and amortization	6,692,627	6,662,526	10,655,122	13,026,426	13,113,390
Total operating expenses	\$87,899,904	\$68,872,387	\$71,414,685	\$88,312,543	\$99,238,713
Operating (loss) income	(\$31,017,281)	(\$3,110,510)	(\$4,336,558)	(\$18,231,848)	\$81,823
NONOPERATING REVENUES (EXPENSES)					
State appropriations	\$25,007,566	\$25,682,738	\$25,705,174	\$28,136,330	\$29,236,471
Investment income	3,414,403	12,131,660	(9,000,621)	7,294,458	9,911,629
Interest expense	(1,922,539)	(1,984,327)	(4,136,811)	(5,549,774)	(5,118,857)
Loss on disposal of assets	(57,364)	(8,878)	(132,787)	--	(16,075)
Net nonoperating revenues	\$26,442,066	\$35,821,193	\$12,434,955	\$29,881,014	\$34,013,168
(LOSS) GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(\$4,575,215)	\$32,710,683	\$8,098,397	\$11,649,166	\$34,094,991
OTHER REVENUES, EXPENSES, GAINS OR LOSSES					
Capital appropriations and grants	\$1,218,859	\$1,985,747	\$1,017,075	\$4,556,623	\$4,270,845
Total other revenues, expenses, gains or losses	\$1,218,859	\$1,985,747	\$1,017,075	\$4,556,623	\$4,270,845
(DECREASE) INCREASE IN NET POSITION	(\$3,356,356)	\$34,696,430	\$9,115,472	\$16,205,789	\$38,365,836
NET POSITION AT BEGINNING OF YEAR	\$56,330,408	\$52,974,052	\$87,670,482	\$96,785,954	\$112,991,743
Error Correction	--	--	--	--	(4,886,689)
NET POSITION AT END OF YEAR	\$52,974,052	\$87,670,482	\$96,785,954	\$112,991,743	\$146,470,890

¹ Net of scholarships allowances of \$2,002,074, \$2,278,491, \$2,187,457, \$1,891,036, and \$1,620,503 for Fiscal Years 2020, 2021, 2022, 2023, and 2024, respectively.

Recent GASB Implementation

Effective July 1, 2014, the University adopted GASB Statement No. 68 (“GASB 68”), *Accounting and Financial Reporting for Pensions*, which is clarified by GASB Statement No. 71 (“GASB 71”), and, effective July 1, 2017, the University adopted *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 75 (“GASB 75”), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. GASB 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 71 is a clarification to GASB 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB 75 addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. For the Fiscal Years ended June 30, 2024, and 2023, the University recognized pension expense of \$3,002,271 and \$4,982,203, respectively, and recognized OPEB negative expense of \$196,619 and \$1,735,722, respectively, as a result of the application of GASB 68 and 75 relating to the University’s imputed share of net pension liability. For more information, see Note 9 and 10 to the University’s Audited Financial Statements for the fiscal year ended June 30, 2024, which have been provided separately.

Effective June 30, 2022, the University adopted GASB Statement No. 87 (“GASB 87”), *Leases*. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For the fiscal years ended June 30, 2024 and 2023, the balance of the University’s total right to use assets, net of amortization, was \$83,366,825 and \$87,205,987, respectfully. The balance of the University’s leases payable was \$86,809,950 and \$89,728,965 for fiscal years ended June 30, 2024 and 2023. For more information, see Notes 6 and 7 to the University’s Audited Financial Statements for the fiscal year ended June 30, 2024, which have been provided separately.

Effective June 30, 2023, the University adopted GASB Statement No. 96 (“GASB 96”), *Subscription-Based Information Technology Arrangements*, which improves accounting and financial reporting for subscriptions by governments. GASB 96 requires recognition of certain subscription assets and liabilities for subscriptions that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for subscription accounting based on the foundational principle that subscriptions are financings of the right to use an underlying asset. Under this statement, the lessee is required to recognize subscription liability and an intangible right to use subscription asset. The University leases IT software from others. These subscriptions have variable terms and require annual payments. As of June 30, 2024, the total amount of subscription assets, net of amortization, was \$1,173,426 and the total subscriptions payable was \$1,213,671. For more information, see Notes 6 and 7 of the University’s Audited Financial Statements for the fiscal year ended June 30, 2024, which have been provided separately.

Effective June 30, 2024, the University adopted 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 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.

Operating Budgets

The University adopted an operating budget for fiscal year 2025 using a zero-based budget methodology. College and University departments were instructed to submit the fiscal year 2025 budget based on what resources are needed to fund operations in alignment with the University's 2020 strategic plan rather than based off the prior year budget. The President and the Budget Committee (consisting of the Provost, Senior Vice President for Operations and Finance, Vice President of Strategy and Transformation, and Director of Budget) play an important role in reviewing budget requests and developing the final budget. The final budget is approved by the University's Board of Trustees.

