Northeastern Ohio Universities Colleges of Medicine and Pharmacy

Single Audit Report
for the Year Ended
June 30, 2009

Mary Taylor, CPA
Auditor of State

Board of Trustees
Northeastern Ohio Universities College of Medicine and Pharmacy
4209 State Route 44
P. O. Box 95
Rootstown, Ohio 44272-0095

We have reviewed the *Independent Auditors' Report* of the Northeastern Ohio Universities College of Medicine and Pharmacy, Portage County, prepared by Maloney + Novotny LLC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 5, 2010

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NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY

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Maloney+Novotny LLC

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northeastern Ohio Universities Colleges of Medicine and Pharmacy
Rootstown, Ohio

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northeastern Ohio Universities Colleges of Medicine and Pharmacy (the "University") as of and for the years ended June 30, 2009 and 2008, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Management's Discussion and Analysis on pages 2 - 10 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2009 and 2008, and their respective changes in net assets and their respective cash flows where applicable for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Maloney + Novotny LLC

Cleveland, Ohio
November 12, 2009

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Northeastern Ohio Universities Colleges of Medicine and Pharmacy ("NEOUCOM" or "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2009 and 2008. 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

The University was established in 1973 by action of the Ohio General Assembly under Chapter 3350 of the Ohio Revised Code as a public institution of higher education as a freestanding, state-assisted, community-based medical school. The medical college partnered with The University of Akron, Kent State University, and Youngstown State University in its six-year Bachelor of Science/Doctor of Medicine (BS/MD) program. Undergraduate students are admitted into the BS/MD program and spend their first two years on the campuses of the consortium partner institutions. The students then matriculate to NEOUCOM and, after completion of the four-year medical program, are conferred with a BS/MD degree. In addition, the College of Medicine offers a Direct Entry program for students with pre-medicine degrees from institutions outside the consortium. The University does not have its own hospital – rather the University has established affiliation agreements with eight major hospitals in Akron, Canton and Youngstown to serve as the primary clinical sites for medical education.

In November, 2005, the Ohio Board of Regents approved the establishment of a Doctor of Pharmacy (PharmD) program at NEOUCOM. The University's Board of Trustees then approved establishment of a College of Pharmacy within NEOUCOM in December, 2005. The first class of pharmacy students began their studies in the fall of 2007. The College of Pharmacy has been awarded candidate accreditation status by the Accreditation Council for Pharmacy Education (ACPE). Full accreditation status is expected upon graduation of the first class of pharmacy students, in the spring of 2011.

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 Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement 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 revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provision of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the NEOUCOM Foundation ("the Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's financial statements. The Foundation has been excluded from Management's Discussion and Analysis.

The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. 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 non-operating revenues. 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 Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability to meet financial obligations as they mature.

Noteworthy Financial Activity

During fiscal year 2009, the University did not receive any state funding for the students in the Pharmacy program. Historically, state funding has been based on the prior two-year average of enrollment. The University was promised funding for the Pharmacy program based upon this revenue distribution formula.

In 2008 and 2009, due to declining revenues, the state elected to alter this format and distributed revenue as a percentage of existing revenue levels. Since this revised model failed to take into account our new Pharmacy program, no revenue was distributed. With no incremental state funding for the second consecutive year, for the Pharmacy program the ongoing operating expenses for this program resulted in an imbalance in the revenues and expenses. This is expected to be corrected in 2010.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2009 as compared to the previous year as evidenced by:

- The University's total assets increased over the prior year by $0.4 million. Current assets increased by $1.1 million, while non-current assets decreased $0.7 million. The increase to current assets reflects the ongoing budgetary practice to allow departments to carryover unspent operating funds for future academic program, research, or project needs.

- Cash, cash equivalents, and investments increased by $1.3 million.

- The University's net assets increased by $0.3 million to $69.8 million, of which $45.6 million is invested in capital assets or restricted. Of the remaining $24.2 million in unrestricted assets, all but $3.1 million is designated for specific purposes.

- Operating revenues increased by $2.1 million compared to the prior year primarily due to an increase of $2.5 million in student tuition and fees, almost half of which was attributable to incremental pharmacy program revenue.

- The University's operating expenses increased by $2.9 million primarily due to costs related to the PharmD program, which will continue to increase each year as the program grows. In addition, operating expenses increased due to the increased cost of group insurance benefits.

- Net non-operating revenue decreased by a net $1.4 million primarily due to a decrease in investment income from the prior year coupled with a slight increase in state operating appropriations.

- Other revenues, expenses, gains or losses decreased by approximately $0.7 million due to the timing of state appropriations for capital improvement projects.

Northeastern Ohio Universities Colleges of Medicine and Pharmacy
Condensed Statements of Net Assets
as of June 30, 2009, 2008 and 2007

	2009	2008	2007
ASSETS			
Current assets	$30,485,767	$29,338,637	$26,063,961
Noncurrent			
Capital	42,010,431	43,530,365	41,875,948
Other	5,253,724	4,445,286	4,171,825
Total assets	77,749,922	77,314,288	72,111,734
LIABILITIES			
Current liabilities	5,141,820	4,546,142	4,288,588
Noncurrent liabilities	2,827,984	3,303,573	1,614,868
Total liabilities	7,969,804	7,849,715	5,903,456
NET ASSETS			
Invested in capital assets, net of related debt	39,993,014	41,209,710	41,175,648
Restricted			
Nonexpendable	5,262,003	4,665,536	4,397,754
Expendable	354,317	255,729	369,354
Unrestricted	24,170,784	23,333,598	20,265,522
Total net assets	$69,780,118	$69,464,573	$66,208,278

2009 versus 2008

As of June 30, 2009, the University's current assets of $30.5 million were sufficient to cover current liabilities of $5.1 million (current ratio of 5.9:1). As of June 30, 2008, current assets of $29.3 million were sufficient to cover current liabilities of $4.5 million (current ratio of 6.5:1).

As of June 30, 2009, the University's capital assets decreased to $42.0 million from $43.5 million as of June 30, 2008 while other non-current assets increased to $5.3 million from $4.4 million.

At June 30, 2009, total University assets were $77.7 million, compared to $77.3 million at June 30, 2008.

University liabilities total $8.0 million at June 30, 2009 compared to $7.8 million at June 30, 2008. Current liabilities total $5.1 million and include accrued liabilities of $1.9 million ($829,000 owed to associated hospitals for clinical experiences and $494,000 owed to consortium universities for the collaborative academic programs) and approximately $1.2 million in accrued employee compensation and benefits.

Total net assets increased by $316,000 to $69.8 million. Unrestricted net assets total $24.2 million; 55.8 percent of which ($13.5 million) is designated for specific purposes, and 28.9 percent of which ($7.0 million) is allocated to reserves for ongoing academic and research programs, capital projects and other initiatives.

2008 versus 2007

As of June 30, 2008, the University's current assets of $29.3 million were sufficient to cover current liabilities of $4.5 million (current ratio of 6.5:1). As of June 30, 2007, current assets of $26.1 million were sufficient to cover current liabilities of $4.3 million (current ratio of 6.1:1).

As of June 30, 2008, the University's capital assets increased to $43.5 million from $41.9 million as of June 30, 2007 while other non-current assets increased to $4.4 million from $4.2 million.

At June 30, 2008, total University assets were $77.3 million, compared to $72.1 million at June 30, 2007.

University liabilities total $7.8 million at June 30, 2008 compared to $5.9 million at June 30, 2007. The increase was primarily due to the capital lease used to purchase the adjacent land parcel. Current liabilities total $4.5 million and include accrued liabilities of $2.1 million ($1.3 million owed to associated hospitals for clinical experiences, and $557,000 owed to consortium universities for the collaborative academic programs) and approximately $1.1 million in accrued employee compensation and benefits.

Total net assets increased by $3.3 million to $69.5 million. Unrestricted net assets total $22.8 million; 41.7 percent of which ($9.5 million) is designated for specific purposes, and 42.5 percent of which ($9.7 million) is allocated to reserves for ongoing academic and research programs, capital projects and other initiatives.

Northeastern Ohio Universities Colleges of Medicine and Pharmacy
Condensed Statements of Revenues, Expenses and Changes in Net Assets
for the years ended June 30, 2009, 2008, and 2007

	2009	2008	2007
Revenues			
Tuition and Fees	$18,370,782	$15,877,051	$13,541,657
State appropriations	16,546,813	15,885,475	15,642,878
Federal, state, local and private grants and contracts	6,560,868	7,062,521	7,120,211
Auxiliary activities	870,781	820,005	692,548
Other	139,762	2,880,985	4,517,727
Total revenues	42,489,006	42,526,037	41,515,021
Expenses			
Instruction	14,951,162	14,000,333	11,675,053
Research	4,639,976	4,165,500	3,767,498
Academic Support	4,753,247	4,890,372	4,412,793
Institutional support	6,917,988	5,946,938	6,334,992
Scholarships and fellowships	110,363	130,799	98,146
Other	10,800,725	10,135,800	8,979,092
Total expenses	42,173,461	39,269,742	35,267,574
Increase in net assets	$ 315,545	$ 3,256,295	$ 6,247,447

2009 versus 2008

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Tuition and fee revenues grew during fiscal year 2009 as compared to 2008 by 15.7 percent. These increases were a result of a combination of increases in rates for tuition and student fees and the addition of a second pharmacy class.

Operating expenditures, including depreciation of $3.9 million, totaled $42 million, an increase from the prior year of $2.9 million, or 7.3 percent.

Non-capital state appropriations were the most significant non-operating revenue totaling $16.5 million, an increase over 2008 of 4.2 percent.

2008 versus 2007

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Tuition revenues grew during the fiscal year 2008 as compared to 2007 by 17.2 percent. These increases were a result of a combination of increases in rates for tuition and other student fees and the addition of pharmacy students.

Operating expenditures, including depreciation of $3.7 million, totaled $39.2 million, an increase from the prior year of $4 million, or 11.3 percent.

Noncapital state appropriations were the most significant non-operating revenue totaling $15.9 million, an increase over 2007 of 1.6 percent.

Northeastern Ohio Universities Colleges of Medicine and Pharmacy
Condensed Statements of Cash Flows
for the years ended June 30, 2009, 2008, and 2007

	2009	2008	2007
Cash provided by/(used in):			
Operating activities	$(12,133,417)	$(10,879,896)	$(10,121,293)
Investing activities	(2,627,226)	(15,182,087)	(4,193,835)
Capital and related financing activities	(1,568,336)	(1,568,785)	(1,849,198)
Noncapital financing activities	16,546,813	15,885,475	15,642,878
Net increase/(decrease) in cash and cash equivalents	217,834	(11,745,293)	(521,448)
Cash and cash equivalents, beginning of year	6,159,331	17,904,624	18,426,072
Cash and cash equivalents, end of year	$ 6,377,165	$ 6,159,331	$ 17,904,624

2009 versus 2008

Major sources of cash included student tuition and fees ($18.1 million), state appropriations ($16.5 million), auxiliary activities ($0.8 million) and grants and contracts ($6.5 million). The largest payments were for suppliers ($12.5 million) and employees ($24.1 million).

2008 versus 2007

Major sources of cash included student tuition and fees ($15.9 million), state appropriations ($15.9 million), auxiliary activities ($0.8 million) and grants and contracts ($6.8 million). The largest payments were for suppliers ($10.8 million) and employees ($22.3 million).

Capital Asset and Debt Administration

Capital Assets

At the end of 2009, the University had invested $42.0 million in capital assets (net of accumulated depreciation of $46.3 million); this amount represents a decrease of $1.5 million, or 3.4 percent, from last year, primarily due to depreciation.

At the end of 2008, the University had invested $43.5 million in capital assets (net of accumulated depreciation of $43.5 million); this amount represents an increase of $1.6 million, or 4 percent, from last year, primarily due to the purchase of land.

	2009	2008	2007
Land	$ 2,108,971	$ 2,108,971	$ 298,200
Equipment, furnishings, and library materials	26,992,121	26,584,279	24,233,261
Buildings, infrastructure, improvements, and construction in progress	59,258,741	58,305,583	57,471,398
Total	$88,359,833	$86,998,833	$82,002,859

More detailed information about the University's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

At June 30, 2009, the University had $1,992,413 in outstanding capital lease obligations, a decrease of 13.0 percent from the prior year due to annual payments. At June 30, 2008, the University had $2,291,713 in outstanding capital lease obligations, an increase of 227.3 percent over the prior year due to a capital lease to purchase land. More detailed information about the University's long-term liabilities is presented in Notes 5 and 6 to the financial statements.

Factors Affecting Future Periods

The most significant factor affecting future periods is the amount of funding appropriated for Northeastern Ohio Universities Colleges of Medicine and Pharmacy by the State of Ohio. Changes in state support are important both for its direct impact on University revenues and its indirect impact on the cost of tuition.

Historically, state funding in Ohio has been full-time equivalent based, and subsidy eligible enrollment for medical schools has been statutorily capped. Thus in periods of flat or declining state funding, the University had been negatively impacted when enrollments at other state-assisted public schools were growing. A departure from that methodology occurred in FY 08 and will also occur in FY 09, as appropriation increases were applied equally across the board to institutions based on FY 07 amounts, as opposed to adjusting for enrollment shifts. In addition, the methodology for allocating state appropriations to public institutions in Ohio is currently under review and is expected to change again for FY 10. During calendar year 2008, Ohio Board of Regents Chancellor Eric Fingerhut commissioned a subsidy consultation group to study ways to align state support of higher education more with the outcome measures detailed in his strategic plan for higher education in the state. The recommendations of the consultation group centered on a movement away from distributions based on inputs such as full-time equivalent (FTE) student enrollment and toward outcome measures such as course completions and degrees conferred.

At this point, it is expected that the new formula allocation methodology, if accepted and endorsed by the Chancellor, will have very little impact on a per FTE basis to NEOUCOM's subsidy revenues for both the College of Medicine and the College of Pharmacy. What we can expect is a larger allocation from the state as the Pharmacy program becomes eligible for subsidy payments. That allocation will continue to grow as the Pharmacy enrollment increases. In addition, further review of the statutory caps on medical eligible enrollments is expected. Should those statutory caps be adjusted, NEOUCOM's subsidy for medical education could be positively impacted as well.

Opportunities for future enrollment growth for the College of Medicine hinge on the availability of increased state funding. The 127th Ohio General Assembly House Bill 562 called for the addition of Cleveland State University to the list of institutions partnering in NEOUCOM's medical program. In order for the medical class size to increase to accommodate the addition of Cleveland State students, incremental subsidy revenues will be required to ensure sufficient resources in accordance with accreditation requirements, as well as to ensure the financial health of the University. Any class size increases will be in accordance with accreditation requirements as specified by the Liaison Committee on Medical Education (LCME) of the American Association of Medical Colleges (AAMC). Based on projected physician shortages by 2015, the AAMC recently issued a call for all American medical schools to consider increasing class size by up to thirty percent. However, without incremental state subsidy, the current class size of the medical program will not be increased to accommodate Cleveland State students.