The University divides its operating budget into a general fund budget and an auxiliary fund budget. The general fund budget includes expenditures supported by unrestricted resources, and the expenditures are classified according to their functional purpose, including instruction and departmental research, separately budgeted research, public service, academic support, institutional support, operation and maintenance of plant, student services, and student aid. The auxiliary fund budget encompasses Parking, the Bookstore, the NEW Center, Conference Services, the Medical Office Building, and Printing Services.

The Fiscal Year 2025 operating budget was approved by the Board in June 2024. Total budgeted revenues are \$100,355,801, comprised of the following sources:

Budgeted Revenue Source	Total Fiscal Year 2025 Budget
State Share of Instruction (SSI)	\$20,134,133
Other Income	2,773,443
Tuition, Fees and Other Student Charges	50,775,452
Affiliate Income	23,000,000
Transfers In from Other Funds	<u>3,672,773</u>
Total Education and General Funds Available	\$100,355,801

Budgeted revenue was determined using prior year actual state share of instruction (SSI) and projected enrollment for the 2024-25 academic year, applying conservative principles and methodologies. Current enrollment projections are in line with the projected enrollment for budgeting purposes.

The following is a summary of the University's Unrestricted Current Educational and General Fund actual revenues and expenditures on a cash, non-GAAP basis for the last five Fiscal Years, for which actual results are available:

Unrestricted Current Educational and General Fund
Internal Cash Basis, Non-GAAP Budgetary Figures

	Fiscal Year				
	2020	2021	2022	2023	2024
Revenues & Transfers In					
State of Ohio Support (State Share of Instruction)	\$19,936,971	\$20,432,841	\$20,393,047	\$20,703,059	\$21,201,154
Tuition, Fees, and Other Student Charges	37,948,409	41,791,497	43,286,947	44,031,925	47,324,902
Other	4,416,077	4,415,171	3,948,789	3,724,583	3,435,018
Transfers In	3,557,968	3,740,688	3,728,947	3,649,905	3,756,467
	\$65,859,425	\$70,380,197	\$71,357,729	\$72,109,472	\$75,717,541
Expenditures & Transfers Out					
Instructional & Departmental Research	\$19,506,655	\$17,107,366	\$18,395,357	\$20,848,042	\$19,635,464
Separately Budgeted Research	1,717,124	1,662,305	1,650,904	1,793,914	1,829,841
Academic Support	7,596,104	8,198,898	7,849,228	7,860,242	8,493,232
Institutional Support	10,972,016	9,171,440	9,243,961	10,216,756	11,281,541
Operations and Maintenance of Plant	6,155,273	5,580,448	6,217,290	6,452,739	6,133,270
Student Services	2,185,045	2,214,354	2,175,720	2,308,994	2,266,697
Student Aid	1,882,460	1,309,885	1,168,871	1,207,123	817,697
Undistributed	(369,297)	(1,269,839)	(1,177,954)	(1,442,673)	(893,964)
Transfers Out	9,547,859	13,982,048	17,630,441	17,782,502	18,684,452
	\$59,193,239	\$57,956,904	\$64,153,818	\$67,138,639	\$68,248,228
Increase to Cash Basis Net Assets	\$6,666,186	\$12,433,439	\$7,203,911	\$4,970,833	\$7,469,313

State Appropriations

The University receives state operating support in the form of state share of instruction, the clinical teaching subsidy, and other smaller line items. State appropriations represented approximately 33% of the University's Fiscal Year 2024 unrestricted revenue. The following table details the history of total unrestricted state appropriations in recent fiscal years:

Source	FY2020	FY2021	FY2022	FY2023	FY2024
State Share of Instruction	\$ 19,936,971	\$ 20,432,841	\$20,393,047	\$20,703,059	\$21,201,154
Clinical Teaching	2,773,357	2,844,469	2,844,469	2,844,469	2,930,000
Family Practice	500,551	581,970	600,439	534,409	542,269
Geriatric Medicine	69,091	70,863	70,863	70,863	73,000
Primary Care Residencies	214,968	243,386	213,175	200,164	211,198

State Share of Instruction ("SSI") for medical students is distributed through the Medical Model 2. The SSI support for the University's College of Medicine is based upon the full-time equivalent enrollment ("FTE"), with no enrollment caps in place. The allocation is based on an enrollment calculation of all state medical students utilizing a rolling three-year average.