With the introduction of the Pharmacy program students and faculty onto the Rootstown campus, facility and space needs continue to grow. NEOUCOM is currently in the process of a ten year Campus Master Plan and will be exploring sources of funding to include issuance of debt, private gifts, and special state and federal appropriations, to enable necessary renovation, reconfiguration and expansion of academic instructional and research space. The full campus master plan is expected to be completed by the end of calendar year 2009.

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY
STATEMENTS OF NET ASSETS
JUNE 30, 2009 and 2008

	NEOUCOM June 30, 2009	NEOUCOM June 30, 2008	Component Unit NEOUCOM Foundation June 30, 2009	Component Unit NEOUCOM Foundation June 30, 2008
ASSETS				
Current assets				
Cash and cash equivalents	$ 5,849,435	$ 5,371,654	$ 171,202	$ 424,276
Investments	21,648,730	21,475,000		
Accounts receivable	2,273,421	1,633,380	-	5,607
Inventories	156,812	127,222		
Prepaid expenses and deferred charges	470,128	511,131		
Pledges receivable			348,875	371,480
Notes receivable	87,241	220,250		
Total current assets	30,485,767	29,338,637	520,077	801,363
Noncurrent assets				
Cash-restricted	527,730	787,677		
Long term investments	1,281,115	414,344	8,828,706	10,930,585
Funds held in trust			1,421,501	2,142,439
Pledges receivable			1,181,617	1,476,581
Notes receivable	3,444,879	3,243,265	393,135	415,787
Capital assets, net	42,010,431	43,530,365		
Total noncurrent assets	47,264,155	47,975,651	11,824,959	14,965,392
Total assets	77,749,922	77,314,288	12,345,036	15,766,755
LIABILITIES				
Current liabilities				
Accounts payable	925,289	539,232		
Accrued compensation and benefits	1,248,573	1,082,658		
Deferred revenue	752,754	506,755		
Other accrued liabilities	1,899,599	2,118,197	272,934	85,777
Capital lease obligations	315,605	299,300		
Total current liabilities	5,141,820	4,546,142	272,934	85,777
Noncurrent liabilities				
Compensated absences	1,087,241	1,311,160		
Annuity obligations			156,953	160,482
Post employment benefits	63,935	-		
Capital lease obligations	1,676,808	1,992,413		
Total noncurrent liabilities	2,827,984	3,303,573	156,953	160,482
Total liabilities	7,969,804	7,849,715	429,887	246,259
NET ASSETS				
Invested in capital assets, net of related debt	39,993,014	41,209,710		
Restricted				
Nonexpendable				
Student loans	4,059,850	4,251,192	719,251	730,642
Endowments	1,202,153	994,344	7,534,494	7,480,491
Annuity and life income			45,686	111,710
Expendable				
Current operations	354,317	255,729	4,959,139	6,897,566
Unrestricted	24,170,784	22,753,598	(1,343,421)	300,087
Total net assets	$ 69,780,118	$ 69,464,573	$ 11,915,149	$ 15,520,496

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

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 and 2008

	NEOUCOM		Component Unit NEOUCOM Foundation	
	2009	2008	2009	2008
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $223,617 and $176,859, respectively)	$ 18,370,782	$ 15,877,051	$ -	$ -
Federal grants and contracts	3,390,404	3,060,413		
State grants and contracts	1,957,074	2,291,444		
Local grants and contracts	-	10,000		
Private grants and contracts	1,213,390	1,700,664		
Contributions and bequests			519,369	1,002,885
In-kind contributions from NEOUCOM			457,157	423,475
Sales and services of departments	561,783	553,751		
Sales and services of auxiliary enterprises	870,781	820,005		
Other	105,425	74,320	125,270	52,938
Total operating revenues	26,469,639	24,387,648	1,101,796	1,479,298
OPERATING EXPENSES				
Educational and general				
Instruction and departmental research	14,951,162	14,000,333	80,620	101,402
Separately budgeted research	4,639,976	4,165,500	48,620	38,171
Public service	372,368	269,648	343,513	68,966
Academic support	4,753,247	4,890,372	578,840	817,161
Student services	1,639,487	1,541,281		
Institutional support	6,917,988	5,946,938	777,937	745,468
Operation and maintenance of plant	3,591,135	3,579,301	47,288	98,810
Scholarships and fellowships	110,363	130,799	290,019	310,111
Auxiliary enterprises	1,122,872	977,142		
Depreciation	3,945,208	3,667,381		
Total operating expenses	42,043,806	39,168,695	2,166,837	2,180,089
Operating loss	(15,574,167)	(14,781,047)	(1,065,041)	(700,791)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	16,546,813	15,885,475		
Investment income (loss)	(1,593,416)	451,434	(2,600,260)	(1,181,318)
Interest expense	(132,956)	(41,699)		
Gain (loss) on disposal of capital assets	3,301	(59,348)		
Net nonoperating revenues (expenses)	14,823,742	16,235,862	(2,600,260)	(1,181,318)
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(750,425)	1,454,815	(3,665,301)	(1,882,109)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
Capital appropriations and grants	789,279	1,801,480		
Contributions permanently restricted	276,691	-	59,954	49,371
Total other revenues, expenses, gains or losses	1,065,970	1,801,480	59,954	49,371
INCREASE (DECREASE) IN NET ASSETS	315,545	3,256,295	(3,605,347)	(1,832,738)
NET ASSETS AT BEGINNING OF YEAR	69,464,573	66,208,278	15,520,496	17,353,234
NET ASSETS AT END OF YEAR	$ 69,780,118	$ 69,464,573	$ 11,915,149	$ 15,520,496

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

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 18,114,549	$ 15,918,909
Grants and contracts	6,460,084	6,759,051
Employee compensation	(24,079,904)	(22,332,744)
Payments to suppliers	(12,489,029)	(10,795,222)
Payments for utilities	(1,476,067)	(1,429,176)
Payments for student financial aid	(77,869)	(130,799)
Student loan advances	(359,780)	(550,134)
Student loan repayments	258,681	279,763
Sales and services of auxiliary enterprises	840,527	823,681
Sales and services of departments	559,332	510,297
Other operating receipts	116,059	66,478
Net cash and cash equivalents used in operating activities	(12,133,417)	(10,879,896)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	16,546,813	15,885,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	733,636	2,251,090
Capital gifts and grants	321,323	311,944
Purchases of capital assets	(2,191,039)	(3,912,478)
Principal paid on capital leases	(299,300)	(184,471)
Interest paid on capital leases	(132,956)	(34,870)
Net cash and cash equivalents used in capital and related financing activities	(1,568,336)	(1,568,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	(1,564,505)	494,719
Sale of investments	39,206,235	51,720,936
Purchase of investments	(40,268,956)	(67,397,742)
Net cash and cash equivalents used in investing activities	(2,627,226)	(15,182,087)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	217,834	(11,745,293)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,159,331	17,904,624
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 6,377,165	$ 6,159,331

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

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 and 2008

	2009	2008
RECONCILIATION OF OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Operating loss	$ (15,574,167)	$ (14,781,047)
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities		
Depreciation	3,945,208	3,667,381
Changes in assets and liabilities		
Accounts receivable	(635,721)	(40,069)
Inventories	(29,590)	(24,149)
Prepaid expenses and deferred charges	38,947	(89,559)
Notes receivable	(68,605)	(270,371)
Accounts payable	339,394	145,966
Accrued compensation and benefits	5,931	152,223
Deferred revenue	245,999	(261,321)
Other accrued liabilities	(400,813)	621,050
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	$ (12,133,417)	$ (10,879,896)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:

	2009	2008
Cash and cash equivalents	$ 5,849,435	$ 5,371,654
Cash-restricted	527,730	787,677
Total cash and cash equivalents at end of the year	$ 6,377,165	$ 6,159,331

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Northeastern Ohio Universities Colleges of Medicine and Pharmacy (hereinafter referred to as "NEOUCOM" 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"). 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 NEOUCOM has transformed into a freestanding, state university operating community-based colleges in medicine and pharmacy. The medical college offers a combined Bachelor of Science and Medical Degree program in an educational consortium with three other state-funded universities, namely, The University of Akron, Kent State University, and Youngstown State University. A fourth institution, Cleveland State University has recently been added as a future "feeder school".

Faculties as the consortium universities provide the first two years of undergraduate arts and sciences curriculum, and the NEOUCOM faculty provides the medical curriculum on the Rootstown campus and in the associated clinical hospitals and health departments. Associated community hospitals serve as a base for clinical education with more than 1,700 practicing physicians providing the instruction during the clinical years.

The associated community hospitals and health department are:

Major Teaching Hospitals and Health Department:

Akron Children's Hospital
Akron General Medical Center
Aultman Hospital, Canton
Barberton Citizens Hospital
Forum Health, Youngstown
Humility of Mary Health Partners, Youngstown
Mercy Medical Center, Canton
Summa Health System Hospital, Akron
Akron Health Department

The University is governed by an eleven-member board of trustees appointed by the Governor, two of which are students of the University.

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 the NEOUCOM Foundation ("Foundation"). The Foundation, which is a discretely presented component unit of the University as determined in accordance with the provisions of the Governmental Accounting Standards Board ("GASB") Statement 39, is described more fully in Note 12. The Foundation is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Furthermore, in accordance with GASB Statement No. 39, the Foundation is reported in a separate column on the University's financial statements to emphasize that it is legally separate from the University. The Foundation is a not-for-profit organization 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 NEOUCOM Foundation, 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:
- *Statement of Net Assets*
- *Statement of Revenues, Expenses, and Changes in Net Assets*
- *Statement 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. Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue and State capital appropriations are recognized only to the extent expended. Non-capital State appropriations are recognized as revenue in the year appropriated.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected to not apply FASB statements and interpretations issued after November 30, 1989.

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.

Investments
In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the University's investments are reported at fair value based on market quotations.

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

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

Capital Assets

Capital assets include land and infrastructure assets such as roads and sidewalks, buildings and improvements, equipment with an original cost of $2,500 or more, and all library materials. Such assets are recorded at cost at the date of acquisition, or if acquired by gift, at an estimated fair value at the date of donation. Interest expense relating to construction is capitalized net of interest income on resources set aside for that purpose.

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

Asset	Estimated Useful Life
Buildings and improvements	20 – 40 Years
Infrastructure	20 Years
Furnishings and movable equipment	3 – 7 Years
Library materials	10 Years

Compensated Absences

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

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

Operating Revenues

Operating revenues of the University principally consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises. Revenues related to noncapital financing activities (including State appropriations), capital and related financing activities, and investing activities are reported as nonoperating revenues.

Deferred Revenues

Deferred revenues represent unspent (and therefore unearned) revenues from various restricted grants and contracts.

Net Asset Classifications

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

Invested in Capital Assets, Net of Related Debt – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Nonexpendable – net assets whose use is subject to externally imposed stipulations that they be maintained permanently by the University.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the notes to financial statements. Actual results could differ from those estimates.

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
- Certificates of deposits
- 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 market funds

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 at the PNC Bank, NA or Wachovia Bank, NA in "book entry" form. 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, 2009 and 2008 are summarized as follows:

	June 30, 2009	June 30, 2008
University's book value (overdraft)	$(254,813)	$(159,804)
Cash on hand	7,333	6,013
Bank balances	538,814	293,720

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

Custodial credit risk – deposits. Custodial risk is the risk that in the event of a bank failure, the University's deposits would not be returned. Of the bank balances at June 30, 2009 and 2008, $250,000 and $100,000 were covered by federal depository insurance and $288,814 and $193,720, respectively, were uncollateralized as defined by the GASB.

The University's investments, at fair value, at June 30, 2009 and 2008 are summarized as follows:

	June 30, 2009	June 30, 2008
Money market funds	$ 1,060,621	$ 25,365
U.S. government obligations	15,104	12,541
U.S. government agency obligations	60,223	94,379
Corporate bonds and notes	40,800	34,257
Fixed income mutual funds	13,956,181	14,970,707
Equities	4,708,527	7,245,340
BlackRock	5,827,098	-
State Treasury Asset Reserve of Ohio	2,646,028	14,247
Commonfund Short Term Fund	1,239,908	5,811,583
Total Investments	$29,554,490	$28,208,419

As of June 30, 2009, the University held approximately $1.6 million in the Commonfund Short Term Fund and Absolute Return Fund (included in Equities above) which were being liquidated by its trustee. These funds will be available as the investments mature. It is anticipated that the balance of the fund will be redeemed within 12 months. The University believes that the closing of the Funds will not disrupt current operations. Commonfund Short Term Fund is a bank common trust established and maintained by Law Debenture as Trustee Bank. Investments in the Commonfund Short Term Fund do not constitute FDIC-insured deposits. Participation is restricted to members of the Commonfund.

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, 2009 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 15,104	$ -	$ 5,930	$ 8,025	$ 1,149
U.S. government agency obligations	60,223	-	-	1,085	59,138
Corporate bonds and notes	40,800	-	15,450	16,043	9,307
Total	$116,127	$ -	$21,380	$25,153	$69,594

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

The credit ratings for the University's interest bearing investments, as rated by Standard & Poor's, at June 30, 2009 were as follows:

Credit Rating (S & P)	Total	U.S. Government Obligations	U.S. Agency Obligations	Corporate Bonds and Notes
AAA	$ 75,327	$15,104	$60,223	$ -
AA	2,920	-	-	2,920
A	19,057	-	-	19,057
BBB	18,823	-	-	18,823
Total	$116,127	$15,104	$60,223	$40,800

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 ten percent in any single issue, except the investments of U.S. Government securities.

Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2009, the University had no exposure to foreign currency risk.

3. ACCOUNTS AND NOTES RECEIVABLE

The following is a summary of accounts and student notes receivable at June 30, 2009 and 2008:

	June 30, 2009	June 30, 2008
Student notes	$3,532,120	$3,463,515
Grants and contracts	1,803,369	1,422,858
Sales and services	453,037	183,822
Tuition and fees	17,015	26,700
Total	$5,805,541	$5,096,895

Federal Family Education Loans processed for students by the University during the years ended June 30, 2009 and 2008 totaled $19,722,072 and $16,857,210, respectively. The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the University's financial statements.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	July 1, 2008 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2009 Ending Balance
Land	$ 2,108,971	$ -	$ -	$ 2,108,971
Infrastructure	1,605,051	32,785	-	1,637,836
Buildings	56,622,934	672,594	72,567	57,368,095
Furnishings and movable equipment	14,553,901	910,341	(1,078,189)	14,386,053
Library materials	12,030,378	575,690	-	12,606,068
Construction in progress	77,598	252,810	(77,598)	252,810
Total historical cost	86,998,833	2,444,220	(1,083,220)	88,359,833
Less: Total accumulated depreciation	43,468,468	3,945,208	(1,064,274)	46,349,402
Total capital assets, net of depreciation	$43,530,365	$(1,500,988)	($ 18,946)	$42,010,431