SSI for pharmacy students is based upon annual student FTE numbers. The current State funding for the University's Colleges of Pharmacy and Graduate Studies is outcome based and utilizes the three-year average of course completions and degrees conferred. The formula methodology incorporates course completion, degree attainment, and other success factors.

Future State budget constraints could result in potential reductions in the level of SSI. The most significant factor affecting future periods is the amount of funding appropriated for the University by the State. Changes in State support are important both for its direct impact on University revenue and its indirect impact on the cost of tuition. The University believes it remains in solid financial condition and continues to position itself for financial resiliency using conservative budget practices that constrain spending and allocate resources where needed, funding reserves, and funding for planned future growth.

Tuition and Fees

The following table provides a recent history of tuition and fee rates:

	FY2020	FY2021	FY2022	FY2023	FY2024
<u>College of Medicine</u>					
In-State Tuition	\$38,101	\$39,470	\$40,180	\$41,687	\$43,563
Out-of-State Surcharge	38,101	39,470	40,180	41,687	43,563
General Fees	1,175	1,315	1,332	1,382	1,437
Other Fees	2,272	3,242	3,394	3,763	4,014
<u>College of Pharmacy</u>					
In-State Tuition	\$21,836	\$22,620	\$23,027	\$23,891	\$24,966
Out-of-State Surcharge	10,918	11,310	11,514	11,946	12,483
General Fees	1,175	1,315	1,332	1,382	1,437
Other Fees	2,678	2,172	2,759	2,950	3,056
<u>College of Graduate Studies</u>					
Master of Public Health					
Tuition	\$5,382	\$5,490	\$5,589	\$5,796	\$6,030
Out of State Surcharge	108	108	108	108	108
General Fee	162	180	198	207	207
Basic and Translational Biomedicine					
Tuition	5,0667	5,247	5,337	\$5,537	5,787
Out of State Surcharge	99	99	99	99	99
General Fee	351	396	405	420	432
MS Pharmacy Admin					
Tuition	5,067	5,247	5,337	5,537	-
Out of State Surcharge	99	99	99	99	-
General Fee	351	396	405	420	-
MA Medical Ethics & Humanities					
Tuition	5,067	5,067	5,337	5,537	5,787
Out of State Surcharge	99	99	99	99	99
General Fee	351	396	405	420	432
Master of Foundations of Medicine					
Tuition	5,067	5,247	5,337	5,537	5,787
Out of State Surcharge	99	99	99	99	99
General Fee	351	396	405	420	432
Master of Leadership in Health System Sciences					
Tuition	-	-	5,337	5,537	5,787
Out of State Surcharge	-	-	99	99	99
General Fee	-	-	405	420	432
MS in Global Health and Innovation	-				
Tuition	-	-	-	-	5,787
Out of State Surcharge	-	-	-	-	99
General Fee	-	-	-	-	432
Master of Medical Science in Anesthesia					
Tuition	-	-	7,605	7,890	8,244
Out of State Surcharge	-	-	99	99	99
General Fee	-	-	405	420	432

In addition, other fees specific to each year of the medical, pharmacy, or graduate studies curriculum are assessed, including, but not limited to, laboratory, software, examination, and malpractice fees.

Tuition rates for the third year of Medicine and the fourth year of Pharmacy are slightly higher than the above amounts due to the extended academic calendar during these years of the curriculum.

The State legislature caps tuition increases for undergraduate programs at public universities. However, the University is not restricted from increasing tuition rates because it provides only graduate and professional programs.

Tuition increases are determined based upon anticipated changes in both state subsidy and operating expenditures. The Board and the University administration are sensitive to the impact tuition increases have on our student body and their average indebtedness upon graduating from the University.

The chart below provides a recent history of Fiscal Year tuition and fee increases by percentage year over year:

Fiscal Year	College of Medicine	College of Pharmacy	College of Graduate Studies
2020	1.75%	1.75%	1.75%
2021	3.59%	2.59%	3.55%
2022	1.80%	2.00%	2.00%
2023	3.75%	3.75%	3.75%
2024	4.50%	4.50%	4.50%

Tuition increases are carefully evaluated prior to implementation. During the past five years, the University has kept tuition increases from 1.75% to 4.50% annually.

Comparative Costs

The following table illustrates the comparative annualized in-state and out-of-state first year student costs for Ohio's public medical universities for Fall 2023:

College of Medicine	Annualized In-State	Annualized Out-of-State
<i>NEOMED College of Medicine</i>	\$46,295	\$89,858
Ohio University	41,142	58,862
The Ohio State University	31,294	56,214
University of Cincinnati	35,612	54,470
University of Toledo	36,816	70,102
Wright State University	42,264	63,414

Source: Ohio Department of Higher Education Fall 2023 Tuition and Fees Survey

The following table illustrates the Fall 2023 academic year comparative in-state first year student costs for Ohio's public pharmacy universities:

College of Pharmacy	Instructional Fee	General/Other Fees	Total
<i>NEOMED College of Pharmacy</i>	\$24,966	\$2,596	\$27,562
The Ohio State University	26,066	988	27,054
University of Toledo	18,681	9,311	27,992
University of Cincinnati	22,740	1,678	24,418

Source: Ohio Department of Higher Education Fall 2023 Tuition and Fees Survey, University websites

To assist with tuition and fee costs, approximately 85% of students at the University receive financial aid.

The following table illustrates student aid in the five most recently completed Fiscal Years.

	Fiscal Year				
	2020	2021	2022	2023	2024
Scholarships and Grants†	\$2,650,315	\$2,800,272	\$2,717,034	\$3,060,477	\$2,720,334
Loans	\$35,642,656	\$41,026,526	\$43,685,531	\$47,015,936	\$49,616,190
Total Aid Disbursed	\$38,292,971	\$43,826,798	\$46,402,565	\$50,076,413	\$52,336,524
Total Receiving Aid	742	785	816	823	890
Total Enrollment	966	999	1029	1021	1048
Percentage Receiving Aid	77%	79%	79%	81%	85%

† Does not include student scholarship and aid data through the United States Army, Air Force and Navy.

Grants and Contracts

The University receives various sponsored project awards from Federal, State and other sources. The following table summarizes sponsored projects awards and expenditure data in recent Fiscal Years for which data is available.

Grants & Contracts	Fiscal Year				
	2020	2021	2022	2023	2024
Awards Received					
Total Number	92	101	86	93	98
Total Awards	\$20,210,000	\$17,590,000	\$14,300,000	\$20,287,000	\$23,220,252
Expenditures					
Total Expenditures	\$16,660,000	\$19,510,000	\$17,801,802	\$18,447,523	\$18,841,423

Indebtedness

As of June 30, 2024, the University had indebtedness secured by its pledge of General Receipts outstanding in the aggregate principal amount of \$68,690,000 comprised of General Receipts and Refunding Bonds, Series 2021A (the “Series 2021A Bonds”), General Receipts Refunding Bonds, Series 2021B (the “Series 2021B Bonds”) and General Receipts Bonds, Series 2022 (the “Series 2022 Bonds”). The Series 2021A Bonds have a final maturity of December 1, 2045, the Series 2021B Bonds have a final maturity date of December 1, 2042, and the Series 2022 Bonds have a final maturity date of December 1, 2043. Proceeds of the Series 2021A Bonds were issued to (i) refund the University’s General Receipts Bonds, Series 2010 for debt service savings, (ii) pay construction costs for the Medical Office Building (MOB) and the build out of the fourth floor of the University’s Research & Graduate Education Building, and the renovation of the Regula South Corridor for academic space, and (iii) pay costs of issuance in connection with the issuance of such General Receipts Bonds. The proceeds of the Series 2021B Bonds were issued to (i) currently refund a portion of the University’s General Receipts Bonds, Series 2011 for debt service savings, and (ii) pay costs of issuance in connection with the issuance of such General Receipts Bonds. The proceeds of the Series 2022 Bonds were issued to (i) defease the Series 2012 Portage County Port Authority tax-exempt bonds, (ii) purchase The Village student housing project from ERS Housing, LLC, and (iii) pay costs of issuance in connection with the issuance of such General Receipts Bonds.

In November 2012, ERS HWMEC LLC, a component unit of the University, issued a senior secured note in the amount of \$84,000,000. The proceeds of this note were used for the construction of a health, wellness, and medical education building (the “New Center”). The University leases the New Center from ERS HWMEC LLC, with such lease payments generally covering debt service due on the note and payable from, but not secured by, the General Receipts. The note has a final maturity of November 8, 2044, and, as of June 30, 2024, the balance outstanding was \$68,928,508. The noteholder’s rights to the payment of debt service are also secured by a mortgage on health, wellness, and medical education building. For more information, see Note 14 to the audited financial statements for the Fiscal Year ended June 30, 2024, which have been provided separately, including the principal and interest payment requirements for those obligations for the Fiscal Years subsequent to June 30, 2024.

The University leases facilities and equipment from others. These leases have variable terms and require monthly, quarterly, or annual payments. As of June 30, 2024, the balance of the University’s leases payable was \$86,809,950.

The University leases IT software from others. These subscriptions have variable terms and require annual payments. As of June 30, 2024, the total subscriptions payable was \$1,213,671.