Capital asset activity for the year ended June 30, 2008 was as follows:

	July 1, 2007 Beginning Balance	Additions	Retirements and CIP Transfers	June 30, 2008 Ending Balance
Land	$ 298,200	$1,810,771	$ -	$ 2,108,971
Infrastructure	1,605,051	-	-	1,605,051
Buildings	53,796,359	1,251,770	1,574,805	56,622,934
Furnishings and movable equipment	12,740,620	1,681,077	132,204	14,553,901
Library materials	11,492,641	580,484	(42,747)	12,030,378
Construction in progress	2,069,988	74,360	(2,066,750)	77,598
Total historical cost	82,002,859	5,398,462	(402,488)	86,998,833
Less: Total accumulated depreciation	40,126,911	3,667,381	(325,824)	43,468,468
Total capital assets, net of depreciation	$41,875,948	$1,731,081	($ 76,664)	$43,530,365

5. CAPITAL LEASE OBLIGATIONS

The University has entered into various noncancelable equipment and land lease agreements. These leases are accounted for as capital leases and are secured by capital assets with a total net book value at June 30, 2009 of $2,710,161. Payments of $299,300 were made under the agreements during the year ended June 30, 2009.

Future minimum lease payments subsequent to June 30, 2009 are summarized as follows:

Fiscal Year	Principal	Interest	Total
2010	$ 315,605	$ 88,832	$ 404,437
2011	221,825	72,942	294,767
2012	119,280	65,816	185,096
2013	124,851	60,245	185,096
2014	130,682	54,414	185,096
thereafter	1,080,170	187,862	1,268,032
Total	$1,992,413	$530,111	$2,522,524

6. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2009 and June 30, 2008, are as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion	Non-current Portion
Compensated absences	$1,749,377	$374,396	$541,167	$1,582,606	$495,365	$1,087,241
Post-employment benefits	-	63,935	-	63,935	-	63,935
Capital lease obligations	2,291,713	-	299,300	1,992,413	315,605	1,676,808
Total long-term liabilities	$4,041,090	$438,331	$840,467	$3,638,954	$810,970	$2,827,984

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion	Non-current Portion
Compensated absences	$1,435,941	$ 475,627	$162,191	$1,749,377	$438,217	$1,311,160
Capital lease obligations	700,300	1,775,884	184,471	2,291,713	299,300	1,992,413
Total long-term liabilities	$2,136,241	$2,251,511	$346,662	$4,041,090	$737,517	$3,303,573

7. COMMITMENTS AND CONTINGENCIES

The University has entered into various contractual service agreements with its consortium universities, associated hospitals and health department primarily for clinical instruction and for research and other services. For fiscal years ended June 30, 2009 and 2008, these instructional expenses relating to contracts totaled $3,779,894 and $3,110,075, respectively. At June 30, 2009 and 2008, the University had recorded accrued liabilities of $779,390 and $1,298,738, respectively, which represented unbilled services rendered by the related organizations under these contracts.

The University receives grants and contracts from certain federal, state, and private agencies to fund research and other programs. The costs, both direct and indirect, which have been charged to the grant or contract, are audited annually in accordance with Office of Management and Budget Circular A-133. Such audits are subject to the approval of the granting agency, which reserves the right to conduct further examinations. It is the opinion of the University's management that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

8. OTHER POST-EMPLOYMENT BENEFITS

A. Background

Beginning in fiscal year 2009, the University implemented GASB Statement No. 45 for other post-employment benefits ("OPEB") offered to retirees. This standard addresses how local governments and universities should account for and report their costs related to post-employment health care and other non-pension benefits. Historically, the University costs were funded on a pay-as-you-go basis but GASB 45 requires that the University accrue the cost of retiree health care costs and other post-employment benefits during the period of the employee's active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the University. This funding methodology mirrors the funding approach used in pension benefits.

B. Plan Description

Northeastern Ohio Universities Colleges of Medicine and Pharmacy's plan provides healthcare insurance for the spouses and legal dependents of retirees hired prior to January 1, 1992 and who retired from NEOUCOM after working for at least ten years. Any spouses or legal dependents of retirees hired after January 1, 1992 are not eligible for health care benefits after retirement.

This plan only covers the spouses and legal dependents of the retirees. The retirees are eligible for health care insurance coverage through the Ohio Public Employees Retirement System or the State Teachers Retirement System unless they chose an alternative retirement plan.

In addition, life insurance is provided by NEOUCOM for all retired employees regardless of hire date. Retirees with 10 or more years of service receive $4,000 of life insurance coverage and those with less than 10 years of service receive $1,000 of life insurance coverage.

C. Funding Policy

NEOUCOM pays 100% of the health care coverage for spouses and dependents of retirees and retiree's life insurance. The University has chosen to fund the post-employment benefits on a pay-as-you-go basis.

D. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits under GASB 45 is called the annual required contribution ("ARC"). The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of NEOUCOM's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in NEOUCOM's net OPEB obligation for the life and healthcare benefits based on an interest rate of 6% and amortizing the unfunded actuarial liability over thirty years:

Annual required contribution	$389,688
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	389,688
Employer contribution (pay-as-you-go)	325,753
Net cash contribution	-
Increase in net OPEB obligation	63,935
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ 63,935
Actuarial Contribution Rate	83.59%

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The valuation of the liability as of June 30, 2009 is based only on the spouses and legal dependents of employees and retirees hired prior to January 1, 1992, with at least ten years of service at NEOUCOM for health care benefits and all retirees and active employees for life insurance. Using the actuarial assumptions, the number of retired participants is projected each year in the future. Costs are projected for each year at each age using the trend and aging assumptions. Retiree post employment benefit expenses are determined under the Projected Unit Credit actuarial cost method. Under this method, benefits are projected for life and their present value is determined.

Schedule of Funding Progress for the Retiree Health and Life Insurance Plans

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
06/30/09	$0	$4,593,702	$4,593,702	0.0%	$3,791,167	121.17%

NEOUCOM implemented GASB 45 in fiscal year 2009, therefore six years of data is not available, but will be accumulated over time. This valuation has been calculated using the Projected Unit Credit actuarial cost method, discount rates of 6.0%, and the initial unfunded actuarial liability is amortized over 30 years based on a level percent of payroll method on covered payroll. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from hire date to the full eligibility date.

9. EMPLOYEE BENEFIT PLANS

Retirement Plans

Retirement benefits are available to substantially all University employees by participation in the Ohio Public Employees Retirement System ("OPERS"), the State Teachers Retirement System of Ohio ("STRS"), or an Alternative Retirement Plan ("ARP").

OPERS and STRS are statewide, cost-sharing, multiple-employer defined benefit pension plans. OPERS and STRS provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by state statute. Both OPERS and STRS issue separate, publicly available financial reports that include financial statements and required supplementary information.

The OPERS financial report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6702, or 1-800-222 OPERS (7377) or visiting their website at www.OPERS.org. The STRS financial report may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (888) 227-7877 or visiting their website at www.strsoh.org.

The Ohio Revised Code provides statutory authority for employee and employer contributions to OPERS and STRS. For OPERS, the required, actuarially determined contribution rates for plan members and the University are 10% and 14% of covered payroll, respectively. The required, actuarially determined contribution rates for STRS plan members and the University are 10% and 14% of covered payroll, respectively. These OPERS and STRS contribution rates incorporate the required contributions to fund post-retirement benefits other than pensions.

Eligible University employees may choose an Alternative Retirement Plan in lieu of OPERS or STRS. For employees electing an ARP in lieu of STRS, the University is required to make employer contributions of 3.5% of earned compensation to STRS. In addition, the University contributes 13.77% or 10.5% of earned compensation for OPERS or STRS-eligible employees, respectively, to the employee's account with the ARP provider.

The ARP is a defined contribution pension plan available to full-time administrative and professional staff in lieu of OPERS and available to faculty in lieu of STRS. For the employees who elected participation in ARP, prior employee contributions to OPERS and STRS were transferred from those plans and invested in individual accounts established with selected external investment managers. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

The University's contributions, including employer contributions for pensions and other postretirement benefits, for the year ended June 30, 2009 and for each of the two preceding years are:

Year Ended June 30	OPERS Contributions	STRS Contributions	ARP Contributions
2009	$1,384,253	$556,629	$512,699
2008	1,349,649	498,058	438,776
2007	1,280,150	426,155	382,875

Post-Retirement Health Care Benefits (in whole numbers)

OPERS provide post-retirement health care coverage to age and service retirees with 10 or more years of qualifying State service credit. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. The 2008 employer contribution rate for health care was 7% of covered payroll.

OPERS benefits are advance-funded on an actuarially determined basis. As of December 31, 2007 OPERS reported the actuarially accrued liability and the unfunded actuarial accrued liability for Other Post Employment Benefits at $29.8 billion and $17.0 billion, respectively. Significant actuarial assumptions include a 6.5% investment return, a 4% individual pay increase, and a .5 to 4% increase in health care costs. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. As of December 31, 2007, the actuarial value of the retirement system's net assets available for other post employment benefits was $12.8 billion. The number of active contributing participants in the traditional and combined plans was 363,503 as of December 31, 2008.

STRS Ohio provides access to health care coverage to retirees who participated in the defined benefit or combined plans. Coverage includes hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By State law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The State Teachers Retirement Board currently allocates employer contributions, which equals 1% of covered payroll, to a health care stabilization fund from which health care benefits are paid. The balance in the health care reserve fund was $3.66 billion at June 30, 2008.

For the year ended June 30, 2008 (latest information available), net healthcare costs paid by STRS were $540 million. There were 126,506 eligible benefit recipients on June 30, 2008.

10. 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 health care and other benefits (including dental, life insurance and long-term disability benefits), the University participates in the University of Akron health care program. Premiums paid to the University of Akron by the University are for providing employee benefit coverage.

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

11. RELATED PARTY TRANSACTIONS

For the years ended June 30, 2009 and 2008, the University has received distributions from the Foundation in the amount of $1,510,371 and $1,622,372, respectively, in direct support of charitable, educational, and scientific purposes benefiting the University and its students. In addition, the Foundation granted loans of $76,733 and $57,800, respectively, for the years ended June 30, 2009 and 2008.

The University received reimbursements of $198,861 and $205,791, respectively, from the Foundation for management, fund raising, services, and office space during the years ended June 30, 2009 and 2008. Amounts for such services provided by the University which are not reimbursed by the Foundation are reported as in-kind contributions in the Statement of Revenues, Expenses and Changes in Net Assets. The University's in-kind support for these services was valued at $457,157 and $423,475, respectively, for the years ended June 30, 2009 and 2008.

Certain Foundation Board Members have affiliations with financial institutions with which the Foundation has deposit and investment accounts.

12. COMPONENT UNIT – THE NEOUCOM FOUNDATION

A. Organization and Significant Accounting Policies

The NEOUCOM Foundation (hereinafter referred to as the "Foundation") was incorporated on April 14, 1978, as a nonprofit tax-exempt corporation. The purpose of the Foundation is to serve as the gift receiving arm of the Northeastern Ohio Universities Colleges of Medicine and Pharmacy (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 forty-two members.

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, with the exception of taxable unrelated business income. The Foundation had no unrelated business income in fiscal 2009 or 2008.

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.

B. Pledges Receivable

Promises to give to the Foundation are recorded as an asset when the pledge is received. The net present value of outstanding pledges discounted at approximately 5% as of June 30 is due as follows:

	2009	2008
Less than one year	$ 352,500	$ 376,000
More than one year	1,425,000	1,780,000
Total outstanding pledges	1,777,500	2,156,000
Less net present value discount	(230,506)	(287,386)
Less allowance for uncollectible pledges	(16,502)	(20,553)
Net outstanding pledges	$1,530,492	$1,848,061

C. Investments

Following is a summary of investments at June 30:

	2009		2008	
	Cost	Market	Cost	Market
Money market funds	$ 55,979	$ 55,979	$ 81,067	$ 81,067
Cash surrender value of life insurance	229,208	229,208	226,873	226,873
Real estate	200,229	200,229	200,229	200,229
Equities	5,561,838	4,943,615	7,648,305	6,807,564
Fixed income	3,988,760	3,399,675	4,088,948	3,614,852
Total long-term investments	$10,036,014	$8,828,706	$12,245,422	$10,930,585

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. Investments in real estate are recorded at cost.

D. Fair Value of Financial Instruments

The carrying values of cash and equivalents, accounts and other receivables, other assets and accrued expenses are reasonable estimates of fair value due to the short-term nature of these financial instruments. The carrying value of the investments and beneficial interest in trusts approximates their fair value in accordance with SFAS 157, "Fair Value Measurements."

SFAS 157 establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions.

The following table sets forth by level within the fair value hierarchy the Foundation's financial assets that were accounted for at a fair value on a recurring basis as of June 30, 2009. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

	As of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ -	$ 55,979	$ -	$ 55,979
Cash surrender value of life insurance	-	-	229,208	229,208
Real estate	-	-	200,229	200,229
Equities	4,943,615	-	-	4,943,615
Fixed income	3,399,675	-	-	3,399,675
Total investments	$ 8,343,290	$ 55,979	$ 429,437	$ 8,828,706
Beneficial interest in trusts	$ 1,379,459	$ -	$ 42,042	$ 1,421,501

Investments – The Foundation invests in equities and fixed income instruments with quoted prices in active markets, which are considered to be Level 1 assets.

The Foundation invests in money market funds that are not quoted in active markets and are considered to be Level 2 assets.

In addition, the Foundation is the sole beneficiary of a life insurance policy and the amount stated is the cash surrender value of the policy. The Foundation also holds land that is stated at the historical cost, which approximates fair value. These are considered to be Level 3 assets.

Beneficial Interest in Trusts – The Foundation is the sole owner of equities and bonds that are held with a trustee. They have quoted prices in active markets and are considered to be Level 1 assets.

In addition, the Foundation is a partial owner of investments from a third party. These investments are part of a pool of funds and considered to be a Level 3 asset.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Life Insurance	Real Estate	Beneficial Interest in Trusts
Balance at June 30, 2008	$ 226,873	$ 200,229	$ 53,025
Contributions	-	-	-
Payments	-	-	-
Change in value	2,335	-	(10,983)
Balance at June 30, 2009	$ 229,208	$ 200,229	$ 42,042

E. Beneficial Interest in Trusts

The Foundation is a beneficiary of a Charitable Remainder Trust. Upon the death of the donors, the Foundation will receive its share of the trust funds. The Foundation has recorded an investment in this trust equal to the expected future distribution discounted at a rate of 5%. The value of the Foundation's interest in the trust at June 30, 2009 and 2008 totaled $42,042 and $53,025, respectively.

In addition, the Foundation is the sole beneficiary of an irrevocable grantor trust. According to the trust, the Foundation is to receive annually the sum of $300,000 until such time that the trust is fully liquidated. The value of the Foundation's interest in the trust has been recorded at its fair market value and at June 30, 2009 and 2008, the value totaled $1,379,459 and $2,089,414, respectively.

F. Temporarily Restricted Net Assets

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. This category includes true endowment earnings, a property annuity and property assets. All temporarily restricted net assets are available for charitable purposes benefiting the University's faculty, staff, and students in educational and general functional categories including academic support, student scholarship and other student aid, instructional and departmental research. Temporarily restricted net assets total $4,959,139 and $6,897,566 as of June 30, 2009 and 2008, respectively, and are shown as Restricted Expendable Net Assets in the accompanying Statements of Net Assets.

G. Endowment Funds

During 2008, the Financial Accounting Standards Board released Staff Position 117-1 (FSP 117-1), providing guidance on the net asset classification of donor-restricted endowment funds. FSP 117-1 requires enhanced disclosure for endowment funds.

Ohio has adopted the Uniform Prudent Management of Institutional Funds Act. The law was signed January 6, 2009, and it became effective June 1, 2009.

The Board of Directors of the Foundation has approved an investment policy detailing the long term goals, asset allocation, guidelines for security selection, measurable objectives, and on-going communication. The basic philosophy of the investment policy is that administration and management of the investment are to be implemented through a limited number of investment pools designed to recognize income needs for ongoing operations and reimbursement risk, as well as committed spending and capital-growth needs to meet expansion goals and costs increased by future inflation. Endowment funds are subject to the investment policy approved by the Board of Directors.

The Foundation's endowment consists of permanently restricted endowment funds which are restricted as to use in perpetuity. As of June 30, 2009, the Foundation continues to record permanent endowment gifts at historic dollar value. The income from these funds is to be used for their donor-restricted purpose and is recorded as temporarily restricted until spent.

The Foundation's distribution policy is to distribute up to 5% of the average of the June 30 market values of the endowment fund of the previous three years. Distributions, based on this budgeted amount, will be awarded in the following fiscal year. All unspent funds distributed to temporarily restricted accounts will be reinvested.

Donor-restricted endowment activity is as follows for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2008	$ -	$ 631,948	$ 7,480,491	$ 8,112,439
Investment return:				
Investment income	-	206,444	-	206,444
Net depreciation (realized and unrealized)	(1,246,914)	(632,056)	-	(1,878,970)
Total investment return	(1,246,914)	(425,612)	-	(1,672,526)
Contributions	-	-	60,398	60,398
Appropriations for expenditure	-	(120,026)	(6,395)	(126,421)
Endowment net assets as of June 30, 2009	$ (1,246,914)	$ 86,310	$ 7,534,494	$ 6,373,890

H. Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that will be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use the income earned on related investments for general or specific purposes. This category includes annuity funds and true endowment principal and is restricted to student scholarships and awards, community health science professorship, anatomy endowed chair, student loans and other. Permanently restricted net assets total $8,299,431 and $8,322,843 as of June 30, 2009 and 2008, respectively, and are shown as Restricted Nonexpendable Net Assets in the accompanying Statements of Net Assets.

The Foundation's distribution policy is to distribute up to 5.0% of the average of the June 30 market values of the endowment fund of the previous three years. Distributions, based on this budgeted amount, will be made in the following fiscal year. All unspent funds distributed to temporarily restricted accounts will be reinvested.

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
STUDENT FINANCIAL AID CLUSTER			
Scholarships:			
Department of Health and Human Services:			
Health Resources and Services Administration:			
Scholarships for Disadvantaged Students	93.925	T08HP07141	167,417
Total Health Resources and Services Administration:			*167,417*
Total Department of Health and Human Services:			**167,417**
Loans:			
Department of Education:			
Office of Student Financial Assistance Programs:			
Federal Family Education Loans*	84.032	N/A	19,722,072
Federal Perkins Loan Program*	84.038	N/A	2,048,975
Total Office of Student Financial Assistance Programs:			*21,771,047*
Total Department of Education:			**21,771,047**
Department of Health and Human Services:			
Health Resources and Services Administration:			
Health Professions Student Loans—Disadvantaged Students*	93.342	N/A	1,335,222
Health Professions Student Loans—Primary Care Loans*	93.342	N/A	859,068
Total CFDA #93.342			2,194,290
Total Health Resources and Services Administration:			*2,194,290*
Total Department of Health and Human Services:			**2,194,290**
TOTAL STUDENT FINANCIAL AID CLUSTER			**24,132,754**

(Continued)

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
Department of Health and Human Services:			
Health Resources and Services Administration:			
Passed through The University of Findley:			
Northeast Central Ohio Region Hospitals Training & Education	93.889	U3RHS05592	1,988
Amygdalar Influences on Cells in the Inferior Colliculus	93.173	F32DC007786	12,038
Cholinergic Circuitry in Auditory Brainstem	93.173	F32DC008463	21,834
Total CFDA #93.173			33,872
Total Health Resources and Services Administration:			35,860
National Institutes of Health:			
Auditory Information Processing in Midbrain	93.173	R01DC000937	340,660
Functional Anatomy of the Auditory Pathways	93.173	R01DC004391	253,882
Temporal Dynamics of Central Auditory Processing	93.173	R01DC005377	9,536
Regulation of Excitability in a Sensory System	93.173	R01DC008120	198,487
G-protein-coupled Receptors in Hearing Physiology	93.173	R01DC008984	259,378
Total CFDA #93.173			1,061,943
Passed through Summa Health System Hospitals:			
After Discharge Management of Low Income Frail Elderly	93.226	R01HS014539	4,485
ARRA - Auditory Information Processing in the Midbrain	93.701	R01DC000937-18S1	3,608
Passed through the University of California, San Diego:			
Molecular Biology of the Cardiac Interstitium	93.837	R01HL043617-14A2	45,369
Type VI Collagen and Integrins in Cardiac Remodeling	93.837	R15HL079969	22,039
Microcirculatory Dynamics in the Coronary Circulation	93.837	R01HL032788	454,172
Total CFDA #93.837			521,580
Mineral-Matrix Relations in Calcifying Tissues	93.846	R01AR41452	23,289
Molecular Biology of Bile Acid Synthesis	93.847	2R56DK044442-14	3,796
Molecular Biology of Bile Acid Synthesis	93.848	R01DK44442	114,463
Regulation of Bile Acid Synthesis by Nuclear Receptor	93.848	R01DK58379	294,819
Total CFDA #93.848			409,282
Female Reproductive Organs and Their Innvervation	93.853	R01NS22526	176
Microglia in Retrovirus-Induced Neurodegeneration	93.853	R29NS37614	180,560
Total CFDA #93.853			180,736
Passed through Medical University of South Carolina:			
AGS1 and Signal Processing by G-Proteins**	93.859	R01GM074247	12,968

(Continued)

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
Department of Health and Human Services (Continued):			
Role of Bag-1 Proteins in Chondrocyte Aging and Disease	93.866	R15AG029659	94,978
Real Time Imaging of the Aqueous Outflow Pathway by Two-Photon Endoscopy	93.867	R21EY018318-01A1	198,062
Total National Institutes of Health:			*2,514,727*
Substance Abuse and Mental Health Services Admin:			
Passed through Ohio Department of Mental Health:			
TSIG Investigation of Ohio Mental Health Courts	93.243	TA-08-22-03-01	16,497
TSIG Promoting Campus Safety in Ohio	93.243	TA-08-23-03-03	24,540
TSIG Campus Safety and Trauma	93.243	TA-09-11-03-01	15,791
TSIG Investigation of Ohio Mental Health Courts	93.243	TA-09-10-03-01	8,263
Total CFDA #93.243			65,091
Total Substance Abuse and Mental Health Services Admin:			*65,091*
Total Department of Health and Human Services:			**2,615,678**
Department of Housing and Urban Development:			
Passed through Akron Health Department:			
Evaluation of a Lead Hazard Program	14.900	OHLHB0219-02	8,604
Total Department of Housing and Urban Development:			**8,604**
Department of Justice:			
Passed through Ohio Office of Criminal Justice Services:			
Enhancing Local Courts	16.738	2007-JG-E0R-6583	63,119
Total Department of Justice:			**63,119**
National Science Foundation:			
Diet in Early Whales	47.050	EAR0745543	63,743
Jaw Muscle Biomechanics in Primates	47.075	BCS0552285	52,307
Ecological and functional morphology of feeding in free-ranging mantled howling monkeys	47.075	BCS0720028	23,857
Doctoral Dissertation Improvement: Dental Develop in Pigs	47.075	BCS0725951	7,348
Total CFDA #47.075			83,512
Total National Science Foundation:			**147,255**
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**2,834,656**

(Continued)

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
OTHER PROGRAMS			
Environmental Protection Agency:			
The KSOHIA Collaboration	66.609	CH832654010	14,122
Total Environmental Protection Agency:			**14,122**
Department of Health and Human Services:			
Center for Disease Control:			
Passed through Congressional Glaucoma Caucus Fdn:			
Student Sight Saver Program	93.988	E11/CCE220462	3,383
Total Center for Disease Control:			*3,383*
Health Resources and Services Administration:			
Passed through Univ. of Toledo Health Science Campus:			
Model State Supported AHEC Program ($176,771 passed through to sub-recipients)	93.107	HP03029	255,316
Online Clinical Simulation Project	93.211	D1BTH03745-01-00	9,925
Academic Administrative Units in Primary Care	93.884	D54HP03397	17,580
Passed through Case Western Reserve University:			
Western Reserve Geriatric Education Center	93.969	D31HP0884101	94,996
Total Health Resources and Services Administration:			*377,817*
Administration for Children and Families:			
Passed through The Cleveland Clinic:			
Hard Wired for Health	93.630	PO#4059937	4,712
Total Administration for Children and Families:			*4,712*
Office of the Secretary:			
Passed through The University of Findlay:			
NECO - Regional Hospitals Training and Educ. Coor.	93.889	UF Subcontract	3,161
Total Office of the Secretary:			*3,161*

(Continued)

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (Continued)			
Department of Health and Human Services (Continued):			
Substance Abuse and Mental Health Services Admin:			
Passed through Ohio Department of Mental Health:			
TSIG: Addressing Trauma in Ohio Jails	93.243	TA-08-29-03-01	36,815
Passed through Ohio Department of Mental Health and Summit County ADM Board:			
Center of Excellence Program—Jail Diversion—FY08	93.958	CJ-08-CCOE	705
Center of Excellence Program—Jail Diversion—FY09	93.958	CCOEBG-09-424	156,479
Total CFDA #93.958			157,184
Total Substance Abuse and Mental Health Services Admin:			*193,999*
Total Department of Health and Human Services:			**583,072**
Department of Justice:			
Passed through OCJS and NAMI:			
Ohio Crisis Intervention Team Program-CY08	16.738	2007-DG-B01-6317	4,896
Ohio Crisis Intervention Training	16.738	2007-DG-B01-6317A	4,896
Total CFDA #16.738:			9,792
Total Department of Justice:			**9,792**
TOTAL OTHER PROGRAMS			**606,986**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 27,574,396**

* Expenditure amounts shown for Financial Aid loans include both FY09 disbursements and year end fund balances.

** Expenditure amount adjusted from trial balance figure to account for refund to grantor.

See the Notes to the Supplemental Schedule of Expenditures of Federal Awards.

(Concluded)

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Northeastern Ohio Universities Colleges of Medicine and Pharmacy (the "University") under the programs financed by the U.S. government for the year ended June 30, 2009. The Schedule has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

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

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

2. FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the University during the year ended June 30, 2009 totaled $19,722,072. The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the University's financial statements or the Schedule.

3. OTHER FEDERAL LOAN PROGRAMS

The University administers the following additional federal loan programs:

	CFDA Number	Outstanding Balance at June 30, 2009
Federal Perkins Loan Program	84.038	$ 1,893,675
Health Professions Student Loan Program – Loans to Disadvantaged Students	93.342	809,368
Health Professions Student Loan Program – Primary Care Loans	93.342	1,225,840

Total loan expenditures and disbursements under the U.S. Department of Education and the U.S. Department of Health and Human Services student financial assistance loan programs for the year ended June 30, 2009 are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	$ 155,300
Health Professions Student Loan Program – Loans to Disadvantaged Students	93.342	49,700
Health Professions Student Loan Program – Primary Care Loans	93.342	109,382

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures.

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Maloney+Novotny LLC

Board of Trustees
Northeastern Ohio Universities Colleges of Medicine and Pharmacy
Rootstown, Ohio

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited the financial statements of Northeastern Ohio Universities Colleges of Medicine and Pharmacy as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeastern Ohio Universities Colleges of Medicine and Pharmacy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Northeastern Ohio Universities Colleges of Medicine and Pharmacy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northeastern Ohio Universities Colleges of Medicine and Pharmacy's internal control over financial reporting.

A control deficiency in an entity's 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeastern Ohio Universities Colleges of Medicine and Pharmacy's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management of Northeastern Ohio Universities Colleges of Medicine and Pharmacy, the U.S. Department of Education, applicable pass-through agencies, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Meloney + Novotny LLC

Cleveland, Ohio
November 12, 2009

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Maloney+Novotny LLC

Board of Trustees
Northeastern Ohio Universities Colleges of Medicine and Pharmacy
Rootstown, Ohio

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Northeastern Ohio Universities Colleges of Medicine and Pharmacy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Northeastern Ohio Universities Colleges of Medicine and Pharmacy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northeastern Ohio Universities Colleges of Medicine and Pharmacy's management. Our responsibility is to express an opinion on Northeastern Ohio Universities Colleges of Medicine and Pharmacy's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Northeastern Ohio Universities Colleges of Medicine and Pharmacy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northeastern Ohio Universities Colleges of Medicine and Pharmacy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeastern Ohio Universities Colleges of Medicine and Pharmacy's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees and management of Northeastern Ohio Universities Colleges of Medicine and Pharmacy, the U.S. Department of Education, applicable pass-through agencies, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Maloney + Novotny LLC

Cleveland, Ohio
November 12, 2009

NORTHEASTERN OHIO UNIVERSITIES COLLEGES OF MEDICINE AND PHARMACY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section I – Summary of Auditor's Result

Financial Statements

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	______	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	______	yes	X	none reported
Noncompliance material to financial statements noted?	______	yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	______	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	______	yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	______	yes	X	no

Identification of major programs:

CFDA Numbers	**Name of Federal Program or Cluster**
Various	Research and Development Cluster
93.342, 84.038, 93.925, 84.032	Student Financial Aid Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	$827,232

Auditee qualified as a low risk auditee?	X	yes	______	no

Section II – Financial Statement Findings – No findings were noted.

Section III – Federal Award Findings and Questioned Costs – No findings were noted.

**NORTHEASTERN OHIO UNIVERSITIES COLLEGES
OF MEDICINE AND PHARMACY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2009**

Prior Year Findings:

No findings of questioned costs for Federal awards including audit findings as defined by OMB Circular A-133 Section 510(a) were reported in the prior audit period.

Mary Taylor, CPA
Auditor of State

NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE AND PHARMACY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2010

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